Banca CF+

Consolidated and Individual Annual Report 2023

Banca CF+ S.p.A.

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Fiscal Code 00395320583

Representative of the "VAT Banca CF+ Group" - VAT no. 16340351002
Parent company of the "Banca CF+ Group" banking group
Register of Banks and Banking Groups: COD. ABI 10312.7
Member of the Interbank Deposit Protection Fund

www.bancacfplus.it

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Corporate bodies and management

Board of Directors
(elected by the shareholders on 4 August 2021)

Chairman:	Panfilo TARANTELLI
Deputy Chairman:	Davide CROFF
Chief Executive Officer and General Manager:	Iacopo DE FRANCISCO
Directors:	Salvatore BAIAMONTE
	Claudio BATTISTELLA
	Emanuela DA RIN
	Paolo VAGNONE

Board of Statutory Auditors
(elected by the shareholders on 4 August 2021)

Chairman:	Antonio MELE
Standing Statutory Auditors:	Franco VEZZANI
	Giuseppina PISANTI
Substitute Statutory Auditors:	Paolo CARBONE
	Fabio Maria VENEGONI

Management

General Manager and Chief Executive Officer:	Iacopo DE FRANCISCO
Deputy General Manager and Chief Lending Officer:	Alberto BERETTA
Chief Financial Officer:	Mariacristina TAORMINA*
Chief Risk Officer:	Giovanna BENCIVENGA

(*) in office since 4 April 2023

2023 Consolidated annual report

Banca CF+ Group

BANKS	Banca CF+ S.p.A. (parent)
SECURITISATION VEHICLES AS PER LAW NO. 130/99	Crediti Fiscali+ S.r.l. (formerly "Convento SPV S.r.l.")
	Cassia SPV S.r.l.[1]

Competitive position

The Banca CF+ Group (formerly "Credito Fondiario Group", the "group") came into being in August 2021 after completion of the "Reorganisation Project 3.0" (hereinafter also the "Project").

This project covered in particular the demerger of the debt purchasing and debt servicing businesses of the then Credito Fondiario to a separate non-banking entity.

As part of this reorganisation, Credito Fondiario kept the banking licence and began its transformation into a challenger bank while concurrently completing a renaming and rebranding journey that led it to also change its company name to Banca CF+.

The group operates through advanced operating and distribution models and believes in technology as a tool that facilitates and accelerates access to credit for businesses. Specialised in corporate finance solutions and working with performing and reperforming companies, the group's products include factoring services, tax asset purchases and short and medium-term loans to companies with structural and liquidity requirements, including those secured by central guarantee funds.

The reorganisation project led the group to rewrite its mission to return to its origins as a corporate bank. Developing the full potential of its extensive experience achieved in over 125 years of operations, the parent has built a diversified product portfolio to meet the liquidity requirements of companies that need support to implement their development, consolidation or relaunch plans. This specialised offering is accompanied by an evolved technological platform, capable of making bank-business relations more efficient and rapid, especially in terms of response times and credit disbursement. This strategic repositioning represents the natural evolution of a bank that has always been characterised by a great ability to renew itself in order to meet the needs of the market.

(1) Pursuant to article 7.2 of Bank of Italy's measure of 12 December 2023, Cassia SPV S.r.l. was removed, effective from 25 January 2024, from the statistical list of loan securitisation vehicles kept by the Bank of Italy. On the same date, the vehicle was also eliminated from the Banca CF+ Banking Group.

Ownership structure

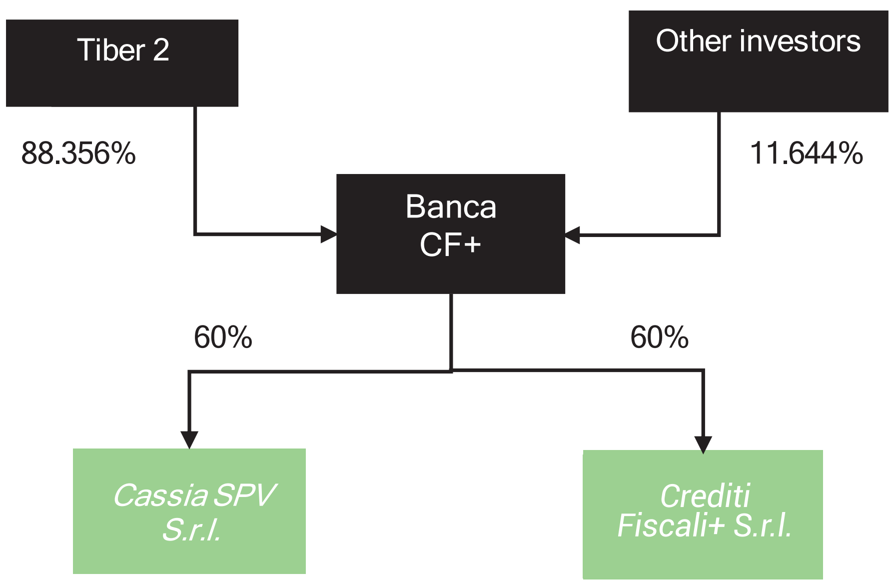
On 2 August 2021, as part of the group's reorganisation, Tiber Investments S.à r.l. transferred its 87.12% investment in Banca CF+ to another Luxembourg company of the Elliott Group, Tiber Investments 2 S.à r.l. ("Tiber 2").

Elliott, an institutional investor leading the US market for over 40 years, continues to be a key partner and investor in Banca CF+ through Tiber Investments 2 S.à r.l.

The shareholders have steadily supported the parent's transformation into a challenger bank, with capital strengthening initiatives to support the rapid start-up process and growth of the new business lines.

In 2023, the Shareholder's Meeting completed the process for a capital increase of €28.1 million. As reported in the subsequent "Capitalisation" section, this initiative was followed by the Board of Directors' resolution of 14 March 2024 approving a new capital increase for a maximum amount of €28.5 million. The controlling shareholder, Tiber 2, communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter.

The following table presents the parent's ownership structure at 31 December 2023:



Key figures

The following table presents the group's key figures at 31 December 2023:

(€m)

Key figures	31/12/2023	31/12/2022
Total assets	1,673.2	1,239.5
Guaranteed finance products (carrying amount)	586.1	317
2023 disbursements	388.5	352.1
Factoring products (carrying amount)	97.0	99.2
2023 factoring turnover	399.7	290.4
Tax assets (carrying amount)	145.1	78.1
Tax assets (2023 purchases - nominal amount)	197.2	153.8
Investments in ABS (carrying amount)	203.1	245.6
Investments in portfolios of non-performing exposures (carrying amount)	101.7	128.7
Investments in portfolios of non-performing exposures (gross carrying amount)	588.7	637.7
Net non-performing loans - business lines segment	4.2	0.9
Total funding	1,528.2	1,044.6
Retail savings (on-line deposits)	1,013.5	868.1
Equity attributable to the owners of the parent	85.1	116.0
Own funds	93.0	102.4
Employees	190	135
Funding indicators		
Net loans and receivables with customers at amortised cost/ Total assets	80.0%	77.5%
Direct funding/Total liabilities	99.6%	93.0%
Equity/Total liabilities	5.4%	10.3%
Net loans and receivables with customers at amortised cost/ Direct funding from customers	132.0%	110.7%
Profitability indicators		
ROE (Loss/equity)	-41.1%	-27.2%
ROA (Loss/Total assets)	-2.1%	-2.5%
RORAC (business lines segment)	30.0%	-1.0%

Capital indicators - Group	31/12/2023	31/12/2022
CET 1 ratio	11.1%	14.8%
Tier 1 ratio	11.3%	15.0%
Total capital ratio	15.8%	15.2%
Capital indicators - Banca CF+ S.p.A. (parent)		
CET 1 ratio	10.3%	15.6%
Tier 1 ratio	10.3%	15.6%
Total capital ratio	14.7%	15.6%
Liquidity indicators		
LCR - group	2,329.0%	753.0%
NSFR - group	137.2%	152.2%
Risk indicators - business lines segment		
Gross NPE ratio	5.5%	2.3%
Net NPE ratio	4.7%	1.8%
NET NPE/tangible equity	5.8%	0.8%

Consolidation scope

In accordance with IFRS 10, the group has checked whether it controls its investees and other entities it works with to define its consolidation scope. Specifically, it checked:
• the power to direct the relevant activities of the investee;
• exposure to the variability of returns;
• the ability to use power over the investee to affect the amount of its returns.

Pursuant to IFRS 10, special purpose entities are treated as subsidiaries when the parent concurrently is:
• significantly exposed to variable returns due to its investment in the investee, the provision of financing or the supply of guarantees;
• able to direct the significant activities, including on a de facto basis.

Therefore, as well as Banca CF+ S.p.A., the consolidation scope includes Cassia SPV S.r.l. and the SPVs of which the parent holds all or the majority of the junior asset-backed loans (ABS) issued and has de facto control as per IFRS 10. Investments in certain SPVs (Restart SPV S.r.l. and Italian Credit Recycle S.r.l.), of which the parent has subscribed 47.3% of the securitisation mezzanine notes, fall under IFRS 11 (joint control) and they are presented accordingly. More information about the consolidation scope is available in Part A Accounting policies, Section 3 - Basis of consolidation of the notes to the consolidated financial statements.

The table below lists the in-scope companies at 31 December 2023:

Group company	Investor	Investment %	Consolidation/ recognition method
Cassia SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital	Line-by-line
Crediti Fiscali + SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital and 100% of its junior notes	Line-by-line
Ponente SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
New Levante SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Cosmo SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Fairway S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Aventino SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Liberio SPV S.r.l.	Banca CF+ S.p.A.	95% of the SPV's mono tranche notes	Line-by-line
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity

Macroeconomic scenario[2]

The macroeconomic scenario continues to be characterised by great uncertainty. 2023 saw continued weaknesses in the global economy and international trade caused by the continuing geopolitical uncertainty, exacerbated by the ongoing war in Ukraine and terrorist attacks in the Middle East, which negatively affected the outlook for international trade, leading to disruptions in global trade and triggering increases in energy prices.

Global economic activity was held back by high inflation and tight financing conditions. In the early months of 2023, GDP decelerated in the United States, due to the effect of continuously high interest rates, followed by an upturn in investment and consumption levels, especially of households, in the third quarter interrupted by a further contraction towards the end of 2023. In China, economic activity benefited from the removal of Zero-Covid policies in the first quarter of the year only to lose momentum in the second quarter, despite the fact that the Chinese central bank lowered its benchmark rate on medium-term loans to financial institutions in order to bolster economic growth. In the second half of the year, this country's economic activity was significantly affected by the crisis in the real estate sector and weak domestic and foreign demand, causing mistrust among international investors and the Chinese currency's depreciation.

In the UK, economic activity recovered modestly in the first part of the year, only to decelerate slightly afterwards, while in Japan, GDP returned to a growth trajectory, only to contract at the end of the year due to smaller investments.

At the beginning of 2023, expansion in the services sector was offset by a downturn in the manufacturing sector, which negatively affected international trade and commodity and energy prices. In the second half of 2023, trade flows decelerated and Bank of Italy data show a marked slowdown in global trade of 0.6% (from 5.4% in 2022), which is lower than the average for the decade before the pandemic.

Overall, at global level, there was a further weakening of economic activity at the end of the year and international trade was affected by weak demand for goods and the global monetary tightening.

The Eurozone also put in a feeble performance, reflecting the impact of high inflation and restrictive financing conditions.

(2) Source: Bank of Italy's Economic Bulletin no. 2, 3 and 4 of 2023 and no. 1 of 2024

The downturn in economic activity was concentrated in the manufacturing sector, which continues to suffer from the hesitant global industrial cycle while, on the other hand, GDP picked up in the services sector and especially construction.

In the first few months of the year, GDP grew in France and, to a greater extent, in Italy and Spain, while it fell in Germany (-0.3%, from -0.5% in the previous quarter).

Growth was almost nil in the second quarter: the weakness of the manufacturing sector became more visible, while the positive momentum of services - especially tourism - continued, despite increased difficulties in finding labour. In April and May, industrial production decreased (-1.4% compared to the average of the first three months of the year). In the spring quarter, the manufacturing PMI index was below the threshold compatible with expansion; on the other hand, the services PMI index continued to grow, but lost momentum in June.

GDP remained virtually unchanged over the summer months with the weakness in manufacturing activity compounded by a similar trend in services. In July, industrial production fell by 1.1% compared to the previous month, and the manufacturing PMI index continued to contract in August and September. The upturn in household consumption was countered by stagnating capital expenditure. Net foreign demand, with a decline in imports and exports, did not contribute to GDP growth. On the supply side, value added decreased in industry in general and, to a lesser extent, in construction; it increased slightly in services, particularly in information and communication services and, less so, in real estate. GDP growth was essentially flat in all the major countries except Spain, where it continued to increase driven by an uptick in consumption.

In the fourth quarter, the level of GDP in this area remained more or less unchanged. The feeble state of the manufacturing sector, which, on the basis of the data available until November and the PMI indicators, continued in the fourth quarter, was accompanied by very subdued growth in the services sector. The construction cycle remained weak, adversely affected by the tight financing conditions. On the demand side, consumer confidence also contracted slightly on average in the last quarter of the year, due to more negative expectations about the general economic situation.

Consumer inflation continued to decline throughout 2023, down to 2.9% in December. Energy goods prices decreased in comparison to the previous year, reflecting the normalisation of wholesale prices.

Food inflation also declined gradually, due to the reduction in the processed component, which more than offset seasonal increases in fresh produce. The Eurosystem’s staff estimates that disinflation will continue in 2024.

The projections published by the Eurosystem staff in December show a slowdown in GDP of 0.8% in 2024 (from 0.6% in 2023), followed by an acceleration of 1.5% a year in 2025 and 2026.

Monetary policy measures
In the first few months of the year, the Federal Reserve and the Bank of England voted on new increases in key interest rates, leaving them unchanged in December. Since mid-January, conditions in international financial markets had worsened, affected by expectations of more substantial and prolonged rate hikes. In March, the collapse of some banks in the US and Switzerland led to a sudden increase in risk aversion and volatility.

The monetary policy continued to remain restrictive throughout the year in an attempt to counteract the still sustained inflation. In the Eurozone, loans to companies contracted. Yields on ten-year government bonds fell in the first few months to rise slightly in the second quarter only to fall again in the latter part of the year, while the trend in spreads with the German Bund varied among the Eurozone countries, with the exception of Italy, where they fell drastically in the last quarter of 2023.

Towards the end of the year, the ECB’s governing council decided to leave key interest rates unchanged (it had increased them by 50 basis points at the end of June). The council believes that rates are at levels that will make an important contribution to the return of inflation to target levels in the long run. In July 2023, the governing council ended reinvestments under the Asset Purchase Programme (APP) while those under the Pandemic Emergency Purchase Programme (PEPP) will continue throughout 2024. Specifically, at its December 2023 meeting, the governing council announced that it would continue reinvesting in the first part of 2024; in the second half of the year, however, it would reduce the PEPP portfolio, discontinuing reinvestments at the end of 2024.

The European Commission has disbursed more than €220 billion under the Recovery and Resilience Facility since the start of 2023. On 15 October 2023, the Council of the European Union approved requests to amend the national recovery and resilience plans of 19 countries[3] including Italy. Approval of the EU REPowerEU programme will lead to the reduction of energy dependency on Russia and accelerate the green transition.

The cost of financing for companies and households has been rising steadily since the first half of 2022, reflecting the start of monetary policy normalisation and the rise in official rates. Prior increases in official rates have continued to be passed on to the cost of financing to companies and households for house purchases. Over the course of the year, interest rates on new loans to non-financial companies and on loans to households for house purchases continued to rise in the Eurozone, reaching 4.6% and 3.6%, respectively, in November 2023.

Financial markets

At the beginning of March, risk aversion and volatility increased abruptly following the failures of some regional banks in the US (first and foremost Silicon Valley Bank, the 16th largest bank in the United States) and the Credit Suisse crisis. However, the international financial markets' behaviour normalised in the second quarter of 2023. Yields on government bonds in the second and third quarters did not change much: they rose slightly in the Eurozone, more markedly in the UK in the second quarter and in the United States in the third quarter, reflecting the tenacity of core inflation and further monetary tightening, while they remained broadly stationary in Japan. The last quarter, however, saw a reduction in yields on government bonds in the major advanced economies, stemming from the US Treasury's announcement of a reduction in issuances of long-term debt) and the subsequent downward revision of market expectations for both Federal Reserve and ECB rates. Share prices remained stable in the Eurozone, benefiting from the easing of concerns over credit sector conditions in the United States and Switzerland and the release of better-than-expected earnings in the financial and technology sectors, while they fell slightly in the UK.

In Italy, financial market conditions benefitted from an easing of tensions in the international banking sector towards the end of June, which facilitated a decrease in the volatility implicit in derivative contracts on the Italian ten-year government bonds. At the end of the third quarter, conditions deteriorated again, reflecting the weakening of economic activity and the expectations of official interest rates remaining at high levels in the long term. In the first few months of the year, yields on bonds of non-financial companies and Italian banks rose, with those on bank bonds, despite the smaller rise, still higher than those on corporate bonds. In the last quarter, however, while yields on bonds issued by Italian financial companies in the Eurozone fell, those on bank bonds showed a greater contraction (115 basis points in Italy and 90 in the Eurozone compared to the previous quarter). This trend is linked to the fall in risk-free rates and investors' increased risk appetite. In early August, the share prices of Italian banks fell after the government's announcement of a windfall tax on a part of their profits.

Italy

In the first quarter of 2023, Italy's GDP returned to growth (0.6% compared to the previous quarter), but this was partly offset by a decline in the second quarter and was almost inexistent in the last quarter of the year, held back chiefly by monetary restrictions, high energy prices and weak foreign demand. Economic activity was mainly bolstered by tourism-recreation services, while manufacturing output declined (production levels were still below pre-pandemic levels), hampered by the weakening global industrial cycle. Economic activity also decreased in the construction sector, affected by the gradual disappearance of the effects of the tax incentives linked to the "110% Superbonus", partially offset by the upturn in the public works sector. In fact, after a prolonged expansion phase, capital expenditure slowed down attributable mainly to the construction sector as a result of the smaller push from fiscal support measures. The projections for an upturn in capital expenditure are supported by the National Recovery and Resilience Plan, from which around 30% of Italian companies benefited in the first three quarters of 2023.

Household consumption rose in the first half of 2023, driven by the partial recovery of real disposable income and more favourable labour market conditions. It continued to rise in the third quarter supported by easing inflation, until the last few months of the year when it instead decelerated.

The Italian GDP growth trend may also be affected by a stronger tightening of credit supply conditions. GDP growth

(3) Austria, Belgium, Cyprus, Croatia, Denmark, Finland, Greece, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Czech Republic, Romania, Slovenia, Spain, Sweden and Hungary.

forecasts are 0.6% in 2024 and 1.1% for 2025 and 2026. Inflation is expected to decrease to 2.4% in 2024 and 1.9% in 2025.

Since the beginning of the year, financial market conditions have also worsened in Italy, reflecting the same factors that have affected the international markets.

Banks

The rise in official rates continues to be reflected in the cost of credit. Bank lending to companies and households contracted, in particular as a result of weak demand, tighter supply criteria driven by an increased perception of risk by intermediaries, and higher borrowing costs as a result of the ECB's official rate hike. The credit deterioration rate remained low, while the percentage of loans with payment delays increased.

In March, the difficulties seen in the US and Switzerland caused downward pressure on share prices in the financial sector. Thanks to their high capitalisation, abundant liquidity and strongly recovering profitability, the Eurozone banks, including the Italian ones, were not significantly negatively impacted.

In the Eurozone, growth in corporate loans was negative until October, continuing to reflect both the increase in interest rates and the smaller liquidity needs of companies (linked to the weak economic activity phase), as well as the tightening of banks' lending criteria. In November, the trend of bank loans to non-financial companies returned slightly positive in the entire area. The downturn in corporate lending stopped in Germany and Italy and eased in Spain, while lending accelerated significantly in France. The slight decline in loans to households in the Eurozone, seen in the first few months of the year, reversed after the more modest reduction recorded in Spain and Italy and the upswing in France and Germany.

Since the start of the monetary policy normalisation process, credit growth has fallen dramatically, becoming as negative as in the aftermath of the global financial and sovereign debt crisis.

In Italy, according to Bank of Italy's 2023 Bank Lending Survey, bank lending is down compared to December 2022 as a result of rising interest rates, lower financing needs for investments, greater recourse to self-financing and the progressive tightening of lending standards.

Bank funding continued to contract, falling by 7% year-on-year, due to the increase in the cost of funding itself, mainly as a result of the rise in money market interest rates.

The credit deterioration rate remained low and at levels in line with December 2022, while the percentage of loans with payment delays increased. The ratio of non-performing loans to total loans disbursed by the major banking groups before impairment losses remained substantially stable (2.4%), while the ratio after impairment losses decreased slightly (1.1% for the first three quarters of 2023 versus 1.2% for the 12 months of 2022). The impairment rate of these loans rose due to the modest increase in the weight of the bad loan component, as this has higher impairment rates (54.3% for the first three quarters of 2023 versus 53.5% for the 12 months of 2022).

In the first nine months of 2023, the profitability of the major banking groups increased compared to the same period of the previous year. The improvement in ROE, net of non-recurring items, mainly reflected the growth in net interest income, which more than offset the decline in other revenue. Operating costs decreased slightly and impairment losses on loans and receivables contracted significantly for the most significant banking groups while, on the other hand, costs rose and impairment losses remained substantially unchanged for the less significant banks.

In recent years, Italian banks have strengthened their financial position significantly. At the end of 2022, their average capitalisation level, assessed by considering the best quality capital, was higher than the average of the largest European banks. At the same date, the ratio of non-performing loans to total loans (the non-performing loans ratio, NPL ratio) had fallen to low levels in line with the European average.

Other information on developments in the reference sector

On 10 August 2023, the Decree Law 10 August 2023 no. 104 was published in the Official Gazette no. 186, containing urgent provisions to protect users, for economic and financial activities and strategic investments. Article 26 of this Decree, converted with amendments by Law no. 136 of 9 October 2023, introduced a windfall tax applicable to banks for 2023. This tax was to be determined by applying a rate equal to 40% to the portion of net interest income, as per item 30 of the income statement prepared in accordance with the template approved by Bank of Italy, for the year prior to the year in progress on 1 January 2024 that exceeds by at least 10% the same item in the year prior to the year in progress on 1 January 2022.

In any case, the windfall tax was not to exceed 0.26% of the assets weighted on an individual basis, calculated with reference to the year ended 31 December 2022. The law gives the banks the option, in lieu of paying the tax, to set up a non-distributable reserve of an amount of not less than 2.5 times the amount of the tax by allocating thereto the profit for the year (to be resolved when the financial statements at 31 December 2023 are approved). If no profit was made or the profit for the year does not suffice, banks may firstly use any income-related reserves set up in previous years and subsequently other available equity-related reserves.

The parent's Board of Directors resolved to avail of this option. The "Proposals to the shareholders" section contains the directors' proposal to the shareholders.

Russia-Ukraine war
In 2023, the macroeconomic situation was again unstable due to the outbreak of the war in Ukraine, which led the international community to impose large-scale sanctions on Russia, its top officials and some segments of its production and financial sectors.

The parent is not directly exposed to parties directly involved in the war either in terms of credit risk or financial investments. Specifically, neither the parent nor the group has loans to or investments in financial instruments with companies or issuers resident in either country. With respect to indirect impacts such as inflation, the rise in commodity prices and the generalised increase in uncertainty on financial markets, the repercussions of the war on the global and national macroeconomic situation have led to a review of the market parameters used to estimate the fair value of financial instruments and to determine collective impairment losses on performing loans (i.e., forward looking factors).

Operations and key events of 2023

Development of the new group's business lines
During 2023, the group continued to rapidly develop its new business lines, recording a three-digit annual growth rate (Compounded Average Growth Rate, "CAGR") for all major parameters in its first two years of operations. In particular, loans and receivables with customers (financing, factoring and tax) increased from about €80 million at the time of the demerger to about €830 million at 31 December 2023 (>10x 2021-23). This section focuses on the characteristics of the products offered by the group and the initiatives taken in 2023 to steer their development.

Guaranteed finance
The group's products are mainly designed for Italian SMEs. At public guarantee fund level, the main instruments supporting SMEs that the group focuses on are those of the Central Guarantee Fund and the Italian Guarantee Fund. Therefore, any risks on the loans are mitigated by state guaranteed.

Starting from January 2022, the parent's guaranteed finance business line became fully operational after its set-up in December 2021 when the parent acquired 100% of Five Sixty S.r.l., a consultancy company with considerable experience in the guarantee fund market.

The parent entered into an operating partnership with Garanzia Etica S.c., a financial intermediary as per article 106 of the Consolidated Banking Act specialised in servicing for access to guarantee funds and management of benefits.

In April 2023, Banca CF+ also signed a strategic partnership agreement with BancoPosta for the distribution of MCC Guarantee Fund and SACE backed loans. The new medium- to long-term credit facilities are aimed at SMEs and large companies with a turnover of more than €1 million. The partnership with BancoPosta represents a further step for the parent in creating an innovative, modern, technological banking platform at the service of businesses.

In December 2023, the parent's Board of Directors approved the new "Digital Lending" financing product for the distribution of small loans guaranteed by the Central Guarantee Fund, i.e., up to €500 thousand. The project is part of the parent's plan to continuously refresh its commercial offering and services and is aimed at further strengthening and digitalising business processes, leveraging the technological assets acquired as part of the acquisition of the Instapartners (formerly Credimi S.p.A.) business unit described later in this section ("Credimi business acquisition").

The parent disbursed loans of €388.5 million as part of its guaranteed finance business in 2023. At 31 December 2023, the carrying amount of loans guaranteed by the MCC and/or SACE was €586.1 million, net of impairment losses.

Credimi business acquisition
On 25 July 2023, the parent finalised the acquisition of a business unit (the "business unit") from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A."). The business unit comprises technological assets and a highly qualified workforce. The consideration is €4.9 million and the agreement provides for an earn-out of a maximum of €4.5 million, if certain performance objectives are achieved.

Acquisition of the business unit is an alternative to the parent's "small ticket financing" business' organic growth. In particular, the transaction will allow Banca CF+ to accelerate the development of this type of business, achieve greater lending volumes and, consequently, higher prospective profits.

At the acquisition date, the business unit's assets and liabilities were recognised based on the allocation of the purchase price established in the related agreement with (i) €0.5 million allocated to goodwill, (ii) €5.0 million to intangible assets and (iii) -€0.6 million to liabilities related to the transferred employees.

The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the parent obtained control of the business unit.

Accordingly, the consolidated financial statements at 31 December 2023 includes the effects of the provisional purchase price allocation. The PPA procedure, which was underway at the date of preparation of these consolidated financial statements, will be completed within 12 months of the acquisition date.

Factoring
During 2023, the parent continued to develop its factoring business through the unit set up in 2021 and accelerating its development by acquiring a company already active in this sector. In December 2021, the parent acquired 100% of Fifty S.r.l., a credit broker which has developed a proprietary fintech platform to manage factoring products. The subsidiary was merged into the parent with statutory, accounting and tax effect from 1 January 2022, allowing it to independently manage the entire factoring value chain.

During the year, it also provided companies with invoice financing in the form of recourse and non-recourse factoring for €363.4 million. At year end, factoring assets amounted to €97 million.

Tax assets
Banca CF+ during 2023 continued to purchase tax assets from performing companies and companies in complicated situations, including insolvencies and voluntary winding-ups, through its subsidiary Crediti Fiscali+. This business line has been strengthened in recent years by the strategic partnership agreement with Be Finance, a market leader in the domestic tax asset sector, signed in November 2018. As part of its drive to build up the tax asset business, on 13 July 2022, the parent's shareholders approved the merger of the subsidiary Be Credit Management S.p.A., already wholly-owned, into the parent. The merger became effective on 1 October 2022.

The parent subscribed ABS of €179.5 million issued by the securitisation vehicle Crediti Fiscali+ S.r.l. which purchased tax assets of €174.4 million.

The consolidated financial statements at 31 December 2023 include financial assets at amortised cost with customers of €145.1 million and tax assets purchased by the vehicles Crediti Fiscali+ and Fairway.

Capitalisation
As indicated in the “Ownership structure” section, in February 2023, the parent’s capital increase approved by its shareholders in their extraordinary meeting of 10 February 2023 was finalised with the subscription of 5,066,549 new shares for €28,068,681.46, of which €5,066,549 was allocated to share capital and €23,002,132.46 to the share premium.

To drive the planned growth set out in the 2024-2026 financial projections (described in the “Approval of the 2024-2026 financial projections” section), on 14 March 2024, the Board of Directors approved a new capital increase against payment in instalments to be offered with rights of first refusal to the parent’s shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of €28,500,000. During the same meeting, the Board of Directors approved the application to be sent to Bank of Italy for its checks of by-law changes in accordance with article 56 of the Consolidated Banking Act as well as, if necessary, the authorisation as per articles 26 and 28 of Regulation (EU) no. 575/2013 (CRR) to include the new shares in Common Equity Tier 1 of CF+.

The controlling shareholder, Tiber 2, has already communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter.

Approval of the 2024-2026 financial projections
On 12 March 2024, the parent’s Board of Directors approved the updated financial projections (the “projections” or “forecasts”) covering the 2024-2026 three-year period.

The projections are a continuation of the growth path undertaken in the first two years of operations, following the demerger completed in August 2021.

The expected growth over the projections’ horizon clearly requires an adequate amount of available capital, while remaining focused on highly efficient assets from a return/asset absorption perspective. In order to support the growth path, the parent intends to complete the capital increase resolved by the Board of Directors on 14 March 2024 and described in the previous “Capitalisation” section in 2024.

From a strategic point of view, the projections envisage a top line divided into three business lines, focused on corporate/SME customers (financing, factoring and tax assets). These three business lines are supplemented by a fourth line, focused on the proactive management of the securities portfolio.

The financing business line is divided into the medium/large ticket and digital lending/small-ticket segments. The medium/large ticket segment, launched at the beginning of 2022, aims to meet the needs of corporate customers through loans with an average amount of just under €1 million. The digital lending/small-ticket segment will be launched in 2024 with the support and integration of the technologies acquired as part of the Credimi business unit. The aim is to intercept the demand of small businesses with loans of an average amount of €130 thousand by using digital solutions both at the level of customer on-boarding and at the credit assessment level. The expected CAGR for the segment at the end of the plan is 36%.

The development of the factoring business line is envisaged along the lines already outlined in the previous year with an offer aimed at both performing SMEs with liquidity needs and those in financial distress. It aspires to a significant growth rate in turnover over the plan period (+53% CAGR), leveraging on cross-selling opportunities and the consolidation of existing relationships.

The group’s presence in the tax assets market will continue to be an important growth driver, with purchases growing by 23% (CAGR) over the plan horizon, focusing mainly on the “low yield” segment.

The state-of-the-art treasury desk, introduced by the parent in 2022, will continue its activities focusing on the proactive management of liquidity and the securities portfolio. The key elements for the funding strategy, to be developed to support the expected significant growth in volumes, will be compliance with regulatory requirements (LCR, NSFR, asset encumbrance ratio, etc.), cost optimisation and diversification of sources.

To make the business model sustainable and to pursue the group's objectives, the projections envisage investments in the group's organisation, resources and operating costs to drive its growth and support its operating complexity. Specifically, the expected changes to the operating structure include:

- development of the workforce both in terms of number of resources and skills;
- extension of commercial partnerships;
- continuous improvement of the lending process from a capability point of view, ex ante controls, ex post monitoring and proactive management;
- continuation of the measures to update internal regulations (policies, regulations and operating processes/manuals);
- consolidating the controls framework to reflect adjustments to legislation, processes and technological tools.

Legacy portfolio

As mentioned earlier in the "Competitive positioning" section, Banca CF+ was created in 2021 by the demerger of the debt servicing and debt purchasing businesses. At the demerger date, the assets represented by securitisation notes with underlying exposures (performing and non-performing) were transferred to the demerger beneficiary, with the exception of certain securitisation notes and credit exposures (the "legacy portfolio") retained by the parent. The operational management (definition of the collection strategy, collection management, cash flow estimation, etc.) of the exposures underlying the notes is performed by third-party servicers on the basis of specific agreements.

The legacy portfolio consists of 14 notes of different seniority (senior, mezzanine and junior) issued by securitisation vehicles with 18 underlying portfolios of non-performing exposures (NPLs and UTPs related to banking and leasing activities). It also includes some portfolios of credit exposures (performing and non-performing banking and leasing).

In 2023, the group continued to manage these assets through the servicers, to which their management is contractually entrusted, collecting €31.1 million on POCI exposures, as well as €37.4 million on ABS held by the parent and issued by unconsolidated SPVs. As mentioned later in this report, the income statement was significantly impacted by the review of the business plans ("BP review") performed at 31 December 2023 for the legacy portfolio, which led the group to post impairment losses of €37.6 million, of which €27.8 million related to assets at amortised cost and €9.8 million to unconsolidated ABS measured at fair value.

With regard to the foreseeable future management of these assets, the group is evaluating structured proactive scenarios that can strategically support acceleration of the portfolio's run-off, which the parent is already actively pursuing in the first 30 months of its life in its new structure.

As a result of the above effects, a breakdown of the group's portfolio of loans and receivables and securities at 31 December 2023 is as follows:

(€'000)

Type of investment	Gross carrying amount	Carrying amount		
		Performing	Non-performing	Total
POCI exposures purchased through SPVs	432,026	1,137	92,642	93,779
Tax assets purchased through SPVs	197,166	145,063	-	145,063
Unconsolidated ABS of the parent measured at amortised cost	120,517	105,288	-	105,288
Unconsolidated ABS of the parent measured at fair value	97,845	97,845	-	97,845
POCI bank loans purchased directly by the parent	25,236	-	5,948	5,948
POCI leases purchased directly by the parent	248,556	-	1,980	1,980
Leases purchased directly by the parent	8,091	2,760	5,207	7,967
Guaranteed finance products	594,810	546,139	40,276	586,415
Factoring products	97,227	97,036	-	97,036
Government bonds	276,317	276,423	-	276,423
Other loans disbursed by the parent	18,767	17,999	-	17,999
Equity instruments	4,000	4,000	-	4,000
Total	**2,120,558**	**1,293,691**	**146,053**	**1,439,743**

Funding strategy
The parent has adopted a funding strategy aimed at achieving the best possible cost-risk balance. Accordingly, it ensures it has access to a wide variety of sources of funds and can create the perfect funding fix to avail of the best medium to long-term market conditions.

The parent strategically aims to align sources of funding with its core lending business. It is mostly financed by retail customers and their deposits, while it also draws on a variety of institutional funding sources linked to the interbank market, the repos market and committed credit facilities.

This allows it to diversify its funding by product, counterparty and maturity.

The parent's total funding amounts to €1,518.6 million at the reporting date. Specifically, it has the following sources of funds:
• repurchase agreements with financial institutions of €213.3 million;
• interbank credit facilities of €27 million;
• interbank deposits of €18 million;
• corporate deposits of €20 million;
• refinancing operations with the Central Bank of €210 million;
• stable retail deposits of €1,005.3 million;

• subordinated bonds of €25 million.

On 13 October 2023, the parent completed the issue of subordinated bonds with a nominal amount of €25 million at an annual interest rate of 14.50%. These bonds qualify as a Tier 2 capital instrument in accordance with the provisions of Regulation (EU) no. 575/2013 ("CRR") and Bank of Italy Circular no. 285 of 17 December 2013. The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

The parent has joined Bank of Italy's Collateral Management System (ABACO) for the collateralisation of eligible exposures.

In 2023, the parent extended retail funding via the Raisin platform to Spain and the Netherlands in addition to the German market.

The debt to equity ratio, the disclosure of which is required by IAS 1.13, is 2.057% at year end and the parent does not have resources that are not recognised in its statement of financial position in accordance with IAS/IFRS.

Developments and investments in technology
Although it does not carry out specific research projects, the parent continued to develop and invest in technology during the year.

In the wake of the transformation and innovation process started in 2022, the parent drew up a technology initiatives Master Plan in early 2023, refreshed to reflect the acquisition of the former Credimi business unit finalised in July 2023. In particular, the integration of the former Credimi architecture with the parent's systems led to the deployment of new resources and technologies aimed at modernising the parent's existing architecture, in terms of operating models, processes, structures, tools and development logics of proprietary systems. The 2023 Master Plan combines all these components.

Workforce
Banca CF+ pays great attention to its human capital, a real strength and competitive advantage in delivering service excellence. The parent aims to ensure a fair gender balance and an inclusive culture within the work environment, allowing for fair and equal growth at all levels.

The group's workforce numbers 190 resources all employed at the parent, of which 78 are women and 112 are men, with an average age of 40 years in 2023 (41 years in 2022). The workforce increased during the year by 41% (135 employees at 31 December 2022).

Concurrently with the development of business activities in 2023, the group continued the strategy of hiring specialised professionals begun in previous years, with the strengthening of both the business structure (factoring, financing, tax assets and finance & investments) and the governance and support structure (accounting and loan administration, IT and controls). In 2023, it hired 72 employees, 40 of whom were men and 32 women, and 26 of whom were from the former Credimi business unit.

98.5% of the parent's employees are on permanent, full-time contracts.

The following two tables show a breakdown of the parent's workforce by professional category and gender/age group:

Workforce by professional category and gender		
Professional category	2023	2022
Managers	**9%**	**15%**
Men	78%	80%
Women	22%	20%
Junior managers	**51%**	**51%**
Men	68%	71%
Women	32%	29%
White collars	**40%**	**34%**
Men	43%	46%
Women	57%	54%

Workforce by professional category and age group		
Professional category	2023	2022
< 30 years	**10%**	**7%**
Managers	0%	0%
Junior managers	5%	0%
White collars	95%	100%
Between 30 and 50 years (inclusive)	**77%**	**78%**
Managers	8%	12%
Junior managers	55%	53%
White collars	37%	35%
> 50 years	**13%**	**15%**
Managers	25%	35%
Junior managers	67%	65%
White collars	8%	0%

Attention to the wellbeing and safety of employees is one of the key principles of Banca CF+'s strategy, given its awareness that its growth is closely linked to the wellbeing, satisfaction and development of its employees. The parent supports its employees through measures aimed at improving their work-life balance, differentiated according to the characteristics of their role and duties, such as flexible start times and remote working for all employees, extended in 2023 to a total of 10 days per month for all employees.

As part of its commitment to social issues, the parent also offers its employees benefits, including a health care policy that can be extended to their family unit, a health check-up and supplementary pensions.

Financial performance and position

In order to provide a better understanding of the group's figures, this section includes tables with a breakdown by business segment in accordance with the methodology set forth in the segment reporting policy, approved by the parent's Board of Directors in 2023. The policy provides for the allocation of the financial figures using standard criteria, which makes it possible to intercept revenue, cost and asset items specific to each segment. In this way, the parent is able to make plans for each of these items and, at the same time, to monitor the segments' performance against planned objectives.

In particular, the aggregate performance of the activities with a high strategic value for the parent (the "business lines" segment) is presented separately from that of the legacy portfolio (the "legacy" segment), including, for each of these, the costs related to the sourcing and management of liquidity, calculated at the internal transfer rates, by allocating the costs incurred by each segment, while excluding the costs pertaining exclusively to the corporate centre, i.e, the indirect costs that cannot be allocated to the business lines segment. The segments' performance is presented down to the level of pre-tax profit.

Specifically, the business lines segment combines the following business lines:
– **Financing & Factoring**: business activities related to MCC/SACE/FEI-backed financing products designed for Italian SMEs and distributed through a network of credit and factoring brokers to meet the short-term liquidity and working capital optimisation needs of SMEs.
– **Tax assets**: the business activity related to the purchase of tax assets, including the results of the related securitisation vehicles. It has two products with different profitability characteristics and expected collection times: low yield and high yield.
– **Investments**: the proactive management of the government bond portfolio carried out independently by the treasury desk. At 31 December 2023, the investments business line's assets consisted entirely of government bonds.

The legacy segment comprises the portion of assets being run-off, such as the portfolio of securitised ABS with underlying non-performing exposures, non-performing exposures recognised directly in the statement of financial position or held by the consolidated SPVs, deriving from the pre-demerger Credito Fondiario S.p.A.. The segment's activity consists of optimising the recovery of the exposures, managed by external servicers, until the complete extinction of the portfolio.

A share of the treasury desk's profit or loss is allocated to both segments, while the costs of the corporate centre, which is an independent segment and is fully disclosed in the income statement, are not allocated. The assets included in the corporate centre segment are not expected to produce any revenue, while indirect costs not allocated to other segments are attributed to this segment.

This section contains comments on the main income statement and statement of financial position figures for the year. A more specific view by business segment is provided in the "Financial performance by business segment" section.

Consolidated financial performance

(€m)

Reclassified income statement	2023	2022	Variation	Variation %
Net interest income	58.5	33.9	24.6	73%
- Business lines	*38.7*	*21.3*	*17.4*	*82%*
- Legacy	*19.8*	*12.5*	*7.3*	*58%*
Net fee and commission expense	(0.8)	(1.6)	0.8	-51%
- Business lines	*1.8*	*0.7*	*1.1*	*157%*
- Legacy	*(2.6)*	*(2.4)*	*(0.2)*	*8%*
Net profit on sale of assets at amortised cost	0.5	0.2	0.4	236%
Net fair value gains (losses) and net trading income (expense)	(12.4)	(17.2)	4.8	-28%
- Business lines	*(2.6)*	*(2.1)*	*(0.5)*	*23%*
- Legacy	*(9.8)*	*(15.1)*	*5.3*	*-35%*
Total income	**45.8**	**15.2**	**30.6**	**201%**
Net impairment losses for credit risk	(32.8)	(13.8)	(19.0)	138%
- Business lines	*(5.1)*	*(3.6)*	*(1.5)*	*42%*
- Legacy	*(27.8)*	*(10.2)*	*(17.6)*	*173%*
Operating costs	(45.8)	(39.1)	(6.7)	17%
Pre-tax loss	**(32.8)**	**(37.7)**	**4.8**	**-13%**
Income taxes	(2.1)	6.1	(8.2)	-135%
Post-tax loss from continuing operations	**(35.0)**	**(31.6)**	**(3.4)**	**11%**
Post-tax profit (loss) from discontinued operations	-	-	-	-
Loss for the year	**(35.0)**	**(31.6)**	**(3.4)**	**11%**
Profit (loss) for the year attributable to non-controlling interests	-	-	-	-
Loss for the year attributable to the owners of the parent	**(35.0)**	**(31.6)**	**(3.4)**	**11%**

The group made a loss of €35 million for the year, entirely attributable to the owners of the parent, compared to a loss of €31.6 million for 2022.

The income statement was significantly impacted by the update of the Business Plan review performed at 31 December 2023 for the legacy portfolio, which led the group to post impairment losses of €37.6 million, of which €27.8 million related to assets at amortised cost and €9.8 million to unconsolidated ABS measured at fair value. The impairment losses were due to, in particular, the longer recovery times identified in the BP review process and, to a lesser extent, the reduction in expected collections of outstanding exposures over the portfolios' life.

Net interest income amounts to €58.5 million compared to €33.9 million in 2022, mostly as a result of the contribution of the parent's core business (the business lines segment).

Interest income amounts to €98.6 million (€52.7 million in 2022) and relates to the legacy portfolio (€33.8 million), the guaranteed finance, factoring and tax assets business lines (€55.1 million) and investments of liquidity (€9.8 million).

Interest expense of €40.2 million (€18.9 million in 2022) mainly refers to online deposits from retail customers ("DOL") (€26.8 million compared to €14.7 million in 2022), repos and interbank and corporate deposits/financing (€7.3 million compared to €1.7 million in 2022), as well as interest expense on securities issued, which mainly includes expense of €0.8 million related to the subordinated loan issued in October 2023.

Net fee and commission expense amounts to €0.8 million in 2023 compared to €1.6 million in 2022. Fee and commission income mainly relates to the factoring business (€2.7 million net). Fee and commission expense includes, in particular, fees and commissions paid by the SPVs to external servicers for their roles in the respective securitisations (€2.2 million), those paid by the parent to servicers for activities outsourced to them since 1 August 2021 (€0.4 million), as well as €0.6 million paid to third parties that assist the parent with its online deposit collection activities.

The **net trading loss** amounts to €2 million in 2023 and arose on the trading of listed derivative instruments (futures), which are used to hedge changes in the fair value of ABS due to changes in interest rates.

The **net loss on other financial assets and liabilities at fair value through profit or loss** of €10.4 million in 2023 (net loss of €18.3 million in 2022) includes fair value losses of €7.7 million on the ABS issued by the non-consolidated companies and fair value losses of €2.7 million on liabilities recognised by the parent.

The fair value losses on the ABS are mostly due to the effect of the Business Plan review performed at 31 December 2023 on the underlying portfolios (overall loss of €9.8 million), partially offset by the positive impact of the update of the market parameters used to determine the discount rate of the estimated return flows (€2.1 million).

The caption also includes the fair value losses on liabilities recognised for the deferred prices for the former Artemide and the Crediti Fiscali+ portfolios (€1.2 million).

Total income amounts to €45.8 million compared to €15.2 million for the previous year.

Net impairment losses for 2023 amount to €32.8 million, compared to €13.8 million in 2022, includes impairment losses of €27.4 million on the legacy portfolio and €5.4 million related to the core business.

The individual impairment losses on the legacy portfolio acquired by the parent directly or through SPVs were determined on the basis of the Business Plan review performed at 31 December 2023.

The individual impairment losses on loans granted by the business lines reflect their transfer to stage 3 during the year. Collective impairment losses, on the other hand, relate to the increase in volumes compared to 2022 as substantially the same parameters were applied.

Administrative expenses of €46.9 million (€39.6 million in 2022) consist of personnel expenses (€23.6 million compared to €17.5 million in 2022) and other administrative expenses (€23.2 million compared to €22.1 million in 2022).

The increase in personnel expenses reflects the greater number of employees up from 135 at 31 December 2022 to 190 at 31 December 2023, including resources from the Credimi business unit, all of which are employed by the parent.

Administrative expenses attributable to the Credimi business unit amount to €1.3 million, increased by €0.2 million in investments for software integration.

Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets amount to €3.9 million (€2.5 million in 2022). The caption mostly consists of the depreciation of right-of-use assets recognised in accordance with IFRS 16 (€1.3 million, offices in Rome and Milan, printers and cars), amortisation of software (€1.5 million), amortisation of the intangible asset recognised after the merger with Fifty S.r.l. for the factoring platform (€0.6 million) and depreciation of property and equipment (€0.6 million). The software acquired as part of the Credimi business unit is still being integrated at 31 December 2023 and, therefore, the related amortisation process has been suspended until it is put into use.

Other net income amounts to €5 million compared to €2.6 million in 2022. The caption includes prior year income of €3.3 million recognised after the repayment of the amount that the then-named Credito Fondiario S.p.A. had paid following an unfavourable first-degree ruling in a dispute prior to the demerger at the beginning of 2021. The Court of Appeal overturned the first degree ruling and ordered the other party to repay the amount. The other party did not appeal the ruling, which therefore became final. The amount was collected in full.

The group's **pre-tax loss** comes to €32.9 million (€37.6 million in 2022). It recognised income tax expense of €2.1 million, of which €1.0 million related to the parent and €1.1 million to the release of deferred tax liabilities recognised on the SPVs' results and consolidation entries.

Specifically, the parent posted income tax expense of €1 million in the income statement, offset by positive items of the same amount recognised in the statement of comprehensive income and in equity. These items were recognised following the clarifications received from the tax authorities in its response to a request for clarification filed by the parent in 2022 about the tax treatment of the fair value gain on an equity instrument recognised in 2021.

The income statement for the year does not include any provision for the windfall tax on extra profits provided for by Decree law no. 104/2023, given that, on 8 November 2023, the Board of Directors approved a resolution confirming the parent's intention to avail of the option provided for by article 26.5-bis of the aforementioned Decree law (as amended, upon conversion into Law no. 136/2023) to propose to the shareholders the set-up of a non-distributable reserve in lieu of payment of the windfall tax.

The **loss** for the year of €35 million is entirely attributable to the owners of the parent.

Consolidated financial position

(€m)

Reclassified statement of financial position	31/12/2023	31/12/2022	Variation	Variation %
Cash and cash equivalents	127	98	29	29%
Financial assets	1,440	1,076	364	34%
Financing	586	317	269	100%
Factoring	97	99	(2)	-2%
Tax assets	146	104	42	40%
Investments	276	152	125	82%
Legacy portfolio	334	403	(69)	-17%
Loans and receivables with banks	49	4	45	1161%
Equity investments	-	-	-	0%
Property, equipment and investment property and intangible assets	19	14	5	36%
Tax assets (current and deferred)	13	16	(3)	-18%
Other assets	25	31	(6)	-21%
Total assets	**1,673**	**1,240**	**434**	**35%**
Funding and other financial liabilities	1,549	1,081	468	43%
Due to banks	446	161	285	177%
Due to customers	1,068	912	156	17%
Securities issued	28	3	25	814%
Financial liabilities held for trading	1	-	1	100%
Liabilities at fair value	5	4	1	21%
Tax liabilities	4	4	-	13%
Other liabilities	34	38	(4)	-11%
Post-employment benefits	-	-	-	16%
Provisions for risks and charges	1	1	(0)	-16%
Equity	**85**	**116**	**(31)**	**-27%**
Share capital	19	14	5	36%
Reserves	101	134	(33)	-24%
Equity attributable to non-controlling interests	-	-	-	0%
Loss for the year	(35)	(32)	(3)	11%
Total liabilities and equity	**1,673**	**1,240**	**434**	**35%**

Total **assets** amount to €1,673.2 million compared to €1,240 million at 31 December 2022.

At 31 December 2023, **financial assets** amount to €1,440.3 million (€1,075.98 million at 31 December 2022) and mainly refer to the financing, factoring and tax assets business lines:
- tax assets of €146 million purchased by Convento and Fairway;
- loans and guaranteed finance products of €586.1 million disbursed by the parent;
- factoring loans of €97 million disbursed by the parent.

The increase compared to 31 December 2022 is mainly attributable to the volumes of guaranteed finance products placed by the parent during the year (€388.5 million) and the purchases of tax assets made through Crediti Fiscali+ (€174.4 million), offset not only by the regular repayment of loans, but also by the amounts collected on tax assets (€120.1 million by Crediti Fiscali+), as well as a decrease in outstanding factoring loans (-€2 million compared to 31 December 2022).

Investments in debt securities, amounting to €276.2 million (€151.7 million at 31 December 2022), refer to government bonds held by the parent and classified as HTC under assets at amortised cost. The increase on 31 December 2022 is due to the investment of available cash (+€124.5 million net of redemptions).

The **legacy portfolio** of €334 million (€403.32 million at 31 December 2022) comprises:
- ABS of €97.8 million issued by the unconsolidated vehicles and measured at fair value (junior and mezzanine notes that did not pass the SPPI test);
- ABS of €105.3 million issued by the unconsolidated vehicles and measured at amortised cost (senior and mezzanine notes that passed the SPPI test);
- loans and receivables with customers of €109.6 million, mostly non-performing (POCI), purchased directly by the parent or through the consolidated securitisation vehicles;
- other loans and financing of €17 million disbursed by the parent before the demerger;
- participating financial instruments at fair value through other comprehensive income of €4 million;

The **net interbank balance** is a negative €270.4 million at 31 December 2023 compared to a negative €59 million at 31 December 2022. Cash held with banks amounts to €126.9 million at 31 December 2023 (€98.2 million at 31 December 2022) and, in addition to cash belonging to the parent, it includes that related to the consolidated companies (€32.5 million). Due to banks totalling €446.2 million (€161.1 million at 31 December 2022) mainly comprises repurchase agreements entered into by Banca CF+ on securities in its portfolio for a total of €218.1 million (€47.1 million at 31 December 2022) and interbank deposits and deposits with Bank of Italy of €228.1 million (€103 million at 31 December 2022). At 31 December 2022, the caption also included the amount due to the originator for the deferred prices still to be paid on the portfolios acquired directly by the parent and by Ponente SPV and New Levante SPV in 2018 as part of the GIMLI transaction for a total of €11.9 million, fully paid in October 2023, as per the contractual terms.

Property, equipment and investment property and intangible assets amount to €19.2 million (€14.1 million at 31 December 2022). Property, equipment and investment property include the right-of-use assets recognised in accordance with IFRS 16 (the leased Rome and Milan offices and cars and printers for a total of €5.7 million).

Intangible assets comprise goodwill related to the acquisition of Be Credit Management S.p.A. (€0.9 million) and goodwill and the intangible asset recognised provisionally as part of the purchase price allocation procedure for the acquisition of Fifty S.r.l. (€1.3 million and €1.8 million, respectively) at 31 December 2021. The carrying amount of these assets was tested for impairment.

With the completion of the aforementioned acquisition of the business unit from Instapartners S.r.l. in liquidation (formerly Credimi S.p.A.), the fair values attributed in the sale agreement to the technology platform acquired and goodwill of €5 million and €0.5 million, respectively, were also provisionally recognised in this caption.

Other assets include, inter alia, the "110% superbonus" tax assets purchased directly by the parent and amounting to €20.1 million. These tax assets were utilised for €7.2 million in 2023. The caption also includes prepayments and accrued income of €1.8 million and factoring receivables of €0.1 million.

Tax assets of €13.3 million, at 31 December 2023, (€16.2 million at 31 December 2022) comprise current tax assets of €7.4 million and deferred tax assets of €5.9 million. Current tax assets mostly refer to payments on account made by the parent, principally for stamp duties (€2.8 million), withholding taxes on interest (€3.7 million) and substitute taxes on loans (€0.6 million).

Deferred tax assets relate entirely to the parent and include €4 million on carryforward tax losses, the **ACE** (Aid for Economic Growth) benefit (€0.8 million), the impairment losses on loans and receivables that are deductible over more than one year in accordance with Law no. 214/2011 (€0.4 million) and the cost of aligning the carrying amount of the goodwill arising on the mergers of Fifty and BECM (€0.7 million recognised at 31 December 2022). Deferred tax assets, other than those pursuant to Law no. 214/2011, were subject to a specific impairment test. The carryforward tax losses and the unused ACE benefit at the reporting date amount to approximately €93.3 million, equal to deferred tax assets of €25.6 million (calculated using the rate of 27.5%), including €20.8 million which was not recognised.

Liabilities include:
• due to customers of €1,068.1 million (€911.9 million at 31 December 2022), which mainly include the parent's funding through online deposits from retail customers of €1,013.5 million (€868.1 million at 31 December 2022), of which deposits for which the time deposit letter had not been signed of €28.1 million and deposits pegged to an average fixed rate of 2.9% and with maturities ranging from 3 to 84 months of €985.4 million, including accrued interest. Due to customers also includes a loan from Cassa Depositi e Prestiti of €27 million and deposits from corporate customers of €20 million;
• securities issued of €28.3 million, of which €2.8 million related to the portion of notes issued by the consolidated vehicle Liberio SPV held by third-party investors and €25.5 million related to the subordinated loan issued on 13 October 2023 by the parent with a nominal amount of €25 million and an interest rate of 14.5%.

Financial liabilities at fair value through profit or loss amount to €5.3 million at 31 December 2023 (€4.4 million at 31 December 2022) and comprise liabilities recognised for deferred prices related to the former Artemide portfolio and the Crediti Fiscali+ portfolio. The increase on 31 December 2022 is attributable to the payment of €1.4 million made in the first quarter of 2023 and fair value losses of €2.7 million.

Tax liabilities of €4.3 million (€3.8 million at 31 December 2022) include current tax liabilities of €0.2 million and deferred tax liabilities of €4.1 million recognised on the SPVs' profits or losses.

Equity amounts to €85.1 million (€116 million at 31 December 2022), of which €0.008 million is attributable to non-controlling interests, and includes the loss for the year.

Reconciliation between equity and the loss for the year of the parent with those of the group

(€'000)

	Equity	Loss for the year
As per the separate financial statements	**76,907**	**(37,267)**
Consolidated vehicles	8,182	2,273
As per the consolidated financial statements	**85,088**	**(34,994)**
Non-controlling interests	**8**	**-**
As per the consolidated financial statements (owners of the parent)	**85,080**	**(34,994)**

Financial performance by business segment

Breakdown by business segment: income statement

Conto economico gestionale (€m)	Bank	Business lines				Legacy				Corporate centre			
	2023	2023	2022	Var.	Var. %	2023	2022	Var.	Var. %	2023	2022	Var.	Var. %
Net interest income	58.5	38.7	21.3	17.4	81%	19.8	12.5	7.2	58%	-	-	-	n.s.
Interest income	*96.2*	*61.7*	*24.7*	*37.0*	*150%*	*34.5*	*27.2*	*7.3*	*27%*	-	-	-	*n.s.*
Interest expense	*(37.8)*	*(23.0)*	*(3.4)*	*(19.6)*	*n.s.*	*(14.8)*	*(14.7)*	*(0.1)*	*1%*	-	-	-	*n.s.*
Net fee and commission income (expense)	(0.8)	1.8	0.7	1.1	146%	(2.6)	(2.4)	(0.2)	10%	-	-	-	n.s.
Net fair value loss on ABS and other securities	(11.9)	(2.0)	(1.9)	(0.2)	8%	(9.8)	(15.1)	5.3	(35%)	-	-	-	n.s.
Total income (expense)	**45.8**	**38.5**	**20.2**	**18.3**	**91%**	**7.3**	**(5.0)**	**12.3**	**(246%)**	**-**	**-**	**-**	**n.s.**
Personnel expense	(23.6)	(11.6)	(8.5)	(3.1)	36%	(3.2)	(2.8)	(0.4)	15%	(8.8)	(6.2)	(2.7)	43%
Other administrative expenses	(23.2)	(11.2)	(7.6)	(3.6)	47%	(3.7)	(5.4)	1.6	(31%)	(8.4)	(9.2)	0.8	(9%)
Amortisation, depreciation and impairment losses	(3.9)	(1.6)	(1.0)	(0.6)	59%	(0.0)	-	(0.0)	n.s.	(2.3)	(1.4)	(0.9)	59%
Other income, net	5.0	0.4	0.0	0.4	n.s.	0.2	0.0	0.2	n.s.	4.4	3.1	1.3	43%
Operating costs	**(45.8)**	**(24.0)**	**(17.1)**	**(6.9)**	**40%**	**(6.7)**	**(8.1)**	**1.5**	**(18%)**	**(15.1)**	**(13.8)**	**(1.4)**	**10%**
Net impairment losses	(32.8)	(5.1)	(3.6)	(1.5)	42%	(27.8)	(10.2)	(17.5)	171%	-	-	-	n.s.
Pre-tax profit (loss)	**(32.8)**	**9.4**	**(0.5)**	**9.9**	**n.s.**	**(27.1)**	**(23.3)**	**(3.8)**	**16%**	**(15.1)**	**(13.8)**	**(1.4)**	**10%**

During 2023, the group recognised total income of €45.8 million, of which €38.5 million attributable to the business lines segment and €7.3 million to the legacy segment (84% and 16% of the total, respectively).

The business lines segment almost doubled its total income in 2023 thanks to a 67% increase in business volumes (€452 million mainly driven by the financing products) and a growth in average profitability (from 4.9% to 6.4%) which benefited from the market rate trend on index-linked assets, despite the sharp rise in the cost of funding from 0.7% to 2.3% (+170bps).

Specifically, the group developed new business of about €1 billion in 2023 compared to €0.8 billion in 2022 (+23% year-on-year) and in particular:
– Financing: around €388.5 million was disbursed compared to €336 million in 2022 (an increase of €53 million; +16%) with approximately 87% backed by SACE and MCC at origination, which contributed to a reduction in the portfolio's RWA density to 11%;
– Factoring: turnover of €399.7 million compared to €296 million in 2022 (an increase of €104 million, +35%);
– Tax assets: purchased tax assets of €173 million compared to €147 million in 2022 (an increase of €36 million, +18%).

Total personnel expenses for the year amount to €23.6 million, of which €11.6 million related to the business lines segment (49% of the total), €3.2 million to the legacy segment (13% of the total) and €8.8 million to the corporate centre (37% of the total).

Other administrative expenses are allocated among the various segments using a formula very similar to that applied to the personnel expenses: the business lines, legacy and corporate centre segments were allocated 48%, 16% and 36%, respectively, of the total €23.2 million in 2023.

The corporate centre segment includes the costs incurred by it that are not even indirectly attributable to the business lines and legacy segments, as these costs are incurred by the parent to meet operating and control objectives that are not exclusively incurred for the business. Consequently, these costs remain with the corporate centre segment and are not allocated to the other segments.

The increase in costs seen in the business lines and corporate centre segments is due to the strong increase in business during the year, as well as a boost to support the projects and investments underpinning the parent's future growth. They include the costs arising from the integration of the Credimi platform for the development of the digital lending channel, while the cost base of the legacy portfolio segment follows the decalage of its business.

However, this increase was less than proportionate to the increase in revenue, resulting in a decrease in the cost-income ratio of the business lines segment from 85% to 62%, remaining at levels consistent with the parent's growth phase.

With regard to the net impairment losses for the business lines segment, the €1.5 million increase is accompanied by a lower cost of credit of about 12 bps compared to 2022 (58 vs. 70).

At 31 December 2023, stage 3 exposures amount to €40 million, up from €9 million at the end of 2022, with an impairment rate of 15.3%. The gross and net NPE ratios increased during the year to 5.5% and 4.7%, respectively.

Breakdown by business segment: statement of financial position

Statement of financial position and sector KPIs (€m,%,bps)	Banca				Business Lines				Legacy				Corporate Center			
	dic-23	dic-22	Δ YoY	Δ% YoY	dic-23	dic-22	Δ vs 22	Δ% vs 22	dic-23	dic-22	Δ vs 22	Δ% vs 22	dic-23	dic-22	Δ vs 22	Δ% vs 22
Total assets	1,673	1,240	+434	+35%	1,256	743	513	69%	388	462	(74)	(16%)	29	35	(5)	(16%)
of which: financial assets	*1,460*	*1,088*	*+373*	*+34%*	*1,126*	*673*	*452*	*67%*	*334*	*414*	*(80)*	*(19%)*	-	-	-	*n.s.*
RWA	586	673	-87	-13%	198	174	24	14%	369	480	(111)	(23%)	19	19	0	1%
RWA %	30%	43%	-13%	n.a.	12%	13%	(1.4%)	n.a.	87%	90%	(2.8%)	n.a.	67%	56%	10,9%	n.a.
Cost of funding (%)	(2.8%)	(1.8%)	-1.1%	+60%	(2.3%)	(0.7%)	(2%)	n.a.	(3.6%)	(2.8%)	(1%)	n.a.	-	-	-	-
Cost/income (%)	>100%	>100%	n.s.	n.s.	62.3%	84.8%	(22%)	n.a.	91.5%	n.m.	n.a.	n.a.	-	-	-	-
Cost of credit (bps)	58	-	+58	n.s.	58	70	(12)	(17%)	-	-	-	-	-	-	-	-
Coverage ratio (%)	1.0%	0.7%	0.3%	n.a.	1.0%	0.7%	0.3%	n.a.	-	-	-	-	-	-	-	-
NPE Coverage ratio (%)	15.3%	11.3%	4.0%	+35%	15.3%	11.3%	4.0%	+35%	-	-	-	-	-	-	-	-
Stock EoP Stage 3	40	9	31	336%	40	9	31	336%	-	-	-	-	-	-	-	-
Gross NPE ratio (%)	5.5%	2.3%	3.3%	n.a.	5.5%	2.3%	3.3%	n.a.	-	-	-	-	-	-	-	-
Net NPE ratio (%)	4.7%	1.8%	3.0%	n.a.	4.7%	1.8%	3.0%	n.a.	-	-	-	-	-	-	-	-

The credit quality KPIs solely refer to the business lines segment, and are calculated using the "Loans and receivables with customers" caption, which includes loans and receivables relating to the financing, factoring and tax assets business lines, excluding the investments and treasury business lines.

At 31 December 2023, total assets amount to €1.7 billion, including financial assets of €1.5 billion. Financial assets of the business lines segment amount to €1.1 billion (+€452 million compared to 31 December 2022), of which €683 million related to financing and factoring business lines (€416 million at 31 December 2022), €166 million to the tax assets business line, including the "110% superbonus" tax assets of €20.1 million (€105 million at 31 December 2022) purchased directly by the parent and classified under other assets, and €276 million related to the investment business line (€152 million at 31 December 2022).

Other events that took place during the year

Supervisory Review and Evaluation Process (SREP)
On 24 January 2023, Bank of Italy informed Banca CF+ that it had started the SREP to review the additional capital requirement in light of the minimum regulatory requirements in order to ensure the parent's risk profile was covered.

The central bank forwarded the new measure on capital decisions to Banca CF+ in a communication dated 17 March 2023. This measure provided that, as of the supervisory reporting date of 12 May 2023 relating to the period ended 31 March 2023, the parent must continuously maintain the following capital levels determined at consolidated level: i) CET 1 ratio of 8.95% ii) tier 1 ratio of 10.85% and iii) total capital ratio of 13.35%.

At the date of approval of these consolidated financial statements, Bank of Italy had not updated these requirements.

ESG
Over the past 18 months, the European (ECB and EBA) and Italian (Bank of Italy) regulators have imposed a significant acceleration in the approach required of banks to identify and manage climate and ESG (Environmental, Social, Governance) risks.

In line with the ECB's approach, Bank of Italy published its supervisory expectations on climate and environmental risk management in April 2022 and commenced assessment and awareness raising initiatives in order to factor the findings into the 2023 SREP. The regulator also asked the less significant institutions (LSI) to prepare an action plan by 31 March 2023.

The parent drew up a three-year action plan which it sent to the regulator by the above deadline. It sets out the main focus areas covering five aspects of its business: i) Governance & Organisation, ii) Strategy and Business, iii) Risk Management, iv) Reporting and Disclosure, and v) Data Management.

In October 2023, the parent's Board of Directors approved its sustainability report, as part of the actions outlined in the plan. This report was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards defined by the GRI - Global Reporting Initiative.

Branches
On 10 February 2023, the parent's shareholders acknowledged completion of the regulator's authorisation process and approved the opening of a branch at Corso Europa 15, Milan.

Events after the reporting date

No adjusting events (as per the definition of IAS 10.8) took place in the period from 31 December 2023 to the date of approval of these consolidated financial statements that would have required the parent to adjust the amounts recognised in the consolidated financial statements. Reference should be made to the previous sections entitled "Capitalisation" and "Approval of the 2024-2026 financial projections" for information about the parent's capital increase and approval of the new 2024-2026 financial projections.

Business opportunities and going concern

The parent's directors have prepared the consolidated financial statements at 31 December 2023 on a going concern basis as there are no doubts about the group's ability to continue as a going concern in the foreseeable future and for beyond 12 months from the reporting date.

2023 ended with a loss of €35 million, almost entirely attributable to the negative performance of the legacy portfolio, comprising mainly non-performing exposures purchased by the parent (at the time Credito Fondiario S.p.A.) prior to the demerger of 1 August 2021, directly or through ABS.

Despite the loss for the year, at the reporting date, the group's capital ratios are above the thresholds required by prudential regulations (CET 1 at 11.1% and TCR at 15.8%), as were all the liquidity indicators.

With regard to the group's outlook and future prospects, the directors believe that its ability to continue as a going concern is supported by the positive performance of the new business, which has already substantially achieved break-even in its second year of operations and is expected to grow steadily in line with the trend of the first two years of operations, assisted by the capital strengthening initiatives.

In this respect, on 14 March 2024, the parent's Board of Directors approved a capital increase against payment in instalments to be offered with rights of first refusal to the parent's shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of €28,500,000. It also approved the related amendments to the parent's by-laws. The controlling shareholder, Tiber 2, has already communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter. The capital influx will support the growth outlined in the 2024-2026 financial projections, following up on the actions already carried out in 2023, firstly through a capital increase of €28 million (completed in February 2023) and the issue of a class 2 capital instrument in the fourth quarter of the year.

Management and coordination activities pursuant to article 2497 and following articles of the Italian civil code
At 31 December 2023, the parent was not managed or coordinated by another company pursuant to article 2497 and following articles of the Italian Civil Code.

Treasury shares and shares of parents
Neither the parent nor other group companies hold treasury shares or shares of parents.

Related party transactions
Reference should be made to Part H of the notes to the consolidated financial statements (Related party transactions) for information about the group's transactions with subsidiaries, parents and subsidiaries of parents.

Risks and uncertainties
The disclosures required by article 2428 of the Italian Civil Code on the group's exposure to the main risks are provided in Part E of the notes to the consolidated financial statements (Information on risks and hedging policies).

Other information
The group did not carry out research and development activities in 2023.

Consolidated financial statements

STATEMENT OF FINANCIAL POSITION

(€'000)

	Assets	31/12/2023	31/12/2022
10.	Cash and cash equivalents	126,959	98,217
20.	Financial assets at fair value through profit or loss	98,362	111,253
	a) held for trading	*517*	*554*
	b) designated at fair value	*-*	*-*
	c) mandatorily measured at fair value	*97,845*	*110,700*
30.	Financial assets at fair value through other comprehensive income	4,000	4,000
40.	Financial assets at amortised cost	1,386,768	964,603
	a) loans and receivables with banks	*48,869*	*3,876*
	b) loans and receivables with customers	*1,337,898*	*960,726*
70.	Equity investments	-	-
90.	Property, equipment and investment property	7,476	8,323
100.	Intangible assets including:	11,708	5,808
	- goodwill	*2,723*	*2,178*
110.	Tax assets	13,345	16,249
	a) current	*7,410*	*10,295*
	b) deferred	*5,935*	*5,954*
120.	Non-current assets held for sale and disposal groups	-	-
130.	Other assets	24,585	31,050
	Total assets	**1,673,202**	**1,239,504**

STATEMENT OF FINANCIAL POSITION

(€'000)

	Liabilities and equity	31/12/2023	31/12/2022
10.	Financial liabilities at amortised cost	1,542,594	1,076,098
	a) due to banks	*446,219*	*161,124*
	b) due to customers	*1,068,089*	*911,880*
	c) securities issued	*28,286*	*3,095*
20.	Financial liabilities held for trading	800	-
30.	Financial liabilities at fair value through profit or loss	5,345	4,424
60.	Tax liabilities	4,268	3,790
	a) current	*170*	*887*
	b) deferred	*4,098*	*2,903*
80.	Other liabilities	34,111	38,204
90.	Post-employment benefits	481	416
100.	Provisions for risks and charges:	514	611
	c) other provisions	*514*	*611*
120.	Valuation reserves	3,814	2,759
150.	Reserves	9,135	54,754
160.	Share premium	88,060	76,020
170.	Share capital	19,067	14,000
190.	Equity attributable to non-controlling interests (+/-)	8	8
200.	Loss for the year	(34,994)	(31,582)
	Total liabilities and equity	**1,673,202**	**1,239,504**

INCOME STATEMENT

(€'000)

	Captions	2023	2022
10.	Interest and similar income	98,648	52,726
20.	Interest and similar expense	(40,192)	(18,853)
30.	**Net interest income**	**58,457**	**33,874**
40.	Fee and commission income	3,160	2,382
50.	Fee and commission expense	(3,975)	(4,031)
60.	**Net fee and commission expense**	**(815)**	**(1,648)**
80.	Net trading income (expense)	(1,981)	1,111
100.	Net gain from sales or repurchases of:	535	159
	a) financial assets at amortised cost	*535*	*159*
110.	Net loss on other financial assets and liabilities at fair value through profit or loss	(10,426)	(18,276)
	a) financial assets and liabilities designated at fair value	*(2,714)*	*(1,161)*
	b) other financial assets mandatorily measured at fair value	*(7,711)*	*(17,115)*
120.	**Total income**	**45,770**	**15,220**
130.	Net impairment losses for credit risk associated with:	(32,829)	(13,815)
	a) financial assets at amortised cost	*(32,829)*	*(13,815)*
	b) financial assets at fair value through other comprehensive income	-	-
150.	**Net financial income**	**12,941**	**1,404**
190.	Administrative expenses:	(46,878)	(39,643)
	a) personnel expense	*(23,633)*	*(17,495)*
	b) other administrative expenses	*(23,245)*	*(22,148)*
200.	Net reversals of provisions for risks and charges	36	484
	b) other	*36*	*484*
210.	Depreciation and net impairment losses on property, equipment and investment property	(1,845)	(1,158)
220.	Amortisation and net impairment losses on intangible assets	(2,100)	(1,330)
230.	Other operating income, net	4,995	2,563
240.	**Operating costs**	**(45,791)**	**(39,084)**
250.	Net gains (losses) on equity investments	-	40
290.	**Pre-tax loss from continuing operations**	**(32,850)**	**(37,640)**
300.	Income taxes	(2,144)	6,058
310.	**Post-tax loss from continuing operations**	**(34,994)**	**(31,582)**
320.	Post-tax profit (loss) from discontinued operations	-	-
330.	**Loss for the year**	**(34,994)**	**(31,582)**
340.	Profit (loss) for the year attributable to non-controlling interests	-	-
350.	**Loss attributable to the owners of the parent**	**(34,994)**	**(31,582)**

STATEMENT OF COMPREHENSIVE INCOME

(€'000)

	Captions	2023	2022
10.	**Loss for the year**	**(34,994)**	**(31,582)**
	Other comprehensive income, net of tax, that will not be reclassified to profit or loss:	**1,055**	**131**
20.	Equity instruments at fair value through other comprehensive income	*1,037*	-
70.	Defined benefit plans	*18*	*131*
	Other comprehensive income (expense), net of tax, that will be reclassified to profit or loss:	**-**	**-**
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-
170.	**Total other comprehensive income, net of tax**	**1,055**	**132**
180.	**Comprehensive expense (captions 10 + 170)**	**(33,939)**	**(31,450)**
190.	Comprehensive income (expense) attributable to non-controlling interests	-	-
200.	**Comprehensive expense attributable to the owners of the parent**	**(33,939)**	**(31,450)**

Statement of changes in consolidated equity for the year ended 31 December 2023

(€'000)

	Balance at 31.12.2022	Change to opening balances	Balance at 1.1.2023	Allocation of prior year loss		Changes of the year									Equity at 31.12.2023	Equity att. to the owners of the parent at 31.12.2023	Equity att. to non-controlling interests at 31.12.2023
							Equity transactions										
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity investments	2022 comprehensive expense			
Share capital:																	
a) ordinary shares	14,008	-	14,008	-	-	-	5,067	-	-	-	-	-		-	19,075	19,067	8
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	76,020	-	76,020	(10,963)	-	-	23,002	-	-	-	-	-	-	-	88,060	88,060	-
Reserves:															-	-	
a) income-related	16,694	-	16,694	(13,461)	-	-	-	-	-	-	-	-	-	-	3,233	3,233	-
b) other	38,059	-	38,059	(7,158)	-	-	(25,000)	-	-	-	-	-	-	-	5,901	5,901	-
Valuation reserves	2,759	-	2,759	-	-	-	-	-	-	-	-	-	-	1,055	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,814	3,814	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year	(31,582)	-	(31,582)	31,582	-	-	-	-	-	-	-	-	-	(34,994)	(34,994)	(34,994)	-
Total equity	**115,959**	**-**	**115,959**	**-**	**-**	**-**	**3,069**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,939)**	**85,088**	**85,080**	**8**
Equity attributable to the owners of the parent	115,951	-	115,951	-	-	-	3,069	-	-	-	-	-	-	(33,939)	-	85,080	-
Equity attributable to noncontrolling interests	8	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	8

See section F "Information on equity" of these notes for details of changes in reserves during the year.

Statement of changes in consolidated equity for the year ended 31 December 2022

(€'000)

	Balance at 31.12.2021	Change to opening balances	Balance at 01.01.2022	Allocation of prior year loss: Reserves	Allocation of prior year loss: Dividends and other allocations	Changes of the year: Changes in reserves	Changes of the year – Equity transactions: Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity investments	2022 comprehensive expense	Equity at 31.12.2022	Equity att. to the owners of the parent at 31.12.2022	Equity att. to non-controlling interests at 31.12.2022
Share capital:																	
a) ordinary shares	14,008	-	14,008	-	-	-	-	-	-	-	-	-		-	14,008	14,000	8
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	76,020	-	76,020	-	-	-	-	-	-	-	-	-	-	-	76,020	76,020	-
Reserves:																	
a) income-related	22,847	-	22,847	(6,152)	-	-	-	-	-	-	-	-	-	-	16,694	16,694	-
b) other	13,132	-	13,132	-	-	25,000	-	-	-	201	-	(274)	-	-	38,059	38,059	-
Valuation reserves	2,627	-	2,627	-	-	-	-	-	-	-	-	-	-	132	2,759	2,759	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year	(6,152)	-	(6,152)	6,152	-	-	-	-	-	-	-	-	-	(31,582)	(31,582)	(31,582)	-
Total equity	**122,482**	**-**	**122,482**	**-**	**-**	**25,000**	**-**	**-**	**-**	**201**	**-**	**(274)**	**-**	**(31,450)**	**115,959**	**115,951**	**8**
Equity attributable to the owners of the parent	122,474	-	122,474	-	-	25,000	-	-	-	201	-	(274)	-	(31,450)	-	115,951	-
Equity attributable to noncontrolling interests	8	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	8

STATEMENT OF CONSOLIDATED CASH FLOWS (indirect method)

(€'000)

A. OPERATING ACTIVITIES	Amount 2023	Amount 2022
1. Operations	**16,294**	**(3,486)**
- loss for the year (+/-)	(34,994)	(31,582)
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit or loss (-/+)	12,407	18,276
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses/gains for credit risk (+/-)	32,829	13,815
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	3,945	2,488
- net accruals to/net reversals of provisions for risks and charges and other costs/revenue (+/-)	(36)	(484)
- unsettled taxes and tax assets (+/-)	2,144	(6,058)
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax (+/-)	-	-
- other adjustments (+/-)	-	59
2. Cash flows used for financial assets	**(441,533)**	**(398,867)**
- financial assets held for trading	37	-
- financial assets at fair value through profit or loss	-	-
- other assets mandatorily measured at fair value	5,143	3,933
- financial assets at fair value through other comprehensive income	-	-
- financial assets at amortised cost	(454,994)	(385,198)
- other assets	8,281	(17,603)
3. Cash flows generated by financial liabilities	**459,909**	**282,743**
- financial liabilities at amortised cost	466,496	273,822
- financial liabilities held for trading	(1,181)	-
- financial liabilities at fair value through profit or loss	(1,794)	(1,229)
- other liabilities	(3,611)	10,150
Net cash flows generated by/used in operating activities	**34,671**	**(119,610)**

Continue - STATEMENT OF CONSOLIDATED CASH FLOWS (indirect method)

(€'000)

B. INVESTING ACTIVITIES	31/12/2023	31/12/2022
1. Cash flows generated by	**-**	**-**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**(8,998)**	**(3,941)**
- equity investments	-	-
- property, equipment and investment property	(999)	(2,283)
- intangible assets	(2,500)	(1,657)
- business units	(5,500)	-
Net cash flows used in investing activities	**(8,998)**	**(3,941)**
C. FINANCING ACTIVITIES	**2023**	**2022**
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	3,069	25,000
- dividend and other distributions	-	-
Net cash flows generated by financing activities	**3,069**	**25,000**
NET CASH FLOWS FOR THE YEAR	**28,741**	**(98,551)**

RECONCILIATION

(importi in Euro migliaia)

Financial statements captions	2023	2022
Opening cash and cash equivalents	98,217	196,768
Total net cash flows for the year	28,741	(98,551)
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	**126,959**	**98,217**

Key: (+) Generated (-) Used

With respect to the additional disclosures required after publication of Regulation (EU) 2017/1990, which partly amended IAS 7 - Statement of cash flows, the group does not have liabilities arising from financing activities and, therefore, paragraphs from 44 to 44E and paragraph 60 are not applicable.

Banca CF+

Notes to the consolidated financial statements

Part A: Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance with IFRS

As required by Legislative decree no. 38 of 28 February 2005, the consolidated financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union as per the procedure set out by article 6 of Regulation (EC) 1606 of 19 July 2002. They also comply with the layout and compilation requirements contained in Circular no. 262 of 22 December 2005 (eighth revision of 17 November 2022), issued by Bank of Italy as part of its powers granted by article 43 of Legislative decree no. 136/2015.

Section 2 –General preparation principles

The consolidated financial statements consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (prepared using the indirect method) and these notes, drawn up in accordance with the formats and technical layouts defined by Bank of Italy. They are accompanied by a Directors' report in which the directors comment on the group's performance and financial position, as required by the IFRS.

Pursuant to article 5 of Legislative decree no. 38/2005, the reporting currency used to prepare the consolidated financial statements is the Euro. The amounts in the consolidated financial statements, these notes and the Directors' report are presented in thousands of Euros, unless specified otherwise.

The group prepared the consolidated financial statements in line with the general principles set out in IAS 1:
a) Going concern: assets, liabilities and off-statement of financial position items are measured on a going concern basis as management is reasonably certain that the group will continue to operate for least 12 months after the reporting date. Management's considerations are set out in the "Business opportunities and going concern" section of the Directors' report, to which reference is made.
b) Accruals basis of accounting: except in the statement of cash flows, expenses and revenue are recognised on an accruals and matching basis.
c) Consistency of presentation: the presentation and classification criteria of the captions are consistent from one period to another to ensure comparable information, unless their modification is required by a standard or an interpretation or an improvement in the materiality and reliability of the caption's presentation becomes necessary. In the case of a change in accounting policy, the new policy is applied retroactively, as far as possible, and the nature, reason for and amount of the captions affected by the change are indicated as well as the effects on the group's financial position, financial performance and cash flows. Captions are presented and classified in line with Bank of Italy's instructions for banks' financial statements in Circular no. 262 of 22 December 2005 and subsequent amendments.
d) Materiality and aggregation: in line with Bank of Italy's instructions for banks' financial statements, the various classes of similar items are presented separately, if material. Different items, if material, are presented separately.
e) Offsetting: except when required or allowed by the IFRS or Bank of Italy's instructions for banks' financial statements, assets and liabilities and expenses and revenue are not offset.
f) Comparative information: comparative information from the previous year for all amounts reported in the current year's consolidated financial statements is disclosed, including qualitative when deemed useful for understanding, except when the IFRS permit or require otherwise. The information is analysed and illustrated and all the additional disclosures deemed necessary to provide a true and fair view of the group's financial position, financial performance and cash flows are presented. The different national and international regulations are considered, when possible, as are the Bank of Italy instructions about financial statements when preparing the schedules.
g) Departures: if, in exceptional cases, application of the requirements of the IFRS is not compatible with a true

and fair view of the group's financial position, financial performance and cash flows, it is not applied. The notes explain the reasons for the departure from the standards and its effect on the group's financial position, financial performance and cash flows. No departures were made in these consolidated financial statements.

First application/recently adopted standards

In accordance with IAS 8, the new IFRS or amendments to existing standards and the related EU endorsement regulations, the application of which is mandatory for annual periods beginning or after 1 January 2023, are set out below:
• Definition of accounting estimates (Amendments to IAS 8). On 12 February 2021, the IASB issued amendments to IAS 8 introducing the definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this is disclosed. The directors do not expect the adoption of these amendments will have a significant effect on the group's consolidated financial statements.
• Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2). On 12 February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to assist entities in applying materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policy information; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The directors do not expect the adoption of these amendments will have a significant effect on the group's consolidated financial statements.
• Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12). On 7 May 2021, the IASB published an amendment to this standard clarifying how an entity should recognise deferred tax when it accounts for transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The directors do not expect the adoption of these amendments will have a significant effect on the group's consolidated financial statements.
• International tax reform - Pillar Two model rules (Amendments to IAS 12). On 23 May 2023, the IASB published amendments to IAS 12 to respond to the OECD's BEPS Pillar Two rules. They include:
- a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of financial statements better understand the income tax impacts arising from such legislation, particularly before its effective date. The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual periods beginning on or after 1 January 2023, but not for interim periods ending on or before 31 December 2023.
• Amendments to IFRS 17 - Insurance contracts. On 18 May 2017, the IASB issued IFRS 17 - Insurance contracts as well as amendments thereto on 25 June 2020. This is a new comprehensive standard on insurance contracts covering their recognition and measurement, presentation and disclosure. IFRS 17 replaced IFRS 4 - Insurance contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance) regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. There are a small number of scope exceptions. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. Unlike IFRS 4, which is largely based on maintaining previous accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts. It uses a general measurement model, supplemented by:

- a specific adjustment for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and requires the presentation of comparative figures. Earlier application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17.
• Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17). On 9 December 2021, the IASB introduced a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities 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. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The new standards and amendments effective as of 1 January 2023, where applicable, did not have a significant impact on the group's financial position and financial performance.

Endorsed standards and interpretations that become effective after 31 December 2023

• Classification of liabilities as current or non-current and deferral of effective date (Amendments to IAS 1). On 23 January 2020, the IASB published an amendment to this standard that clarifies how an entity should classify debt and other financial liabilities as current or non-current in particular circumstances. In June 2021, the IASB decided to defer the effective date of the amendment to annual reporting periods beginning on or after 1 January 2024; earlier application is still permitted but must be applied at the same time as the 2022 amendments. The directors do not expect the adoption of these amendments will have a significant effect on the group's consolidated financial statements.
• Non-current liabilities with covenants (Amendments to IAS 1). On 31 October 2022, the IASB published an amendment to this standard regarding non-current liabilities subject to conditions. Only the conditions of a liability arising from a loan arrangement that an entity must comply with by the reporting date will affect the classification of that liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. They are not expected to have a significant impact on the group's consolidated financial statements.
• Lease liability in a sale and leaseback (Amendments to IFRS 16). On 22 September 2022, the IASB issued an amendment to this standard that requires a seller-lessee to measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. IFRS 16 already included the information for accounting for a sale and leaseback at the date the transaction occurs, but not the subsequent treatment. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. They are not expected to have a significant impact on the group's consolidated financial statements.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations issued by the IASB/IFRIC that are pending endorsement

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

• Supplier finance arrangements (Amendments to IAS 7 and IFRS 7). On 25 May 2023, the IASB issued amendments to IAS 7 - Statement of cash flows and IFRS 7 - Financial instruments: Disclosures, to clarify the characteristics of supplier finance agreements and request further disclosure of such agreements. The disclosure requirements included in the amendments are intended to enable users of financial statements to understand the effects on an entity's liabilities, cash flows and exposure to liquidity risk related to supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and disclosure of this fact is required.
• Lack of exchangeability (Amendments to IAS 21) (issued on 15 August 2023). On 15 August 2023, the IASB issued amendments to IAS 21 that specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted and disclosure of this fact is required.

Section 3 – Basis of consolidation

The consolidated financial statements include the separate financial statements of the parent, Banca CF+, and the financial statements of the companies it controls, regardless of whether it has an equity investment therein.

Control exists solely if and only if the investor has all of the following:
• the power to direct the relevant activities of the investee;
• exposure to variable returns from its involvement with the investee;
• the ability to use its power over the investee to affect the amount of the investor’s returns.

Jointly controlled entities are those over which control is shared by the parent with other non-consolidated parties.

Banca CF+ has prepared consolidated financial statements in accordance with Legislative decree no. 136/2015 and IFRS 10. It has de facto control of the vehicles used for investment transactions, of which it holds a significant portion of junior notes and in which it has the majority of the voting rights at general meetings.

As well as Banca CF+ S.p.A., the consolidation scope includes Cassia SPV S.r.l. and the SPVs over which the parent has de facto control because it holds the majority of their junior notes. Investments in certain SPVs (Restart SPV S.r.l. and Italian Credit Recycle S.r.l.), of which the parent has subscribed 47.5% of the securitisation junior notes, fall under IFRS 11 (joint control) and are accounted for accordingly.

1. Investments in subsidiaries

Companies	Head office	Registered office	Investment		Voting rights
			Type of relationship	%	
Cassia SPV S.r.l.	Rome	Rome	1	60%	60%
Crediti Fiscali+ SPV S.r.l.	Rome	Rome	1 and 4	60%	60%
Ponente SPV S.r.l.	Rome	Rome	4	0%	0%
New Levante SPV S.r.l.	Rome	Rome	4	0%	0%
Cosmo SPV S.r.l.	Rome	Rome	4	0%	0%
Fairway S.r.l.	Rome	Rome	4	0%	0%
Aventino SPV S.r.l.	Rome	Rome	4	0%	0%
Liberio SPV S.r.l.	Rome	Rome	4	0%	0%

Key
(*) Type of relationship:
1= majority of the voting rights at general meetings;
2= dominant influence at general meetings;
3= owners' agreements;
4= other forms of control;
5= common control as per article 39.1 of Legislative decree no. 136/215
6= common control as per article 39.2 of Legislative decree no. 136/215
(**) Voting rights at general meetings, distinguishing between effective and potential

With respect to the consolidated SPVs, since the parent does not have any equity investment therein, their consolidation considers their assets earmarked for a specific business, also taking into account the SPVs' immaterial financial statements balances.

2. Key judgements and assumptions to identify the consolidation scope

IFRS 10 governs consolidated financial statements and defines the requirements for the identification of the consolidation scope.

According to IFRS 10, an investor controls an investee if and only if the investor has all the following:
• the power to direct the relevant activities of the investee;
• exposure, or rights, to variable returns from its involvement with the investee;
• the ability to use its power over the investee to affect the amount of the investor's returns.

Control exists when all three conditions above are concurrently met.

An investee is subject to significant influence when the parent, directly or indirectly, has at least 20% of its voting rights (including "potential" voting rights) or, if it has a smaller percentage of voting rights, when it has the power to participate in deciding operating and financing policies due to special legal relationships such as shareholder agreements.

An investee is jointly controlled when control is shared by the parent, directly or through other group companies, and one or more parties based on an agreement or when decisions about significant matters have to be taken by all the parties holding control.

The parent controls an investee when it is directly or indirectly exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The IFRS 10 requirements for the assessment of whether an investor controls an investee apply to all types of equity investments (companies, vehicles, investment funds/OEICs, etc.).

An investee is included in the Banca CF+ Group's consolidation scope when:
• the parent has the majority of the voting rights at general meetings (de jure control);
• the parent's control over a structured entity is due to factors other than voting or similar rights.

Specifically, the in-scope structured entities are as follows:

Group company	Investor	Investment %	Consolidation/ recognition method
Cassia SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital	Line-by-line
Crediti Fiscali+ SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital and 100%	Line-by-line
Ponente SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
New Levante SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Cosmo SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Fairway S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Aventino SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Liberio SPV S.r.l.	Banca CF+ S.p.A.	95% of the SPV's mono tranche notes	Line-by-line
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity

The current consolidation method entails, inter alia:
• the determination of the internal rate of return ("IRR") of the consolidated portfolios on the basis of GDP net solely of up front costs and credit collection legal costs. This approach is in line with the requirements of IFRS 9 for POCI "Puchased or Originated Credit impaired" financial assets (most exposures are impaired when purchased or, in any case, purchased at a discount), used to calculate the portfolio's amortised cost;
• the recognition of the portfolio's initial carrying amount on the basis of the actual cash flows (purchase price net of collections plus the securitisations' structuring costs);
• recalculation of the frequency of the collections on a monthly rather than a quarterly basis;
• measurement of the ABS subscribed by third parties at amortised cost;
• measurement of any deferred purchase price ("DPP") included in the securitisations.

The portfolios of the jointly-controlled vehicles (Restart and ICR) are measured using the equity method with the presentation of the related net gain or loss for the current and previous years in the caption Financial assets at amortised cost.

3. Investments in subsidiaries with significant non-controlling interests

None.

4. Significant restrictions

There are no significant restrictions as per IFRS 12.13 to report.

5. Other information

There is no other information as per IFRS 12.11 to report.

Section 4 – Events after the reporting date

No events have taken place since the reporting date that would have required changes to the approved data, the results or additional information to be provided. Specifically, no significant events have taken place in the period from the reporting date to the date of publication of the consolidated financial statements that would have affected the parent's and group's financial position, financial performance and cash flows. This considers the prudent management of risks, the qualitative and quantitative aspects of which are detailed in Part E of these notes and capital adequacy in Part F.

The Directors' report provides information on the capital strengthening initiatives and approval of the new 2024-2026 financial projections in the "Capitalisation" and "Approval of the 2024-2026 financial projections" sections.

Section 5 – Other issues

Use of accounting estimates
Application of the IAS/IFRS to financial reporting requires management to make accounting estimates for some asset and liability captions that are considered reasonable and realistic based on the information available when the estimate is made. The estimates affect the carrying amount of the assets and liabilities and the disclosure about contingent assets and liabilities at the reporting date as well as the revenue and costs for the reporting period.

Changes in the conditions underlying the judgements, assumptions and estimates may affect subsequent period results.

The main areas for which judgements are required by management are:
• calculation of impairment losses or gains on financial assets at amortised cost, which include the ABS and POCI securities held by the parent;
• use of valuation models to calculate the fair value of financial instruments not quoted on active markets such as, specifically, the ABS that do not pass the SPPI test;
• calculation of employee benefits and provisions for risks and charges;
• estimates and assumptions about the recoverability of deferred tax assets;
• estimates and assumptions about the recoverability of intangible assets with indefinite useful lives.

Information on the use of valuation models to calculate the fair value of financial instruments not quoted on active markets is provided in the "Valuation processes and sensitivity" section, which provides details of the estimation methods and, in particular, for the calibration of models in use.

With reference to the estimates and assumptions about the recoverability of deferred tax assets, when preparing its consolidated financial statements at 31 December 2023, the parent designed a specific probability test in accordance with IAS 12, which was approved by the Board of Directors. The cash flows underlying the quantification of taxable profits are based on the updated financial projections for the 2024-2026 three-year period (the "projections") approved by the parent's Board of Directors on 12 March 2024.

Management used the same projections to estimate the cash flows used for the impairment test, aimed at verifying the recoverability of intangible assets with an indefinite life. The impairment test, approved by the parent's Board of Directors, was prepared to test the factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto.

The descriptions of the accounting policies applied to the main financial statements captions provide the information necessary to identify the main assumptions and judgements adopted by management to prepare the consolidated financial statements.

Independent auditors

EY S.p.A. performed the statutory audit of the group's consolidated financial statements as per the shareholders' resolution of 27 April 2022.

Pursuant to article 17.1 of Decree no. 39/2010, the audit engagement has a nine-year term (from 31 December 2022 to 31 December 2030).

Approval of the separate financial statements

On 28 March 2024, the directors approved the separate financial statements and their presentation to the shareholders within the terms provided for by article 2429 of the Italian Civil Code. For the purposes of IAS 10.17, the preparation date of the separate financial statements is 28 March 2024, i.e., when the Board of Directors approved them.

A.2 – MAIN FINANCIAL STATEMENTS CAPTIONS

The accounting policies adopted to prepare the consolidated financial statements are set out below.

1 - Financial assets at fair value through profit or loss (FVTPL)

Recognition
Debt and equity instruments are initially recognised at the settlement date, loans at the disbursement date and derivatives at the date they are entered into.

Upon initial recognition, financial assets at fair value through profit or loss are measured at fair value without considering transaction costs or revenue.

Classification
This category includes financial assets other than those classified at fair value through other comprehensive income or at amortised cost. Specifically, this caption includes:
- financial assets held for trading, which are mainly derivatives held for trading with positive fair values;
- those assets that are mandatorily measured at fair value, because they do not meet the requirements for their measurement at amortised cost or at fair value through other comprehensive income. The contractual terms of these financial assets give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding (i.e., they did not pass the SPPI test) or the asset is not held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect model) or whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model). The latter category includes the ABS in which the group invested under a hold to collect business model and which are measured at fair value since they did not pass the SPPI test.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through profit or loss measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through other comprehensive income). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. The effective interest rate is determined on the basis of the fair value of the reclassified financial asset at the reclassification date.

Measurement
After initial recognition, financial assets at fair value through profit or loss are measured at fair value and the resulting gain or loss is recognised in profit or loss.

Derecognition
These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue
Interest income, calculated using the IRR for ABS, is recognised as "Interest and similar income" in the income statement (caption 10).

Gains and losses and fair value gains and losses compared to the instruments' acquisition cost are recognised under income statement caption "110. Net gain (loss) on other financial assets and liabilities at fair value through profit or loss".

2 - Financial assets at fair value through other comprehensive income (FVOCI)

Recognition
Debt and equity instruments are initially recognised at the settlement date and loans at the disbursement date.

Upon initial recognition, the assets are measured at fair value, including directly attributable transaction costs or revenue.

Classification
A financial asset is classified in this category if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

This category also includes equity instruments other than those held for trading which the group has designated as measured at fair value through other comprehensive income upon initial recognition.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets.

Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through profit or loss).

The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. If an asset is reclassified out of this category and into the amortised cost measurement category, the cumulative gain or loss previously recognised in the fair value reserve is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. If an asset is reclassified out of this category and into the fair value through profit or loss measurement category, the cumulative gain or loss previously recognised in the fair value reserve is reclassified from equity to profit or loss.

Measurement
After initial recognition, a gain or loss on a financial asset measured at fair value through other comprehensive income other than equity instruments is recognised in a specific equity reserve, except for those arising from the application of amortised cost, impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised. When the financial asset is derecognised, in part or in its entirety, the cumulative gain or loss previously recognised in the fair value reserve is reclassified, in part or in its entirety, from equity to profit or loss.

The equity instruments that the group has elected to classify in this category are measured at fair value and any cumulative gain or loss recognised in OCI (statement of comprehensive income) cannot be subsequently transferred to profit or loss, even when the instrument is disposed of. Only dividends on such investments are recognised in profit or loss.

Like for assets measured at amortised cost, the group assesses whether the credit risk of its financial assets measured at fair value through other comprehensive income (either debt instruments or loan assets) has increased significantly, in accordance with the impairment requirements of IFRS 9. If this is the case, the group recognises the expected credit loss accordingly. Specifically, it recognises a 12-month expected credit loss on its financial instruments classified at stage 1 (i.e., financial assets that are not originated credit-impaired and financial assets whose credit risk has not increased significantly since initial recognition) upon initial recognition and at each subsequent reporting date. It recognises a lifetime expected credit loss on its financial instruments classified at stage 2 (performing financial assets, whose credit risk increased significantly since initial recognition) and stage 3 (credit-impaired financial assets). Conversely, equity instruments are not subject to impairment testing.

Derecognition
These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients. If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Recognition of costs and revenue
Gains and losses on the assets' sale are recognised in caption "100. Net gain (loss) from sales or repurchases of: b) financial assets at fair value through other comprehensive income" in the income statement. Fair value gains and losses are recognised directly in equity (caption "110. Valuation reserves") and reclassified to the income statement (caption "100. Net gain (loss) from sales or repurchases of: b) financial assets at fair value through other comprehensive income") when realised due to their sale or when impairment losses are recognised. In this case, they are recognised in caption "130. Net impairment losses/gains for credit risk associated with: b) financial assets at fair value through other comprehensive income". This caption shows the net impairment gains or losses solely for debt instruments as impairment gains or losses on quoted equity instruments are recognised directly in equity (fair value reserve) while impairment gains cannot be recognised for unquoted equity instruments.

3 – Financial assets at amortised cost

Recognition
Debt instruments are initially recognised at the settlement date, while loans are recognised at the disbursement date. Upon initial recognition, the assets are measured at fair value, including directly attributable transaction costs or revenue.

The disbursement date of loans is usually the agreement signing date. If they are not the same, when signing the agreement, the group recognises a commitment to grant funds which is extinguished when the loan is disbursed. They are recognised at their fair value, which equals the amount disbursed, or their subscription price including transaction costs or revenue attributable to the individual loan and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or are administrative costs.

Classification
A financial asset (in particular, loans and debt instruments) is classified in this category if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (hold to collect model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

Specifically, the following are recognised in this caption:
- loans and receivables with banks that meet the requirements set out above;
- loans and receivables with customers that meet the requirements set out above;
- debt instruments that meet the requirements set out above.

This caption also includes trade receivables arising from the provision of financial services, as defined by the Italian Consolidated Banking Act and the Italian Consolidated Finance Act.

Under the IFRS 9 general reclassification rules for financial assets, an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value at amortised cost measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss, if the asset is reclassified out of this category and into the fair value through profit or loss measurement category, whereas it is recognised in the fair value reserve in equity if the asset is reclassified into the fair value through other comprehensive income category.

Measurement
After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method. Under this method, the asset is recognised at its initial carrying amount decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity (generally due to the cost/revenue directly allocated to the individual asset) and by the loss allowance, if any. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the disbursed amount, including directly attributable costs and revenue. This accounting method allows the distribution of the costs and revenue directly attributable to a financial asset over its expected residual life.

See the "Amortised cost measurement" section for further information on how financial assets are measured at amortised cost. This section also describes the accounting treatment of Puchased or Originated Credit Impaired (POCI) assets.

The amortised cost method is not used for assets measured at historical cost as discounting these loans has no material impact considering their short term, and assets without a set maturity or on demand.

Impairment is strictly related to the exposures' credit staging, i.e., their classification in one of the three stages provided for by IFRS 9, the last of which (stage 3) includes credit-impaired financial assets and the other two (stages 1 and 2) include performing financial assets.

The expected credit losses on these assets are recognised in profit or loss as follows:
- upon initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has not increased significantly since initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has increased significantly since initial recognition, the lifetime expected credit losses;
- upon subsequent measurements, if, after the credit risk increased significantly since initial recognition, the increase is no longer significant, the amount that accounts for the change from a lifetime expected credit loss to a 12-month expected credit loss.

If they are performing, these financial assets are subject to an individual impairment assessment according to their risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "credit-impaired", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss to be recognised in profit or loss is calculated based on an individual measurement or a collective measurement by group of similar assets and, then, individually allocated to each position, considering forward-looking information and possible alternative recovery scenarios as detailed in the "Impairment of financial assets" section.

Credit-impaired assets include financial assets classified as bad, unlikely to pay or overdrawn/past due by over ninety days according to the rules issued by Bank of Italy, in line with the IAS/IFRS and EU supervisory regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even when it is restructured with a variation of the contractual interest rate and when the asset, in practice, no longer bears contractual interest.

When the reasons for the impairment loss are no longer valid due to an event that took place subsequently to its recognition, the impairment loss is reversed through profit or loss. The reversal cannot exceed the amortised cost the asset would have had if it had not been impaired.

Impairment gains due to the passage of time are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual terms may be subsequently modified by the parties to the contract. When the contractual terms are modified during the lifetime of an instrument, the group assesses whether the original asset should continue to be recognised in the statement of financial position or whether, instead, it should be derecognised and a new financial asset needs to be recognised.

In general, modifications to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the modification is made using both qualitative and quantitative information. In some cases, without resorting to complex analyses, it is clear that the characteristics and/or contractual cash flows of a particular asset are substantially modified while, in other cases, further analyses (including quantitative analyses) are necessary to assess the effects of the modifications and check whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must, therefore, consider:

- the purposes for which the modifications were made: e.g., (a) renegotiations for commercial reasons and (b) forbearance measures due to financial difficulties of the counterparty:

• the former, aimed at "retaining" the customer, involve a borrower that does not have financial difficulties. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the group carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the group would incur a decrease in expected future revenue;
• The latter, carried out for "reasons of credit risk" (forbearance measures), relate to the group's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the modifications, are not normally substantially transferred and, consequently, the accounting treatment that provides the most relevant information for the consolidated financial statements users (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;

- the existence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are expected to lead to derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Derecognition
These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue
Interest income, calculated using the IRR, is recognised as "Interest and similar income" in the income statement (caption 10). Default interest is recognised in profit or loss when collected.

Impairment gains are recognised in caption "130. Net impairment losses/gains for credit risk associated with: a) financial assets at amortised cost".

If the amount of the impairment loss decreases in subsequent years and the decrease is objectively related to an event that took place after recognition of the impairment loss, the impairment loss is reversed directly or through the release of the allowance to profit or loss.

If the assets are derecognised, any resulting losses are recognised in profit or loss, net of the related allowance.

4 - Property, equipment and investment property

Recognition
Property, equipment and investment property are initially recognised at cost, which comprises the asset's purchase price, trade discounts and rebates, non-refundable purchase taxes (e.g., non-deductible VAT and registration taxes) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Right-of-use assets are initially recognised as the sum of the lease liability (present value of the future lease payments over the lease term), any lease payments made at or before the commencement date, any initial direct costs and any costs to be incurred in dismantling or restoring the underlying asset.

Classification
Property, equipment, machinery and other assets used in operations are covered by IAS 16 while investment property (land and buildings) fall under the scope of IAS 40. The category comprises assets under finance lease (for the lessees) and operating lease (for the lessors) as well as leasehold improvement costs. Reference is made to IFRS 16 to determine whether an arrangement contains a lease. Property, equipment and machinery are recognised as assets when:
• it is probable that future economic benefits associated with the item will flow to the group;
• the cost of the item can be measured reliably.

Measurement
Subsequent costs, related to an asset already recognised, are added to its carrying amount when it is probable that they will increase the future economic benefits in excess of the normal output of the asset as originally estimated. All other costs are expensed when incurred.

After recognition as an asset, an item of property, equipment and investment property is recognised at its cost less any accumulated depreciation and any accumulated impairment losses. Impairment tests are performed once a year.

Derecognition
Property, equipment and investment property are derecognised on disposal or retirement and no future economic benefits are expected from their use or disposal. Right-of-use assets are derecognised at the end of the lease term.

Recognition of costs and revenue
The depreciable amount of an asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the group. When expectations differ significantly from previous estimates, the depreciation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an item of property and equipment or investment property has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

5 – Intangible assets

Recognition
Intangible assets are recognised at cost, adjusted for any transaction costs, only if it is probable that the future economic benefits associated with the asset will flow to the group and the asset's cost may be determined reliably. If these conditions are not met, the cost of the asset is recognised in profit or loss when incurred.

Classification
Intangible assets include goodwill, covered by IFRS 3, and other intangible assets which fall under the scope of IAS 38.

An intangible asset is recognised as such solely when it is a resource that is:

• non-monetary;
• identifiable;
• without physical substance;
• held for use in the production or supply of goods or services, lease to third parties or for administrative purposes;
• controlled by the group;
• from which future economic benefits are expected to flow to the group.

Measurement
The cost of assets with finite useful lives is amortised on a straight-line or diminishing balance basis depending on how the economic benefits are expected to flow to the group. Assets with indefinite useful lives are not amortised, but are regularly tested for impairment.

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. The impairment loss, which is recognised in profit or loss, is equal to the difference between the asset's carrying amount and recoverable amount.

In particular, intangible assets include:
a) technology-based intangible assets, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. In particular, the costs incurred internally for the development of software projects are recognised under intangible assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development stage can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to make the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Capitalised software development costs include only the costs directly attributable to the development stage. They are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the group from the beginning of production over the product's estimated life;
b) goodwill, which may be recognised as part of business combinations when the positive difference between the consideration transferred plus the fair value of any non-controlling interests and the fair value of the acquired assets and liabilities represents the acquiree's future income-generating potential.

If this difference is negative (negative goodwill) or if the positive difference is not justified by the acquiree's future income-generating potential, it is immediately recognised in profit or loss.

Once a year (or whenever there is an impairment indicator), goodwill is tested for impairment. This requires the identification of the cash-generating unit to which goodwill is allocated. Any impairment losses are determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. The recoverable amount is the higher of the fair value less costs to sell of the cash-generating unit and its value in use. Any resulting impairment losses are recognised in profit or loss.

Derecognition
Intangible assets are derecognised on disposal and if no future economic benefits are expected therefrom.

Recognition of costs and revenue
The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the group. When expectations differ significantly from previous estimates, the amortisation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an intangible asset has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

6 – Current and deferred taxes

Recognition
Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised as an expense on an accruals basis, in line with the costs and revenue generating them. They show the tax income (expense) for the reporting period. Under the liability method, they include:
a) current tax assets, the amount of income taxes recoverable in respect of the taxable profit (tax loss) for the period;
b) current tax liabilities, the amount of income taxes payable in respect of the taxable profit (tax loss) for the period;
c) deferred tax assets, the amount of income taxes recoverable in future periods in respect of deductible temporary differences (mainly expenses deductible in the future from taxable profit (tax loss) under the ruling tax laws);
d) deferred tax liabilities, the amount of income taxes payable in future periods in respect of taxable temporary differences (mainly deferred tax on revenue or advance deductions of expenses when determining taxable profit (tax loss) of future periods under the ruling tax laws).

Classification
Current tax assets and liabilities shows the group's tax position vis-à-vis the tax authorities. Current tax liabilities include the tax liability for the reporting period while the current tax assets comprise payments on account and other tax assets for withholdings or other prior year tax assets which the group intends to use for offsetting purposes in subsequent periods.

Deferred tax assets and liabilities are classified as non-current assets and liabilities pursuant to IAS 1.56.

Therefore, deferred taxes are presented under non-current liabilities as "Deferred tax liabilities" when they are liabilities, i.e., are related to items that will become taxable in future periods, otherwise they are recognised as "Deferred tax assets" under non-current assets when they relate to items that will be deductible in future periods.

Deferred taxes are recognised under equity if they relate to transactions that affect equity.

Measurement
Corporate income tax (IRES) and the regional tax on production activities (IRAP) are calculated using a realistic estimate of the positive and negative items of the reporting period using the enacted tax rates.

Deferred tax assets are only recognised when it is probable that the group will have sufficient taxable profit in the same period as the reversal of the deductible temporary differences. Deferred tax liabilities are always recognised.

Current and deferred taxes are offset only when the group has the legally enforceable right to set off the recognised amount and intends to do so.

Recognition of costs and revenue
The balancing entry of tax assets and liabilities (current and deferred) is the caption "Income taxes" in the income statement. When the current or deferred taxes to be recognised relate to transactions, the results of which are recognised directly in equity, the related tax assets and liabilities are also recognised in equity.

7 - Financial liabilities at amortised cost

Recognition
The group commences recognising these financial liabilities at the contract's execution date, which normally coincides with when the cash is received or the debt instruments are issued.

The financial liabilities are initially recognised at their fair value, which usually equals the cash received or the issue price, increased by any transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Internal administrative costs are excluded.

Classification
Due to banks and to customers and securities issued may comprise the various forms of the group's funding (interbank and with customers), repurchase agreements and certificates of deposit, bonds and other securities issued (including the subordinated bonds which qualify as a Tier 2 capital instrument issued by the parent), net of any portions redeemed.

This caption also includes the group's lease liabilities recognised as a lessee in finance leases.

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

Current liabilities, where the time value of money is immaterial, are recognised at the amount received.

Derecognition
Financial liabilities are derecognised when they expire or are extinguished. They are derecognised even when the group has repurchased a portion of previously issued bonds. The difference between the financial liability's carrying amount and the consideration paid is recognised in profit or loss.

Replacements on the market of repurchased securities issued by the group are considered new issues and recognised at the new placing price.

Recognition of costs and revenue
Interest expense, calculated using the nominal interest rate, is recognised as "Interest and similar expense" in the income statement.

8 - Financial liabilities held for trading

Recognition
Financial liabilities held for trading are initially recognised at the settlement date, except for derivatives that are recognised at the date they are entered into.

These financial liabilities are initially recognised at their fair value, which usually equals the cash received, without considering any transaction costs that are directly attributable to the financial liability and which are recognised in profit or loss.

Classification
This caption mainly includes derivatives with a negative fair value that are not designated as hedging instruments.

Measurement and recognition of costs and revenue
Financial liabilities held for trading are measured at fair value through profit or loss. Gains and losses arising from changes in fair value and/or from the sale of these liabilities are recognised in profit or loss.

When the fair value of a derivative liability becomes positive, it is recognised in "Financial assets at fair value through profit or loss: a) financial assets held for trading".

Trading gains and losses and fair value gains and losses are recognised in caption "80. Net trading income (expense)" in the income statement.

Derecognition
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liabilities are transferred with the transfer of substantially all risks and rewards of ownership.

9 - Financial liabilities at fair value through profit or loss

Recognition
These financial liabilities are measured at fair value since their initial recognition. Any fair value gains or losses are immediately recognised in profit or loss.

Classification
At initial recognition, the group designates a financial liability as measured at fair value through profit or loss if:
• it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
• a group of financial assets or liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
• there is a hybrid contract that contains one or more embedded derivatives, which may significantly modify the cash flows that otherwise would be required by the contract.

The election to designate a financial liability as measured at fair value through profit or loss is irrevocable, is made on an instrument-by-instrument basis and is not necessarily applied to all instruments with similar characteristics. However, such election cannot be applied to an individual component of a financial instrument, attributable to just one risk component to which the instrument is exposed. This caption includes certain liabilities whose settlement is deferred and linked to the performance of certain assets.

Measurement and recognition of costs and revenue
After initial recognition, the liabilities are measured at fair value and any fair value gain or loss is recognised in profit or loss.

Derecognition
Financial liabilities are derecognised when they expire or are extinguished.

10 - Post-employment benefits

The Italian post-employment benefits are classified as:
- defined contribution plans for the benefits accrued after 1 January 2007 (when the pension reform implemented by Legislative decree no. 252 of 5 December 2005 was enacted) when the employee has opted to transfer them to a supplementary pension fund or to the INPS (the Italian social security institution) treasury fund. The group's liability is recognised under personnel expense and is calculated considering the benefits due without applying actuarial methods;
- defined benefit plans for the benefits vested up to 31 December 2006. They are recognised at their actuarial value using the projected unit credit method, without considering the pro rata past service cost as the benefits related to the current service cost have mostly vested and its revaluation is not expected to give rise to significant employee benefits in the future.

The discount rate used is determined by reference to market yields at the reporting date on high quality corporate bonds consistent with the term of the post-employment benefit obligations, weighted to reflect the percentage of the amount paid and advanced, for each due date, compared to the total amount to be paid and advanced before final settlement of the entire obligation. The plan servicing costs are recognised as personnel expense while the actuarial gains and losses are recognised in other comprehensive income (expense) as required by IAS 19.

11 – Provisions for risks and charges

Recognition
Provisions for risks and charges include accruals for legal or labour obligations or for disputes (including tax) arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

A provision is recognised when and only when:

• the group 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;
• a reliable estimate can be made of the amount of the obligation.

Classification
If the recognition criteria are met, the group recognises the provision under "Provisions for risks and charges" (caption 120).

The provisions include accruals made to cover:
• the group's legal disputes, especially risks related to claw-back claims, operational risks on services provided on behalf of third parties and all other operational risks arising in conjunction with complaints received from customers;
• all other accruals for specific expense and/or risks for which the group has voluntarily or under contract agreed to cover even though they have not yet been specifically formalised at the reporting date.

Measurement
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and that takes risks and uncertainties that inevitably surround many events and circumstances into account.

Provisions for liabilities expected to be settled after one year are recognised at their present value.

Derecognition
A provision is reversed to profit or loss if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or at the time of its settlement.

Recognition of costs and revenue
When the effect of the time value of money is material, the provision is discounted using current market rates. The provision and increase in the provision due to the passage of time are recognised in profit or loss.

The accrual to the restructuring provision covers significant reorganisations that have a material effect on the group's nature and strategies. It mainly covers the related consultancy fees.

Accruals made to the provisions for risks and charges are recognised in the income statement caption "Net reversals of (accruals to) provisions for risks and charges".

12 – Other information

Treasury shares
The parent and the other group companies do not have treasury shares.

Other assets
Other assets comprise tax assets directly acquired by the parent from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the "110% superbonus"). Their recognition, classification and measurement are based on the guidelines of document no. 9 on the application of the IFRS jointly issued by Bank of Italy, Consob (the Italian Commission for listed companies and the stock exchange) and IVASS (the Italian Institute for insurance supervision). This document clarified that the above tax assets are in substance more similar to a financial asset and, therefore, a model based on IFRS 9 is the most appropriate accounting policy to provide relevant and reliable disclosure. The tax assets acquired by the parent in 2022 are managed under the hold to collect business model. Therefore, they are measured at amortised cost and held by the parent for offsetting purposes.

Prepayments and accrued income, deferred income and accrued expenses
These captions, which include income and expense related to the reporting period accrued on assets and liabilities, are recognised as an adjustment to the assets and liabilities to which they refer.

Classification of financial assets
The classification of the financial assets into the three categories established by the standards depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:
- financial assets at amortised cost: assets that pass the SPPI test and come under the hold to collect (HTC) business model;
- financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the hold to collect and sell (HTCS) business model;
- financial assets at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model assessment or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test
In addition to the analysis of the business model, a financial asset may be classified as at amortised cost or at FVOCI if its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test). Loans and debt instruments, in particular, should be subjected to this test.

The SPPI test should be carried out on each financial instrument upon initial recognition.

After initial recognition, and as long as it is maintained in the statement of financial position, the asset is no longer subjected to the SPPI test. If a financial asset is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:
- principal: the fair value of the financial asset at initial recognition. This may change over the life of the financial asset, for example if there are repayments of part of the principal;
- interest: the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

In assessing whether the contractual flows of a financial asset qualify as SPPI, IFRS 9 refers to the general concept of a "basic lending arrangement", which is independent of the legal form of the asset. When contract terms introduce exposure to risks or volatility in the contractual cash flows that is inconsistent with the definition of a basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual cash flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires judgement and, consequently, the establishment of internal application policies.

When assessing a modified time value of money element – for example, when the interest rate of the financial asset is reset periodically, but the frequency of the reset or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is reset monthly on the basis of a one-year rate) or when the interest rate is reset regularly on the basis of an average of particularly short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are "significantly different" from the (also undiscounted) cash flows of a benchmark instrument (i.e., without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses ("look through tests") to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example when a loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the SPPI requirements (e.g., prepayment options, the possibility of deferring contractually agreed cash flows, embedded derivative instruments, subordinated instruments, etc.).

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each reporting period and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e., 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, it does not affect the classification of the financial asset.

Business model

IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:
- Hold To Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold To Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contract flows and sales) are indispensable to achieve the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold To Collect and Hold To Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by senior management with the appropriate involvement of the business structures.

It is defined by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as the so-called "worst case" or "stress case" scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In short, the business model:
- reflects the way in which financial assets are managed to generate cash flows;
- is defined by senior management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

In operational terms, the assessment of the business model is carried out in line with the group's organisation, the specialisation of the business functions, the risk cascading model and the assignment of delegated powers (limits).

All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific business model assessment policy – approved by the competent governance levels – defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of the group's business structures.

For the HTC portfolios, the group has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate, or for infrequent sales even if their amount is significant) and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity and by the loss allowance, if any.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions are met (for example, reviews of market interest rates).

After initial recognition, amortised cost enables allocation of revenue and costs directly by decreasing or increasing the instrument's carrying amount over its entire expected life via the amortisation process. Amortised cost is calculated differently depending on whether the financial assets/liabilities have fixed or variable rates and – in this last case – whether the rate volatility is known beforehand.

Amortised cost measurement is applied to financial assets at amortised cost and at fair value through other comprehensive income or profit or loss, as well as financial liabilities at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally is equal to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high and, in the case of a purchase, it is purchased at a deep discount (with respect to the initial disbursement amount). If these financial assets, based on the application of the classification drivers (SPPI test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as purchased or originated credit-impaired (POCI) assets and are subject to special impairment requirements. In addition, a credit-adjusted effective interest rate is calculated at the initial recognition of POCI assets, which requires the inclusion of the initial expected credit losses in the cash flow estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

The amortised cost method is not used for financial assets and liabilities with a short term, without a set maturity and on demand as discounting these loans has no material impact.

Impairment

Impairment of financial assets
Pursuant to IFRS 9, at each reporting date, financial assets other than those measured at fair value through profit or loss are tested for impairment to assess whether there is any evidence that their carrying amount may not be fully recoverable. A similar analysis is performed for commitments to disburse funds and guarantees issued that must be tested for impairment under IFRS 9.

If there is indication of impairment, these financial assets - as well as any other assets pertaining to the same counterparty - are considered credit-impaired and are included in stage 3. For these exposures, which are classified – in accordance with Bank of Italy Circular no. 262/2005 – as bad, unlikely to pay and overdrawn/past due by more than ninety days, the group recognises a loss allowance equal to their lifetime expected credit losses.

Impairment of performing financial assets
When there is no indication of impairment (performing financial instruments), the group checks whether there is evidence that the credit risk of the individual exposures has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- where this evidence exists, the financial assets are included in stage 2. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the group recognises a loss allowance equal to their lifetime expected credit losses. At each subsequent reporting date, the group reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account – if the evidence of "significantly increased" credit risk is no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where this evidence does not exist, the financial assets are included in stage 1. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the group recognises a loss allowance equal to their 12-month expected credit losses. At each subsequent reporting date, the group reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account – if the evidence of "significantly increased" credit risk emerges – of the change in the forecast period for the calculation of the expected credit loss.

In accordance with IFRS 9 and effective implementation by the group, the following factors constitute the key elements to be taken into account for the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset as stage 2):
• ABS not measured at fair value through profit or loss:
– net collections since inception of the securitisation 20% lower than those forecast in the business plan;
– a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
– business plan reviewed downward by over 20% of "net recoveries", if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
– business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

• Government bonds:
– application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade[4] (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches); if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2, only if it is downgraded by at least 3 notches from the origination rate;
– reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are graded CCC+ or lower.

• Financial instruments other than loans and receivables and government bonds:
– application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches);
– after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, leads to classification at stage 2 as long as the downgrading does not directly lead to classification as stage 3;

• Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring and

(4) In general, the Fitch rating is used as the external public rating. Where this is not available, the S&P rating and the Moody's rating are used (in that order).

guaranteed finance products):
– a past due amount that - subject to the materiality thresholds identified by the regulations - has been as such for at least 30 days. In this case, the credit risk is presumed to have "significantly increased" and the exposure is, therefore, transferred to stage 2 (if it was previously included in stage 1);
– forbearance measures, which lead to the rebuttable presumption that credit risk has "significantly increased" since initial recognition and to the exposure's reclassification.

• Loans and receivables with banks:
– a 3-notch decrease if the counterparty's external rating at origination or, where not available, of the counterparty's country, is equal to BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade).

Once the allocation to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, based on the PD, LGD and EAD parameters.

Impairment of credit-impaired financial assets
All credit-impaired exposures are classified as stage 3, including those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

The group only reclassifies assets from stage 1 directly to stage 3 in exceptional cases, i.e., when their credit standing deteriorates dramatically and default is evident before receiving an interim report on credit rating. The group's business model envisages investments in POCI assets, which are therefore directly classified as stage 3 upon initial recognition.

The group assesses its credit-impaired exposures analytically using specific models depending on the nature of the assessed asset.

In particular, its POCI assets have specific impairment characteristics. Since initial recognition and over their entire life, the group recognises a loss allowance equal to their lifetime ECL. Therefore, at each reporting date, the group recognises any impairment gains or losses as may be necessary to adjust their lifetime ECL in profit or loss. Based on the above, the POCI assets are initially classified as stage 3, although that they may be subsequently reclassified as performing exposures, nonetheless adjusted by a loss allowance equal to their lifetime ECL.

Business combinations
Business combinations are governed by IFRS 3.

The transfer of control over an entity (or an integrated set of activities and assets that is capable of being conducted and managed as a single business) is considered a business combination.

To this end, control is deemed to have been transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as, for example, in the case of the exchange of equity investments, the identification of the acquirer considers other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration or the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquiree, is recognised on the date on which the acquirer effectively obtains control over the acquired entity or businesses. When the combination occurs in a single exchange, the date of the exchange usually coincides with the acquisition date, provided that there are no agreements stipulating the transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the transaction price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. The "Fair value" section provides information on the fair value measurement of financial instruments. In the case of shares listed on active markets, the fair value is the acquisition-date quoted market price or, should that not be available, the latest price available.

The acquisition-date consideration transferred includes any contingent consideration based on future events, if provided for by the combination agreement and only if it is probable, it can be measured reliably and realised within one year of acquisition of control. Instead, any compensation for impairment losses on the assets used as consideration is not included in the purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition-related costs are those incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for appraisals and audits of financial statements, preparation of information documents required by the law, as well as advisory fees incurred to identify potential targets, if the contract provides for the payment of success fees, as well as debt or equity securities' registration and issue costs.

The acquirer must account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities are recognised in accordance with IAS 32 and IFRS 9.

Business combinations are recognised using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquiree) or liabilities assumed (including contingent liabilities) are recognised at their acquisition-date fair value.

Any excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased by any non-controlling interests (determined as above) as well as the fair value of any equity interest already held by the acquirer, and the fair value of acquired assets and liabilities is recognised as goodwill. Conversely, when the fair value of acquired assets and liabilities exceeds the sum of the consideration transferred, non-controlling interests and the fair value of any equity interest already held, the difference is recognised in profit or loss.

Business combinations may be recognised provisionally by the end of the reporting period in which the combination occurs, to be finalised within one year of the acquisition date.

On 25 July 2023, the parent finalised the acquisition of a business unit from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A.", the "fintech"). The business unit comprises technological assets and a highly qualified workforce. The consideration is €4.9 million and the agreement provides for an earn-out of a maximum of €4.5 million, if certain performance objectives are achieved. The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the parent obtained control of the business unit. The group will remeasure the amounts after completion of the ongoing PPA procedure.

Revenue and cost recognition

Revenue is the gross flow of economic benefits generated by an entity's ordinary operations. It is recognised when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which

the entity expects to be entitled. Specifically, revenue is recognised using the model that can:
• identify the contract, defined as an agreement that creates enforceable obligations;
• identify the performance obligations in the contract;
• determine the transaction price, i.e., the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods and/or services to a customer;
• allocate the transaction price to the performance obligations on the basis of the relative stand-alone selling prices of each distinct good or service;
• recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue can be recognised at a point in time when the entity satisfies a performance obligation by transferring the promised good or service to a customer, or over time as the entity satisfies the performance obligation by transferring the promised good or service. Specifically:
a) interest is recognised on a pro rata basis, using the contractual interest rate or the effective interest rate when the amortised cost model is applied;
b) any contractually provided for default interest is recognised only when actually collected;
c) dividends are recognised in profit or loss when their distribution is approved;
d) commissions on revenue from services contractually provided for are recognised when the services are rendered. Commissions included in amortised cost to calculate the effective interest rate are recognised as interest;
e) income and expense from the trading of financial instruments is recognised when the sale is executed and is the difference between the transaction price paid or collected and the instrument's carrying amount;
f) gains on the sale of non-financial assets are recognised when the sale is executed, unless the parent has substantially retained the risks and rewards of ownership.

Costs are recognised in profit or loss on an accruals basis. Costs to obtain and fulfil a contract with a customer are recognised in profit or loss in the period in which the related revenue is recognised.

Other information
On 10 August 2023, Decree law no. 104 of the same date was published in the Official Gazette no. 186 containing urgent provisions to protect users, economic and financial activities and strategic investments. Article 26 of this Decree, converted with amendments by Law no. 136 of 9 October 2023, introduced a windfall tax applicable to banks for 2023. This tax was to be determined by applying a rate equal to 40% to the portion of net interest income, as per item 30 of the income statement prepared in accordance with the template approved by Bank of Italy, for the year prior to the year in progress on 1 January 2024 that exceeds by at least 10% the same caption in the year prior to the year in progress on 1 January 2022.

In any case, the windfall tax was not to exceed 0.26% of the assets weighted on an individual basis, calculated with reference to the year ended 31 December 2022. The law gives the banks the option, in lieu of paying the tax, to set up a non-distributable reserve of an amount of not less than 2.5 times the amount of the tax by allocating thereto the profit for the year (to be resolved when the financial statements at 31 December 2023 are approved). If no profit was made or the profit does not suffice, banks may firstly use any income-related reserves set up in previous years and subsequently other available equity-related reserves.

On 8 November 2023, the parent's Board of Directors resolved to avail of the option provided for by article 26.5-bis of the Decree law no. 104/2023 (as amended by Law no. 136/2023) and to propose to the shareholders the establishment of a non-distributable reserve of €4,135,250 drawing from the existing reserves in lieu of payment of the windfall tax.

The tax authorities did not specify how the reserve was to be set up in its Circular no. 4 of 23 February 2024. Given that the parent has sufficient reserves to satisfy the requirement of setting aside an amount to cover the windfall tax, on 16 January 2024, it filed a request for clarification about the obligation to pay the tax and, alternatively, how the non-distributable reserve is to be set-up.

At the date of approval of this annual report and as the parent has not yet received a response from the tax authorities, its Board of Directors proposed that the legal reserve be tied up and a part of the share premium also be tied up for an amount equal to the remaining part of the amount required to be set aside instead of paying the windfall tax. The Board of Directors also reserved the right to modify this proposal to reflect the tax authorities' response once received.

A.3 – TRANSFERS AMONG FINANCIAL ASSET PORTFOLIOS

None.

A.4 – FAIR VALUE

This section includes the disclosures on fair value required by IFRS 13.

Qualitative information

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

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 transaction is a normal transaction between independent parties that have a reasonable understanding of the market conditions and significant facts about the asset or liability. Fundamental to the definition of fair value is the assumption that the entity is able to operate normally and does not need to urgently liquidate or significantly decrease a position. The fair value of an instrument reflects its credit quality as it includes the counterparty or issuer default risk among other things.

The fair value of financial instruments is determined using a hierarchy based on the origin, type and quality of the information used. This hierarchy gives maximum priority to quoted prices (unadjusted) in active markets and less priority to unobservable inputs. There are three different levels:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

These valuation approaches are applied hierarchically. Therefore, if a quoted price on an active market is available, the Level 1 approach must be applied. In addition, the valuation technique applied must maximise the use of factors observable on the market and, therefore, rely as little as possible on subjective parameters or "private information".

In the case of financial instruments that are not quoted on active markets, the level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The valuation techniques used to determine fair value are calibrated regularly and validated using variable inputs observable on the market to ensure that they represent the actual market conditions and to identify any weaknesses.

The fair value hierarchy was included in IFRS 7 solely for disclosure purposes and not for measurement purposes. Therefore, the financial assets and liabilities are measured in accordance with IFRS 13.

<u>Level 1</u>
A financial instrument is quoted on an active market when its price is:
- readily and promptly available from stock exchanges, brokers, intermediaries, information providers, etc.;
- significant, i.e., representative of effective market transactions that take place regularly in normal trading.

In order to be considered as Level 1, the price shall be unadjusted, that is not adjusted by applying a valuation adjustment. Otherwise, the fair value measurement of the financial instrument will fall into Level 2.

Level 2
A financial instrument is included in Level 2 when all the significant inputs (other than quoted prices included in Level 1) used to measure it are observable directly or indirectly on the market.

The Level 2 inputs are:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the financial asset or liability (risk free rate curve, credit spread, volatility, etc.);
- inputs that mainly derive from or are corroborated (through correlation or other techniques) by observable market data (market-corroborated inputs).

An input is observable when it reflects the assumptions that a market participant would use when pricing a financial asset or liability using market data provided by independent sources.

If a fair value measurement uses observable data, which require significant adjustment using unobservable inputs, the measurement is categorised within Level 3 of the fair value hierarchy.

Level 3
Level 3 includes financial instruments, whose fair value is estimated using a valuation technique that uses inputs that are not observable on the market, not even indirectly. Specifically, inclusion in Level 3 takes place when at least one of the significant inputs used to measure the instrument is unobservable.

This categorisation takes place when the inputs used reflect the entity's assumptions, developed on the basis of the available information.

Levels 2 and 3: valuation techniques and inputs used
The fair value of financial instruments is determined using prices on financial markets for instruments quoted on active markets or internal valuation models for other financial instruments.

If a quoted price on an active market is unavailable or the market is not operating regularly, fair value is measured using valuation techniques to establish a price for a hypothetical independent transaction, driven by normal market considerations. These techniques include:
- reference to market values that are indirectly related to the instruments being valued and inferred from products with a similar risk profile and return;
- valuations made using, including partially, non-market inputs calculated using estimates and assumptions.

A.4.2. Valuation processes and sensitivity

Assets other than short-term exposures classified as Level 3 mainly include the ABS at fair value through profit or loss, participating financial instruments at fair value through other comprehensive income and, solely for disclosure purposes, financial assets at amortised cost.

The group measures the ABS using the discounted cash flow model ("DCF"), estimating the future cash flows and a suitable discount rate that reflects the time value of money and the risk premium. The cash flows are estimated considering the securitisations' business plans. The discount rate is identified as the cost of capital ("Ke"), calculated using the capital asset pricing model ("CAPM") method, and is estimated to be equal to the rate of return on the risk-free assets ("Rf"), increased by the sector-specific risk premium. This premium is calculated by considering the β coefficient, which measures a specific entity's risk, in relation to the variability of its return compared to the market risk and multiplying it by the equity risk premium ("ERP").

A specific risk coefficient is added to the output to account for the riskiness of the relevant securities compared to that of the market (small size premium or "SSP").

Assisted by independent experts, the group measured financial assets at fair value through other comprehensive income using market multiple or discounted cash flow models.

A.4.3. Fair value hierarchy

The group did not transfer any financial assets or liabilities from one level to another during 2023.

A.4.4. Other information

The group did not apply the exception provided for by IFRS 13.48 (fair value based on the net exposure) for financial assets and liabilities that offset the market or counterparty risk.

Quantitative disclosure

A.4.5. Fair value hierarchy

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

(€'000)

Assets/liabilities at fair value	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss, including	-	-	-	-	-	-
a) held for trading	-	-	517	-	-	554
b) designated at fair value	-	-	-	-	-	-
c) mandatorily measured at fair value	-	-	97,845	-	-	110,700
2. Financial assets at fair value through other comprehensive income	-	-	4,000	-	-	4,000
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**-**	**-**	**102,362**	**-**	**-**	**115,254**
1. Financial liabilities held for trading	800	-	-	-	-	-
2. Financial liabilities at fair value through profit or loss	-	-	5,345	-	-	4,424
3. Hedging derivatives	-	-	-	-	-	-
Total	**800**	**-**	**5,345**	**-**	**-**	**4,424**

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

Banca CF+

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

(€'000)

	Total	Financial assets at fair value through profit or loss: including: a) held for trading	including: b) designated at fair value	including: c) mandatorily measured at fair value	Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	**115,254**	**554**	**-**	**110,700**	**4,000**	**-**	**-**	**-**
2. Increases	-	-		-				
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Gains recognised in:	12,704	-	-	9,501	-	-	-	-
2.2.1 Profit or loss	12,704	-	-	9,501	-	-	-	-
- including: gains	3,890	-	-	686	-	-	-	-
2.2.2 Equity	-	X	X	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	-			-	-			
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Repayments	(13,958)	-	-	(13,958)	-	-	-	-
3.3 Losses recognised in:	(8,434)	(37)	-	(8,398)	-	-	-	-
3.3.1 Profit or loss	(8,434)	(37)	-	(8,398)	-	-	-	-
- including losses	(8,434)	(37)	-	(8,398)	-	-	-	-
3.3.2 Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**102,362**	**517**	**-**	**97,845**	**4,000**	**-**	**-**	**-**

A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (Level 3)

(€'000)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	-	4,424	-
2. Increases	-	-	-
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	2,714	-
2.2.1 Profit or loss	-	2,714	-
- including losses	-	2,714	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	-
3.1 Repayments	-	(1,794)	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Profit or loss	-	-	-
- including gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	-	5,344	-

A.4.5.4. Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(€'000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2023				31.12.2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	1,386,768	274,436	-	1,150,818	964,603	137,479	-	812,862
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	**1,386,768**	**274,436**	**-**	**1,150,818**	**964,603**	**137,479**	**-**	**812,862**
1. Financial liabilities at amortised cost	1,542,594	-	-	1,542,594	1,076,098	-	-	1,076,098
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
Total	**1,542,594**	**-**	**-**	**1,542,594**	**1,076,098**	**-**	**-**	**1,076,098**

Key:
CA= Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

The carrying amount of financial instruments equals their fair value at the reporting date. With respect to financial instruments not measured at fair value through profit or loss, their fair value is considered to equal their price collected or paid at the recognition date.

Any difference between the amount collected or paid for financial instruments measured at fair value through profit or loss and classified as Level 3 may be recognised in the relevant income statement caption, generating a day one profit or loss (DOP). The difference is recognised in profit or loss only if it is due to changes in factors on which the market participants based their assumptions when setting the price (including the time effect). When the instrument has a set maturity date and a model that monitors changes in the factors is not immediately available, the bank may recognise the DOP in profit or loss over the financial instrument's term.

The group has not recognised a day one profit or loss on financial instruments as set out in IFRS 7.28 and the sections in the other related standards.

Part B: Notes to the consolidated statement of financial position

Assets

Section 1

Cash and cash equivalents – Caption 10

1.1 Cash and cash equivalents: breakdown

(€'000)

	31/12/2023	31/12/2022
a) Cash	2	2
b) Current accounts and demand deposits with central banks	83,778	83,778
c) Current accounts and deposits with banks	43,178	14,437
Total	**126,959**	**98,217**

As well as the parent's demand bank current account and deposits, overnight deposit with Bank of Italy and cash-in-hand, this caption includes the payment module ("PM") account it holds as a participant in the European real-time gross settlement system. As per European legislation, the PM account is held with Bank of Italy. In addition to the parent's liquidity, current accounts and deposits with banks include cash of €32.5 million deposited in the SPVs' current accounts up to the payment dates provided for by the related securitisations.

Section 2

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

2.1 Financial assets held for trading: breakdown by type

(€'000)

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
A Assets						
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing						
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B Derivatives						
1. Financial derivatives						
1.1 trading	-	-	517	-	-	554
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	**-**	**-**	**517**	**-**	**-**	**554**
Total (A+B)	**-**	**-**	**517**	**-**	**-**	**554**

The caption "Financial derivatives: 1.1. trading" includes the fair value of a call option for 100% of BE TC S.r.l. agreed in 2018. The company is deemed strategic for the development of the tax asset business.

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

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
A. Assets	**-**	**-**
1. Debt instruments	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**-**	**-**
B. Derivatives	**-**	**-**
a) Central counterparties	-	-
b) other	517	554
Total B	**517**	**554**
Total (A+B)	**517**	**554**

2.3 Financial assets at fair value through profit or loss: breakdown by type

None.

2.4 Financial assets at fair value through profit or loss: breakdown by debtor/issuer

None.

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

(€'000)

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	97,845	-	-	110,700
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-		-	-	
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**97,845**	**-**	**-**	**110,700**

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

"Debt instruments – Other" include ABS issued by unconsolidated SPVs (mostly junior) that did not pass the SPPI test (their business model is HTC).

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

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Equity instruments		
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt instruments		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	97,845	110,700
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**97,845**	**110,700**

Section 3

Financial assets at fair value through other comprehensive income – Caption 30

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

(€'000)

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	4,000	-	-	4,000
3. Financing	-	-	-	-	-	-
Total	**-**	**-**	**4,000**	**-**	**-**	**4,000**

At the reporting date, financial assets at fair value through other comprehensive income relate to a participating financial instrument held by the parent. Its Level 3 fair value has been measured considering the best information available at the reporting date, with the assistance of independent experts. No changes in its fair value took place in 2023.

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

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Debt instruments		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments		
a) Banks	-	-
b) Other issuers:	-	-
- Other financial companies	-	-
of which: insurance companies	-	-
- Non-financial companies	4,000	4,000
- Other	-	-
3. Financing		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**4,000**	**4,000**

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

None.

Section 4

Financial assets at amortised cost – Caption 40

4.1 Financial assets at amortised cost: loans and receivables with banks broken down by type

(€'000)

Transaction type/Amount	31/12/2023						31/12/2022					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with central banks	**5,404**						**3,260**					
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	5,404	-	-	X	X	X	3,260	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	**43,466**						**616**					
1. Financing												
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Other financing:	-	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Net investments in leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	43,466	-	-	X	X	X	616	-	-	X	X	X
2. Debt instruments												
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	**48,869**	**-**	**-**	**-**	**-**	**-**	**3,876**	**-**	**-**	**-**	**-**	**-**

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

This caption includes the minimum reserve held with Bank of Italy, collections from customers credited to bank accounts with a value date of 2 January 2024 (€41,363 thousand) and margins for future positions with bank counterparties (€1,950 thousand).

4.2 Financial assets at amortised cost: loans and receivables with customers broken down by type

(€'000)

Transaction type/Amount	31/12/2023						31/12/2022					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
Financing												
1.1. Current accounts	-	-	3,799	X	X	X	10,013	-	5,921	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	193	X	X	X
1.3. Loans	548,563	39,994	26,621	X	X	X	314,314	5,396	7,638	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	101	-	-	X	X	X	177	-	33,145	X	X	X
1.5. Net investments in leases	2,760	5,207	11,863	X	X	X	4,778	3,432	16,227	X	X	X
1.6. Factoring	97,036	-	-	X	X	X	95,079	4,159	-	X	X	X
1.7. Other financing	162,168	-	58,287	X	X	X	108,344	-	65,229	X	X	X
Debt instruments												
1.1. Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other	381,499	-	-	274,436	-	106,194	286,678	-	-	137,479	-	134,938
Total	**1,192,127**	**45,201**	**100,570**	**274,436**		**106,194**	**819,384**	**12,988**	**128,354**	**137,479**		**134,938**

Loans and receivables with customers amount to €1,337,898 thousand, net of impairment losses.

The increase in the reporting-date balance of €960,726 thousand is mainly due to development of the guaranteed finance business line (guaranteed finance products amounted to €586,088 thousand at the reporting date, up €269,097 thousand on 31 December 2022) and greater investments in government bonds (up €124,543 thousand on the previous year end).

Specifically, the caption consists of:
• loans and financing disbursed of €604,512 thousand, chiefly comprised of the financing of €16,432 thousand given to the REOCOs and guaranteed finance products of €586,088 thousand;
• loans and receivables with customers of €238,842 thousand purchased through securitisation vehicles (including tax assets of €145,063 thousand purchased by Crediti Fiscali+ and Fairway and POCI non-performing exposures of €93,779 thousand purchased by Ponente SPV, New Levante SPV, Cosmo SPV, Aventino SPV and Liberio SPV;
• GIMLI portfolio of €5,948 thousand at 31 December 2023, which the parent purchased for investment purposes in 2018, together with the ABS issued by the SPVs Ponente and New Levante, whose underlying assets consist of non-performing bank loans and leases, respectively;
• net investments in leases of €9,947 thousand, equal to the present value of the minimum lease payments at the reporting date;
• factoring assets of €97,036 thousand;
• other assets of €363 thousand, which mainly include trade receivables.

The caption also comprises government bonds of €276,211 thousand and senior and mezzanine ABS of €105,288 thousand issued by the unconsolidated SPVs that passed the SPPI test.

4.3 Financial assets at amortised cost: breakdown of loans and receivables with customers by debtor/issuer

(€'000)

Transaction type/Amount	31/12/2023			31/12/2022		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt instruments						
a) Public administrations	276,211	-	-	151,741	-	-
b) Other financial companies	105,288	-	-	134,938	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing to:						
a) Public administrations	145,063	-	54,918	78,072	-	61,139
b) Other financial companies	6,984	-	1	18,202	-	14
of which: insurance companies	2,044	-	-	-	-	-
c) Non-financial companies	657,767	44,988	39,285	435,618	12,731	59,489
d) Households	813	213	6,365	813	257	7,712
Total	**1,192,127**	**45,201**	**100,570**	**819,384**	**12,988**	**128,354**

Financing to public administrations include the tax assets purchased by the vehicles Crediti Fiscali+ S.r.l. and Fairway S.r.l. (stage 1).

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

(€'000)

	Gross carrying amount					Total impairment losses				
	Stage 1		Stage 2	Stage 3	Purchased or originated creditimpaired	Stage 1	Stage 2	Stage 3	Purchased or originated creditimpaired	Partial/ full Stage 2 Stage 3 write-offs (*)
		of which: instruments with a low credit risk								
Debt instruments	276,317	276,317	120,517	-	-	(106)	(15,228)	-	-	-
Financing	856,698	-	8,272	52,499	146,176	(5,762)	290	(7,298)	(45,607)	-
Total 31.12.2023	**1,133,015**	**276,317**	**128,789**	**52,499**	**146,176**	**(5,868)**	**(14,969)**	**(7,298)**	**(45,607)**	**-**
Total 31.12.2022	**680,142**	**151,774**	**146,514**	**16,059**	**159,613**	**(1,205)**	**(1,957)**	**(3,072)**	**(31,259)**	**(2,295)**

(*) To be shown for disclosure purposes

Section 5

Hedging derivatives - Caption 50

None.

Section 6

Macro-hedged financial assets - Caption 60

None.

Section 7

Equity investments - Caption 70

None.

Section 8

Reinsurers' share of technical provisions - Caption 80

None.

Section 9

Property, equipment and investment property – Caption 90

9.1 Property and equipment: assets measured at cost

(€'000)

Assets/Amounts	31/12/2023	31/12/2022
1. Owned	**1,738**	**2,052**
a) land	-	-
b) buildings	-	-
c) furniture	710	934
d) electronic systems	-	-
e) other	1,028	1,118
2. Right-of-use	**5,739**	**6,270**
a) land	-	-
b) buildings	5,074	5,888
c) furniture	-	-
d) electronic systems	-	-
e) other	665	382
Total	**7,476**	**8,323**
of which: obtained through enforcement of guarantees received	-	-

This caption comprises the right-of-use assets of €5,739 thousand recognised in accordance with the requirements of IFRS 16. The assets falling within the scope of the standard refer to the leased offices in Rome and Milan, buildings for residential use granted as a benefit to certain employees and company cars.

9.2 Investment property: assets measured at cost

None.

9.3 Property and equipment: revalued assets

None.

9.4 Investment property: assets measured at fair value

None.

9.5 Property held for resale governed by IAS 2: breakdown

None.

9.6 Property and equipment: changes

(€'000)

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**5,888**	**1,503**	**-**	**3,019**	**10,410**
A.1 Accumulated depreciation and net impairment losses	-	-	(569)	-	(1,518)	(2,088)
A.2 Net opening balance	**-**	**5,888**	**934**	**-**	**1,501**	**8,323**
B. Increases:	**-**	**253**	**538**	**-**	**2,003**	**2,794**
B.1 Purchases	-	-	62	-	695	757
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains through	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other increases	-	253	476	-	1,308	2,037
C. Decreases:	**-**	**(1,067)**	**(762)**	**-**	**(1,811)**	**(3,640)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	(1,067)	(136)	-	(503)	(1,706)
C.3 Impairment losses through	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses through	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	-	(627)	-	(1,301)	-
D. Net closing balance	**-**	**5,074**	**710**	**-**	**1,693**	**7,476**
D.1 Accumulated depreciation and net impairment losses	-	-	(229)	-	(546)	(775)
D.2 Gross closing balance	**-**	**5,074**	**939**	**-**	**2,238**	**8,251**
E. Measurement at cost	-	5,074	939	-	2,238	8,251

The group has not committed its property and equipment in any way. It does not have any investment property or revalued property and equipment at the reporting date. As required by IFRS 16.53.h), it is noted that the group companies did not make any significant additions to their right-of-use assets as lessees.

9.7 Investment property: changes

None.

9.8 Property held for resale governed by IAS 2: changes

None.

9.9 Commitments to purchase property and equipment

None.

Section 10

Intangible assets – Caption 100

10.1 Intangible assets: breakdown by asset

(€'000)

Assets/Amounts	31/12/2023		31/12/2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**x**	**2,723**	**x**	**2,178**
A.1.1 attributable to the owners of the parent	x	2,723	x	2,178
A.1.2 attributable to non-controlling interests	x	-	x	-
A.2 Other intangible assets	**-**	**-**	**-**	**-**
A.2.1 Assets measured at cost:	8,985	-	3,630	-
a) internally developed assets	1,817	-	2,423	-
b) other	7,168	-	1,207	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally developed assets	-	-	-	-
b) other	-	-	-	-
Total	**8,985**	**2,723**	**3,630**	**2,178**

Intangible assets comprise the cost of software net of accumulated amortisation (€2,213 thousand), goodwill arising on the acquisition of Fifty (€1,272 thousand) and BECM (€906 thousand) and the unamortised amount of the intangible asset also related to the Fifty merger (€2,423 thousand). This intangible asset is the value of the platform developed internally by Fifty to manage its factoring products.

The parent checked the recoverability of its intangible assets with an indefinite useful life through a dedicated impairment test, which was approved by its Board of Directors. The test confirmed their recoverability.

With the completion of the acquisition of the business unit of Instapartners S.r.l. in liquidation (formerly Credimi S.p.A.) on 25 July 2023, the fair values attributed in the sale agreement to the technology platform acquired and goodwill of €4,955 thousand and €545 thousand, respectively, were also provisionally recognised in this caption. These assets were not tested for impairment as they relate to a recently-completed transaction (July 2023). In addition, neither the integration underway at the reporting date nor the analyses performed as part of the PPA procedure to be completed within 12 months of the acquisition date have identified impairment indicators.

For the purposes of the impairment test, the parent identified two specific cash-generating units ("CGUs") to which the goodwill was allocated:
– the goodwill arising on the merger of BECM was allocated to the tax asset CGU;
– the goodwill arising on the merger of Fifty was allocated to the factoring CGU.

Specifically, the parent tested its factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto.

The cash flows underlying the quantification of taxable profits are based on the updated financial projections for the 2024-2026 three-year period (the "projections") approved by the parent's Board of Directors on 12 March 2024.

The main parameters used were cost of equity (Ke) 10.3% and long-term growth rate 2%.

The parent also carried out sensitivity analyses of the parameters used to determine the cost of equity and the long-term growth rate, which confirmed the assets' recoverability.

The qualitative and quantitative analyses carried out for the purposes of the level two test required by IAS 36 confirmed the recoverability of the carrying amounts of the assets.

10.2 Intangible assets: changes

(€'000)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**2,178**	**3,029**	**-**	**1,924**	**-**	**7,131**
A.1 Accumulated amortisation and net impairment losses	-	(606)	-	(716)	-	(1,322)
A.2 Net opening balance	**2,178**	**2,423**	**-**	**1,207**	**-**	**5,808**
B. Increases	**545**	**-**	**-**	**7,455**	**-**	**8,000**
B.1 Purchases	-	-	-	2,500	-	2,500
B.2 Increase in internally-generated assets	x	-	-	-	-	-
B.3 Reversals of impairment losses	x	-	-	-	-	-
B.4 Fair value gains:						
- through equity	x	-	-	-	-	-
- through profit or loss	x	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	545	-	-	4,955	-	5,500
C. Decreases	**-**	**(606)**	**-**	**(1,494)**	**-**	**(2,100)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses						
- Amortisation	x	(606)	-	(1,494)	-	(2,100)
- Impairment losses:						
+ equity	x	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses:	-	-	-	-	-	-
- through equity	x	-	-	-	-	-
- through profit or loss	x	-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	**2,723**	**1,817**	**-**	**7,168**	**-**	**11,708**
D.1 Accumulated amortisation and net impairment losses	-	(1,212)	-	(2,210)	-	(3,422)
E. Gross closing balance	**2,723**	**3,029**	**-**	**9,378**	**-**	**15,130**
F. Measurement at cost	2,723	3,029	-	7,168	-	11,708

Key
FINITE: finite life
INDEFINITE: indefinite life

Internally-developed assets include the Fifty platform designed to manage the factoring product acquired through the merger of Fifty S.r.l. in 2022, while the other increases include the Credimi platform obtained with the acquisition of the business unit completed during the year.

10.3 Other disclosures

The following should be noted:
a) the group does not have any gains related to revalued intangible assets (IAS 38.124.b));
b) the group has not acquired intangible assets under government concessions (IAS 38.122.c));
c) the group has not pledged intangible assets to secure its debts (IAS 38.122.d));
d) the group does not have commitments to acquire intangible assets (IAS 38.122.e));
e) it has not leased any intangible assets.

Section 11

Tax assets and liabilities – Caption 110 of assets and Caption 60 of liabilities

11.1 Deferred tax assets: breakdown

Deferred tax assets of €5,935 thousand include €4,056 thousand related to carryforward tax losses, €779 thousand to the ACE (Aid for Economic Growth) benefit and €720 thousand to other deductible temporary differences that can be used to reduce the tax base in future years.

The deferred tax assets on the carryforward tax losses and the ACE benefit were originally recognised in 2018 and 2019, respectively, pursuant to the IFRS.

The deferred tax assets on deductible temporary differences include IRES and IRAP recognised in the previous year for the substitute tax to be paid on the goodwill arising from the 2022 mergers of Fifty and BECM for its tax alignment.

As these tax benefits are potential only, the future taxable profits should be such as to offset the deductible temporary differences, the carry forward tax losses and the ACE benefit. IAS 12.24 provides that a deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Paragraph 34 and following paragraphs of the same standard clarify that a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. This shall be ascertained on a prudent basis and by performing a specific probability test to support the underlying assumptions.

Accordingly, the parent tested the deferred tax assets at the reporting date for probability. The test was approved by its Board of Directors and prepared in accordance with IAS 12. The cash flows used to quantify taxable profits are based on the 2024-2026 financial projections approved by the parent's Board of Directors on 12 March 2024.

The parent also carried out sensitivity analyses to check the potential effect of adverse scenarios on the deferred tax assets' recoverability. These analyses also confirmed the recoverability of the deferred tax assets recognised in the consolidated financial statements.

The carryforward tax losses and the unused ACE benefit at 31 December 2023 amount to approximately €93.3 million, equal to deferred tax assets of €25.6 million (calculated using the rate of 27.5%), including €20.8 million which was not recognised.

The deferred tax assets recognised in accordance with Law no. 214/2011 relate to impairment losses on loans and receivables and amount to €379 thousand.

11.2 Deferred tax liabilities: breakdown

The group recognised deferred tax liabilities on the consolidation adjustments and its share of the SPVs' profit or loss (€4,043 thousand) and on a participating financial instrument classified under financial assets at fair value through other comprehensive income (€55 thousand).

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

(€'000)

	2023	2022
1. Opening balance	**5,954**	**5,320**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	65	720
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax assets derecognised in the year	-	-
a) reversals	-	(65)
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:		
a) conversion into tax assets, as per Law no. 214/2011	(84)	(21)
b) other	-	-
4. Closing balance	**5,935**	**5,954**

Other increases refer to the recognition of deferred IRES assets on carryforward tax losses and the ACE benefit following the filing of a supplementary tax return for 2021.

11.4 Changes in deferred tax assets as per Law no. 214/2011

(€'000)

	2023	2022
1. Opening balance	**463**	**484**
2. Increases	**-**	**-**
3. Decreases		
3.1 Reversals	-	-
3.2 Conversions into tax assets		
a) arising on the loss for the year	(84)	(21)
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**379**	**463**

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

(€'000)

	2023	2022
1. Opening balance	**2,903**	**7,243**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	1,140	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	-	(4,340)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**4,043**	**2,903**

11.6 Changes in deferred tax assets (recognised in equity)

(€'000)

	2023	2022
1. Opening balance	**-**	**11**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets derecognised in the year		
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	(11)
4. Closing balance	**-**	**-**

11.7 Changes in deferred tax liabilities (recognised in equity)

(€'000)

	2023	2022
1. Opening balance	**-**	**1,313**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	62	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**(1,313)**
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	(7)	(1,313)
4. Closing balance	**55**	**-**

11.8 Other disclosures

Current tax assets at the reporting date may be analysed as follows:

(€'000)

		31/12/2023	31/12/2022
1	Withholdings on current account interest paid on account	3,660	4,332
2	Virtual stamp duty paid on account	2,826	3,957
3	Asset as per Law no. 214/2011 on the conversion of deferred tax assets	6	21
4	IRAP	74	1,818
5	VAT/Group account	60	-
6	Non-current substitute tax paid on account	578	25
7	IRES surtax to be recovered	72	72
8	Tax assets of demerged companies	32	70
9	New operating assets Law no. 178/20	102	-
	Total	**7,410**	**10,295**

The caption mostly consists of the virtual stamp duty paid on account, withholdings on current account interest and the IRAP asset resulting from the previous tax return.

Section 12 Non-current assets held for sale, disposal groups and associated liabilities – Caption 120 of assets and Caption 70 of liabilities

12.1 Non-current assets held for sale and disposal groups: breakdown by asset

None.

12.2 Other information

None.

Section 13 Other assets – Caption 130

13.1 Other assets: breakdown

(€'000)

Transaction type/Amount	31/12/2023	31/12/2022
Grants for subsidised loans	4	4
Guarantee deposits	91	431
Prepayments and accrued income	1,790	1,518
Coins	4	4
Factoring loans	824	439
Loans and receivables with assets earmarked for a specific business: leases	-	1,655
Tax assets purchased from third parties	20,068	26,062
Other assets	1,804	937
Total	**24,585**	**31,050**

Other assets mainly comprise tax assets acquired from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the "110% superbonus"). Part A (paragraph on "Other assets") provides information about their classification and measurement.

Liabilities

Section 1

Financial liabilities at amortised cost – Caption 10

1.1 Financial liabilities at amortised cost: Due to banks broken down by type

(€'000)

Transaction type/Amount	31/12/2023				31/12/2022			
	Carrying amount	*Fair value*			Carrying amount	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**210,105**	**x**	**x**	**x**	**85,018**	**x**	**x**	**x**
2. Due to banks	**236,114**	**x**	**x**	**x**	**76,106**	**x**	**x**	**x**
2.1 Current accounts and demand deposits	-	x	x	x	-	x	x	x
2.2 Term deposits	18,026	x	x	x	18,007	x	x	x
2.3 Financing	-	x	x	x	-	x	x	x
2.3.1 Repurchase agreements	218,088	x	x	x	47,138	x	x	x
2.3.2 Other	-	x	x	x	-	x	x	x
2.4 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 liabilities	-	x	x	x	10,962	x	x	x
Total	**446,219**			**446,219**	**161,124**			**161,124**

Key:
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

Due to central banks of €210,105 thousand relates to advances for open market transactions. The "Term deposits" of €18,026 thousand relate to interbank financing.

The repurchase agreements of €218,088 thousand refer to funding with government bonds given as security.

The group does not have any structured liabilities, subordinated liabilities or finance lease liabilities to banks.

1.2 Financial liabilities at amortised cost: Due to customers broken down by type

(€'000)

Transaction type/Amount	31/12/2023				31/12/2022			
	Carrying amount	*Fair value*			Carrying amount	*Fair value*		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	28,120	x	x	x	34,122	x	x	x
2 Term deposits	1,032,693	x	x	x	865,137	x	x	x
3 Financing	-	x	x	x	-	x	x	x
3.1 Repurchase agreements	-	x	x	x	-	x	x	x
3.2 Other	-	x	x	x	-	x	x	x
4 Commitments to repurchase own equity instruments	-	x	x	x	-	x	x	x
5 Lease liabilities	6,650	x	x	x	6,762	x	x	x
6 Other liabilities	626	x	x	x	5,859	x	x	x
Total	**1,068,089**			**1,068,089**	**911,880**			**911,880**

Key:
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

The current accounts and demand deposits include the retail current accounts for which the time deposit letter had to be signed (€20,645 thousand) and sight deposits from retail customers (€7,476 thousand).

The term deposits mainly relate to retail online term deposits ("DOL"). At the reporting date, the liability to DOL customers includes deposits for which the time deposit letter had been signed of €985,369 thousand (31 December 2022: €830,400 thousand).

"Lease liabilities" are recognised in accordance with IFRS 16 (€6,650 thousand).

The group does not have any structured liabilities, subordinated liabilities or finance lease liabilities to customers.

1.3 Financial liabilities at amortised cost: Securities issued broken down by type

(€'000)

Transaction type/Amount	31/12/2023				31/12/2022			
	Carrying amount	*Fair value*			Carrying amount	*Fair value*		
		L1	L2	L3		L1	L2	L3
A Securities	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
1 Bonds	-	x	x	x	-	x	x	x
1.1 structured	-	x	x	x	-	x	x	x
1.2 other	28,286	x	x	28,286	3,095	x	x	3,095
2 Other securities	-	x	x	x	-	x	x	x
2.1 structured	-	x	x	x	-	x	x	x
2.2 other	-	x	x	x	-	x	x	x
Total	**28,286**			**28,286**	**3,095**			**3,095**

The caption includes the subordinated bonds with a nominal amount of €25 million issued by the parent on 13 October 2023 at an annual interest rate of 14.50%. The bonds qualify as a Tier 2 capital instrument in accordance with the provisions of Regulation (EU) no. 575/2013 ("CRR", Capital Requirements Regulation) and Bank of Italy Circular no. 285 of 17 December 2013. The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

The item also includes €2,832 thousand related to the 5% share of the ABS issued by Liberio SPV S.r.l. subscribed by non-group companies.

1.4Breakdown of subordinated liabilities/securities

(€'000)

Breakdown of subordinated liabilities	31/12/2023	31/12/2022
Due to banks	-	-
Due to customers	-	-
Securities	25,454	-
Total	**25,454**	**-**

1.5 Breakdown of structured liabilities

None.

1.6 Lease liabilities

(€'000)

Lease liabilities	31/12/2023	31/12/2022
Offices	5,938	6,330
Buildings for residential use	31	48
Company cars	661	358
Printers	20	26
Total	**6,650**	**6,762**

Banca CF+

Section 2

Financial liabilities held for trading - Caption 20

2.1 Financial liabilities held for trading: breakdown by type

(€'000)

Transaction type/Amount	31/12/2023					31/12/2022				
	Nominal amount	*Fair value*			*Fair Value*	Nominal amount	*Fair value*			*Fair Value*
		L1	L2	L3			L1	L2	L3	
A. Liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt instruments	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	x	-	-	-	-	x
3.1.2 other	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	x	-	-	-	-	x
3.2.1 structured	-	-	-	-	x	-	-	-	-	x
3.2.2 other	-	-	-	-	x	-	-	-	-	x
TOTAL A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	-	-	-	-	-	-	-	-	-	-
1.1 trading	x	800	-	-	x	x	-	-	-	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**	**800**	**-**	**-**	**x**	**x**	**-**	**-**	**-**	**x**
TOTAL A + B	**x**	**800**	**-**	**-**	**x**	**x**	**-**	**-**	**-**	**x**

2.2 Breakdown of financial liabilities held for trading: Subordinated liabilities

None.

2.3 Breakdown of financial liabilities held for trading: structured liabilities

None.

Section 3

Financial liabilities at fair value through profit or loss - Caption 30

3.1 Financial liabilities at fair value through profit or loss: breakdown by type

(€'000)

Transaction type/Amount	31/12/2023					31/12/2022				
	Nominal or notional amount	*Fair value*			*Fair Value (*)*	Nominal or notional amount	*Fair value*			*Fair Value (*)*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	x	-	-	-	-	x
1.1. structured	-	-	-	-	x	-	-	-	-	x
1.2. other including:	-	-	-	-	x	-	-	-	-	x
- loan commitments	-	x	x	x	x	-	x	x	x	x
- financial guarantees given	-	x	x	x	x	-	x	x	x	x
2. Due to customers	-	-	-	-	x	-	-	-	-	x
2.1 structured	-	-	-	-	x	-	-	-	-	x
2.2 other including:	5,345	-	-	5,345	x	4,424	-	-	4,424	x
- loan commitments	-	x	x	x	x	-	x	x	x	x
- financial guarantees given	-	x	x	x	x	-	x	x	x	x
3. Debt instruments	-	-	-	-	x	-	-	-	-	x
3.1 structured	-	-	-	-	x	-	-	-	-	x
3.2 other	-	-	-	-	x	-	-	-	-	x
TOTAL	**5,345**	**-**	**-**	**5,345**	**-**	**4,424**	**-**	**-**	**4,424**	**-**

Key
L1 = Level 1
L2 = Level 2
L3 = v 3
Fair value* = calculated excluding gains or losses caused by variations in the issuer's credit rating from the issue date

The caption includes liabilities for the payment of deferred prices of the portfolios of former Artemide (€1,712 thousand) and Crediti Fiscali+ (€3,632 thousand).

3.2 Breakdown of "Financial liabilities at fair value through profit or loss": subordinated liabilities

None.

Section 4

Hedging derivatives - Caption 40

None.

Section 5

Macro-hedged financial liabilities - Caption 50

None.

Section 6

Tax liabilities – Caption 60

The caption includes the second and third instalments of the substitute tax (€168 thousand) to be paid on the alignment of the carrying amount of the goodwill and intangible assets arising from the mergers of Fifty and BECM to their tax base, which, according to current regulations, must be paid in June 2024 and June 2025, respectively.

Section 7

Liabilities associated with disposal groups

None.

Section 8

Other liabilities – Caption 80

8.1 Other liabilities: breakdown

(€'000)

	31/12/2023	31/12/2022
Amounts to be credited to current accounts	-	3
Remuneration due to employees	3,546	2,135
Social security contributions to be paid	624	951
Sundry liabilities for the on-line term deposit account product	7,780	6,051
Sundry investment liabilities	542	714
Sundry guaranteed finance liabilities	4	-
Sundry lease liabilities	241	160
Sundry amounts due to SPVs	87	90
Trade payables	9,030	10,914
Liabilities to sellers of tax assets	-	8,142
Amounts due to "Gimli"	32	32
Withholding taxes to be paid	878	610
Collection suspense account	97	498
Sums to be settled	-	-
Guarantee deposits	111	109
Factoring transactions	9,438	5,861
Sundry liabilities	1,702	1,935
Total	**34,111**	**38,204**

Other liabilities include the substitute tax of €588 thousand to be paid on loans disbursed and the commissions of €620 thousand charged to guaranteed finance customers to be transferred to SACE and the SME fund.

Section 9

Post-employment benefits – Caption 90

9.1 Post-employment benefits: changes

(€'000)

	2023	2022
A. Opening balance	**416**	**511**
B. Increases	**-**	**-**
B.1 Accruals	15	4
B.2 Other increases	201	83
C. Decreases	**-**	**-**
C.1 Payments	(126)	(1)
C.2 Other decreases	(25)	(181)
D. Closing balance	**480**	**416**
Total	**480**	**416**

9.2 Other disclosures

The carrying amount of these benefits is calculated using actuarial methods as provided for by IAS 19.

The main actuarial assumptions are:
- discount rate of 3.50% (31 December 2022: 4.05%);
- expected inflation rate of 2.00% (31 December 2022: 2.50%).

Section 10

Provisions for risks and charges – Caption 100

10.1 Provisions for risks and charges: breakdown

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Provisions for credit risk for loan commitments and financial guarantees given	-	-
2. Provisions for other commitments and other guarantees given	-	-
3. Internal pension funds	-	-
4. Other provisions		
4.1 legal and tax disputes	514	611
4.2 personnel	-	-
4.3 other	-	-
Total	**514**	**611**

10.2 Provisions for risks and charges: changes

(€'000)

	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**-**	**-**	**611**	**611**
B. Increases				
B.1 Accruals	-	-	-	-
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases				
C.1 Utilisations	-	-	(47)	(47)
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	(50)	(50)
D. Closing balance	**-**	**-**	**514**	**514**

10.3 Provisions for credit risk for loan commitments and financial guarantees given

None.

10.4. Provisions for other commitments and other guarantees given

None.

10.5 Defined benefit plans

None.

10.6 Provisions for risks and charges - other provisions

These provisions comprise:

(€'000)

Captions	31 December 2023
Provision for legal fees	415
Provision for amounts to be returned to courts	24
Provision for litigation	75
Total	**514**

Details of the provisions and the related risks are given below.

The provision for legal fees includes the fees for professional services to collect problematic loans and receivables for ongoing legal proceedings. The group expects to use the entire provision in 2024.

The provision for amounts to be returned to courts refers to amounts collected by the parent as part of court enforcement and insolvency proceedings and court-approved creditor settlements that have not yet been finalised. They may have to be returned following enforcement of the individual voluntary agreement, but it is not known exactly when, as it depends on the courts where the proceedings are being held. The provision was not used during the year.

The provision for litigation covers actions for compensation claimed by customers. Once again, it is difficult to estimate when the pending litigation will be settled. The group cannot objectively calculate an accrual to the provision as it depends on what level the hearing is at and whether an out-of-court settlement may be reached. Pursuant to IAS 37, it decided not to provide for the pending disputes for which management and the legal advisors deem that a negative outcome is only "possible" and not "probable". Management's and the legal advisors' opinion is supported by a number of factors, including the fact that the proceedings are still at an initial stage and the hearings will take place in the coming months, which make it difficult to estimate the possible amounts and timing.

Section 11

Technical provisions - Caption 110

None.

Section 12

Redeemable shares - Caption 130

None.

Section 13

Equity – Captions 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

The parent's fully paid-up share capital consists of 19,066,549 ordinary shares (that have one voting right per share) with a unit value of €1.

The parent does not have special shares with rights or restrictions, including shares with restrictions to dividend distributions or capital repayment. It does not hold treasury shares nor do its subsidiaries and associates hold its shares. The parent does not have shares reserved for issues with option rights or sales contracts.

13.2 Share capital - Number of shares: changes

(€'000)

Captions/Type	Ordinary	Other
A. Opening balance	**14,000**	**-**
- fully paid-up	14,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**14,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	5,067	-
- against payment:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	5,067	-
- bonus:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Business transfers	-	-
C.4 Other decreases	-	
D. Outstanding shares: closing balance	**19,067**	**-**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	-	-
- fully paid-up	-	-
- not fully paid-up	-	-

On 28 October 2022, the parent's controlling shareholder, Tiber Investments 2 S.à.r.l. ("Tiber 2"), injected €25 million for a future capital increase to strengthen its equity.

This capitalisation was formalised on 10 February 2023, when the parent's shareholders approved a capital increase against payment of a maximum of €28,499,998.16. This increase may take place in instalments with the issue of a maximum of 5,144,404 ordinary shares without a nominal amount, with regular dividend rights and the same characteristics as the shares already issued by the parent.

After the €25 million injection by the controlling shareholder in October 2022, other investors confirmed their interest in participating in the capital increase for €3.1 million. €5,066,549 was allocated to share capital and €23,002,132.46 to the share premium.

13.3 Share capital: other information

The parent does not have special shares with rights or restrictions, including shares with restrictions to dividend distributions or capital repayment. It does not hold treasury shares nor do its subsidiaries and associates hold its shares. The parent does not have shares reserved for issues with option rights or sales contracts.

13.4 Income-related reserves: other information

They are made up of the legal reserve. This legally-required reserve amounts to €3,233 thousand and must equal at least one fifth of share capital; it was set up in prior years by allocating prior year profits thereto (at least one twentieth).

13.5 Equity instruments: breakdown and changes

The group has not issued equity instruments other than ordinary shares.

13.6 Other disclosures

The share premium amounts to €88,060 thousand.

The valuation reserves amount to €3,814 thousand. They include actuarial gains of €120 thousand on post-employment benefits while the remainder relates to post-tax fair value gains on financial assets at fair value through other comprehensive income. This fair value reserve increased as a result of the adjustment of the related tax following the tax authorities' response to the request for clarification about the IRES treatment of a participating financial instrument which led to the filing of a supplementary tax return for 2021. The tax adjustment is a mere reclassification, as the lower taxes recognised through equity (€1,037 thousand) are offset by higher taxes recognised through profit or loss related to previous years.

Section 14 - Equity attributable to non-controlling interests - Caption 190

14.1 Breakdown of caption 210 "Equity attributable to non-controlling interests"

(€'000)

Companies	31/12/2023	31/12/2022
SPVs	8	8
Total	**8**	**8**

Equity attributable to non-controlling interests relates to the Cassia and Crediti Fiscali+ SPVs.

Other information

1. Loan commitments and financial guarantees given

(€'000)

	Nominal amount of loan commitments and financial guarantees given				31/12/2023	31/12/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**1,637**	**-**	**-**	**-**	**1,637**	**2,134**
a) Central banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	1,637	-	-	-	1,637	2,134
f) Households	-	-	-	-	-	-
Financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**
a) Central banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-

2. Other commitments and other guarantees given

None.

3. Assets pledged to guarantee liabilities and commitments

None.

4. Breakdown of investments relating to unit- and index-linked insurance policies

None.

5. Management and trading on behalf of third parties

(€'000)

Type of service	Amount
1. Execution of customer orders	**-**
a) Purchases	-
1. Settled	-
2. Unsettled	-
b) Sales	-
1. Settled	-
2. Unsettled	-
2. Asset management	**-**
a) Individual	-
b) Collective	-
3. Securities custody and administration	**469,833**
a) Third party securities held as part of depositary bank services (excluding portfolio management)	-
1. Securities issued by consolidated companies	-
2. Other securities	-
b) Third party securities on deposit (excluding asset management): other	-
1. Securities issued by consolidated companies	-
2. Other securities	-
c) Third party securities deposited with third parties	-
d) Securities owned by the group deposited with third parties	469,833
4. Other	**-**

At 31 December 2023, the following sections were not applicable:
– assets pledged to guarantee liabilities and commitments;
– operating leases;
– financial assets eligible for netting or subject to master netting or similar agreements;
– securities lending transactions;
– jointly controlled operations.

6. Financial assets eligible for netting or subject to master netting or similar agreements

None.

7. Financial liabilities eligible for netting or subject to master netting or similar agreements

None.

8. Securities lending transactions

None.

9. Jointly controlled operations

None.

Part C: Notes to the consolidated income statement

Section 1

Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

(€'000)

Captions/Types	Debt instruments	Financing	Other	2023	2022
1. Financial assets at fair value through profit or loss	**8,814**	**-**	**-**	**8,814**	**11,133**
1.1 Held for trading	-	-	-	-	-
1.2 Designated at fair value	-	-	-	-	-
1.3 Mandatorily measured at fair value	8,814	-	-	8,814	11,133
2. Financial assets at fair value through other comprehensive income	**-**	**-**	**x**	**-**	**-**
3. Financial assets at amortised cost:	**13,102**	**76,732**	**-**	**89,834**	**41,593**
3.1 Loans and receivables with banks	-	3,981	x	3,981	506
3.2 Loans and receivables with customers	13,102	72,751	x	85,853	41,087
4. Hedging derivatives	x	x	-	-	-
5. Other assets	x	x	-	-	-
6. Financial liabilities	x	x	x	-	-
Total	**21,916**	**76,732**	**-**	**98,648**	**52,726**
including: interest income on credit-impaired financial assets	-	16,780	-	16,780	31,712
including: interest income on finance leases	-	789	-	789	1,271

Interest income on debt instruments of €21,916 thousand refers to investments made by the parent in ABS issued by non-consolidated SPVs (€16,201 thousand) and investments in government bonds (€5,715 thousand).

Interest income of €76,732 thousand on financing mainly relates to guaranteed finance products (€34,945 thousand), factoring products (€4,413 thousand), tax assets of the SPVs Crediti Fiscali+ and Fairway (€15,086 thousand) and purchased directly by the parent (€1,240 thousand) and other loans and financing disbursed by the parent (€1,627 thousand). The caption also includes interest on investments made directly by the parent or through SPVs in POCI portfolios (€13,170 thousand).

Interest income on liquidity invested with banks amounts to €3,981 thousand.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

None.

1.3 Interest and similar expense: breakdown

(€'000)

Captions/Type	Liabilities	Securities	Other	2023	2022
1. Financial liabilities at amortised cost					
1.1 Due to central banks	834	x	-	834	634
1.2 Due to banks	9,897	x	-	9,897	2,481
1.3 Due to customers	28,361	x	-	28,361	15,415
1.4 Securities issued	x	1,100	-	1,100	323
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value through profit or loss	-	-	-	-	-
4. Other liabilities and provisions	x	x	-	-	-
5. Hedging derivatives	x	x	-	-	-
6. Financial assets	x	x	x	-	-
Total	**39,091**	**1,100**	**-**	**40,192**	**18,853**
including: interest expense on lease liabilities	224			224	149

Interest expense is the cost of funding to the group companies, the most significant of which is that accrued on the online deposits (€26,813 thousand).

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

None.

1.5 Hedging gains and losses

None.

Section 2

Fees and commissions – Captions 40 and 50

2.1 Fee and commission income: breakdown

(€'000)

Type of service/Amounts	2023	2022
a) Financial instruments	-	-
1. Securities placement	-	-
2. Reception, transmission and execution of customer orders	-	-
3. Other financial instruments-related services	-	-
b) Corporate finance	-	-
1. M&A consulting	-	-
2. Treasury services	-	-
3. Other corporate finance-related services	-	-
c) Investment consulting	-	-
d) Clearing and settlement	-	-
e) Collective asset management	-	-
f) Custody and administration	-	-
1. Depository services	-	-
2. Other custody and administration-related services	-	-
g) Central administrative services for collective asset management	-	-
h) Fiduciary services	-	-
i) Payment services	-	-
1. Current accounts	-	-
2. Credit cards	-	-
3. Debit and other payment cards	-	-
4. Transfer and other payment orders	-	-
5. Other payment-related services	-	-
j) Distribution of third party services	-	-
1. Collective asset management	-	-
2. Insurance products	-	-
3. Other products	-	-
k) Structured finance	-	-
l) Servicing services for securitisations	59	91
m) Loan commitments	-	-
n) Financial guarantees given	-	-
o) Lending	3,052	2,163
including: factoring transactions	3,001	2,163
p) Foreign currency transactions	-	-
q) Commodities	-	-
r) Other	49	128
Total	**3,160**	**2,382**

2.2 Fee and commission expense: breakdown

(i€'000)

Type of service/Amounts	2023	2022
a) Financial instruments	40	-
including: trading	-	-
including: placement	40	-
including: asset management	-	-
- Own portfolios	-	-
- Third party portfolios	-	-
b) Clearing and settlement	-	-
c) Collective asset management	-	-
d) Custody and administration	76	67
e) Collection and payment services	60	70
including: credit, debit and other payment cards	-	-
f) Servicing services for securitisations	2,211	2,238
g) Loan commitments	-	-
h) Financial guarantees received	6	7
including: credit derivatives	-	-
i) Off-premises distribution of financial instruments, products and services	-	-
j) Foreign currency transactions	1,581	1,649
Total	**3,975**	**4,031**

"Other" includes commission expense on the servicing of the parent's legacy portfolio which was outsourced after the demerger (€415 thousand), the fees paid to brokers for factoring (€275 thousand) and commissions paid to third parties that assist the parent with its online deposit collection activities (€661 thousand).

"Servicing services for securitisations" comprise fees paid for the master and special servicing services provided by the Gardant Group to the SPVs.

Section 3

Dividends and similar income - Caption 70

None.

Section 4

Net trading expense - Caption 80

4.1 Net trading expense: breakdown

(€'000)

Transactions	Unrealised gains (A)	Trading income (B)	Unrealised losses (C)	Trading losses (C)	Net expense [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments	-	-	-	-	-
2.2 Financial liabilities	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
4. Derivatives	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives:	-	-	-	-	-
- On debt instruments and interest rates	-	3,182	800	4,326	(1,944)
- On equity instruments and equity indexes	-	-	37	-	(37)
- On currencies and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	x	x	x	x	-
Total	**-**	**3,182**	**837**	**4,326**	**(1,981)**

This caption includes the realised loss on the trading of listed financial instruments (futures) (€1,944 thousand) and the fair value loss on the call option for BE TC, as described in Section 2 - Financial assets at fair value through profit or loss: financial assets held for trading (€37 thousand).

Section 5

Net hedging income (expense) - Caption 90

None.

Section 6

Net gain from sales/repurchases - Caption 100

6.1 Net gain from sales/repurchases: breakdown

(€'000)

Captions	2023			2022		
	Gain	Loss	Net gain	Gain	Loss	Net gain
A. Financial assets						
1. Financial assets at amortised cost	**535**	**-**	**535**	**159**	**-**	**159**
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	535	-	535	159	-	159
2. Financial assets at fair value through other comprehensive income						
2.1 Debt instruments	-	-	-	-	-	-
2.4 Financing	-	-	-	-	-	-
Total assets	**535**	**-**	**535**	**159**	**-**	**159**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The caption comprises the gain of €535 thousand on the sale of government bonds before their maturity but in compliance with the limits set for the sale of HTC portfolio securities.

Section 7

Net loss on other financial assets and liabilities at fair value through profit or loss - Caption 110

7.1 Net loss on other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€'000)

Transactions	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments	-	-	-	-	-
1.2 Financing	-	-	-	-	-
2. Financial liabilities					
2.1 Securities issued					
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	2,714	-	(2,714)
3. Foreign currency financial assets and liabilities: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
Total	**-**	**-**	**2,714**	**-**	**(2,714)**

The caption shows the net fair value losses on the financial liabilities recognised in caption 30 of liabilities.

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

(€'000)

Transactions	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments	3,890		11,601		(7,711)
1.2 Equity instruments			0		0
1.3 OEIC units					
1.4 Financing					
2. Foreign currency financial assets: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
Total	**3,890**		**11,601**		**(7,711)**

Financial assets mandatorily measured at fair value include the ABS issued by non-consolidated securitisation vehicles that did not pass the SPPI test. The group recognised net fair value losses of €7,711 thousand on financial assets at fair value. They include the effect of the amendments to the business plans underlying the securities and, to a lesser extent, the change in the parameters used in the discounted cash flow model adopted to measure the ABS.

Section 8

Net impairment losses - Caption 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

(€'000)

Transactions	Impairment losses (1)						Reversals of impairment losses (2)				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			write-off	Other	write-off	Other						
A. Loans and receivables with banks												
- financing	(62)	-	-	-	-	-	-	-	-	-	(62)	(10)
- debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers:												
- financing	(1,161)	(15)	-	(6,603)	-	(13,917)	8	37	2,458	73	(19,120)	(13,519)
- debt instruments	(73)	(13,817)	-	-	-	-	-	243	.	-	(13,648)	(286)
C. Total	**(1,296)**	**(13,832)**	**-**	**(6,603)**	**-**	**(13,917)**	**8**	**280**	**2,458**	**73**	**(32,829)**	**(13,815)**

Net impairment losses mainly include:
– individual impairment losses of €13.8 million (including €12 million by the consolidated SPVs) on portfolios of purchased or originated credit impaired ("POCI") exposures purchased by the parent and the consolidated SPVs;
– net impairment losses of €13.6 million on non-consolidated ABS. The balance includes individual impairment losses of €13.8 million on mezzanine ABS and impairment gains of €0.2 million;
– net individual impairment losses of €6.6 million on stage 3 loans and guaranteed finance products;
– impairment gains of €2.1 million on a factoring asset classified as unlikely to pay in 2022, as the customer repaid the outstanding amounts and settled its balance;
– collective impairment losses of €1 million on performing financing and guaranteed finance products;
– collective impairment losses of €0.1 million on loans and receivables with banks, government bonds and tax assets;
– collective impairment losses of €0.1 million on factoring assets.

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

None.

Section 9

Modification gains/losses - Caption 140

None.

Section 10

Net premiums – Caption 160

None.

Section 11

Other net income/expense from insurance business - Caption 170

None.

Section 12

Administrative expenses – Caption 190

12.1 Personnel expense: breakdown

(€'000)

Type of expense/Amounts	2023	2022
1) Employees		
a) wages and salaries	13,419	9,686
b) social security contributions	4,536	3,430
c) termination benefits	-	-
d) pension costs	-	-
e) accrual for post-employment benefits	866	579
f) accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	3,841	2,767
2) Other personnel	-	-
3) Directors and statutory auditors	970	1,034
4) Retired personnel	-	-
Total	**23,633**	**17,495**

12.2 Average number of employees by category

Employees:	
a) managers	19.4
b) junior managers	86.3
c) other employees	66.0
Other personnel	

At 31 December 2023, the group had 190 employees.

12.3 Defined benefit plans: costs and income

None.

12.4 Other employee benefits

(€'000)

	2023	2022
MBO bonuses	1,120	943
Other bonuses	182	123
Insurance policies	304	414
Healthcare	67	44
Canteen subsidy and lunch vouchers	248	109
Refresher courses	240	149
Other	1,650	898
Total	**3,810**	**2,680**

12.5 Other administrative expenses: breakdown

(€'000)

	2023	2022
Business development, ICT development and due diligences	159	177
Taxes and duties	1,840	1,526
Professional services	905	275
Sundry consultancies	4,969	3,748
Insurance	1,351	736
Building leases and management fees	406	450
Payroll services	120	115
IT costs	5,320	4,608
Maintenance	222	1,423
Audit fees	420	242
Rating agency fees	23	-
Posting and telephone	23	80
Cleaning and related supplies	106	88
Information services	919	345
Pro rata deductible/non-deductible VAT	16	6
Contribution to resolution funds	16	224
Advertising	2,274	2,654
Sundry lease costs	155	71
Contribution to the Interbank Deposit Protection Fund	1,822	1,686
Covid-19 sanitation material	10	8
Outsourcing of guaranteed finance service	912	1,623
Instalment for business unit	487	-
Other	769	2,062
Total	**23,245**	**22,148**

The caption "Taxes and duties" includes stamp duty on online deposits from customers (€1,647 thousand).

"Professional services" mainly comprise fees paid to legal advisors for credit collection services (€286 thousand) and for support with the analysis of potential purchases of tax assets by the Convento SPV (€575 thousand).

Sundry consultancies include costs incurred for the development of the parent's new businesses.

The caption "Insurance" mostly includes premiums of €1,225 thousand for policies taken out to cover credit risk on the factoring products.

IT costs mainly refer to fees paid for operating management and accounting systems used by the parent (€3,973 thousand) and expenses for the related technical assistance (€1,310 thousand).

Information services include the cost of external providers used for information analyses on financing and factoring customers (Chamber of Commerce reports, ratings, etc.).

The caption "Outsourcing of guaranteed finance service" comprises the costs incurred for external servicers entrusted with the management of the background checks of potential customers, decision-making and monitoring of financing dossiers, which are not comprised in the initial costs to be included in the amortised cost of financing pursuant to IFRS 9.

The caption "Other" includes €487 thousand paid by the parent for the period from May to July 2023 under the lease agreement signed with Instapartners for the business unit subsequently acquired in July 2023.

In accordance with IFRS 16, it is noted that the group did not recognise costs for short-term leases (IFRS 16.53.c) or leases of low-value assets (IFRS 16.53.d) or variable lease payments not included in the measurement of the lease liabilities (IFRS 16.53.e).

Section 13

Net reversals of (accruals to) provisions for risks and charges - Caption 200

13.1 Net reversals of (accruals to) provisions for loan commitments and financial guarantees given: breakdown

None.

13.2 Net reversals of (accruals to) provisions for other commitments and other guarantees given: breakdown

None.

13.3 Net reversals of other provisions for risks and charges: breakdown

(€'000)

	2023	2022
Release of the provision for litigation	36	484
Total	**36**	**484**

Section 14

Depreciation and net impairment losses on property, equipment and investment property - Caption 210

14.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

(€'000)

Assets	Depreciation (a)	Impairment losses (b)	Reversals of impair-ment losses (c)	Total (a + b - c)
A. Property, equipment and investment property				
1. Property and equipment				
- owned	579	-	18	561
- right-of-use	1,283	-	-	1,283
2. Investment property				
- owned	-	-	-	-
- right-of-use	-	-	-	-
3. Inventories	X	-	-	-
Total	**1,863**	**-**	**18**	**1,845**

Section 15

Amortisation and net impairment losses on intangible assets - Caption 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

(€'000)

Assets	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Total (a + b - c)
A. Intangible assets including: software				
A.1 Owned	2,100	-	-	2,100
- Developed internally	-	-	-	-
- Other	2,100	-	-	2,100
A.2 Right-of-use	-	-	-	-
Total	**2,100**	**-**	**-**	**2,100**

Section 16

Other operating income, net - Caption 230

16.1 Other operating expense: breakdown

(€'000)

	2023	2022
Legal disputes	18	-
Other	546	1,089
Total	**564**	**3,281**

"Other" includes administrative expenses of €380 thousand incurred by the consolidated SPVs and, specifically, those related to their management passed on to the assets under management (audit fees, directors' fees, corporate fees).

16.2 Other operating income: breakdown

(€'000)

	2023	2022
Recovery of social security contributions	65	48
Other tax recoveries	-	1,041
Smaller prior year expense	-	508
Sundry lease income	236	1,051
Recovery of stamp duty on deposits	635	17
Tax asset for operating assets	60	-
Legal cost recoveries	-	2
Other	4,563	984
Total	**5,559**	**3,651**

"Other" comprises prior year income of €3,326 thousand recognised after the repayment of the amount that the then-named Credito Fondiario S.p.A. had paid following an unfavourable first degree ruling in a dispute prior to the demerger at the beginning of 2021. The Court of Appeal overturned the first degree ruling and ordered the other party to repay the amount. The other party did not appeal the ruling, which therefore became final. The amount was collected in full. "Other" also includes €562 thousand for the recovery of social security contributions paid to INPS in previous years.

Section 17

Net gains on equity investments - Caption 250

((€'000)

Amounts	2023	2022
1) Jointly controlled operations		
A. Income		
1. Fair value gains	-	-
2. Gains on sales	-	-
3. Impairment gains	-	-
4. Other	-	40
B. Losses		
1. Fair value losses	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other	-	-
Net gain	**-**	**40**
2) Companies under significant influence		
A. Income		
1. Fair value gains	-	-
2. Gains on sales	-	-
3. Impairment gains	-	-
4. Other	-	40
B. Losses		
1. Fair value losses	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other	-	-
Net gain	**-**	**-**
Total	**-**	**40**

Section 18

Net fair value gains (losses) on property, equipment, investment property and intangible assets - Caption 260

None.

Section 19

Impairment losses on goodwill - Caption 27

None.

Section 20

Net gain (loss) from sales of investments - Caption 280

None.

Section 21

Income taxes - Caption 300

21.1 Income taxes: breakdown

(€'000)

Amount	2023	2022
1. Current taxes (-)	-	(586)
2. Change in current taxes from previous years (+/-)	(1,075)	1,529
3. Decrease in current taxes for the year (+)	7	138
3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	65	655
5. Change in deferred tax liabilities (+/-)	(1,141)	4,321
6. Tax benefit (expense) for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(2,144)**	**6,058**

The parent's income tax expense of €1,003 thousand is offset by a tax benefit of the same amount recognised in other comprehensive income and equity. This benefit is the accounting effect of the correct calculation of the 2021 IRES base following the tax authorities' response to the request for clarification about the tax treatment of a participating financial instrument.

In addition to the parent's income taxes, the caption also includes the release of deferred tax liabilities recognised on the SPV's positive reserves in previous years and consolidation entries (€1,141 thousand).

21.2 Reconciliation between the theoretical and effective tax expense

The theoretical tax rate is 33.07% (IRES ordinary and surtax rate of 27.5% and IRAP rate of 5.57%).

Section 22

Post-tax profit (loss) from discontinued operations - Caption 320

22.1 Post-tax profit (loss) from discontinued operations: breakdown

None.

22.2 Breakdown of income taxes on discontinued operations

None.

Section 23

Profit (loss) for the year attributable to non-controlling interests - Caption 340

None.

Section 24

Other information

None.

Section 25

Loss per share

25.1 Average number of ordinary shares with dilutive effect

Pursuant to IAS 33.70.b), it is noted that the parent only has ordinary shares.

25.2 Other disclosures

Considering the disclosures required by paragraphs 68, 70.a)/c)/d) and 73 of IAS 33, the following is noted:
• there are no discontinued operations that would affect profit;
• there are no instruments that would affect calculation of the basic earnings and earnings attributable to the owners of the parent;
• there are no contingently issuable shares at the reporting date;
• components other than those provided for by IAS 33 were not used.

Part D: Consolidated comprehensive expense

BREAKDOWN OF CONSOLIDATED COMPREHENSIVE EXPENSE

(€'000)

	Captions	2023	2022
10.	**Loss for the year**	**(34,994)**	**(31,582)**
	Other comprehensive income (expense) that will not be reclassified to profit or loss	**-**	**131**
20.	Equity instruments at fair value through other comprehensive income:		
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
30.	Financial liabilities at fair value through profit or loss (changes in own credit rating):		
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income:		
	a) Fair value gains (losses) (hedged instrument)	-	-
	b) Fair value gains (losses) (hedging instrument)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	-	131
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Financial income or expense related to insurance contracts written Related tax	-	-
	Other comprehensive income (expense) that will be reclassified to profit or loss		
110.	Hedges of investments in foreign operations:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Exchange gains (losses):		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	including: net gain (loss)	-	-
140.	Hedging instruments (non-designated items):		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
160.	Non-current assets held for sale and disposal groups:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investees:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
180.	Related tax	-	-
190.	**Total other comprehensive income (expense)**	**-**	**131**
200.	**Comprehensive expense (captions 10 + 190)**	**(34,994)**	**(31,450)**
210.	Comprehensive income attributable to non-controlling interests	-	-
220.	**Comprehensive expense attributable to the owners of the parent**	**(34,994)**	**(31,450)**

Part E: Information on risks and hedging policies

Introduction

The Banca CF+ Group acknowledges the strategic importance of the internal control system, consisting of rules, procedures and structures designed to allow sustainable growth in line with the group's objectives by properly identifying, measuring, managing and monitoring its risks. The risk culture not only relates to the control functions but is disseminated throughout the bank.

In particular, the group focuses on its capacity to identify and promptly analyse interrelations between the various risk categories.

As provided for by the current regulations, the Board of Directors, as it is also the body charged with managing the parent, is responsible for defining and approving the parent's risk management policies and it is constantly informed about changes in the group's business risks. The CEO and General Manager, as the body charged with managing the parent, is responsible for the implementation of the risk governance policies and for the adoption of all necessary measures to ensure the internal control system's compliance with applicable legislation and aids the development and spreading at all levels of an integrated risk culture for all different risk types and across the entire group structure. The Board of Statutory Auditors supervises the completeness, functionality and adequacy of the internal control system and the risk appetite framework (RAF). It also monitors compliance with the regulations governing the banking sector, communicating the need for remedial actions to remedy weaknesses or irregularities, when necessary.

The Supervisory Body as per Legislative decree no. 231/01 checks that the organisational, management and control model, required by law, is operational and compliant.

The Audit Committee supports the Board of Directors with its monitoring of the governance and integrated management of the overall business risks to which the group is exposed.

This Committee also acknowledges and expresses its opinion on the risk appetite statement (RAS) and RAF and carries out ongoing checks of any changes in business risks and compliance with the various types of risk assumption thresholds.

The Internal Audit Department, which directly reports to the Board of Directors, checks that the business operations are carried out regularly and monitors changes in risks. It also assesses the completeness, functionality and adequacy of the organisational structures and other components of the internal control system. This department informs the internal bodies of any possible improvements, especially to the RAF or to the risk management process as well as to the risk measurement and control instruments.

The second-level control departments (Compliance & AML, ICT Risk & Security and Risk Strategy & Management Departments) report directly to the CEO and General Manager and to the Board of Directors.

The Compliance & AML Department:
– prevents and manages the risk of incurring judicial or administration sanctions, large financial losses or damage to the parent's reputation due to violations of imperative regulations or self-regulations;
– performs ongoing checks to ensure that the parent's procedures are suitable to prevent and thwart violations of imperative regulations or self-regulations on money laundering and the financing of terrorism;
– is responsible for the outsourced data protection activities.

The ICT Risk & Security Department, set up by the Board of Directors on 20 December 2022, assists with the definition and implementation of the policies to monitor the parent's ICT risks and security. Its remit is to ensure that the banking group's current and future exposure to the various types of ICT and security risks are properly assessed and managed. It also provides the parent's bodies with the support necessary to promote and disseminate an appropriate ICT risk and security culture within the group.

The Risk Strategy & Management Department monitors all types of risk and provides a clear presentation of the group's total risk profile and its financial strength to the Board of Directors. The department assists with the definition and implementation of the RAF, the related risk governance policies, the various stages of risk management and the setting of risk taking limits.

The internal units that define organisational and control checks for cross-bank risks are an important part of the internal control system as are the individual operating offices in charge of implementing risk mitigation measures and achieving the strategic risk objectives, the tolerance threshold and operating limits defined and approved by the Board of Directors.

Section 1 – IFRS CONSOLIDATION RISKS

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 Performing and non-performing exposures: carrying amount, impairment losses, performance, business breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

(€'000)

Portfolios/quality	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets at amortised cost	36,171	45,014	64,586	4,144	1,236,853	1,386,768
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets at fair value through profit or loss	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	97,845	97,845
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2023	**36,171**	**45,014**	**64,586**	**4,144**	**1,334,698**	**1,484,613**
Total 31/12/2022	**41,245**	**33,662**	**64,135**	**9,441**	**926,820**	**1,075,303**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

(€'000)

Portfolios/quality	Non-performing				Non-performing			Total (carrying amount)
	Gross amount	Total impairment losses	Carrying amount	Partial/total write-offs (*)	Gross amount	Total impairment losses	Carrying amount	
1. Financial assets at amortised cost	198,675	(52,904)	145,771	2,333	1,261,804	(20,807)	1,240,997	1,386,768
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets at fair value through profit or loss	-	-	-	-	x	x	-	-
4. Other assets mandatorily measured at fair value	-	-	-	-	x	x	97,845	97,845
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2023	**198,675**	**(52,904)**	**145,771**	**2,333**	**1,261,804**	**(20,807)**	**1,338,842**	**1,484,613**
Total 31/12/2022	**171,361**	**(32,320)**	**139,042**	**2,333**	**830,736**	**(5,175)**	**936,261**	**1,075,303**

**To be shown for disclosure purposes*

(€'000)

Portfolios/quality	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	517
2. Hedging derivatives	-	-	-
Total 31/12/2023	**-**	**-**	**517**
Total 31/12/2022	**-**	**-**	**554**

B. Structured entities (other than securitisation vehicles)

Nothing to report.

Section 2 - PRUDENTIAL CONSOLIDATION RISK

1.1 Credit risk

QUALITATIVE DISCLOSURE

1. General information

Credit risk mostly arises on the group's previous business of investing in securities, loans or securitisation notes and its new core business (lending to SMEs). Given that its debt purchasing and debt servicing businesses were demerged on 1 August 2021, the group has continued to manage ABS and the underlying illiquid and non-performing loans, supported by its servicers. It has continued to purchase tax assets through Crediti Fiscali+ and starting from 2022 has steadily rolled out its new factoring business and guaranteed finance business (MCC/SACE-backed loans).

The parent's assumption of credit risk is designed to:
– achieve its growth objective for sustainable lending activities in line with its risk appetite and the creation of value;
– diversify its portfolio, limit its exposure to individual counterparties/groups, business or geographical segments;
– efficiently select economic groups and individual customers by carefully analysing their credit standing in order to take on credit risk in line with its risk appetite.

The parent's continued monitoring of the quality of its loan portfolio includes adopting precise operating methods for each stage of the credit disbursement process.

Its classification of non-performing loans complies with the definition of default set out in the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of Regulation (EU) 575/2013).

In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with class-3 assets, the group measures counterparty risk on a current and forward looking perspective in baseline and adverse scenarios using the standard method.

It uses the granularity adjustment method to calculate single name concentration risk and the ABI method to calculate geographical-business sector concentration risk.

2. Credit risk management policies

2.1 Organisational aspects

A fundamental role in managing and controlling credit risk is played by the internal bodies that, properly assisted by the control departments and each according to its duties, ensure the proper monitoring of credit risk. They identify the strategies to be taken and the risk management policies, checking continuously their efficiency and effectiveness. The internal bodies also define the duties and responsibilities of the departments and units involved in the process.

This monitoring and checking of credit quality, ensured by the internal bodies, is reflected in the parent's current organisational structure with the allocation of specific responsibilities that guarantee that risks are managed and monitored at various levels.

The parent's Board of Directors defines the guidelines for taking on risk and the lending policies which include, inter alia, guidance about the guarantees accepted to mitigate risk.

The operating departments carry out the first level controls regularly and systematically to ensure that the parent operates correctly. They carry out credit standing checks, checks of the collateral and checks by the unit that approves the lending transaction that the transaction complies with both ruling regulations and internal policies. Specifically, new risk taking activities mainly relate to the purchase of tax assets, new factoring transactions and the disbursement of new MCC/SACE-backed loans. In this respect, the following checks are carried out:
– with respect to the purchase of tax assets, thorough due diligence activities to confirm the existence of a tax asset, assess the transferor's credit risk and potential claw back risk and forecast collections;
– with respect to new disbursements, an assessment of credit rating (of both the transferors and the transferred debtors for factoring transactions) based on at least an analysis of the counterparty's financial statements, sector and business plan and that of its legal group (if any), an analysis of the credit information centre data, a check of protested bills, prejudicial events and any adverse conditions. Moreover, a check of the counterparty's reporting quality assessment provided by credit rating agencies supports the background checks and credit assessment. In addition, specific transaction-based assessments are carried out (e.g., claw back risk assessment in the case of factoring with transferors with limited access to the banking system).

The group also monitors the performance of its credit exposures in order to ensure proactive customer relationship management and the prevention of credit deterioration, as well as the classification of the exposures in line with regulations.

The management of non-performing exposures retained after the demerger's completion has been outsourced to specialised servicers reporting to the Chief Lending Officer.

The Risk Strategy & Management Department carries out the second level controls:
– it checks the group's risk profile on a quarterly basis, identifying any critical issues or deviations from the set risk objectives and reporting them to the internal bodies and the Audit Committee;
– it checks the loan portfolio quality reporting its findings to the internal bodies and the Audit Committee and checking any irregularities with the relevant internal bodies;
– it checks that the performance of individual credit exposures is monitored correctly and the adequacy of the related provisioning, the customer due diligences, their classification, business sector concentration, the collection process and the risks of applying credit risk mitigation techniques;
– it checks compliance with the risk limits defined in line with the parent's risk appetite.

The Internal Audit Department performs the third level controls and makes sure that the entire process is carried out correctly through:
– remote checks, designed to ensure the orderly monitoring and analysis of credit risks as well as spot checks of the exposures' performance and potential risks in order to agree how and when to intervene if necessary;
– on-the-spot checks, designed to check the operating, accounting and administrative procedures are performed correctly and to check the security, correctness and compliance of the staff's conduct and management practices;
– checks of processes and procedures to assist internal bodies introduce the organisational model by performing analyses of its impact on the internal controls.

2.2 Management, measurement and control systems

Credit risk is the risk that the group may incur losses if its counterparty, beneficiary of a loan or issuer of a financial obligation (bonds, securities, etc.) is unable to meet its commitments (payment of interest and/or repayment of principal on time and any other amounts due) (default risk). Credit risk also includes the potential loss arising from the default of a borrower/issuer or a drop in market value of a financial obligation due to deterioration in its credit quality.

2.3. Measurement of expected credit losses

IFRS 9 introduced three approaches:
1. the general approach, whereby entities recognise 12-month ECL (stage 1) or lifetime ECL (stages 2 and 3);

2. the purchased or originated credit-impaired (POCI) approach, whereby entities recognise the accumulated change in lifetime ECL since initial recognition at each reporting date;
3. the simplified approach for trade receivables or financial assets that do not contain a significant financing component under IFRS 15, whereby entities can elect to recognise lifetime ECL rather than 12-month ECL.

The group measures the ECL through the following steps:
• staging: this is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed;
• calculation of impairment.

Staging
This is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed.

The purpose of staging exposures is to identify impairment before the occurrence of a default event, i.e., before the exposure becomes non-performing and is, therefore, subject to individual impairment.

Indeed, under IFRS 9, at each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. Specifically, based on the increase in their credit risk during the reporting period, financial assets are classified into the following stages:
• stage 1: this includes all performing financial assets whose credit risk, at the staging date, has not significantly increased since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL;
• stage 2: this includes all performing financial assets whose credit risk, at the staging date, has significantly increased since initial recognition. For financial assets in stage 2, entities are required to recognise lifetime ECL;
• stage 3: this includes all non-performing financial assets, comprising those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

The group has defined the trigger events to determine whether its financial assets' credit risk has increased significantly since initial recognition at the reporting date. If this is the case for stage 1 performing financial assets, they are reclassified to stage 2. The group identified the trigger events considering the particular nature of its financial assets.

In the case of ABS, the trigger events are as follows:
• net collections 20% lower than those forecast in the business plan;
• a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
• business plan reviewed downward by over 20% of "net recoveries", if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
• business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

The trigger events of other securities (other than government bonds, to which the low credit risk exemption is applied) are:
• a 3-notch decrease in the external rating down to BBB+, a 2-notch decrease from BBB to BBB- and a 1-notch decrease, as long as it does not directly lead to classification as stage 3;
• analytical risk assessment of the instrument (issuer risk, country risk, etc.).

In the case of customer financing (loans, subsidies, leases, factoring and guaranteed financing), the trigger events are as follows:
• more than 30 days past due;
• forborne performing.

Loans and receivables with banks. The trigger events are:
• a 3-notch decrease in the counterparty's external rating or, if not available, in the counterparty's country's rating, down to BBB+, a 2-notch decrease from BBB to BBB- and a 2-notch decrease, as long as it does not directly lead

to classification as stage 3 (junk grade);
• analytical risk assessment of the counterparty (issuer risk, country risk, etc.).

Calculation of impairment
The fine-tuning of the valuation models, aimed at continuously improving the ability to intercept the effects of the changing macroeconomic scenario as well as at introducing the necessary additions made necessary by the roll out of the new business continued during 2023. Specifically, the parent introduced and revisited its impairment models to introduce suitable policies to estimate ECL on the credit exposures arising from the new businesses. It also concurrently tweaked existing impairment models. The risk parameters used for each type of risk are summarised below:

ABS measured at amortised cost, loans and receivables with banks and other financial instruments (other than government bonds, ABS and loans and receivables)
The parent uses both internal inputs (information about its relationship with the borrower) and external inputs. It updates the probability of default (PD) once a year using the studies on default and recovery rates published by rating agencies in the first quarter of the year as a base to estimate the multi-period PD vectors, adjusted on a forward-looking basis by the Risk Strategy & Management Department. Specifically, the PD applied to stage 1 and stage 2 securities was calculated using the average PD for the categories from A+ to B- (average of the central categories on the rating scale of rating agencies) and applied differently depending on their time horizon (one year for stage 1 or lifetime for stage 2), excluding judgements about changes in PD and considering any missing additional information about the borrower's credit standing.

As the parent does not have historical information about actual losses, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Government bonds
The parent updates the PD once a year using the studies on default and recovery rates of sovereign counterparties published by rating agencies in the first half of the year as a base to estimate the multi-period PD vectors. In line with the approach adopted for ABS and other securities, and considering the average 12-month migration matrices, it calculates marginal PD vectors, adjusted on a forward-looking basis by the Risk Strategy & Management Department. The parent uses the one-year PD, equal to the rating of the issuing country, for stage 1 bonds.

The entire multi-period PD vector, equal to the issuing country's rating, is used for stage 2 bonds.

The LGD is assumed to be steady over the entire maturity of the financial asset and, in line with market practice, the value of 60% is applied based on the ranking of the instrument (senior) and the classification of the issuing country (developed economies) for the simplified estimate of LGD.

Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring and guaranteed finance products)
The lifetime PD is estimated using the Weibull function in order to obtain a long-term fitting of the system default rates extrapolated from Bank of Italy's public database. The PD vectors are adjusted on a forward-looking basis by the Risk Strategy & Management Department. The parent uses the one-year PD for stage 1 loans and receivables.

The PD is estimated over the life of the stage 2 loans and receivables. Therefore, in order to determine the impairment loss, the related node on the multi-period PD curve is used for each maturity date.

On an exceptional basis, given the current and prospective macroeconomic scenario and in line with the approach adopted at 31 December 2022 and 30 June 2023, the parent recognised an additional impairment loss at the reporting date to reflect the possible increase in risk of some sectors.

It acquires eligible personal guarantees to mitigate credit risk and potential losses in the case of default for guaranteed finance and factoring products. Due to the characteristics of these products, the estimate of the LGD considers their secured and unsecured components.

As the parent does not have historical information about actual losses for the other products, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures (stage 3) can be split into:
– non-performing overdrawn and/or past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
– unlikely to pay exposures: on and off-statement of financial position exposures classified as such given that the parent does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
– bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not legally certified as such) or in substantially similar situations regardless of the parent's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Both performing and non-performing exposures can be classified as forborne when the following regulatory conditions are met:
– modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
– confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure but has to be based on a specific valuation of the customer in the case of a performing exposure.

Impairment testing aims at identifying impairment losses due to deterioration in the counterparty's credit rating in a timely manner by using appropriate models to determine their amount.

The group has recognised a loss allowance for expected credit losses on:
• financial assets at amortised cost: ABS, loans and receivables with customers, including those arising from leases and factoring, and loans and receivables with banks;
• financial assets at fair value through other comprehensive income.

The ECL calculation model requires a quantitative estimate of future cash flows and assumes that these may be reliably estimated.

The impairment model consists of:
• the staging of exposures, based on an assessment of the increase in the exposure's/counterparty's risk;
• using multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify the lifetime ECL on financial instruments whose credit risk has increased significantly since initial recognition.

Non-performing loans and receivables (bad, unlikely to pay and overdrawn or past due) are tested for impairment individually or collectively. The impairment loss is calculated by discounting the expected future cash flows of principal and interest net of recovery costs considering any guarantees.

The group assesses its credit-impaired exposures analytically depending on the nature of the assessed asset:
• Customer financing: the impairment losses are calculated either individually or collectively in the case of exposures that, due to their inherent characteristics (immaterial amounts and large numbers), can be tested using prudential but streamlined and low-cost models, capable of guaranteeing uniform results.

In line with the supervisory guidance and market practices, as well as the nature of the products offered, Banca CF+ tests all the UTP and bad exposures exceeding €500 thousand individually in order to achieve an accurate as possible estimate of the more risky positions and to recognise a lump-sum impairment loss for smaller exposures and past due exposures for organisational efficiency purposes, maintaining a prudential approach which envisages a threshold equal to that for the lump-sum impairment loss for individual exposures.

The Chief Lending Officer's staff estimates the lifetime expected credit losses of the individual exposures considering their specific nature and the minimum impairment percentages. To this end, they firstly decide whether to assess the counterparty using:
– a going concern approach, where their assessment focuses on the sustainability of the customer's debt over time based on its estimated cash flows;
– a gone concern approach, if recovery is possible through the enforcement of the guarantees and/or liquidation of the company's assets or when there is no reliable information about its estimated future cash flows.
• POCI exposures: the impairment losses are calculated as the difference between the individual portfolios' carrying amount and their expected recoverable amount based on the underlying business plan.
• ABS: the impairment losses are the higher of those calculated using the approach described for stages 1 and 2 exposures and their expected recoverable amount based on the underlying business plan.
• Leases: the impairment losses are calculated individually by assessing their recoverability considering issuer risk.

Supported by the information provided by the servicers, the parent revises the business plans used for the measurement of the impaired loans and receivables/ABS every six months or more frequently, if appropriate.

The group also checks that the impairment loss on loans is adequate by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts based on the results of its recovery procedures (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on problematic loans and receivables are reversed only when their quality has improved to the point that the group is reasonably certain that it will recover principal and interest and/or has collected amounts greater than the exposure's carrying amount. Depending on the method used to calculate the impairment loss, the proximity to the deadline for collection of the exposure due to the passage of time gives rise to a reversal of impairment losses as it implies a reduction in the unrealised interest expense previously used to decrease the loans and receivables.

Measurement of expected credit losses
IFRS 9 requires an entity to consider relevant forward looking information when measuring credit impairment and not only historical and current information, as it deems that it can affect the recoverability of the credit exposures.

Accordingly, the group considered the following:
• its update of the macro-economic scenarios, using a baseline, a best and an adverse scenario:
• **baseline**: based on the 2024-2026 macroeconomic projections for Italy prepared by Bank of Italy's experts as part of the Eurosystem's coordinated exercise (see "Macroeconomic Projections for the Italian Economy (Eurosystem staff macroeconomic projections)", 15 December 2023");
• **adverse**: the December 2023 update of the Bank of Italy's macroeconomic projections for Italy does not include GDP growth rate estimates in an adverse scenario, however, the ECB presented the GDP growth rate estimates for the Eurozone in the Eurosystem's coordinated exercise (see "Eurosystem staff macroeconomic projections for the euro area") in an adverse scenario assuming the impacts of a further escalation of the conflict in the Middle East. In the light of the above, the information included in the ECB report "Eurosystem staff macroeconomic projections for the euro area" was used for the projections of the GDP growth rate (2024, 2025 and 2026) in the adverse scenario;
• **best**: given the current macroeconomic situation and the fact that the regulators do not provide estimates in favourable conditions (best scenario) in the above documents, the parent did not consider the best scenario when estimating the forward-looking factor for the figures at 31 December 2023;
• the review of the business plan for the POCI portfolios, primarily due to the postponement of the collection dates.

2.4. Credit risk mitigation techniques

In order to mitigate credit risk in line with the regulations, the group uses the CRM (Credit Risk Mitigation) techniques, set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, and Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR).

Specifically, the group may make use of personal guarantees (sureties, personal guarantees, credit derivatives), financial collateral (liens on cash and/or listed securities and master netting agreements) and property collateral (residential and non-residential property mortgages).

The group has specific procedures to efficiently manage risk covering the various stages involved (from acquisition of the individual guarantees to their execution as well as the more operational aspects for their management) and to identify the relevant internal process owners.

Even when the exposures are secured, the group is still required to measure credit risk, focusing on the borrower's capacity to meet its obligations without considering the guarantee.

3. Non-performing exposures

3.1. Management strategies and policies

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures can be split into:
– non-performing overdrawn and/or past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
– unlikely to pay exposures: on and off-statement of financial position exposures classified as such given that the group does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
– bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not legally certified as such) or in substantially similar situations regardless of the group's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Non-performing exposures can be classified as forborne when the following regulatory conditions are met:
– modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
– confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure.

The group checks that the impairment losses on loans is adequate including by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts based on the results of its recovery procedures (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on ABS reflect both remeasurement of the investment's value compared to its calculation using the amortised cost method agreed during the underwriting phase as well as available onboarding information.

At the reporting date, the group's non-performing exposures were either related to default situations of its new business or mostly credit-impaired when it purchased them (bad or UTP exposures, mainly SME property loans), either as part of securitisations carried out by other banks or financial brokers (e.g., lease companies) or purchased directly by the parent.

Through its securitisation vehicles, the group purchased financial assets at a discount compared to their nominal amount in order to collect the related contractual cash flows.

The risk is managed at the initial stage of the transaction, by carrying out due diligences, and thereafter, with the assistance of the servicers, by regularly analysing and updating the business plans underlying the individual securitisation portfolios and/or the individual exposures purchased.

3.2. Write-Off

The group reduces the carrying amount of a non-performing exposure when it has no reasonable expectations of recovering it in its entirety or a portion thereof (total/partial write-offs), e.g., in the following cases:
a) irrecoverability, based on certain and precise elements (such as, for example, the debtor being untraceable or destitute, non-recovery from foreclosure of movable and immovable property, unsuccessful seizures, bankruptcy proceedings ended with an incomplete settlement of the parent's claim, if there are no further enforceable guarantees, etc.);
b) transfers;
c) waivers, as a result of unilateral debt forgiveness or residual under settlement agreements;
d) without waivers. In order to avoid retaining in the statement of financial position financial assets that continue to be managed by the credit collection departments but that have a very low chance of being recovered, all or part of their carrying amount is written off due to its irrecoverability even when the related legal case has not been terminated. The write-off may only affect the portion of a financial asset covered by a loss allowance; therefore, each financial asset may be written off to the extent of its carrying amount.

3.3 Purchased or originated credit-impaired financial assets

As described above with respect to the non-performing exposures at 31 December 2023, excluding some default situations of the group's new business, its non-performing exposures were mostly credit-impaired when it purchased them (bad or UTP exposures, mostly SME property loans), either as part of securitisations carried out by other banks or financial brokers (e.g., lease companies) or purchased directly by the parent.

The parent acquired these financial assets to collect the related cash flows (HTC business model).

As already described, the group calculates the expected credit losses on POCI exposures as the difference between the net present value of their future cash flows (through credit collection activities less related legal costs) discounted at the transaction's interest rate (IRR) calculated at inception and the gross amount of the purchased exposures (i.e., the purchase price less collections plus interest calculated using the transaction's IRR).

Supported by the information provided by the servicers, the parent revises the business plans used for the measurement of the financial assets every six months or more frequently, if appropriate.

As the department in charge of performing the second level controls, once every six months, the Risk Strategy & Management Department checks that the business plan reviews of all portfolios coordinated by the portfolio management office and carried out by external servicers has been carried out using a systematic and accurate review process (individual and/or collective) of collection flow projections.

At this time, the Risk Strategy & Management Department reviews the underlying assumptions by position clusters (defined according to uniform categories of strategy/recovery phase), where they are applied collectively to all portfolios/positions not pipelined by the manager.

The department is informed of the above assumptions in special meetings with the portfolio management office and, where it deems it appropriate, carries out an in-depth analysis of certain portfolios/positions, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

A breakdown of actual collections compared to the related recovery plans, the portfolios' nominal amount and purchase price by portfolio of similar purchased financial assets of consolidated vehicles is set out below:

(€'000)

Vehicle	Actual collections at 31/12/2023	Orginal BP collections	Variations	Variation %	Attività Cartolarizzate		
					Carrying amount	Purchase price	Nominal amount at 31/12/2023
Bank loans	75,035	94,650	(19,615)	-20.7%	28,454	49,313	171,645
Leases	23,396	37,086	(13,690)	-36.9%	9,883	22,989	28,204
Trade receivables	41,935	59,214	(17,279)	-29.2%	54,968	38,299	118,852

4. Renegotiated financial assets and forborne exposures

At 31 December 2023, the group has renegotiated performing financial assets, mostly related to waivers on covenants granted to creditworthy counterparties, and forborne exposures.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 Performing and non-performing exposures: carrying amount, impairment losses, performance, business breakdown

A.1.1 Prudential consolidation - Breakdown of financial assets by past due bracket (carrying amounts)

(€'000)

	Stage 1			Stage 2			Stage 3			Purchased or originated cedit-impaired		
	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days
1. Financial assets at amortised cost	267	670	-	1	3,349	1,920	524	4,214	40,087	3,530	20	76,011
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL 31/12/2023	**267**	**670**	**-**	**1**	**3,349**	**1,920**	**524**	**4,214**	**40,087**	**3,530**	**20**	**76,011**
TOTAL 31/12/2022	**2,005**	**-**	**-**	**-**	**4,551**	**601**	**-**	**853**	**4,542**	**93**	**-**	**99,839**

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (eighth update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

A.1.2 Prudential consolidation - Financial assets, loan commitments and financial guarantees given: total impairment losses and provisioning

(€'000)

Reasons/risk stages	Total impairment losses																							Total provisioning on loan commitments and financial guarantees given				
	Stage 1						Stage 2						Stage 3						Purchased or originated credit-impaired financial assets									
	On demand loans and receivables with banks and central banks Financial assets at amortised cost	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	On demand loans and receivables with banks and central banks Financial assets at amortised cost	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	On demand loans and receivables with banks and central banks Financial assets at amortised cost	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Loan commitments and financial guarantees given purchased or originated credit-impaired	Total
Opening balance	**(55)**	**(1,203)**	**-**	**-**	**-**	**(1,258)**	**-**	**(1,957)**	**-**	**-**	**-**	**(1,957)**	**-**	**(3,073)**	**-**	**-**	**(3,073)**	**-**	**(31,259)**	**-**	**-**	**(31,259)**	**-**	**-**	**-**	**-**	**-**	**(37,547)**
Increase in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses/gains for credit risk (+/-)	(28)	(2,134)	-	-	-	(2,162)	-	(13,510)	-	-	45	(13,555)	-	(4,169)	-	-	(4,169)	-	(12,358)	-	-	(12,358)	-	-	-	-	-	(32,199)
Modification gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	(2,530)	-	-	(2,578)	48	-	527	-	-	310	217	-	(56)	-	-	(56)	-	(1,990)	-	-	(1,990)	-	-	-	-		(4,049)
Closing balance	**(84)**	**(5,868)**	**-**	**-**	**(2,578)**	**(3,373)**	**-**	**(14,939)**	**-**	**-**	**355**	**(15,295)**	**-**	**(7,298)**	**-**	**-**	**(7,298)**	**-**	**(45,607)**	**-**	**-**	**(45,607)**	**-**	**-**	**-**	**-**		**(73,795)**
Collections of written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.3 Prudential consolidation - Financial assets, loan commitments and financial guarantees given: transfers among the various credit risk stages (gross amount and nominal amount)

(€'000)

	Gross/nominal amounts					
	Transfer between stage 1 and 2		Transfer between stage 2 and 3		Transfer between stage 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	741	3,031	5,756	-	37,814	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	-	-	-	-	-	-
Total 31/12/2023	**741**	**3,013**	**5,756**	**-**	**37,814**	**-**
Total 31/12/2022	**70,324**	**-**	**-**	**-**	**75**	**51**

A.1.4 Prudential consolidation - On- and off-statement of financial position exposures with banks: gross amount and carrying amount

(€'000)

Types of exposure/amounts	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/total write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION												
A.1 ON DEMAND												
a) Non-performing		**x**					**x**					
b) Performing	**127,041**	**127,041**		**x**		**(83)**	**(83)**		**x**		**126,958**	
A.2 OTHER												
a) Bad exposures	-	x					x				-	-
- including: forborne exposures	-	x					x				-	-
b) Unlikely to pay exposures	-	x					x				-	-
- including: forborne exposures	-	x					x				-	-
c) Non-performing past due exposures	-	x					x				-	-
- including: forborne exposures	-	x					x				-	-
d) Performing past due exposures				x					x			
- including: forborne exposures				x					x			
e) Other performing exposures	48,903	48,903		x		(34)	(34)		x		48,869	
- including: forborne exposures				x					x			
TOTAL (A)	**175,943**	**175,943**				**(117)**	**(117)**				**175,828**	
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing		x					x					
b) Performing	-	-		x					x		-	
TOTAL (B)	**-**	**-**									**-**	
TOTAL (A+B)	**175,943**	**175,943**	**-**	**-**	**-**	**(117)**	**(117)**	**-**	**-**	**-**	**175,828**	**-**

* To be shown for disclosure purposes

A.1.5 Prudential consolidation - On- and off-statement of financial position exposures with customers: gross amount and carrying amount

(€'000)

Types of exposure/amounts	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/total write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION												
a) Bad exposures	67,780	x	x	6,158	61,622	(31,609)	x	x	(1,935)	(29,674)	36,171	43
- including: forborne exposures	4,710	x	x	-	4,710	(1,463)	x	x	-	(1,463)	3,247	-
b) Unlikely to pay exposures	59,091	x	x	37,038	22,052	(14,077)	x	x	(4,825)	(9,252)	45,014	-
- including: forborne exposures	13,053	x	-	2,094	10,959	(5,902)	x	-	(135)	(5,767)	7,151	-
c) Non-performing past due exposures	71,805	x	-	9,303	62,502	(7,219)	x	-	(538)	(6,681)	64,586	-
- including: forborne exposures	258	x	-	257	1	42	x	-	(29)	70	299	-
d) Performing past due exposures	4,187	268	3,919	x	-	(43)	(1)	(42)	x	-	4,144	-
- including: forborne exposures	-	-	-	x	-	-	-	-	x	-	-	-
e) Other performing exposures	1,306,560	1,179,264	123,034	x	4,261	(20,731)	(2,355)	(15,252)	x	(3,124)	1,285,828	-
- including: forborne exposures	306	-	34	x	271	272	-	(2)	x	274	578	-
TOTAL (A)	**1,509,422**	**1,179,532**	**126,953**	**52,499**	**150,437**	**(73,678)**	**(2,356)**	**(15,294)**	**(7,298)**	**(48,731)**	**1,435,743**	**43**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing	-	x	-	-	-	-	x	-	-	-	-	-
b) Performing	1,637	1,637	-	x	-	-	-	-	x	-	1,637	-
TOTAL (B)	**1,637**	**1,637**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,637**	**-**
TOTAL (A+B)	**1,511,059**	**1,181,169**	**126,953**	**52,499**	**150,437**	**(73,678)**	**(2,356)**	**(15,294)**	**(7,298)**	**(48,731)**	**1,437,380**	**43**

** To be shown for disclosure purposes*

The on-statement of financial position exposures include the credit-impaired loan and lease portfolios directly purchased by the parent and the consolidated SPVs' portfolios.

A.1.6 Prudential consolidation - On-statement of financial position exposures with banks: gross non-performing exposures

None.

A.1.6bis Prudential consolidation - On-statement of financial position exposures with banks: gross forborne exposures broken down by credit quality

None.

A.1.7 Prudential consolidation - On-statement of financial position exposures with customers: gross non-performing exposures

(€'000)

Reasons/Categories	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**58,783**	**43,517**	**69,061**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**19,570**	**38,559**	**21,579**
B.1 from performing exposures	5,400	29,454	12,525
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing categories	7,962	3,896	-
B.4 modification losses	-	-	-
B.5 other increases	6,209	5,209	9,054
C. Decreases	**(10,574)**	**(22,985)**	**(18,834)**
C.1 to performing exposures	-	-	-
C.2 write-offs	(79)	(1,091)	(175)
C.3 collections	(10,488)	(13,485)	(12,508)
C.4 sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other non-performing categories	(6)	(6,326)	(5,558)
C.7 modification gains	-	-	-
C.8 other decreases	-	(2,084)	(593)
D. Gross closing balance	**67,780**	**59,091**	**71,806**
- including: exposures transferred but not derecognised	-	-	-

A.1.7bis Prudential consolidation - On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

(€'000)

Description/Quality	Forborne non-performing exposures	Forborne performing exposures
A. Gross opening balance	**20,342**	**5,326**
- including: exposures transferred but not derecognised	-	-
B. Increases	**3,496**	**118**
B.1 from non-forborne performing exposures	1,371	-
B.2 from forborne performing exposures	-	x
B.3 from forborne non-performing exposures	-	-
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	2,125	118
C. Decreases	**(5,818)**	**(5,139)**
C.1 to non-forborne performing exposures	-	-
C.2 to forborne performing exposures	-	x
C. 3 to forborne non-performing exposures	x	-
C.4 write-offs	-	-
C.5 collections	(1,810)	(5,102)
C.6 sales	-	-
C.7 losses on sales	-	-
C.8 other decreases	(4,008)	(37)
D. Gross closing balance	**18,020**	**305**
- including: exposures transferred but not derecognised	-	-

A.1.8 Prudential consolidation - On-statement of financial position non-performing exposures with banks: changes in impaired positions

None.

A.1.9 Prudential consolidation - On-statement of financial position non-performing exposures with customers: changes in impaired positions

(€'000)

Reasons/Categories	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	including: forborne exposures	Totale	including: forborne exposures	Total	including: forborne exposures
A. Opening balance	**17,541**	**2,247**	**9,856**	**4,070**	**4,926**	**(4)**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**19,250**	**1,342**	**8,803**	**2,072**	**4,144**	**36**
B.1 from purchased or originated credit-impaired exposures	13,272	x	2,209	x	3,149	x
B.2 other impairment losses	1,912	1,130	1,975	1,735	-	-
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing categories	1,574	48	27	-	-	-
B.5 modification losses	-	x	-	x	-	x
B.6 other increases	2,491	164	4,592	337	995	36
C. Decreases	**(5,181)**	**(2,125)**	**(4,582)**	**(240)**	**(1,851)**	**(73)**
C.1. fair value gains	(5,179)	(830)	(716)	(135)	(1,682)	-
C.2 impairment gains due to collections	-	(1,295)	(2,282)	(56)	-	-
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing categories	-	-	(1,133)	(48)	(169)	(73)
C.6 modification gains	-	x	-	x	-	x
C.7 other decreases	(3)	-	(451)	-	-	-
D. Closing balance	**31,609**	**1,463**	**14,077**	**5,901**	**7,219**	**(41)**
- including: exposures transferred but not derecognised	-	-	-	-	-	-

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (eighth update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

A.2 Classification of exposures using external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating class (gross amounts)

(€'000)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	276,317	-	-	-	903,215	1,179,532
- Stage 2	-	-	3,727	-	-	-	123,226	126,953
- Stage 3	-	-	-	-	-	-	52,499	52,499
- Purchased or originated credit-impaired	-	-	-	-	-	-	150,437	150,437
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**280,043**	**-**	**-**	**-**	**1,229,378**	**1,509,422**
D. Loan commitments and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	1,637	1,637
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**1,637**	**1,637**
Total (A + B + C + D)	**-**	**-**	**280,043**	**-**	**-**	**-**	**1,231,015**	**1,511,059**

A.2.2 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating class (gross amounts)

The group does not use internal ratings.

A.3 BREAKDOWN OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Prudential consolidation - On- and off-statement of financial position guaranteed exposures with banks

None.

A.3.2 Prudential consolidation - On- and off-statement of financial position guaranteed exposures with customers

(€'000)

	Gross amount	Carrying amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement credits				
								Other derivatives								
			Mortgaged property	Net investments in property leases	Securitie	Other collateral	CLN	Central counterpartie	Banks	Other financial companies	Other	Public administration	Banks	Other financial companies	Other	
1. On-statement of financial position guaranteed exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 fully guaranteed	237,312	221,625	24,191	-	-	-	-	-	-	-	-	164,590	-	2,359	30,485	221,625
- including non-performing	59,182	44,797	19,322	-	-	-	-	-	-	-	-	20,802	-	14	4,658	44,797
1.2 partly guaranteed	440,391	435,233	1,269	-	-	-	-	-	-	-	-	340,271	-	42,280	-	383,820
- including non-performing	20,980	16,654	1,269	-	-	-	-	-	-	-	-	14,479	-	-	-	15,748
2. Off-statement of financial position guaranteed exposure																
2.1 fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The personal guarantees include those given by MCC and SACE for guaranteed finance products and those given by Allianz Trade for the factoring products. The recovery process includes calling in the guarantee/requesting the loan repayment from the central funds and Allianz Trade directly. The carrying amount of the personal guarantees is the amount guaranteed by MCC, SACE or Allianz Trade.

The guarantees for the parent's original business (pre-demerger) are first level mortgages. The loans are usually recovered through court procedures by selling the property pledged as guarantee. The collateral's carrying amount is the market value of the mortgaged property

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

None.

B. BREAKDOWN AND CONCENTRATION OF EXPOSURES

B.1 Prudential consolidation - Breakdown of on- and off-statement of financial position exposures with customers by business segment

(€'000)

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (including insurance companies)		Non-financial companies		Households	
	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses
A. On-statement of financial position										
A.1 Bad exposures	-	-	1	(16)	-	-	31,841	(27,066)	4,329	(4,526)
- including: forborne exposures	-	-	-	-	-	-	2,869	(1,247)	378	(217)
A.2 Unlikely to pay exposures	-	-	-	-	-	-	42,836	(14,336)	2,178	259
- including: forborne exposures	-	-	-	-	-	-	7,117	(5,927)	35	25
A.3 esposizioni scadute deteriorate	54,918	(7,010)	-	-	-	-	9,597	(280)	71	70
- including: forborne exposures	-	-	-	-	-	-	299	42	-	-
A.4 Performing exposures	421,274	(210)	210,592	(15,272)	2,044	(4)	657,291	(5,500)	815	208
- including: forborne exposures	-	-	-	-	-	-	407	136	171	136
Total (A)	**476,192**	**(7,219)**	**210,593**	**(15,288)**	**2,044**	**(4)**	**741,565**	**(47,182)**	**7,393**	**(3,988)**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	10	-	-	-	-	-	-	-
Total (B)	**-**	**-**	**10**	**-**	**-**	**-**	**1,627**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**476,192**	**(7,219)**	**210,603**	**(15,288)**	**-**	**-**	**743,192**	**(47,182)**	**7,393**	**(3,988)**
Total (A+B) 31/12/2022	**290,952**	**(5,107)**	**263,854**	**(1,661)**	**-**	**-**	**509,971**	**(27,456)**	**8,783**	**(3,268)**

B.2 Prudential consolidation - Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

(€'000)

Exposures/Geographical segments	Italy		Other European countries		Americas		Asia		Rest of the world	
	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses
A. On-statement of financial position										
A.Bad exposures	36,137	(31,402)	34	(202)	1	(5)	-	-	-	-
A.2 Unlikely to pay exposures	45,014	(14,077)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	64,586	(7,219)	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,282,259	(20,730)	7,714	(44)	-	-	-	-	-	-
Total (A)	**1,427,995**	**(73,428)**	**7,747**	**(246)**	**1**	**(5)**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,627	-	10	-	-	-	-	-	-	-
Total (B)	**1,627**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**1,429,622**	**(73,428)**	**7,758**	**(246)**	**1**	**(5)**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**1,064,398**	**(37,276)**	**9,162**	**(212)**	**1**	**(5)**	**-**	**-**	**-**	**-**

B.3 Prudential consolidation - Breakdown of on- and off-statement of financial position exposures with banks by geographical segment (carrying amounts)

(€'000)

Exposures/Geographical segments	Italy		Other European countries		Americas		Asia		Rest of the world	
	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses
A. On-statement of financial position										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	175,828	(117)	-	-	-	-	-	-	-	-
Total (A)	**175,828**	**(117)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**175,828**	**(117)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**102,082**	**(55)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

(€'000)

Grandi Esposizioni	31/12/2023	31/12/2022
CARRYING AMOUNT	1,330,614	1,006,179
WEIGHTED AMOUNT	134,846	132,734
NO. OF POSITIONS	26	19

The group's large exposures at year end comply with the limits set by the supervisory regulations.

Pursuant to the recommendations made in the "Enhancing the risk disclosures of banks" report, a breakdown of the assets and related weighting factors used to calculate credit risk is set out below.

(€'000)

ASSETS	NOMINAL AMOUNT	WEIGHING	WEIGHTED AMOUNT
Exposures with or guaranteed by central administrations or central banks	1,032,942,283.46	0%	-
	378,773.87	100%	378,774
	720,289.36	250%	1,800,723
Exposures with or guaranteed by local administrations or authorities	11,470,144.33	100%	11,470,144
Exposures with or guaranteed by public sector bodies	43,450,597.33	100%	43,450,597
Exposures with or guaranteed by bodies	113,212,496	20%	22,415,227
	102,009	100%	102,009
Exposures with or guaranteed by companies	-	0%	-
	13,219,470	20%	2,616,252
	137,424,104.86	100%	131,375,700
Retail exposures	42,932,819.52	75%	24,650,850
Exposures guaranteed by mortgages on properties	488,461.28	35%	170,961
	4,171,793.08	50%	2,085,897
Defaulting exposures	51,421,536.08	100%	51,421,536
	2,493,417.72	150%	3,740,127
Equity instruments	4,000,000.00	100%	4,000,000
	317.68	250%	794
Other exposures	3,749.78	0%	-
	684,629.70	20%	136,926
	10,532,679.79	100%	10,532,680
Exposures with securitisations	197,319,001	100%	197,319,001
	3,694,512	105%	3,879,238

TOTAL WEIGHTED ASSETS	511,547,436
Capital allocated to cover credit and counterparty risk at the reporting date (in Euro)	40,923,795

C. SECURITISATIONS

This section does not include securitisations where the originating group subscribes all the securities (e.g., ABS, financing during the warehousing stage) issued by the vehicle at their issue date. If the originating group sells all or part of its liabilities after the securitisation, the transaction is disclosed in this section.

Qualitative disclosure

Strategies - processes - objectives:
As a bank specialised in the brokerage, management and servicing of impaired or illiquid exposures, pre-demerger Banca CF+ played many roles in securitisation transactions. It acted as arranger, asset manager and servicer, it structured securitisation vehicles (as per Law no. 130/99) and provided all the related portfolio management services.

The parent also acted as sponsor and with the option of taking part of the risk as the direct investor (in accordance with the retention rules set by the regulations).

It acted as asset manager/primary servicer of portfolios on behalf of third parties.

Internal risk measurement and control systems
The P&C and Portfolio Management Office is responsible, inter alia, for the following in connection with the loan portfolios in which the parent invests:
• monitoring the business plan annual and half yearly reviews, with specific reference to the legacy portfolio[5], working with the securitisations' servicers to define guidelines, monitor execution (e.g., roll-up) and approve the results;
• ensuring the monitoring of the notes recognised as assets, obtaining information from the securitisations' servicers on the performance of the underlying portfolios (e.g., collection amounts and timing) and analysing the master servicing reports provided for by the contracts for the securitisations in which the parent invests;
• managing the reporting of investments in tax assets, in close coordination with the relevant department;
• ensuring the preparation of management reports for a comprehensive and aggregated view of the performance of the parent's portfolios recognised as assets;
• managing relationships with the servicers involved in order to ensure proper management and an adequate level of service when reviewing the business plans and reporting on the legacy portfolio;
• evaluating the business plan reviews of the legacy portfolio, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections;

Moreover, as part of the second level controls, prior to completion of the half yearly review, the Risk Strategy & Management Department reports to the competent bodies the assessment of the legacy portfolio, with the aim of checking the completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

Hedging policies
The group does not engage in hedge accounting. However, it introduced a strategy to mitigate its securitised portfolios' exposure using interest rate derivatives.

Disclosure on the profit or loss of the securitisations
The profits or losses of the securitisations substantially reflect the performance of the underlying portfolios and the related cash flows at the end of the year, considering any defaults and prepayments made during the year.

5) Portfolio related to the pre-demerger business comprising the run-off investments, not transferred as part of the demerger, in non-performing exposures mostly held by the consolidation SPVs or in which the parent has invested directly or by subscribing ABS.

Quantitative disclosure

C.1 Exposures of the main self-securitisations broken down by securitised asset and type of exposure

(€'000)

Type of securitised asset/Exposure	Exposures						Financial guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezza-nine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains
A. Fully derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bank loans	3,695	(32)	9,030	(2,208)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Leases	1,574	(9)	33,517	(12,274)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Exposures of the main third party securitisations broken down by securitised asset and type of exposure

(€'000)

Type of securitised asset/Exposure	Exposures						Financial guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains	Net balance	Impairment losses/gains
- Bank loans	50,529	(725)	6,300	-	61,354	-	-	-	-	-	-	-	-	-	-	-	-	-
- Leases	24,892	(158)	6,680	-	32,783	-	-	-	-	-	-	-	-	-	-	-	-	-
- Trade receivables	402	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The group has not issued guarantees or granted credit facilities to the securitisations.

C.3 Prudential consolidation - Investments in securitisation vehicles

(€'000)

Securitisation name/Special purpose vehicle	Registe-red office	Consolidation	Assets			Liabilities		
			Loans and receivables	Debt instruments	Other	Senior	Mezzanine	Junior
PONENTE SPV S.R.L.	Rome - Italy	yes	18,356	-	8	17,264	-	5,890
NEW LEVANTE SPV S.R.L.	Rome - Italy	yes	8,999	-	777	6,842	-	2,940
COSMO SPV 1 S.R.L.	Rome - Italy	yes	9,125	-	1	685	-	7,019
CREDITI FISCALI+ S.R.L.	Rome - Italy	yes	134,206	-	26,418	50,888	-	88,147
LIBERIO SPV S.R.L.	Rome - Italy	yes	32,512	-	1,820	-	-	11,669
FAIRWAY 1 SPV S.R.L.	Rome - Italy	yes	1,727	-	440	-	-	4,907
FAIRWAY 2 SPV S.R.L.	Rome - Italy	yes	1,322	-	998	3,035	-	20,190
AVENTINO SPV S.R.L.	Rome - Italy	yes	49	-	203	-	-	561
RESTART SPV S.R.L.	Rome - Italy	equity-accounted	13,325	-	3,634	4,022	-	14,800
ITALIAN CREDIT RECYCLE SPV S.R.L.	Rome - Italy	equity-accounted	5,668	-	2,177	-	-	10
FEDAIA SPV S.R.L.	Rome - Italy	no	103,851	-	14,751	-	193,852	-
RIENZA SPV S.R.L.	Rome - Italy	no	87,184	-	11,477	-	10	-
GARDENIA SPV S.R.L.	Rome - Italy	no	120,346	-	32,239	7,584	209,658	-
BRAMITO SPV S.R.L.	Rome - Italy	no	42,924	-	4,302	39,731	-	25,314
VETTE TV SPV S.R.L.	Rome - Italy	no	24,349	-	1,898	18,500	13,160	-
APPIA TV SPV S.R.L.	Rome - Italy	no	42,828	-	179	42,811	-	-
PALATINO SPV S.R.L.	Rome - Italy	no	51,514	-	17,727	74,754	23,594	6,280
DOMIZIA SPV S.r.l.	Rome - Italy	no	72,805	-	11,105	31,667	100,659	7,155

The information in the table is updated to 31 December 2023.

C.4. Prudential consolidation - Non-consolidated securitisation vehicles

(€'000)

Securitisation name/ Special purpose vehicle	Banca CF+ classification			CA			Maximum loss risk
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior	
FEDAIA SPV S.R.L.	FAAC	N/A	FAFVTPL	-	-	32,533	32,533
RIENZA SPV S.R.L.	N/A	N/A	FAFVTPL	-	-	18,249	18,249
GARDENIA SPV S.R.L.	FAAC	N/A	FAFVTPL	1,467	-	28,053	29,520
APPIA TV SPV S.R.L.	FAFVTPL	N/A	N/A	-	-	2,120	2,120
BRAMITO SPV S.R.L.	FAAC	N/A	FAFVTPL	36,861	-	4,776	41,637
VETTE TV SPV S.R.L.	FAAC	N/A	FAFVTPL	18,281	-	254	18,535
PALATINO SPV S.R.L.	FAAC	FAAC (B1)/ FAFVTPL (B2)	FAFVTPL	3,695	9,030	-	12,725
DOMIZIA SPV S.r.l.	FAAC	FAAC (B1)/ FAFVTPL (B2)	FAFVTPL	1,574	33,517	-	35,091
ITALIAN CREDIT RECYCLE S.R.L.	FAFVTPL	N/A	N/A	-	3,785	-	3,785
RESTART SPV S.R.L.	FAFVTPL	N/A	N/A	653	6,721	-	7,374

Key:
FAAC: Caption 40. Financial assets at amortised cost: b) loans and receivables with customers
FAFVTPL: Caption 20. Financial assets at fair value through profit or loss: c) other financial assets mandatorily measured at fair value

C.5 Prudential consolidation - Servicer - self-securitisations: collection of securitised loans and redemption of securities issued by the securitisation vehicle

None.

C.6 Prudential consolidation - Consolidated securitisation vehicles

(€'000)

Securitisation vehicles	Type of securitised assets	Non-performing exposures Carrying amount	Performing exposures Carrying amount	Senior notes	Group's share	Mezzanine notes	Group's share	Junior notes	Group's share
New Levante SPV	Leases	9,883	474	6,775	100%	0	N/A	2,902	100%
Ponente SPV	Bank loans	21,557	418	17,064	100%	0	N/A	7,171	100%
Cosmo SPV	Bank loans	6,234	245	678	100%	0	N/A	6,070	100%
Convento SPV	Tax assets	-	142,775	50,757	100%	0	N/A	108,514	100%
Fairway SPV S.r.l. 1 PTF	Tax assets	-	815	861	100%	0	N/A	-	100%
Fairway SPV S.r.l. 2 PTF	Tax assets	-	1,473	-	100%	0	N/A	1,440	100%
Liberio SPV S.r.l.	Trade receivables	54,918	-	55,568	95%	0	N/A	-	N/A
Aventino SPV S.r.l.	Trade receivables	49	-	561	100%	0	N/A	-	N/A
Total		**92,642**	**146,201**	**132,265**	**-**	**-**	**-**	**126,096**	**-**

D. Transfers

This section covers assets that have been fully transferred and not derecognised related to self-securitisations or transfers of own loans and receivables. It includes self-securitisations only if the transfer is made to issue covered bonds and the group is not the lender.

A. Financial assets transferred and not fully derecognised

Qualitative disclosure

None.

Quantitative disclosure

D.1 Prudential consolidation - Financial assets transferred and recognised in full and associated financial liabilities

None.

The parent has not recognised financial liabilities for financial assets transferred but not derecognised (in whole or in part) nor has it engaged in covered bond transactions where the originator and the lender are the same bank.

D.2 Prudential consolidation - Financial assets transferred and partly recognised and associated financial liabilities: carrying amount

None.

D.3 Prudential consolidation - Transfers with liabilities that can solely be covered by the transferred assets not fully derecognised: fair value

None.

B. Financial assets transferred and fully derecognised with recognition of continuing involvement

Qualitative disclosure

None.

Quantitative disclosure

None.

C. Financial assets transferred and fully derecognised

Qualitative disclosure

None.

Quantitative disclosure

None.

D.4 Covered bond transactions

None.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

At present, the group does not use internal portfolio valuation models to measure its exposure to credit risk, apart from that described in the first part of this section.

1.2 – MARKET RISK

1.2.1 - Interest rate and price risks - Supervisory trading book

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (assets and liabilities) included in the "Financial assets at fair value through profit or loss" portfolio due to fluctuations in interest rates, exchange rates, the inflation rate, fluctuations in share prices, credit spreads, commodity prices (generic risk) and the issuer's credit standing (specific risk).

The group can make small investments in the trading book for which it avails of the derogation for small trading book business as per article 94 of the CRR. Although not part of its supervisory trading book, the group is also exposed to the risk of losses solely with respect to its investments in financial assets managed under the HTC and HTCS business models that do not pass the SPPI test.

The group does not have foreign currency assets or liabilities on or off the statement of financial position. It does not undertake transactions in Euros indexed to variations in exchange rates or in gold.

QUALITATIVE DISCLOSURE

A. General information

At 31 December 2023, the parent's trading book mostly consisted of interest rate derivatives. It is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

B. Management and measurement of interest rate and price risks

As part of its routine checks, the Risk Strategy & Management Department monitors changes in the trading book and the corresponding sensitivity to interest rate risk on a daily basis.

1.2.2 - Interest rate and price risks - banking book

The parent is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

It uses the method required by the supervisory regulations to measure own funds to cover this risk (simplified method as per annexes C and C-bis to Bank of Italy's Circular no. 285/2013). The method consists of classifying assets and liabilities by time bracket based on their residual life (fixed rate assets and liabilities) or the interest rate renegotiation date (floating rate assets and liabilities), weighing the net exposures in each bracket, adding the weighted exposures of each bracket and calculating the risk indicator (ratio of net weighted exposure to the own funds).

The Risk Strategy & Management Department performs this calculation.

Specifically, the department analyses the classification of assets and liabilities in the different time brackets depending on the interest rate renegotiation period and designs the risk measurement instruments, ensuring consistency with the identified measurement methods and rules.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

(€'000)

Types/Residual maturity	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	98,206	17,426	56,211	254,240	55,025	106	-
1.2 Financing to banks	170,271	5,556	-	-	-	-	-	-
1.3 Financing to customers								
- current accounts	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	22	2,220	2,920	334	11,609	1,080	35	-
- other	31,069	603,849	76,324	73,154	130,726	22,160	-	-
2. Liabilities								
2.1 Due to customers								
- current accounts	35	-	-	-	-	-	-	-
- other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	28,829	172,204	138,641	251,133	477,421	5,172	-	-
2.2 Due to banks								
- current accounts	-	-	-	-	-	-	-	-
- other liabilities	-	446,219	-	-	-	-	-	-
2.3 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	28,286	-	-	-
2.4 Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	516	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

An increase or decrease of 200 basis points in the interest rates would decrease or increase the economic value by approximately €5.1 million.

2. Banking book: internal models and other methodologies for sensitivity analyses

The parent does not use internal models for its sensitive analyses but the methods provided for by Bank of Italy's Circular no. 285/2013, as subsequently amended.

1.2.3 Currency risk

The group does not have foreign currency assets or liabilities on or off the statement of financial position. It did not undertake transactions in Euros indexed to variations in exchange rates or in gold.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 Trading derivatives

At the reporting date, the group had a call option for Be TC S.r.l., a company which it deems is of strategic interest in addition to the interest rate derivatives described earlier.

1.3.2 Hedging

QUANTITATIVE DISCLOSURE

A. Hedging financial derivatives
A.1 Trading financial derivatives: reporting date notional amounts

(€'000)

Underlying asset/Type of derivatives	31/12/2023				31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt instruments and interest rates								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	100,547	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indexes								
a) Options	-	-	200	-	-	-	200	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other								
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**100,547**	**200**	**-**	**-**	**-**	**200**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

(€'000)

Type of derivative	31/12/2023				31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	517	-	-	-	554	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**517**	**-**	**-**	**-**	**554**	**-**
1. *Fair value* negativo								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	800	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**800**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC financial derivatives - notional amounts, gross positive and negative fair value by counterparty

(€'000)

Underlying asset	Government and central banks	Banks	Other financial companies	Other
Contracts not covered by netting agreements				
1) Debt instruments and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and share indexes				
- notional amount	x	-	-	200
- positive fair value	x	-	-	517
- negative fair value	x	-	-	-
3) Currencies and gold				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
4) Commodities				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
5) Other				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
Contracts covered by netting agreements				
1) Debt instruments and interest rates				
- notional amount	-	100,547	-	-
- positive fair value	-	-	-	-
- negative fair value	-	800	-	-
2) Equity instruments and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

(€'000)

Underlying/Residual maturity	Up to 1 year	From 1 to 5 years	After 5 years	Total
A.1 Financial derivatives on debt instruments and interest rates	100,547	-	-	100,547
A.2 Financial derivatives on equity instruments and share indexes	200	-	-	200
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2023	**100,747**	**-**	**-**	**100,747**
Total 31/12/2022	**200**	**-**	**-**	**200**

B. *Credit derivatives*

B1. Trading credit derivatives: notional amounts at the reporting date

None.

B.2 Trading credit derivatives: gross positive and negative fair value - breakdown by product

None.

B.3 OTC trading credit derivatives - notional amounts, gross positive and negative fair value by counterparty

None.

B.4 Residual life of OTC trading credit derivatives: notional amounts

None.

C. Non-derivative hedging instruments

C.1 Non-derivative hedging instruments: breakdown by portfolio and type of hedge

None.

D. Hedged items

D.1 Fair value hedges

None.

D.2 Cash flow hedges and hedges of net investments in foreign operations

None.

E. Effects of hedging on equity

E.1. Reconciliation of equity items

None.

1.3.3 Other information on derivatives (trading and hedging)

None.

1.4 - LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk).

The group manages and monitors its liquidity levels to ensure its short-term structural stability, finance its growth and mitigate its liquidity risk.

The Finance & Investment Department handles the group's liquidity.

The group uses different tools to measure, check and constantly monitor its liquidity risk. The main tool is the maturity ladder.

Measurement of the group's exposure to operating liquidity risk is based on the projection of expected cash inflows and outflows and the related shortfalls or surpluses in the various maturity brackets included in the maturity ladder.

Structural liquidity risk management aims at ensuring a balanced liquidity profile in the long term (after 12 months) and its matching to short-term liquidity management.

The group monitors early warning ratios and indicators for the timely identification of any vulnerabilities in its financial position. In addition, it regularly develops stress scenarios and has defined a contingency funding and recovery plan.

Funding requirements are met using demand deposits with mainly retail as well as corporate customers, short-term funding (up to six months), funding through uncommitted credit facilities granted by national banks, funding repos and OMOs with the central bank using eligible securities or eligible performing exposures.

The Risk Strategy & Management Department carries out the second level controls and checks compliance with the defined limits.

At 31 December 2023, the parent's liquidity would be sufficient in a stress situation. It also has liquidity reserves consisting of highly liquid assets or the possibility to access the funds of the European Central Bank.

Pursuant to IFRS 7.39.c, it is noted that the group has financial liabilities to be repaid upon maturity and it does not have derivatives with a contractual maturity to be settled.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

(€'000)

Captions/Time buckets	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	-	-	-	-	-	-	45,000	196,000	40,000	-
A.2 Other debt instruments	-	-	-	5,088	93,215	17,394	10,089	78,642	14,494	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing										
- banks	170,513	-	-	-	-	-	-	-	-	5,408
- customers	11,022	14,808	11,673	19,239	81,039	108,042	137,851	546,400	42,028	-
Liabilities										
B.1 Deposits and current accounts										
- banks	-	210,000	10,000	-	8,000	-	-	-	-	-
- customers	28,106	4,830	8,748	31,848	124,077	116,401	254,532	487,002	3,495	-
B.2 Debt instruments	-	-	-	-	-	-	-	2,832	25,000	-
B.3 Other liabilities	692	-	-	90,711	126,732	-	-	3,633	1,712	-
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	-	-	-	100,547	-	-	200	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Firm loan commitments										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Both regulatory indicators, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), are well above the regulatory requirements. In December 2023, the LCR was again considerably higher than 100% (2,329%) while the NSFR stood at 137.2%.

1.5 - OPERATIONAL RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

Main sources and nature of operational risk
Operational risk is the risk of losses arising from shortcomings, malfunctioning or weaknesses in internal procedures, human resources and systems or due to external factors.

It includes losses deriving from fraud, human error, business disruptions, systems unavailability, contractual defaults and natural disasters. It does not include strategic or reputation risks but does include legal risk (i.e., the risk created by violations or non-compliance with laws and regulations or scant transparency about the rights and obligations of counterparties in a transaction) and conduct risk (i.e., the risk of losses resulting from the inappropriate supply of financial services and the resulting litigation costs, including wilful or negligent conduct).

This risk also comprises exposure to fines, warnings and sanctions as a result of measures taken by the supervisory authority or private transactions.

Operational risk is one of the factors that can trigger the second level reputation risk. This is a current or prospective risk of a downturn in profits or capital due to the negative perception of the group by its customers, counterparties, shareholders, employees, investors or regulators.

The internal consequences include employee dissatisfaction.

Reputation risk can be measured as part of the ICAAP process although actual or possible internal capital is not calculated or estimated, respectively.

Reputation risk is managed and monitored with an integrated process involving various internal bodies at different levels and depending on their expertise.

The Board of Directors decides the organisational and risk appetite strategies.

At operational level, the operating and control departments ensure a comprehensive overview of reputation risk, each in their own area of expertise.

Operational risk control unit
The operating departments perform the first level controls while the Risk & Strategy Management, ICT Risk & Security (for the ICT and security risk component), Compliance & AML and Internal Audit Departments carry out the second and third level controls.

Internal operational risk measurement, management and control systems
In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with assets equal to or less than €4 billion (class 3), the group measures operational risk using the basic indicator approach to calculate the regulatory capital requirement, whereby it calculates the related capital requirement by applying a 15% factor to the average of the last three annual positive observations of the relevant indicator (article 316 of the CRR).

The procedures define in-depth first level controls designed to protect the formal and substantial correctness of the group's operations.

Assessments of the operating performance
The group manages legal risks by setting up a specific provision which amounted to €0.5 million at the reporting date. The first level control units also monitor this risk on an ongoing basis as do the second and third level control units.

The parent adopts risk-self-assessment systems for all business processes in order to identify risks (mainly operational and compliance) inherent in the processes and define action plans for their continuous improvement.

Similarly, it holds special training courses, especially for employees with new duties or about new procedures or about significant changes in the regulatory or legislative framework.

QUANTITATIVE DISCLOSURE

Based on its observation of the relevant indicator for application of the basic indicator approach and calculation of the operational risk, the capital requirement to cover this risk is €6,078 thousand at the reporting date.

Section 3 - Risks of insurance companies

3.1 Insurance risks Qualitative disclosure

Quantitative disclosure

None.

3.2 Financial risks Qualitative disclosure

Quantitative disclosure

None.

3.3 Other risks

None.

Section 4 - Risks of other companies

Qualitative disclosure

None.

Quantitative disclosure

None.

Part F: Consolidated Equity

SECTION 1 – CONSOLIDATED EQUITY

A. Qualitative disclosure

The group is not required to prepare supervisory reporting or comply with capital adequacy requirements as these are prepared/complied with by Tiber Investments 2 s.à.r.l. ("Tiber 2"), which is the ultimate parent.

The following figures refer to the Banca CF+ Group.

B. Quantitative disclosure

B.1 Consolidated Equity: breakdown by type of entity

(€'000)

Caption/Amount	Insurance companies	Other entities	Consolidation entries and adjustments	Total
1. Share capital	-	19,075	-	19,075
2. Share premium	-	88,060	-	88,060
3. Reserves	-	9,135	-	9,135
4. Equity instruments	-	-	-	-
5. (Treasury shares)				
6. Valuation reserves	-	-	-	-
- Equity instruments at fair value through other comprehensive income	-	3,695	-	3,695
- Hedges of equity instruments at fair value through other comprehensive income	-	-	-	-
- Property and equipment	-	-	-	-
- Intangible assets	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-
- Cash flow hedges	-	-	-	-
- Hedging instruments (non-designated items)	-	-	-	-
- Exchange gains (losses)	-	-	-	-
- Non-current assets held for sale and disposal groups	-	-	-	-
- Financial liabilities at fair value through profit or loss (changes in own credit rating)	-	-	-	-
- Actuarial gains on defined benefit pension plans	-	120	-	120
- Share of valuation reserves of equity-accounted investees	-	-	-	-
- Special revaluation laws	-	-	-	-
7. Loss for the year attributable to the owners of the parent and non-controlling interests	-	(34,994)	-	(34,994)
Total	**-**	**85,088**	**-**	**85,088**

B.2 Fair value reserves: breakdown

(€'000)

Asset/Amount	31/12/2023		31/12/2022	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	-	-	-	-
2. Equity instruments	3,695	-	2,657	-
3. Financing	-	-	-	-
Total	**3,695**	**-**	**2,657**	**-**

B.3 Fair value reserves: changes

(€'000)

	Debt instruments	Equity instruments	Financing
1. Opening balance	**-**	**2,657**	**-**
2. Increases			
2.1 Fair value gains	-	-	-
2.2 Impairment losses for credit risk	-	x	-
2.3 Reclassification of fair value losses to profit or loss on sale	-	x	-
2.4 Transfers to other equity reserves (equity instruments)	-	-	-
2.5 Other increases	-	1,037	-
3. Decreases			
3.1 Fair value losses	-	-	-
3.2 Impairment gains for credit risk	-	-	-
3.3 Reclassification of fair value gains to profit or loss: on sale	-	x	-
3.4 Transfers to other equity reserves (equity instruments)	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**-**	**3,695**	**-**

B.4 Actuarial reserves: changes

At the reporting date, the group has an actuarial reserve for defined benefit plans of €120 thousand. The net gain arising on the actuarial valuation of the liability was €18 thousand in 2023.

SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

As already noted, the group is not obliged to comply with supervisory or reporting requirements which are met by Tiber Investments 2 s.à.r.l..

For the sake of completeness, the following tables show the own funds and risk assets determined at Tiber 2 consolidation level.

(€'000)

	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) before application of prudential filters	**81,788**	**110,570**
including CET1 instruments covered by transitional measures	-	-
B. CET1 prudential filters (+/-)	(109)	(277)
C. CET1 including elements to be deducted and the effects of the transitory regime (A +/-B)	**81,680**	**110,293**
D. Elements to be deducted from CET1	**16,543**	**10,579**
E. Transitory regime - Impact on CET1 (+/-)	**-**	**-**
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**65,136**	**99,715**
G. Additional Tier 1 (AT1) including elements to be deducted and the effects of the transitory regime	**1,284**	**1,154**
including AT1 instruments covered by transitional measures	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitory regime - Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**1,284**	**1,154**
M. Tier 2 (T2) including elements to be deducted and the effects of the transitory regime	**26,607**	**1,537**
including T2 instruments covered by transitional measures	-	-
N. Elements to be deducted from T2	**-**	**-**
O. Transitory regime - Impact on T2 (+/-)	**-**	**-**
P. Total Tier 2 (T2) (M-N+/-O)	**26,607**	**1,537**
Q. Total own funds (F+L+P)	**93,027**	**102,406**

(€'000)

Category/Amounts	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. EXPOSURES				
A.1 Credit and counterparty risk	**1,670,664**	**1,240,484**	**511,547**	**531,978**
1. Standardised method	1,469,650	997,089	310,349	288,342
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2. Advanced	-	-	-	-
3. Securitisations	201,014	243,395	201,198	243,637
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	-	-	40,924	42,558
B.2 Risk of adjustments to assessment of credit	-	-	-	-
B.3 Regulation risk	-	-	-	-
B.4 Market risk	-	-	-	-
1. Standard method	-	-	-	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	6,078	11,238
1. Basic method	-	-	6,078	11,238
2. Standardised method	-	-	-	-
3. Advanced method	-	-	57	81
B.7 Total prudential requirements	-	-	47,059	53,877
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			588,234	673,461
C.2 CET1/Risk-weighted assets (CET1 capital ratio)			11.07%	14.81%
C.3 Tier 1/Risk-weighted assets (TIER1 capital ratio)			11.29%	14.98%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			15.815%	15.21%

With its letter no. 1569983/23 of 20 September 2023, Bank of Italy notified Banca CF+ of its decision to authorise the change of the method of calculating the own funds requirement for operational risk pursuant to article 315 of the Regulation (EU) no. 575/2013 (CRR) and the supervisory regulations for banks (Circular no. 285, Part Two, chapter 8, section II), in response to the application filed by the parent on 29 May 2023. This change resulted in a saving of €41 million in terms of RWA from operational risk on a consolidated basis.

Part G: Business combinations

SECTION 1 - COMBINATIONS PERFORMED DURING THE YEAR

On 25 July 2023, the parent finalised the acquisition of a business unit (the "business unit") from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A."). The business unit comprises technological assets and a highly qualified workforce. The consideration of €4.9 million provides for the payment of a possible earn-out of a maximum of €4.5 million, if certain business objectives are achieved.

Acquisition of the business unit (the "transaction") is an alternative to the parent's "small ticket financing" business' organic growth. In particular, the transaction will allow Banca CF+ to accelerate this type of business' growth, achieve greater lending volumes and, consequently, higher prospective profits thanks to the business unit's highly specialised workforce and state-of-the-art technologies.

The preliminary agreement was signed on 23 March 2023. It provided that Instapartners S.r.l. undertook to sell to Banca CF+, which in turn undertook to purchase, the business unit, free from encumbrances, on the execution date, against payment of the price and subject to the fulfilment of a series of conditions precedent. On 15 May 2023, Banca CF+ also paid the down payment of €1.1 million.

The acquisition date was identified as 25 July 2023, the date on which, once the conditions precedent had been satisfied, the transaction was completed and the balance of the price of €3.9 million paid.

The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the parent obtained control of the business unit.

This standard requires the adoption of the PPA method, whereby the purchase price is allocated to the fair value of the assets acquired and liabilities assumed.

The agreement signed on 25 July 2023 established payment of an up-front consideration of €4.9 million, comprised of (i) €0.5 million for goodwill, (ii) €5.0 million for property, equipment and investment property, intangible assets and other assets, net of (iii) €0.6 million for liabilities related to the transferred employees, which, for PPA purposes, in accordance with IFRS 3 (revised), are not included in the acquisition price as they are transferred as part of the transaction. Accordingly, the purchase price is the sum of (i) the down payment of €1.1 million and (ii) the balance of €3.9 million, as set out below:

(€)	
Down payment	1,051,000
Balance	3,875,653
Purchase price	**4,926,653**
Liabilities transferred	604,594

The business unit's assets and liabilities at 25 July 2023 are as follows:

(€'000)

Acquisition-date statement of financial position			
Assets	**Pre-PPA carrying amounts**	**Effects of provisional PPA entries**	**Postprovisional PPA carrying amounts**
Intangible assets	-	5,500	5,500
including: software	-	4,955	4,955
of which: goodwill	-	545	545
Other assets	31	-	31
Total assets	**31**	**5,500**	**5,531**
Liabilities	**Pre-PPA carrying amounts**	**Effects of provisional PPA entries**	**Postprovisional PPA carrying amounts**
Amounts due to employes	397	-	397
Post-employment benefits	207	-	207
Total liabilities	**604**	**-**	**604**
Total equity	**(573)**	**5,500**	**4,927**

The PPA procedure commenced with the support of an independent expert will be concluded within twelve months of the acquisition date. Therefore, the consolidated financial statements at 31 December 2023 include the effects of the provisional allocation of the former Credimi business unit's assets and liabilities.

SECTION 2 – COMBINATIONS PERFORMED AFTER THE REPORTING DATE

None.

SECTION 3 – Retrospective adjustments

None.

Part H: Related party transactions

1. Key management personnel's remuneration

Pursuant to IAS 24.16, a table showing the total fees of the parent's and group companies' boards of directors, the boards of statutory auditors and key management personnel for 2023 is set out below:

(€'000)

	Directors	Statutory auditors	Other key management personnel
a) Short-term benefits	638	216	3,919
b) Post-employment benefits	-	-	311
c) Other long-term benefits	-	-	-
d) Termination benefits	-	-	244
e) Share-based payments	-	-	-
Total	**638**	**216**	**4,473**

The group recognised €216 thousand due to its statutory auditors as other liabilities.

2. Related party transactions

No atypical or unusual related party transactions took place during the year that would have affected the group's financial position and performance, given their materiality. All transactions with related parties were conducted at arm's length and are part of the group's operations.

On 13 October 2023, the parent completed the issue of subordinated bonds with a nominal amount of €25 million at an annual interest rate of 14.50%. These bonds qualify as a Tier 2 capital instrument in accordance with the provisions of the Regulation (EU) no. 575/2023 (CRR) and Bank of Italy Circular no. 285 of 17 December 2013. The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

Orado Investments S.à r.l., a related party given that it is part of the Elliott Group, subscribed bonds for €13.8 million while other related parties (directors of the parent) subscribed €0.7 million.

In addition to the above, the following information is provided given the group's numerous related parties.

In 2023, commission expense of €2.6 million was paid to the Gardant Group by the SPVs for its roles in the respective securitisations and by Banca CF+ for the servicing activities outsourced to it starting from 1 August 2021.

At the reporting date, there is a credit facility (of which €3.3 million has been drawn down) agreed in 2020 with Leviticus Reoco S.r.l., a subsidiary of European Investment Holding (a related party). The credit facility's original amount was €5 million which was decreased to €4.5 million in 2003.

MANAGEMENT AND COORDINATION ACTIVITIES PURSUANT TO ARTICLE 2497 AND FOLLOWING ARTICLES OF THE ITALIAN CIVIL CODE

At the reporting date, the group was not managed or coordinated by another company pursuant to article 2497 and following articles of the Italian Civil Code.

Fees for audit and non-audit services pursuant to article 2427.1.16-bis of the Italian Civil Code

Pursuant to article 2427.1.16-bis of the Italian Civil Code, the contractually-agreed fees for the statutory audit of the separate and consolidated financial statements and other services provided by the independent auditors in 2023 are set out below.

The amounts are net of VAT and out-of-pocket expenses.

(€'000)

Type of service	Provider: independent auditors or entity of their network	Fees
Audit services (parent)		
- Audit of the separate financial statements, including checks that the accounting records are kept correctly, and the consolidated financial statements	EY S.p.A.	155
- Review of the condensed interim separate and consolidated financial statements	EY S.p.A.	25
- Comfort letter as per art. 26.(2) of Regulation (EU) no. 575/2013	EY S.p.A.	16
- Attestation services on tax returns	EY S.p.A.	5
- Check of translation into English of the annual report	EY S.p.A.	3
Other services provided to the parent		
- Limited assurance engagement on the calculation of the standalone own funds requirement for operational risk as per article 315 of Regulation (EU) no. 575/2013 (ISAE 3000)	EY S.p.A.	45
Audit services (subsidiaries)		
- Voluntary audit of the SPVs' financial statements, including checks of their reporting packages	EY S.p.A.	188
Total		**437**

Part I: Share-based payments

Qualitative disclosure

1. Description of share-based payments

No new incentive plans had been approved at 31 December 2023.

2. Other information

None.

Quantitative disclosure

1. Changes

No options for the shares were exercised during the year.

Part L: Segment reporting

As required by IFRS 8 on operating segment reporting, this section presents the group's financial position and performance by business segment using the method described in the segment reporting policy approved by the parent's Board of Directors during the year. The policy provides for the allocation of the financial figures using standard criteria, which makes it possible to intercept revenue, cost and asset items specific to each segment. In this way, the parent is able to make plans for each of these items and, at the same time, to monitor the segments' performance against planned objectives.

In particular, the aggregate performance of the activities with a high strategic value for the parent (the "business lines" segment) is presented separately from that of the legacy portfolio (the "legacy" segment), including, for each of these, the costs related to the sourcing and management of liquidity, calculated at the internal transfer rates, by allocating the costs incurred by each segment, while excluding the costs pertaining exclusively to the corporate centre, i.e., the indirect costs that cannot be allocated to the business lines segment. The segments' performance is presented down to the level of pre-tax profit.

Specifically, the business lines segment combines the following business lines:
– **Financing & Factoring**: business activities related to MCC/SACE/FEI-backed financing products designed for Italian SMEs and distributed through a network of credit and factoring brokers to meet the short-term liquidity and working capital optimisation needs of SMEs.
– **Tax assets**: the business activity related to the purchase of tax assets, including the results of the related securitisation vehicles. It has two products with different profitability characteristics and expected collection times: low yield and high yield.
– **Investments**: the proactive management of the government bond portfolio carried out independently by the treasury desk. At 31 December 2023, the investments business line's assets consisted entirely of government bonds.

The legacy segment comprises the portion of assets being run-off, such as the portfolio of securitised ABS with underlying non-performing exposures, non-performing exposures recognised directly in the statement of financial position or held by the consolidated SPVs, deriving from the pre-demerger period and held by the then Credito Fondiario S.p.A.. The segment's activity consists of optimising the recovery of exposures, managed by external servicers, until the complete extinction of the portfolio. A share of the treasury desk's result is allocated to both segments, while the costs of the corporate centre, which is an independent segment and is fully disclosed in the income statement, are not allocated. The assets included in the corporate centre segment are not expected to produce any revenue, while indirect costs not allocated to other segments are attributed to this segment.

The corporate centre segment includes the costs incurred by it that are not even indirectly attributable to the business lines and legacy segments, as these costs are incurred by the parent to meet operating and control objectives and not exclusively for the business. Consequently, these costs remain with the corporate centre segment and are not allocated to the other segments.

IAS 36.102 requires a second-level impairment test be performed when there are costs and/or assets not allocated to the CGUs to which the goodwill is allocated. In fact, there may be situations where costs, revenue, assets or liabilities are not allocated to the operating segments, but remain with the corporate centre segment, such as the costs mentioned above.

The second-level impairment test showed that allocation of these costs would not have impacted the recoverability of goodwill or other assets recognised in the statement of financial position.

Breakdown by business segment: income statement

(€'000)

Income statement as per management accounts (€'000)	Bank		Business lines		Legacy		Corporate Center	
	2023	2022	2023	2022	2023	2022	2023	2022
Net interest income	58,457	33,874	38,694	21,337	19,763	12,537	-	-
Interest income	*96,242*	*51,935*	*61,692*	*24,718*	*34,549*	*27,217*	-	-
Interest expense	*(37,785)*	*(18,061)*	*(22,998)*	*(3,381)*	*(14,787)*	*(14,681)*	-	-
Net fee and commission income (expense)	(815)	(1,648)	1,821	741	(2,636)	(2,389)	-	-
Net fair value loss on ABS and other securities	(11,871)	(17,006)	(2,033)	(1,878)	(9,839)	(15,128)	-	-
Total income (expense)	**45,770**	**15,220**	**38,482**	**20,200**	**7,288**	**(4,981)**	**-**	**-**
Personnel expense	(23,628)	(17,495)	(11,592)	(8,526)	(3,186)	(2,777)	(8,850)	(6,192)
Other administrative expenses	(23,245)	(22,148)	(11,162)	(7,586)	(3,713)	(5,357)	(8.,371)	(9,205)
Amortisation, depreciation and impairment losses	(3,945)	(2,488)	(1,635)	(1,042)	(6)	-	(2,304)	(1,447)
Other income, net	5,031	3,087	399	9	237	9	4,396	3,070
Operating costs	**(45,786)**	**(39,044)**	**(23,990)**	**(17,145)**	**(6,668)**	**(8,126)**	**(15,128)**	**(13,773)**
Net impairment losses	(32,829)	(13,815)	(5,071)	(3,580)	(27,758)	(10,235)	-	-
Pre-tax profit (loss)	**(32,845)**	**(37,640)**	**9,421**	**(526)**	**(27,137)**	**(23,341)**	**(15,128)**	**(13,773)**

Breakdown by business segment: statement of financial position

(€'000)

Statement of financial position and sector KPIs (€'000,%,bps)	Bank		Business Lines		Legacy		Corporate Center	
	dic-23	dic-22	dic-23	dic-22	dic-23	dic-22	dic-23	dic-22
Total assets	1,673,202	1,239,503	1,256,271	743,196	387,852	461,751	29,079	34,556
of which: financial assets	*1,460,233*	*1,087,699*	*1,125,860*	*673,396*	*334,373*	*414,303*	-	-
RWA	586,337	673,461	197,727	173,713	369,245	480,500	19,365	19,248

Reference should be made to the "Financial performance by business segment" section of the Directors' report for further details on the above tables.

Part M - Leases

SECTION 1 - LEASES AS LESSEE

Qualitative information

Pursuant to IFRS 16.59/60, it is noted that, as a lessee, the group leases buildings for the residential use of employees and company cars used by employees of the parent. Moreover, during the year, the parent and the group companies were not exposed to: i) variable lease payments; ii) extension or termination options; iii) residual value guarantees; and iv) leases not yet commenced to which the lessee is committed. In addition, there are no restrictions or covenants imposed by leases and sale and leaseback transactions. As a lessee, the parent has not accounted for short-term leases or leases of low-value assets during the year.

Quantitative information

Reference should be made to:
– the information on right-of-use assets set out in Part B, Assets;
– the information on lease liabilities set out in Part B, Liabilities;
– the information on interest expense on lease liabilities and other expenses relating to right-of-use assets, gains or losses from sale and leaseback transactions and income from subleasing right-of-use assets set out in Part C.

The main figures relating to the group's leasing activities are summarised in the following table:

(€'000)

Captions/Amounts	Office premises	Buildings for residential use	Company cars	Printers	31/12/2023
a) ldepreciation of right-of-use assets	1,050	17	210	6	1,283
b) interest expense on lease liabilities	201	1	21	1	224
c) costs for short-term leases (IFRS 16.6)	-	-	-	-	-
d) costs for leases of low-value assets (IFRS 16.6)	-	-	-	-	-
e) variable lease payments not included in the measurement of lease liabilities	-	-	-	-	-
f) income from subleasing right-of-use assets	-	-	-	-	-
g) total cash outflows for leases	854	18	332	7	1,211
h) additions to right-of-use assets	-	-	-	-	-
i) gains or losses from sale and leaseback transactions	-	-	-	-	-
j) closing balance of right-of-use assets	5,043	31	646	20	5,739

Depreciation, interest and cash outflows include those related to the leased offices in Rome and Milan, buildings for residential use, company cars and printers.

The group did not take on any commitments for short-term leases during the year.

SECTION 2 - LEASES AS A LESSOR

Qualitative information

The group recognised four lease portfolios in its consolidated financial statements, three of which meet the definition of POCI assets. It constantly monitors the related cash flows and manages the risk associated with the rights it retains in underlying assets though credit collection activities and/or by enforcing the residual value guarantees.

There are no operating leases.

Quantitative information

1. Statement of financial position and income statement

Reference should be made to the information on interest income on the net investment in the lease and other income relating to finance leases set out in Part C.

2.1 Finance leases

a. Breakdown of lease payments receivable by due date and reconciliation with the net investment in the lease recognised under assets

(€'000)

Time bands	31/12/2023 Lease payments receivable	31/12/2022 Lease payments receivable
Up to 1 year	9,928	11,224
From 1 to 2 years	2,847	5,636
From 2 to 3 years	4,821	3,217
From 3 to 4 years	2,430	2,685
From 4 to 5 years	2,229	2,230
After 5 years	2,873	4,952
Total lease payments receivable	25,128	29,944
RECONCILIATION WITH NET INVESTMENTS IN LEASES	-	-
Unaccrued interest income (-)	(5,108)	(5,507)
Unguaranteed residual value (-)	-	-
Net investments in leases	20,020	24,436

2.2 Other disclosures

None.

3. Operating leases

3.1 Breakdown of lease payments receivable by due date

None.

3.2 Other disclosures

None.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS

(Translation from the Italian original which remains the definitive version)

Dear shareholders,

Our duty is to report to the shareholders of Banca CF+ (Credito Fondiario) S.p.A. ("CF+" or the "parent") called, inter alia, to approve the parent's separate financial statements as at and for the year ended 31 December 2023 and examine the consolidated financial statements as at and for the year ended 31 December 2023 (the "consolidated financial statements") of the Banca CF+ Group (the "group") comprising a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (prepared using the indirect method) and notes thereto, accompanied by the Directors' report[1]. We report on our supervisory activities and any omissions or objectionable actions identified.

During the year, we held 20 meetings, participated in 25 Board of Directors' meetings and attended the three shareholders' meetings of 10 February, 26 April and 8 November 2023. We performed our mandatory duties in accordance with the Italian Civil Code, Legislative decree no. 385/1993 (the Consolidated Banking Act) and related implementing measures, the parent's by-laws, other special legislative requirements and the provisions issued by the Italian and EU regulators. In 2023, we carried out our supervisory duties and obtained pertinent information to allow us to carry out our general supervisory and control activities by *(i)* analysing the parent's complex information system, *(ii)* participating in the Board of Directors' meetings and shareholders' meetings, *(iii)* meeting with the CEO and general manager, the internal control departments, the chief financial officer ("CFO"), the chief lending officer ("CLO"), the independent auditors and the heads of the business and back office departments and *(iv)* the other checks performed during our meetings, which are usually attended by the parent's internal audit manager.

We have been entrusted with the duties of the supervisory body set up by as per Legislative decree no. 231/2001 to comply with the provisions about companies' administrative liability.

Following the demerger of the NPL debt servicing and debt purchasing businesses to the Gardant Group in 2021, the parent revisited its mission to focus on advanced operating and distribution models. Using technology as a tool to facilitate and accelerate access to credit by companies, the parent concentrated on providing finance solutions to performing

[1] If not indicated otherwise, reference to the Directors' report and the notes herein refers to those attached to the consolidated financial statements.

and reperforming companies such as *(i)* guaranteed finance products for Italian SMEs, backed by state guarantees, *(ii)* factoring products to finance working capital, *(iii)* the purchase of tax assets as a partnership with Be Finance S.r.l. and *(iv)* investments in securities. These new business lines complement the parent's original business. The parent's shareholders, and especially the controlling shareholder Tiber Investments 2 S.à r.l. ("Tiber 2", a Luxembourg-based company which is part of the US group Elliott Investment Management and has an 88.356% controlling stake in the parent), have continuously supported and will continue to support the parent's transformation into a challenger bank. This support has taken the form of capital strengthening transactions to facilitate the growth of its new business lines and management of its securities and NPE portfolio retained after the demerger to Gardant (the legacy portfolio).

The consolidation scope includes the parent and the securitisation vehicles of which the parent holds all or the majority of the junior ABS issued and has de facto control as per IFRS 10 or joint control, in which case it recognises its investment in accordance with IFRS 11. These vehicles are set out in the list of consolidated companies in the directors' report and mainly engage in tax asset transactions and management of the legacy portfolio. More information is available in Part A Accounting policies, Section 3 - Basis of consolidation of the notes to the consolidated financial statements.

1. Compliance with the law and the by-laws

Based on our supervisory activities, the findings of the procedures performed as the supervisory body and meetings with the independent auditors, we checked the compliance of the resolutions taken by the Board of Directors with the relevant legislation, regulations and by-laws. We did not identify any instances of non-compliance.

Based on the information available and obtained, we can reasonably believe that the key transactions carried out by the parent and the group were in compliance with principles of correct administration, the law and the parent's by-laws, were not openly imprudent, risky or contrary to the resolutions taken by the shareholders or that would jeopardise the group's assets. One of us attended the audit committee's meetings, improving the efficiency of our supervisory duties. We noted that the Board of Directors and departments carry out their activities in accordance with the principles of correct administration and to protect the group's assets. We also checked that appropriate and detailed analyses and valuations were performed of the main aspects of both key and other transactions authorised by the parent's Board of Directors and that external experts were involved, when necessary.

The parent's directors have described the key events of the year in the "Operations and key events of the year" section of their report, to which reference is made. Some of the key events are also described below.

During the year, the parent continued to develop its new business lines identified after the demerger. In order to accelerate the growth of the guaranteed finance line, it acquired a business unit from Instapartners S.r.l. in liquidation (formerly “Credimi S.p.A.”) for €4.9 million (with a potential earn-out of up to €4.5 million) on 25 July 2023. This business unit includes technological assets and a highly qualified workforce. The parent’s aim is to more rapidly grow the small business/small ticket segment of the guaranteed finance business line with automated digital lending solutions.

The upturn in lending achieved by the new business lines, confirmed by the increase in total assets from €1,240 million at 31 December 2022 to €1,673 million at 31 December 2023, was achieved through continuation of the funding strategy rolled out in 2022, focused on online deposits from retail customers (€1,005.3 million) as well as interbank funding, which grew significantly in 2023, and a modest volume of funding from corporate customers.

Other key events of the year comprised continuation of the group’s technology investment plan, an increase in the workforce, the launch of a climate and environmental risk project and the parent’s opening of a branch in Milan.

In order to bolster the new business lines’ growth, drawing on the results achieved in 2022, especially those of the legacy portfolio, the parent undertook the following capitalisation transactions:

- February 2023: the capital increase of €28.1 million (€5.1 million as capital and €23 million as the share premium) approved by the shareholders on 10 February 2023. Tiber 2 had already provided €25.0 million for the purposes of a future capital increase in October 2022;
- 13 October 2023: the parent issued Lower Tier 2 subordinated bonds of €25 million, traded on the MTF Euronext Access Milan by professional investors. Orado Investments S.à r.l., a related party given that it is part of the Elliott Group, subscribed bonds for €13.8 million while other related parties (directors of the parent) subscribed €0.7 million.

While the new business lines are still consolidating after their recent roll-out, the legacy portfolio performed badly again in 2023. At year end, its assets amounted to €334 million after impairment losses of €37.6 million (€27.8 million on financial assets at amortised cost and €9.8 million on unconsolidated ABS) recognised as a result of the business plan review of the portfolio’s underlying exposures. Together with the impairment losses of €27.0 million recognised in the consolidated financial statements at 31 December 2022, the total impairment losses amount to €64.6 million for the two years.

As a result, the parent’s Board of Directors approved an additional capital increase of €28.5 million to be subscribed in instalments and offered to the shareholders with rights of first refusal on 14 March 2024. This transaction was included in the 2024-2026 financial projections which the parent’s directors approved on 12 March 2024 as the continuation of its growth journey started in the first two years after the demerger. The controlling shareholder, Tiber 2, communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter.

We have no further comments to make on the above.

2. The group's financial position and performance

2023 saw the consolidation of the new strategic business lines' development. The parent's assets grew, mostly related to the portfolio of exposures and securities of €1,507 million, of which €334 million refers to the legacy portfolio, as mentioned earlier.

The group made a loss of €35.0 million for the year, which was larger than that of the previous year (€31.6 million), mainly as a result of the impairment losses and fair value losses on financial assets included in the legacy portfolio. Despite the loss for the year, at the reporting date, the group's capital ratios are above the thresholds required by prudential regulations, as were all the liquidity indicators.

As described in the "Business opportunities and going concern" section of the directors' report and mentioned above, on 14 March 2024, the parent's Board of Directors *(i)* approved a capital increase of €28.5 million and set out the conditions, *(ii)* commenced the supervisory procedure to have Bank of Italy approve the related changes to its by-laws and *(iii)* received confirmation from the controlling shareholder that it would participate in the transaction. On this basis, the parent's directors prepared the consolidated financial statements at 31 December 2023 on a going concern basis as there are no doubts about the group's ability to continue as a going concern in the foreseeable future and for beyond 12 months from the reporting date.

We have no objections to make in this respect. In order to ensure the capital increase can take place, the parent's Board of Directors monitors compliance with the ceilings and conditions set by the current SREP and RAF. In addition, as noted by the directors, the parent is evaluating structured proactive portfolio management methods that would support a speed-up in the run-off of the legacy portfolio. In the meantime, the strategic planning and management control procedures will be used to capture and assess changes in internal and external factors, including to ensure prompt action should the parent require additional capitalisation. The support provided by the shareholders, and the controlling shareholder in particular, is essential for the parent to continue its growth strategy in a complicated external (high interest rates that adversely affect companies, rising default rates) and internal (the legacy portfolio's performance) situation.

The parent mostly obtains funding from the online retail channel, which provides roughly two thirds of the total. This is a flexible and fast source of funding. While it mostly consists of forward funding products, the management of changes in their repayment dates requires careful monitoring due to the potential volatility in terms of prices and other external factors and the investments and the system used to change repayment dates require careful calibration, as shown by the recent market experience.

The "Risks and uncertainties" section of the Directors' report and Part E of the notes (Information on risks and hedging policies) provide information about the main risks and uncertainties faced by the group. Section 10 of Part B - Liabilities of the notes (Provisions for risks and charges) discloses details of the liabilities and risks the group is exposed to.

3. Suitability of the organisational structure

To the extent of our duties, we obtained information about and checked that the group's organisational structure is suitable.

We also discussed, when appropriate or opportune, the proposed transactions and their effects on the group's financial position, financial performance and organisation in special meetings held before the board meetings and during such latter meetings.

In parallel with the roll-out of its new business lines, the parent has continued to introduce organisational measures and procedures, thus gradually aligning its organisation with the greater operating volumes. The "Developments and investments in technology" section of the Directors' report describes the parent's process to identify a suitable accounting information system and the investments made and planned. Such a system is essential for a challenger bank. Other developments and new products relate to the management reporting system and the development of a segment reporting framework, which will allow the parent to fine-tune its ability to have a timely overview of its current and prospective financial position, financial performance and cash flows.

Concurrently with the development of business activities in 2023, the group continued the strategy of hiring specialised professionals begun in previous years, with the strengthening of both the business structure (factoring, financing, tax assets and finance & investments) and the governance and support structure (accounting and loan administration, IT and controls). Its workforce increased from 135 to 190 resources during the year.

Given the parent's start-up phase, it requires considerable third party specialist support to more quickly achieve its operating objectives which also makes the careful dove-tailing of external and internal expertise essential.

As a result of the growth in its business and workforce, the parent has commenced a far-reaching overhaul of its internal organisation (which is still underway) in order to make its proxies and responsibilities system more transparent, fluid and efficient.

We have no additional comments to make in this respect.

4. Internal controls and risk management

We checked the adequacy of the internal controls by *(i)* meeting the parent's senior management to examine the internal control and risk management system and its planned development, *(ii)* meeting the control departments (Internal Audit, Risk Strategy & Management, Compliance & AML, ICT Risk & Security and DPO) to assess how they plan their work, based on the identification and valuation of the main risks inherent in the processes and departments and by checking the procedures and regular reports prepared by the control departments, *(iii)* reviewing the information provided periodically about the monitoring activities and the implementation of identified remedial actions and *(iv)* discussing our work with the independent auditors.

The parent has established rules for *(i)* policies for each internal control department and information flows and interaction with the internal controls, *(ii)* the internal control system, the roles and responsibilities of the corporate bodies and control departments and *(iii)* coordination among these departments in compliance with the model set out in Bank of Italy's Circular no. 285/2013.

Given the significant role of the parent's technological platform and the very serious danger that cyber attacks pose today (with the risk that the parent's data could be compromised), in December 2022, the Board of Directors set up a new second level control department, the ICT Risk & Security Department, to manage and oversee ICT and security risks. It also liaises with the regulators about important topics that are coming under increasing scrutiny by these authorities, such as disaster recovery, business continuity plans, cyber security and response capacity, including in light of the provisions set out in the 40th update of Bank of Italy's Circular no. 285/2013 and the EBA's guidelines of 28 November 2019 on ICT and security risk management (EBA/GL/2019/04).

The outsourcing of important parts of the financing process (acquisition of financing opportunities, initial assessment of credit worthiness, management of the loan dossier's administrative processes and of the receipt and activation of state guarantees) exposes the parent to risks that require proper monitoring. This is also true of its resort to third party distribution networks, which include multi-mandate agents and expose the parent to the risk of alterations in the quality and quantity of financing opportunities. Digital lending processes are also complicated.

This led the parent to reinforce its internal controls during the year by strengthening the risk assessment methodologies and increasing the integration and standardisation of the processes and methods used to assess the findings of its controls. It has also started to introduce new methods to manage and follow up on remedial measures that might be taken by the internal control department. These changes also clearly affected the supervisory body's activities as it is an integral part of the internal controls and its planning. The parent is also upgrading its risk management system, with far-reaching projects to strengthen and develop both the risk assessment methods and the supporting systems. The risk monitoring and management reporting processes, introduced in 2022, underwent significant change in 2023 and the parent plans to revisit them again in the coming years.

During the year, we continued to monitor the parent's prompt response to the regulator's requests. We also checked the introduction of the measures implementing the general or specific recommendations made by the regulator. We have no comments to make in this respect.

Based on our assessments, we express an opinion on the overall qualitative and quantitative adequacy of the group's operating and control departments and the overall appropriateness (in terms of its size and working) of the internal control structure in a framework which does require the introduction of some measures to fine-tune and improve the system, which have already been identified and planned.

Specifically, the qualitative and quantitative systems of the internal control departments need to evolve concurrently with the growth in the business volumes and complexity and the risks faced by the parent. This implies that they need to be reassessed continuously. The parent also has to duly evaluate the risks related to the human resources factor, both in terms of quality control checks of the processes performed and business cultural integration (banking sector), which can be achieved in part through dedicated training courses.

We monitored the process to define *(i)* the risk appetite and related ceilings and indicators (RAF, RAS), *(ii)* the regulatory capital planning and liquidity (ICAAP/ILAAP), as well as *(iii)* the consistency of their indicators and parameters and their compliance with the supervisory limits. The ICAAP/ILAAP reports, approved in April 2023, included stress testing exercises based on two scenarios, characterised by a different degree of severity in relation to the potential impact of the pandemic on the real economy.

We also checked compliance with the RAF and the supervisory requirements during the year. The group's reporting-date prudential total capital ratio (calculated at Tiber 2 Group level) was 15.815%, above the limits set by the supervisory regulations and the ratio of 15.21% at 31 December 2022.

5. Administrative accounting system and financial reporting process

We checked the adequacy of the administrative and accounting system and its reliability in correctly presenting the parent's operations by *(i)* obtaining information from the competent department heads, *(ii)* reviewing the more important internal documents and *(iii)* analysing the results of the work performed by the independent auditors, EY S.p.A., the CFO, the Accounting, Tax & Regulatory Officer and the Internal Audit Department.

Given our duties with respect to financial reporting, we worked closely with the CFO and the Accounting, Tax, Regulatory Reporting, Planning & Control and Portfolio Departments as well as the independent auditors, with which we analysed the basis of preparation of the separate and consolidated financial statements, as well as especially the use of accounting estimates including:

- the analyses of the management and assessment of the legacy portfolio;
- the classification, measurement and monitoring of financial assets related to the new business lines;
- the impairment tests of intangible assets and the analyses of the recoverability of the deferred tax assets;

Management of the legacy portfolio is outsourced to specialised servicers that liaise with the CLO while the Risk Strategy & Management Department carries out the second level controls. Supported by the information provided by the servicers, the parent regularly revises the business plans used to measure the impaired loans and receivables/ABS. During the year, it fine-tuned the portfolio assessment procedures by type of governance process, which led to strengthening of the methodologies and procedures used, especially as regards the portfolio items included in the consolidated financial statements.

With respect to the recoverability of deferred tax assets and indefinite-life intangible assets, during preparation of the consolidated financial statements at 31 December 2023, the parent's Board of Directors performed, respectively, the probability test as per IAS 12 and the impairment test of the factoring and tax assts CGUs as per IAS 36, considering the cash flows included in the revisited financial projections for the 2024-2026 three-year period approved by it on 12 March 2024. More information is available in Sections 10 (impairment test) and 11 (probability test) of Part B - Assets of the notes.

While awaiting completion of the purchase price allocation procedure, the parent provisionally allocated the consideration transferred to acquire the Credimi S.p.A. business unit to software (€5.0 million) and goodwill (€0.5 million), net of the liabilities related to the transferred employees (€0.6 million). Part G: Business combinations of the notes provides more information.

The parent is still engaged in standardising and integrating several subsystems (partly as a result of its acquisitions) used for accounting and administration purposes, as its applications, processes and systems designed specifically for its different business lines are obviously not wholly integrated nor are the various processes and this could generate greater operating risks.

We do not have any comments and/or remarks to make with respect to the administrative management of the parent nor does any other of the internal control bodies.

During the year, the parent created a segment reporting process, based on an internal transfer pricing system which it formalised in a dedicated policy and which contributes to its management reporting system. While the process may require tweaking with respect to the allocation of indirect costs, it will make it significantly easier to analyse the group's business and take decisions based on timely and granular data, thus facilitating the parent which operates in an extremely dynamic and complex market.

The independent auditors checked the administrative and accounting procedures and did not identify any issues with their reliability. They also checked the correctness of the accounting entries and the completeness of the information and accounting policies applied to prepare the separate and consolidated financial statements. They did not identify any issues to be brought to the parent's attention.

Although we are not required to perform the statutory audit as per Legislative decree no. 39/2010, as this is performed by the independent auditors, we note that, based on the information provided by the independent auditors, the CFO and the Accounting, Tax & Regulatory Department Head, the administrative and accounting system as a whole is adequate and reliable and the group's operations are correctly recorded on a timely basis.

6. Atypical and/or unusual transactions with related parties and conflicts of interest

Part H of the notes shows that no atypical and/or unusual transactions with related parties took place during the year. Moreover, no atypical and/or unusual transactions with third parties or subsidiaries took place.

The same section of the notes provide extensive information about other related party transactions. As far as we are aware, these transactions were performed in the parent's interests and we do not have any comments about their suitability as they were part of the group's normal operations.

The parent has adopted a policy to manage related party transactions and transactions giving rise to conflicts of interest to monitor the risk that the proximity of certain parties to the parent's decision-makers could compromise the objectivity and impartiality of decisions about the granting of loans and other transactions with those parties. This could affect the allocation of resources, the parent's exposure to risks that are not sufficiently measured or monitored and potential damage to deposit holders and shareholders. The policy is also designed to ensure that the parent adopts all reasonable measures to avoid conflicts of interest that could harm its customers' interests. We acknowledged the statements made in accordance with article 2391 of the Italian Civil Code.

We have no further comments to make on the above.

7. Statutory audit

In accordance with article 19 of Legislative decree no. 39/2010, in our capacity as the "Internal audit committee", we carried out the required checks of the independent auditors' work. We analysed and approved the audit plan, monitored its implementation and, as far as was relevant to our duties, supervised the financial reporting process, checked the efficiency of the internal controls over quality, the internal audit and risk management related to this information, the statutory audit of the separate and consolidated financial statements and the independence of the auditors, including as provided for in Regulation (EU) 537/2014.

We regularly met the independent auditors for the mutually-profitable exchange of information. In particular, we checked *(i)* the application of the accounting policies, *(ii)* the correct recognition and presentation of the main consolidated financial statements captions with them from a financial and equity point of view, *(iii)* the process used to assess the legacy portfolio and the results thereof and *(iv)* the audit of the consolidated vehicles.

Overall, we did not identify any irregularities, critical issues or omissions to be brought to the shareholders' attention based on our discussions with the independent auditors.

Pursuant to Legislative decree no. 39 of 27 January 2010 and Regulation (EU) 537/2014, the shareholders appointed Ernst & Young S.p.A. ("EY") as the parent's independent auditors for the statutory audit of its financial statements for the nine-year period from 2022 to 2030 in their meeting of 27 April 2022.

The audit fees are detailed in Part H of the notes. We authorised the limited non-audit services in accordance with Regulation (EU) 537/2014.

On 12 April 2024, EY issued its audit report on the consolidated financial statements pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014, which is unqualified and does not include any emphasis of matter paragraphs. The independent auditors stated that the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136 of 18 August 2015. They also stated that the Directors' report which accompanies the consolidated financial statements is consistent with the consolidated financial statements and has been prepared in compliance with the law. They had nothing to report as regards the Directors' report based on their knowledge and understanding of the entity and its environment obtained through the audit.

In accordance with the applicable regulations, the audit report refers to the auditing standards applied, the audit procedures performed and sets out the key audit matters that were identified during the audit, i.e., (i) measurement of instruments related to the securitisations classified as other assets mandatorily measured at fair value and (ii) classification and measurement of loans and receivables with customers recognised under assets measured at amortised cost. The audit report specifies the audit procedures performed for these matters.

The audit report also states that the opinion is consistent with the information provided in the additional report to us.

On 12 April 2024, EY provided us with its report as per article 11 of Regulation (EU) 537/2014, which did not mention any material deficiencies in the internal controls over financial reporting and/or the accounting system or other material issues related to actual or alleged non-compliance with laws, regulations or the parent's by-laws. No other situations were identified that needed to be brought to our attention.

The independent auditors also provided us with the statement of their independence as required by article 6 of Regulation (EU) 537/2014, which did not refer to any situations that could compromise their independence. We acknowledged the transparency report published by the independent auditors on their website as required by article 13 of Regulation (EU) 537/2014.

We do not deem that critical issues exist with respect to EY's independence or incompatibility as per articles 10, 10-bis and 17 of the Italian Consolidated Statutory Audit Act and related implementing measures.

The parent is not required to comply with the provisions of Legislative decree no. 254/2016 which transposed Directive 2014/95/EU into Italian law and, therefore, it does not publish a consolidated non-financial statement.

8. Complaints, statements, reports and opinions

We did not receive any complaints as per article 2408 of the Italian Civil Code during the year or up until the date of this report.

We did not receive any statements or other forms of complaints from the parent's shareholders, stakeholders or qualified creditors during the year.

With respect to the requirements of article 52-bis of the Consolidated Banking Act and Bank of Italy's related instructions, the parent has set up a whistleblowing system, which is also compliant with Legislative decree no. 24/2023 and the applicable regulations.

During 2023 and up to the date of this report, we expressed our opinion, where required by law, the parent's by-laws and supervisory regulations. The opinions and comments made in compliance with supervisory requirements include the assessment of the ICAAP and ILAAP 2023 process (required by Bank of Italy's Circular no. 285/2013, Part 1, Title III, Chapter 1 and Circular no. 263 of 27 December 2006, Title V, Chapter 7 and Bank of Italy's extraordinary request of 23 June 2021), comments on the outsourcing report (Bank of Italy Circular no. 263/2006, Title V, Chapter 7), the opinions required by Bank of Italy Circular no. 285/2013, Part I, Chapter 1, Section III, the comments on the planning of their activities by the internal control bodies and their reports required by Bank of Italy Circular no. 285/2013 (Title V, Chapter 3) and Bank of Italy's Measure of 11 March 2011, the opinions required by Bank of Italy (for example, on the updating of the financial outlook for 2023 and 2024 and the related funding plan and the climate and environmental risk action plan).

9. Events after the reporting date and outlook

The directors have presented the key transactions and events that have taken place after the reporting date in the “Events after the reporting date” and “Business opportunities and going concern” sections of their report and in Part A.1 section 4 “Events after the reporting date” of the notes, to which reference should be made.

These transactions and events include the approval of the updated 2024-2026 financial projections and the capital increase, approved by the parent’s Board of Directors on 12 and 14 March 2024, respectively.

The directors noted that no adjusting events (as per the definition of IAS 10.8) took place in the period from the reporting date to the date of approval of the consolidated financial statements (28 March 2024) that would have required the group to adjust the amounts recognised in its consolidated financial statements, also considering the group’s prudent risk management practices, the qualitative and quantitative aspects of which are presented in Part E of the notes, and the group’s capital adequacy disclosed in Part F of the notes.

We believe that the directors have provided exhaustive information about the events after the reporting date and the group’s outlook.

10. Conclusions

Dear shareholders,

We confirm that we performed our activities with the full collaboration of the corporate bodies, management, the heads of the administration and operating departments, the control departments, the independent auditors, the department in charge of financial reporting and the other internal control departments.

We did not identify any omissions, objectionable actions, imprudent or other situations that would require your attention or that of the regulators or mention herein nor did we identify the need to make recommendations to the shareholders.

As stated in the Directors’ report and in the notes, no events have taken place after the reporting date that would have required changes to the approved data, the results or additional information to be provided. Specifically, no significant events have taken place in the period from the reporting date to the date of publication of the consolidated financial statements that would have affected the parent’s and group’s financial position, financial performance and cash flows.

Reference should be made to the Directors’ report accompanying the consolidated financial statements, as well as the directors’ report accompanying the separate financial statements, for information on the main risks and uncertainties faced by the parent and the group, their ability to continue as going concerns and their outlook.

The consolidated financial statements show a loss of €34,994 thousand and equity of €85,088 thousand.

Both the consolidated financial statements and the separate financial statements have been prepared on a going concern basis. The parent did not make any departures from the accounting policies and, as noted earlier, the independent auditors expressed unqualified opinions without emphasis of matters on both sets of financial statements. We have no issues to report in this respect.

At a stand-alone and consolidated level, the parent and the group have complied with the prudential requirements at year end.

With respect to the requirements of article 26 of Decree law no. 104/2023 (converted by Law no. 136/2023) (substitute tax on the increase in net interest income), as the parent has not yet received a response from the tax authorities to its request for clarification about the obligation to pay the tax, its Board of Directors proposes the set-up of a non-distributable reserve of €4,135,250 drawing from the existing reserves in lieu of payment of the windfall tax.

We have no comments to make on this proposal.

In conclusion, we have no comments to make about the consolidated financial statements as they stand.

The term of office of both the parent's Board of Directors and board of statutory auditors expires with the approval of its 2023 separate financial statements and, therefore, you should elect new boards.

Milan and Rome, 12 April 2024

Board of statutory auditors

Antonio Mele (chairman)

Giuseppina Pisanti (standing statutory auditor)

Franco Vezzani (standing statutory auditor)

Banca CF+

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

EY S.p.A.
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20123 Milano

Tel: +39 02 722121
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ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Banca CF+ S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banca CF+ Group S.p.A. (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the related explanatory notes, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n. 136, dated August 18, 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Banca CF+ Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. 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.

We identified the following key audit matters:

Key Audit Matters	Audit Response
Valuation of financial instruments related to securitization transactions classified as financial assets mandatorily measured at fair value	
The financial assets mandatorily measured at fair value which are reported in line item 20 c) of the Balance Sheet amount to approximately Euro 98 million and represent approximately 6% of total assets of the consolidated financial statements as at December 31, 2023. The related economic effects are reflected in line item 110 of the income statement. The financial assets mandatorily measured at fair value included in line item 20 c) of the balance sheet, based on the outcome of the SPPI test required by IFRS 9, refer exclusively to financial instruments related to securitization transactions for which there is no quoted price in an active market nor a quoted price for sufficiently comparable financial assets. For the valuation of these financial instruments, the Bank employs complex models that are consistent with market valuation practices (market multiples models or discounted cash flow models based on projected future cash flows derived from the relevant securitization business plans). These models are supplied with directly observable market data or, if unavailable, internally estimated based on qualitative and quantitative assumptions. The related disclosures are provided in Part A – Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements	In relation to this aspect, our audit procedures, also conducted with the assistance of our experts in financial instrument valuation techniques, included, among others: • understanding and analyzing the company's processes and internal controls regarding the operational methods employed for conducting SPPI tests and the monitoring activities aimed at reviewing the changes in estimates of expected cash flows related to financial instruments connected to securitization operations; • verifying the fair value through the analysis of valuation models, assessing the reasonableness of key qualitative and quantitative assumptions used, and evaluating input parameters; • performing comparative analysis procedures to identify the most significant deviations compared to the previous fiscal year; • analysis of the adequacy of the disclosures provided in the notes to the financial statements.

EY Building a better working world

Key Audit Matters	Audit Response
Classification and valuation of financial loans and receivables with customers measured at amortized cost	

Loans and receivables with customers represented by loans measured at amortized cost and financial instruments related to securitization transactions, which are reported in line item 40 b) of the balance sheet assets, amount to Euro 1,062 million. As at December 31, 2023 loans and receivables with customers represent 63% of total assets. The related economic effects are reflected in line item 130 of income statement.
 	
The classification and valuation of loans and receivables with customers are relevant for the audit due to the significance of the amount of the loans to the consolidated financial statements as a whole and in consideration of the fact that the recoverable amount is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, that involve specific factors aimed at reflecting the current uncertainty over the evolution of the macro-economic scenario.
 	
Amongst the aspects that assume particular importance in the credit estimation processes for loans include:
 	
• the identification and calibration of the parameters for determining the significant increase in credit risk compared to the date of initial recognition, for the purpose of allocating the non-defaulted loan exposures (Stage 1 and Stage 2);
• the definition of the models and valuation parameters regarding the Probability of Default, Loss Given Default (LGD) and Exposure at Default (EAD) used for the calculation of one year expected losses (ECL - Expected Credit Losses) for exposures classified in Stage 1 and lifetime for exposures classified in Stage 2 including forward looking information, such as macroeconomic factors;
• identification of evidence that may lead to assess that the carrying amount of the loan is not fully recoverable (impairment indicators), with related classification of the exposures in defaulted loans (Stage 3);
	In relation to this aspect, our audit procedures, also conducted with the assistance of our experts, primarily on the subject matter of risk management and information systems , included amongst others: understanding and analyzing the company's processes and internal controls regarding:
	
	• the classification and valuation of financial loans and receivables with customers and performing tests over key controls, including those concerning IT systems for the purpose of verifying their operating effectiveness;
	• the monitoring and changes in the estimate of the expected cash flows also in connection with the financial instruments referring to securitization transactions;
	• with specific reference to financial loans:
	  ◦ the execution, on a sample basis, of substantive procedures aimed at verifying the correct classification and measurement of credit exposures;
	  ◦ understanding the methodologies used in relation to statistical valuations and the reasonableness of the assumptions used including the macroeconomic scenarios and their weightings;
	  ◦ performing compliance and testing procedures, which were aimed at verifying the appropriate determination of the valuation parameters *Probability of Default* (PD), *Loss Given Default* (LGD) and *Exposure at Default* (EAD) applied in calculating the Expected Credit Losses (ECL) for the purpose of determining the impairment provisions;
	• with specific reference to financial instruments qualified as POCI:
	  ◦ analysis of methodologies and valuation models adopted and the assessment of the reasonableness of the assumptions and parameters used by the Company;
	  ◦ analysis, for a sample of loans analytically evaluated, the reasonableness of the estimated expected cash flows by examining data relating to collection flows, indicators of possible impairment losses, assessment

- for loans classified in Stage 3, the determination of the criteria for estimating the expected cash flows according to the recovery strategy.

Furthermore, with particular reference to the valuation process of loans related to financial instruments referring to securitization transactions qualified as "Purchased o Originated Credit Impaired Asset" ("POCI"), the Directors conduct a periodic review of the expected cash flow estimates using the credit adjusted effective interest rate, and in identifying such it is necessary to include, in cash flows estimates, the initial expected losses.

The related disclosures are provided in Part A – Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements.

of any guarantees as well as the related recovery times;

- performing comparative analysis procedures for the loan portfolio regarding the coverage levels with respect to the most significant differences compared to the closing balances of the preceding year end;
- analysis of the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n. 136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Banca CF+ S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have 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 a manner that achieves fair presentation.
- we have 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.

We have communicated with those charged with governance, identified at an appropriate level as required by international standards on auditing (ISA Italia), regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated to them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant the risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/2014

The shareholders of Banca CF+ S.p.A., in the general meeting held on April 27, 2022, appointed us to perform the audits of the separate and consolidated financial statement for each of the years ending December 31, 2022 to December 31, 2030.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Banca CF+ S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Banca CF+ Group S.p.A. as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations with the consolidated financial statements of Banca CF+ Group S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Banca CF+ Group S.p.A. as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, April 12, 2024

EY S.p.A.
Signed by: Davide Lisi, 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.

2023 SEPARATE ANNUAL REPORT

Competitive position

Banca CF+ S.p.A. (formerly "Credito Fondiario S.p.A.", "Banca CF+" or the "bank") heads the Banca CF+ Group and came into being in August 2021 after completion of the "Reorganisation Project 3.0" (below also the "project").

This project covered in particular the demerger of the debt purchasing and debt servicing businesses of the then Credito Fondiario to a separate non-banking entity.

As part of this reorganisation, Credito Fondiario kept the banking licence and began its transformation into a challenger bank while concurrently completing a renaming and rebranding journey that led it to also change its name to Banca CF+.

The bank operates through advanced operating and distribution models and believes in technology as a tool that facilitates and accelerates access to credit for businesses. Specialised in corporate finance solutions and working with performing and reperforming companies, the bank's products include factoring services, tax asset purchases and short and medium-term loans to companies with structural and liquidity requirements, including those secured by central guarantee funds.

The reorganisation project led the bank to rewrite its mission to return to its origins as a corporate bank. Developing the full potential of its extensive experience achieved in over 125 years of operations, the bank has built a diversified product portfolio to meet the liquidity requirements of companies that need support to implement their development, consolidation or relaunch plans. This specialised offering is accompanied by an evolved technological platform, capable of making bank-business relations more efficient and rapid, especially in terms of response times and credit disbursement. This strategic repositioning represents the natural evolution of a bank that has always been characterised by a great ability to renew itself in order to meet the needs of the market.

Ownership structure

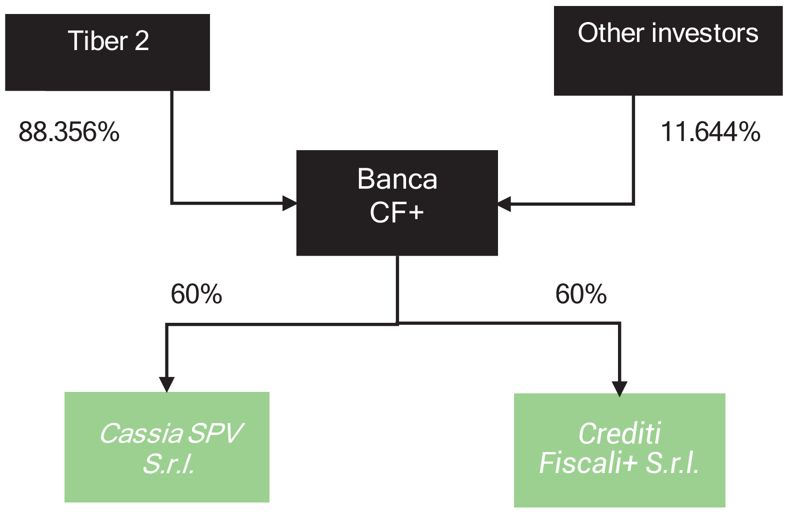
On 2 August 2021, as part of the above-mentioned reorganisation, Tiber Investments S.à r.l. transferred its 87.12% investment in Banca CF+ to another Luxembourg company of the Elliott Group, Tiber Investments 2 S.à r.l. ("Tiber 2").

Elliott, an institutional investor leading the US market for over 40 years, continues to be a key partner and investor in Banca CF+ through Tiber Investments 2 S.à.r.l.

The shareholders have steadily supported the bank's transformation into a challenger bank, with capital strengthening initiatives to support the rapid start-up and growth of the new business lines.

In 2023, they completed the process for a capital increase of €28.1 million. As reported in the subsequent "Capitalisation" section, this initiative was followed by the Board of Directors' resolution of 14 March 2024 approving a new capital increase for a maximum amount of €28.5 million. The controlling shareholder, Tiber 2, communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter.

The following table presents the bank's ownership structure at 31 December 2023:



Key figures

The following table presents the bank's key figures at 31 December 2023:

KEY FIGURES	31/12/2023	31/12/2022
Total assets	1,658.9	1,211.8
Guaranteed finance products (carrying amount)	586.1	317.0
2023 disbursements	388.5	352.1
Factoring products (carrying amount)	97.0	99.2
2023 factoring turnover	399.7	290.4
Investments in ABS (carrying amount)	459.9	443.2
Investments in portfolios of POCI non-performing exposures (carrying amount)	7.9	10.0
Investments in portfolios of POCI non-performing exposures (gross carrying amount)	273.8	278.6
Net non-performing loans - business lines segment	4.2	0.9
Total funding	1,518.6	1,044.6
Retail savings (on-line deposits)	1,013.5	868.1
Equity	76.9	110.0
Own funds	85.3	99.2
Employees	190	135

Funding indicators	31/12/2023	31/12/2022
Net loans and receivables with customers at amortised cost/Total assets	70.7%	66.4%
Direct funding/Total liabilities	91.5%	94.8%
Profitability indicators		
ROE (Loss/equity)	-48.0%	-22.2%
ROA (Loss/Total assets)	-2.0%	-2.0%
RORAC (business lines segment)	30.0%	-1.0%
Capital indicators		
CET 1 ratio	10.3%	15.6%
Tier 1 ratio	10.3%	15.6%
Total capital ratio	14.7%	15.6%
Liquidity indicators		
LCR	2,329.0%	753.0%
NSFR	135.9%	152.2%
Risk indicators - business lines segment		
Gross NPE ratio	5.5%	2.3%
Net NPE ratio	4.7%	1.8%
NET NPE/tangible equity	5.8%	0.8%

Macroeconomic scenario

Reference should be made to the directors' report in the group's 2023 annual report for information about the macroeconomic scenario.

Operations and key events of the year

Development of the new bank's business lines
During the year, the bank continued to rapidly develop its new business lines, recording a three-digit annual CAGR for all major parameters in its first two years of operations. In particular, loans and receivables with customers (financing, factoring and tax) increased from about €80 million at the time of the demerger to about €830 million at 31 December 2023 (>10x 2021-23). This section focuses on the characteristics of the products offered by the bank and the initiatives taken in 2023 to steer their development.

Guaranteed finance
The bank's products are mainly designed for Italian SMEs. At public guarantee fund level, the main instruments supporting SMEs that the bank focuses on are those of the Central Guarantee Fund and the Italian Guarantee Fund. Therefore, any risks on the loans are mitigated by state backing.

Starting from January 2022, the bank's guaranteed finance business line became fully operational after its set-up in December 2021 when the bank acquired 100% of Five Sixty S.r.l., a consultancy company with considerable experience in the guarantee fund market.

The bank entered into an operating partnership with Garanzia Etica S.c., a financial intermediary as per former article 106 of the Consolidated Banking Act specialised in servicing for access to guarantee funds and management of benefits.

In April 2023, Banca CF+ also signed a strategic partnership agreement with BancoPosta for the distribution of MCC/SACE-backed loans. The new medium- to long-term credit facilities are aimed at SMEs and large companies with a turnover of more than €1 million. The partnership with BancoPosta represents a further step for the bank in creating an innovative, modern, technological banking platform at the service of businesses.

In December 2023, the Board of Directors approved the new "Digital Lending" financing product for the distribution of small loans guaranteed by the Central Guarantee Fund, i.e., up to €500 thousand. The project is part of the bank's plan to continuously refresh its commercial offering and services and is aimed at further strengthening and digitalising business processes, leveraging the technological assets acquired as part of the acquisition of the Instapartners (formerly Credimi S.p.A.) business unit described later in this section ("Credimi business acquisition").

The bank disbursed loans of €388.5 million as part of its guaranteed finance business in 2023. At 31 December 2023, the carrying amount of loans guaranteed by the MCC and/or SACE was €586.1 million, net of impairment losses.

Credimi business acquisition
On 25 July 2023, the bank finalised the acquisition of a business unit (the "business unit") from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A."). The business unit comprises technological assets and a highly qualified workforce. The consideration is €4.9 million and the agreement provides for an earn-out of a maximum of €4.5 million, if certain performance objectives are achieved.

Acquisition of the business unit is an alternative to the bank's "small ticket financing" business' organic growth. In particular, the transaction will allow Banca CF+ to accelerate the development of this type of business, achieve greater lending volumes and, consequently, higher prospective profits.

At the acquisition date, the business unit's assets and liabilities were recognised based on the allocation of the purchase price established in the related agreement with (i) €0.5 million allocated to goodwill, (ii) €5.0 million to intangible assets and (iii) -€0.6 million to liabilities related to the transferred employees.

The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the bank obtained control of the business unit.

Accordingly, the separate financial statements at 31 December 2023 include the effects of the provisional purchase price allocation to the assets acquired and liabilities assumed. The PPA procedure, which was underway at the date of preparation of these separate financial statements, will be completed within 12 months of the acquisition date.

Factoring

During the year, the bank continued to develop its factoring business through the unit set up in 2021 and accelerating its development by acquiring a company already active in this sector. In December 2021, the bank acquired 100% of Fifty S.r.l., a credit broker which has developed a proprietary fintech platform to manage factoring products. The subsidiary was merged into the bank with statutory, accounting and tax effect from 1 January 2022, allowing it to independently manage the entire factoring value chain.

During the year, it also provided companies with invoice financing in the form of recourse and non-recourse factoring for €363.4 million. At year end, factoring assets amounted to €97 million.

Tax assets

Banca CF+ continued to purchase tax assets from performing companies and companies in complicated situations, including insolvencies and voluntary winding-ups, through its subsidiary Crediti Fiscali+. This business line has been strengthened in recent years by the strategic partnership agreement with Be Finance, a market leader in the domestic tax asset sector, signed in November 2018. As part of its drive to build up the tax asset business, on 13 July 2022, the bank's shareholders approved the merger of the subsidiary Be Credit Management S.p.A., already wholly-owned, into the bank. The merger became effective on 1 October 2022.

The bank subscribed ABS of €179.5 million issued by the securitisation vehicle Crediti Fiscali+ S.r.l. which purchased tax assets of €174.4 million.

The separate financial statements at 31 December 2023 include asset-backed securities (ABS) issued by the consolidated SPVs Crediti Fiscali+ and Fairway (€161.8 million) and the tax assets (the "110% superbonus") provided for by article 119 of Decree law no. 34/2020 purchased directly by the bank and classified as other assets (€20.1 million).

Capitalisation

As indicated in the "Ownership structure" section, in February 2023, the bank's capital increase approved by its shareholders in their extraordinary meeting of 10 February 2023 was finalised with the subscription of 5,066,549 new shares for €28,068,681.46, of which €5,066,549 was allocated to share capital and €23,002,132.46 to the share premium.

To drive the planned growth set out in the 2024-2026 financial projections (described in the "Approval of the 2024-2026 financial projections" section), on 14 March 2024, the Board of Directors approved a new capital increase against payment in instalments to be offered with rights of first refusal to the bank's shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of €28,500,000. During the same meeting, the Board of Directors approved the application to be sent to Bank of Italy for its checks of by-law changes in accordance with article 56 of the Consolidated Banking Act as well as, if necessary, the authorisation as per articles 26 and 28 of Regulation (EU) no. 575/2013 (CRR) to include the new shares in Common Equity Tier 1.

The controlling shareholder, Tiber 2, has already communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter.

Approval of the 2024-2026 financial projections

On 12 March 2024, the bank's board of directors approved the updated financial projections (the "projections" or "forecasts") covering the 2024-2026 three-year period.

The projections are a continuation of the growth path undertaken in the first two years of operations, following the demerger completed in August 2021.

The expected growth over the projections' horizon clearly requires an adequate amount of available capital, while remaining focused on highly efficient assets from a return/asset absorption perspective. In order to support the growth path, the bank intends to complete the capital increase resolved by the board of directors on 14 March 2024 and described in the previous "Capitalisation" section in 2024.

From a strategic point of view, the projections envisage a top line divided into three business lines, focused on corporate/SME customers (financing, factoring and tax assets). These three business lines are supplemented by a fourth line, focused on the proactive management of the securities portfolio.

The financing business line is divided into the **medium/large ticket** and **digital lending/small-ticket segments**. The medium/large ticket segment, launched at the beginning of 2022, aims to meet the needs of corporate customers through loans with an average amount of just under €1 million. The digital lending/small-ticket segment will be launched in 2024 with the support and integration of the technologies acquired as part of the Credimi business unit. The aim is to intercept the demand of small businesses with loans of an average amount of €130 thousand by using digital solutions both at the level of customer on-boarding and at the credit assessment level. The expected CAGR for the segment at the end of the plan is 36%.

The development of the factoring business line is envisaged along the lines already outlined in the previous year with an offer aimed at both performing SMEs with liquidity needs and those in financial distress. It aspires to a significant growth rate in turnover over the plan period (+53% CAGR), leveraging on cross-selling opportunities and the consolidation of existing relationships.

The bank's presence in the tax assets market will continue to be an important growth driver, with purchases growing by 23% (CAGR) over the plan horizon, focusing mainly on the "low yield" segment.

The state-of-the-art treasury desk, introduced by the bank in 2022, will continue its activities focusing on the proactive management of liquidity and the securities portfolio. The key elements for the funding strategy, to be developed to support the expected significant growth in volumes, will be compliance with regulatory requirements (LCR, NSFR, asset encumbrance ratio, etc.), cost optimisation and diversification of sources.

To make the business model sustainable and to pursue the bank's objectives, the projections envisage investments in the bank's organisation, resources and operating costs to drive its growth and support its operating complexity. Specifically, the expected changes to the operating structure include:
• development of the workforce both in terms of number of resources and skills;
• extension of commercial partnerships;
• improvement of the lending process from a capability point of view, ex ante controls, ex post monitoring and proactive management;
• continuation of the measures to update internal regulations (policies, regulations and operating processes/manuals);
• consolidating the controls framework to reflect adjustments to legislation, processes and technological tools.

Legacy portfolio
As mentioned earlier in the "Competitive positioning" section, Banca CF+ was created in 2021 by the demerger of the debt servicing and debt purchasing businesses. At the demerger date, the assets represented by securitisation notes with underlying exposures (performing and non-performing) were transferred to the demerger beneficiary, with the exception of certain securitisation notes and credit exposures (the "legacy portfolio") retained by the bank. The operational management (definition of the collection strategy, collection management, cash flow estimation, etc.) of the exposures underlying the notes is performed by third-party servicers on the basis of specific agreements.

The legacy portfolio consists of 14 notes of different seniority (senior, mezzanine and junior) issued by securitisation vehicles with 18 underlying portfolios of non-performing exposures (NPL and UTPs related to banking and leasing activities). It also includes some portfolios of credit exposures (performing and non-performing banking and leasing).

The ABS totalled €298.1 million at 31 December 2023, net of impairment losses (€354 million at 31 December 2022). During the year, the bank collected €59.9 million on ABS held. As mentioned later in this report, the income statement was significantly impacted by the review of the business plans ("BP review") performed at 31 December 2023 for the legacy portfolio, which led the bank to post impairment losses of €36.7 million, of which €21.1 million related to assets at amortised cost and €15.6 million to ABS classified under financial assets mandatorily measured at fair value.

With regard to the foreseeable future management of these assets, the bank is evaluating structured proactive scenarios that can strategically support acceleration of the portfolio's run-off, which the bank is already actively pursuing in the first 30 months of its life in its new structure.

Funding strategy
The bank has adopted a funding strategy aimed at achieving the best possible cost-risk balance. Accordingly, it ensures it has access to a wide variety of sources of funds and can create the perfect funding fix to avail of the best medium to long-term market conditions.

The bank strategically aims to align sources of funding with its core lending business. It is mostly financed by retail customers and their deposits, while it also draws on a variety of institutional funding sources linked to the interbank market, the repos market and committed credit facilities.

This allows it to diversify its funding by product, counterparty and maturity.

The bank's total funding amounts to €1,518.6 million at the reporting date. Specifically, it has the following sources of funds:
• repurchase agreements with banks of €213.3 million;
• interbank credit facilities of €27 million;
• interbank deposits of €18 million;
• corporate deposits of €20 million;
• refinancing operations with the central bank of €210 million;
• stable retail deposits of €1,005.3 million;
• subordinated bonds of €25 million.

On 13 October 2023, the bank completed the issue of subordinated bonds with a nominal amount of €25 million at an annual interest rate of 14.50%. These bonds qualify as a Tier 2 capital instrument in accordance with the provisions of Regulation (EU) no. 575/2013 ("CRR") and Bank of Italy Circular no. 285 of 17 December 2013. The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

The bank has joined Bank of Italy's Collateral Management System (ABACO) for the collateralisation of eligible exposures.

In 2023, the bank extended retail funding via the Raisin platform to Spain and the Netherlands in addition to the German market.

The debt to equity ratio, the disclosure of which is required by IAS 1.13, is 2.057% at year end and the bank does not have resources that are not recognised in its statement of financial position in accordance with the IAS/IFRS.

Developments and investments in technology
Although it does not carry out specific research projects, the bank continued to develop and invest in technology during the year.

In the wake of the transformation and innovation process started in 2022, the bank drew up a technology initiatives master plan in early 2023, refreshed to reflect the acquisition of the former Credimi business unit finalised in July 2023. In particular, the integration of the former Credimi architecture with the bank's systems led to the deployment of new resources and technologies aimed at modernising the bank's existing architecture, in terms of operating models, processes, structures, tools and development logics of proprietary systems. The 2023 master plan combines all these components.

Workforce
Banca CF+ pays great attention to its human capital, a real strength and competitive advantage in delivering service excellence. It aims to ensure a fair gender balance and an inclusive culture within the work environment, allowing for fair and equal growth at all levels.

The bank's workforce numbers 190 resources, of which 78 are women and 112 are men, with an average age of 40 years in 2023 (41 years in 2022). The workforce increased during the year by 41% (135 employees at 31 December 2022). Concurrently with the development of business activities in 2023, the bank continued the strategy of hiring specialised professionals begun in previous years, with the strengthening of both the business structure (factoring, financing, tax assets and finance & investments) and the governance and support structure (accounting and loan administration, IT and controls). In 2023, it hired 72 employees, 40 of whom were men and 32 women, and 26 of whom were from the former Credimi business unit.

98.5% of the bank's employees are on permanent, full-time contracts.

The following two tables show a breakdown of the bank's workforce by professional category and gender/age group:

Workforce by professional category and gender		
Professional category	2023	2022
Managers	**9%**	**15%**
Men	78%	80%
Women	22%	20%
Junior managers	**51%**	**51%**
Men	68%	71%
Women	32%	29%
White collars	**40%**	**34%**
Men	43%	46%
Women	57%	54%

Workforce by professional category and age group		
Professional category	2023	2022
< 30 years	**10%**	**7%**
Managers	0%	0%
Junior managers	5%	0%
White collars	95%	100%
Between 30 and 50 years (inclusive)	**77%**	**78%**
Managers	8%	12%
Junior managers	55%	53%
White collars	37%	35%
> 50 years	**13%**	**15%**
Managers	25%	35%
Junior managers	67%	65%
White collars	8%	-

Attention to the wellbeing and safety of employees is one of the key principles of Banca CF+'s strategy, given its awareness that its growth is closely linked to the wellbeing, satisfaction and development of its employees. The bank supports its employees through measures aimed at improving their work-life balance, differentiated according to the characteristics of their role and duties, such as flexible start times and remote working for all employees, extended in 2023 to a total of 10 days per month for all employees.

As part of its commitment to social issues, the bank also offers its employees benefits, including a health care policy that can be extended to their immediate family, a health check-up and supplementary pensions.

Financial performance and position

Financial performance

(€m)

Reclassified income statement	2023	2022	Variation	Variation %
Net interest income	58.1	39.5	18.6	47%
Net fee and commission income	2.8	1.0	1.8	173%
Net profit on sale of assets at amortised cost	0.5	0.1	0.4	378%
Net fair value loss on ABS	(29.7)	(23.6)	(6.1)	26%
Net trading income (expense)	(2.0)	1.1	(3.1)	100%
Total income	**29.7**	**18.1**	**11.6**	**64%**
Net impairment losses for credit risk	(20.9)	(6.8)	(14.1)	207%
Operating costs	(45.1)	(38.7)	(6.4)	17%
Net reversals of (accruals to) provisions for risks and charges	-	0.5	(0.4)	-93%
Net gains (losses) on equity investments	-	-	-	0%
Pre-tax loss	**(36.3)**	**(26.9)**	**(9.3)**	**35%**
Income taxes	(1.0)	2.5	(3.5)	-140%
Post-tax loss from continuing operations	**(37.3)**	**(24.4)**	**(12.9)**	**53%**
Post-tax profit (loss) from discontinued operations	-	-	-	-
Loss for the year	**(37.3)**	**(24.4)**	**(12.9)**	**53%**

The income statement shows a loss for the year of €37.3 million (loss of €24.4 million for 2022). Compared to the group's loss for the year of €35 million, as detailed in the group's directors' report, to which reference should be made, the bank's loss for the year includes:
- lower interest income (-€1.7 million) due to the difference between interest income accrued on the ABS issued by the consolidated SPVs (€27.5 million) and interest income on the related assets recognised in the consolidated financial statements (€29.2 million);
- lower interest expense (€1.3 million) due to the interest expense attributable to the consolidated entities and, as such, only recognised in the consolidated financial statements;
- higher net fee and commission income (+€3.6 million), due to intragroup fees and commissions the bank received from Crediti Fiscali+ (€1.4 million) as well as fees and commissions paid by the SPVs to third parties for their roles in the securitisations (€2.2 million). The latter expense is included in the consolidated financial statements but not in the separate financial statements;
- the net fair value losses on the ABS issued by the consolidated SPVs (€19.3 million), which were eliminated for consolidation purposes;
- smaller impairment losses (€11.9 million), due to the non-inclusion of the impairment losses on the SPVs' portfolios and cash and cash equivalents recognised in the consolidated financial statements;
- lower net operating costs (€0.7 million), as the consolidated financial statements include those recognised by the SPVs in addition to the bank's;

- lower income taxes (€1.1 million), as the consolidated financial statements include the taxes on goodwill arising on consolidation.

Financial position

(€m)

Reclassified statement of financial position	31/12/2023	31/12/2022	Variation	Variation %
Cash and cash equivalents	94.5	71.2	23.3	33%
Financial assets	1,458.5	1,077.0	381.4	35%
- FVTPL	*281.4*	*268.1*	*13.3*	*5%*
- FVOCI	*4.0*	*4.0*	*-*	*0%*
- Amortised cost	*1,173.0*	*804.9*	*368.1*	*46%*
Loans and receivables with banks	48.9	3.9	45.0	1161%
Equity investments	-	-	-	-
Property, equipment and investment property and intangible assets	19.2	14.1	5.1	36%
Tax assets (current and deferred)	13.3	16.2	(2.9)	-18%
Other assets	24.6	29.3	(4.7)	-16%
Total assets	**1,658.9**	**1,211.8**	**447.1**	**37%**
Funding and other financial liabilities	1,545.8	1,067.6	478.2	45%
- FVTPL	*6.1*	*4.4*	*1.7*	*39%*
- Due to banks	*446.2*	*152.1*	*294.2*	*193%*
- Due to customers	*1,067.9*	*911.1*	*156.9*	*17%*
- Securities issued	*25.5*	*-*	*25.5*	*100%*
Tax liabilities	0.2	0.9	(0.7)	-75%
Other liabilities	35.0	36.7	(1.7)	-4%
Post-employment benefits	0.5	0.4	0.1	16%
Provisions for risks and charges	0.5	0.6	(0.1)	-16%
Equity	**76.9**	**110.0**	**(33.1)**	**-30%**
Share capital	19.1	14.0	5.1	36%
Reserves	95.1	120.4	(25.3)	-21%
Loss for the year	(37.3)	(24.4)	(12.9)	53%
Total liabilities and equity	**1,658.9**	**1,211.8**	**447.1**	**37%**

Total **assets** amount to €1,658.9 million compared to €1,211.8 million at 31 December 2022. In addition to those already described in the group's directors' report, to which reference should be made, the bank's assets include the ABS issued by the consolidated SPVs, whereas the consolidated financial statements present the related assets.

The ABS totalled €459.9 million at 31 December 2023, net of impairment losses (€443.2 million at 31 December 2022), of which securities of €161.8 million issued by the SPVs Crediti Fiscali+ and Fairway with tax assets as their underlying.

In 2023, the bank collected €176.2 million and subscribed ABS for €189.7 million, including €179.5 million issued by the SPV Crediti Fiscali+.

The ABS are classified in two different statement of financial position captions:
• financial assets at fair value through profit or loss of €280.9 million, which include those HTC or HTCS assets that did not pass the SPPI test provided for by IFRS 9 (junior, mezzanine and certain senior/unitranche securities);
• financial assets at amortised cost of €179 million, which include those HTC senior and mezzanine 1 notes that passed the SPPI test.

Equity of €76.9 million includes the loss for the year of €37.3 million.

Other events that took place during the year

Supervisory Review and Evaluation Process (SREP)
On 24 January 2023, Bank of Italy informed Banca CF+ that it had started the SREP to review the additional capital requirement in light of the minimum regulatory requirements in order to ensure the bank's risk profile was covered.

The central bank forwarded the new measure on capital decisions to Banca CF+ in a communication dated 17 March 2023. This measure provided that, as of the supervisory reporting date of 12 May 2023 relating to the period ended 31 March 2023, the bank must continuously maintain the following capital levels determined at consolidated level: i) CET 1 ratio of 8.95% ii) tier 1 ratio of 10.85% and iii) total capital ratio of 13.35%.

At the date of approval of these separate financial statements, Bank of Italy had not updated these requirements.

ESG
Over the past 18 months, the European (ECB and EBA) and Italian (Bank of Italy) regulators have imposed a significant acceleration in the approach required of banks to identify and manage climate and ESG (Environmental, Social, Governance) risks.

In line with the ECB's approach, Bank of Italy published its supervisory expectations on climate and environmental risk management in April 2022 and commenced assessment and awareness raising initiatives in order to factor the findings into the 2023 SREP. The regulator also asked the less significant institutions (LSI) to prepare an action plan by 31 March 2023.

The bank drew up a three-year action plan which it sent to the regulator by the above deadline. It sets out the main focus areas covering five aspects of its business: i) Governance & Organisation, ii) Strategy and Business, iii) Risk Management, iv) Reporting and Disclosure, and v) Data Management.

In October 2023, the bank's Board of Directors approved its sustainability report, as part of the actions outlined in the plan. This report was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards defined by the GRI - Global Reporting Initiative.

Branches
On 10 February 2023, the bank's shareholders acknowledged completion of the regulator's authorisation process and approved the opening of a branch at Corso Europa 15, Milan.

Events after the reporting date

No adjusting events (as per the definition of IAS 10.8) took place in the period from 31 December 2023 to the date of approval of these separate financial statements that would have required the bank to adjust the amounts recognised in the separate financial statements. Reference should be made to the previous sections entitled "Capitalisation" and "Approval of the 2024-2026 financial projections" for information about the bank's capital increase and approval of the new 2024-2026 financial projections.

Business opportunities and going concern

The directors have prepared the separate financial statements at 31 December 2023 on a going concern basis as there are no doubts about the bank's ability to continue as a going concern in the foreseeable future and for beyond 12 months from the reporting date.

2023 ended with a loss of €37.3 million, almost entirely attributable to the negative performance of the legacy portfolio, comprising mainly non-performing exposures purchased by the bank (at the time Credito Fondiario S.p.A.) prior to the demerger of 1 August 2021, directly or through ABS.

Despite the loss for the year, at the reporting date, the bank's capital ratios are above the thresholds required by prudential regulations, as were all the liquidity indicators.

With regard to the bank's outlook and future prospects, the directors believe that its ability to continue as a going concern is supported by the positive performance of the new business, which has already substantially achieved break-even in its second year of operations and is expected to grow steadily in line with the trend of the first two years of operations, assisted by the capital strengthening initiatives.

In this respect, on 14 March 2024, the bank's Board of Directors approved a capital increase against payment in instalments to be offered with rights of first refusal to the bank's shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of €28,500,000. It also approved the related amendments to the bank's by-laws. The controlling shareholder, Tiber 2, has already communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter. The capital influx will support the growth outlined in the 2024-2026 financial projections, following up on the actions already carried out in 2023, firstly through a capital increase of €28 million (completed in February 2023) and the issue of a class 2 capital instrument in the fourth quarter of the year.

Management and coordination activities pursuant to article 2497 and following articles of the Italian civil code

At 31 December 2023, the bank was not managed or coordinated by another company pursuant to article 2497 and following articles of the Italian Civil Code.

Treasury shares and shares of parents

The bank does not hold treasury shares or shares of parents.

Related party transactions

Reference should be made to Part H of the notes to the separate financial statements (Related party transactions) for information about the bank's transactions with subsidiaries, parents and subsidiaries of parents.

Risks and uncertainties

The disclosures required by article 2428 of the Italian Civil Code on the bank's exposure to the main risks are provided in Part E of the notes to the separate financial statements (Information on risks and hedging policies).

Other information

The bank did not carry out research and development activities in 2023.

Proposal to the shareholders

The bank made a loss for the year of €37,266,647. We propose it be covered by the share premium.

Further to the board of directors' resolution of 8 November 2023 to avail of the option provided for by article 26.5-bis of Decree law no. 104/2023 (as amended by Law no. 136/2023), we propose the set-up of a non-distributable reserve of €4,135,250 drawing from the existing reserves in lieu of payment of the windfall tax.

The tax authorities did not specify how the reserve was to be set up in its Circular no. 4 of 23 February 2024. Given that the bank has sufficient reserves to satisfy the requirement of setting aside an amount to cover the windfall tax, on 16 January 2024, it filed a request for clarification about the obligation to pay the tax and, alternatively, how the non-distributable reserve is to be set-up.

As the bank has not yet received a response from the tax authorities, its board of directors proposed that the legal reserve be tied up and a part of the share premium also be tied up for an amount equal to the remaining part of the amount required to be set aside instead of paying the windfall tax. The board of directors also reserved the right to modify this proposal to reflect the tax authorities' response once received.

Rome, 28 March 2024

BOARD OF DIRECTORS

Chairman

Panfilo Tarantelli

Separate financial statements

Statement of financial position

(Euros)

	Assets	31/12/2023	31/12/2022
10.	Cash and cash equivalents	94,485,309	71,228,067
20.	Financial assets at fair value through profit or loss	281,448,120	268,124,961
	a) held for trading	516,974	553,620
	c) mandatorily measured at fair value	280,931,147	267,571,341
30.	Financial assets at fair value through other comprehensive income	4,000,317	4,000,317
40.	Financial assets at amortised cost	1,221,883,044	808,766,187
	a) loans and receivables with banks	48,869,247	3,876,060
	b) loans and receivables with customers	1,173,013,796	804,890,127
70.	Equity investments	3	3
80.	Property, equipment and investment property	7,476,358	8,322,752
90.	Intangible assets including:	11,707,937	5,808,053
	- goodwill	2,723,234	2,178,075
100.	Tax assets	13,343,800	16,249,317
	a) current	7,409,282	10,295,342
	b) deferred	5,934,518	5,953,976
120.	Other assets	24,574,184	29,300,170
	Total assets	**1,658,919,071**	**1,211,799,827**

Statement of financial position

(Euros)

	Liabilit ies and equity	31/12/2023	31/12/2022
10.	Financial liabilities at amortised cost	1,539,614,176	1,058,725,641
	a) due to banks	446,219,020	152,059,343
	b) due to customers	1,067,941,283	906,666,298
	c) securities issued	25,453,873	-
20.	Financial liabilities held for trading	799,590	-
30.	Financial liabilities at fair value through profit or loss	5,344,737	4,424,270
60.	Tax liabilities	223,302	887,107
	a) current	*168,714*	*887,107*
	b) deferred	*54,588*	-
80.	Other liabilities	35,034,715	36,685,316
90.	Post-employment benefits	481,121	416,364
100.	Provisions for risks and charges	514,055	611,257
	c) other provisions	*514,055*	*611,257*
110.	Valuation reserves	3,814,467	2,758,999
140.	Reserves	3,233,349	41,667,927
150.	Share premium	88,059,658	76,020,407
160.	Share capital	19,066,549	14,000,000
180.	Loss for the year	(37,266,647)	(24,397,461)
	Total liabilities and equity	**1,658,919,071**	**1,211,799,827**

Income statement

(Euros)

	Captions	2023	2022
10.	Interest and similar income	96,995,942	56,216,137
20.	Interest and similar expense	(38,931,938)	(16,748,359)
30.	**Net interest income**	**58,064,003**	**39,467,778**
40.	Fee and commission income	4,563,256	2,819,084
50.	Fee and commission expense	(1,764,017)	(1,792,337)
60.	**Net fee and commission income**	**2,799,239**	**1,026,747**
80.	Net trading income (expense)	(1,980,982)	1,110,661
100.	Net gain from sales or repurchases of:	535,463	112,026
	a) financial assets at amortised cost	*535,463*	*112,026*
110.	Net loss on other financial assets and liabilities at fair value through profit or loss	(29,695,052)	(23,588,067)
	a) financial assets and liabilities designated at fair value	*(2,714,432)*	*(1,161,022)*
	b) other financial assets mandatorily measured at fair value	*(26,980,620)*	*(22,427,045)*
120.	**Total income**	**29,722,670**	**18,129,145**
130.	Net impairment losses for credit risk associated with:	(20,908,571)	(6,812,812)
	a) financial assets at amortised cost	*(20,908,571)*	*(6,812,812)*
150.	**Net financial income**	**8,814,099**	**11,316,332**
160.	Administrative expenses:	(45,881,350)	(37,325,934)
	a) personnel expense	*(23,614,863)*	*(16,972,411)*
	b) other administrative expenses	*(22,266,486)*	*(20,353,523)*
170.	Net reversals of provisions for risks and charges	36,025	483,904
	b) other	*36,025*	*483,904*
180.	Depreciation and net impairment losses on property, equipment and investment property	(1,844,935)	(1,149,921)
190.	Amortisation and net impairment losses on intangible assets	(2,099,693)	(1,322,481)
200.	Other operating income, net	4,737,492	1,097,470
210.	**Operating costs**	**(45,052,460)**	**(38,216,963)**
220.	Net losses on equity investments	(25,000)	(19,698)
260.	**Pre-tax loss from continuing operations**	**(36,263,362)**	**(26,920,328)**
270.	Income taxes	(1,003,285)	2,522,867
280.	**Post-tax loss from continuing operations**	**(37,266,647)**	**(24,397,461)**
300.	**Loss for the year**	**(37,266,647)**	**(24,397,461)**

Statement of comprehensive income

(Euros)

	Caption	2023	2022
10.	**Loss for the year**	**(37,266,647)**	**(24,397,461)**
	Other comprehensive income (expense), net of tax, that will not be reclassified to profit or loss:		
20.	Equity instruments at fair value through other comprehensive income	1,037,163	-
30.	Financial liabilities at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	18,306	131,349
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
	Other comprehensive income (expense), net of tax, that will be reclassified to profit or loss:		
100.	Hedges of investments in foreign operations	-	-
110.	Exchange gains (losses)	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	-	317
150.	Non-current assets held for sale and disposal groups	-	-
160.	Share of valuation reserves of equity-accounted investees	-	-
170.	**Total other comprehensive income, net of tax**	**1,055,468**	**131,666**
180.	**Comprehensive expense (captions 10 + 170)**	**(36,211,179)**	**(24,265,796)**

Statement of changes in equity for the year ended 31 December 2023

(Euros)

	Balance at 31.12.2022	Change to opening balances	Balance at 1.1.2023	Allocation of prior year loss: Reserves	Allocation of prior year loss: Dividends and other allocations	Changes of the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Repurchase of own shares	Equity transactions: Extraordinary dividend distribution	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on treasury shares	Equity transactions: Stock options	2023 comprehensive expense	Equity at 31.12.2023
Share capital:														
a) ordinary shares	14,000,000	-	14,000,000	-	-	-	5,066,549	-	-	-	-	-	-	19,066,549
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	76,020,407	-	76,020,407	(10,962,881)	-	-	23,002,132	-	-	-	-	-	-	88,059,658
Reserves:														
a) ncome-related	13,512,572	-	13,512,572	(10,279,225)	-	-	-	-	-	-	-	-	-	3,233,348
b) other	28,155,353	-	28,155,353	(3,155,355)	-	-	(24,999,998)	-	-	-	-	-	-	-
Valuation reserves	2,758,999	-	2,758,999	-	-	-	-	-	-	-	-	-	1,055,468	3,814,467
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year	(24,397,461)	-	(24,397,461)	24,397,461	-	-	-	-	-	-	-	-	(37,266,647)	(37,266,647)
Equity	**110,049,870**	**-**	**110,049,870**	**-**	**-**	**-**	**3,068,683**	**-**	**-**		**-**	**-**	**- (36,211,179)**	**76,907,375**

See section F "Information on equity" of these notes for details of changes in reserves during the year.

Statement of changes in equity for the year ended 31 December 2022

(Euros)

	Balance at 31.12.2021	Change to opening balances	Balance at 31.12.2022	Allocation of prior year loss: Reserves	Allocation of prior year loss: Dividends and other allocations	Changes of the year: Changes in reserves	Changes of the year – Equity transactions: Issue of new shares	Changes of the year – Equity transactions: Repurchase of own shares	Changes of the year – Equity transactions: Extraordinary dividend distribution	Changes of the year – Equity transactions: Change in equity instruments	Changes of the year – Equity transactions: Derivatives on treasury shares	Changes of the year – Equity transactions: Stock options	Changes of the year: 2022 comprehensive expense	Equity at 31.12.2022
Share capital:														
a) ordinary shares	14,000,000	-	14,000,000	-	-	-	-	-	-	-	-	-	-	14,000,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	76,020,407	-	76,020,407	-	-	-	-	-	-	-	-	-	-	76,020,407
Reserves:														
a) ncome-related	18,292,961	-	18,292,961	(4,981,179)	-	200,790	-	-	-	-	-	-	-	13,512,572
b) other	4,738,366	-	4,738,366	-	-	23,690,941	-	-	-	-	-	(273,956)	-	28,155,353
Valuation reserves	2,627,333	-	2,627,333	-	-	-	-	-	-	-	-	-	131,666	2,758,999
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year	(4,981,179)	-	(4,981,179)	4,981,179	-	-	-	-	-	-	-	-	(24,397,461)	(24,397,461)
Equity	**110,697,889**	**-**	**110,697,889**	**-**	**-**	**23,891,732**	**-**	**-**	**-**	**-**	**-**	**(273,956)**	**(24,265,796)**	**110,049,871**

Statement of cash flows (indirect method)

(Euros)

A. OPERATING ACTIVITIES	Amount 2023	2022
1. Operations	**20,229,847**	**7,120,931**
- loss for the year (+/-)	(37,266,647)	(24,397,461)
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit or loss (-/+)	31,676,034	23,476,041
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses/gains for credit risk (+/-)	20,908,571	6,812,812
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	3,944,628	1,684,075
- net accruals to/net reversals of provisions for risks and charges and other costs/revenue (+/-)	(36,025)	(483,904)
- unsettled taxes and tax assets (+/-)	1,003,285	-
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax (+/-)	-	-
- other adjustments (+/-)	-	29,368
2. Cash flows used for financial assets	**(466,645,522)**	**(397,103,819)**
- financial assets held for trading	36,646	-
- financial assets at fair value through profit or loss	-	-
- other assets mandatorily measured at fair value	(40,340,426)	4,289,986
- financial assets at fair value through other comprehensive income	-	(317)
- financial assets at amortised cost	(434,025,428)	(376,839,212)
- other assets	7,683,687	(24,554,277)
3. Cash flows generated by/used for financial liabilities	**475,602,352**	**296,189,420**
- financial liabilities at amortised cost	480,888,535	280,132,818
- financial liabilities held for trading	(1,181,392)	-
- financial liabilities at fair value through profit or loss	(1,793,965)	(1,229,038)
- other liabilities	(2,310,825)	17,285,640
Net cash flows generated by/used in operating activities	**29,186,677**	**(93,793,468)**

Continue - Statement of cash flows (indirect method)

(Euros)

B. INVESTING ACTIVITIES	31/12/2023	31/12/2022
1. Cash flows generated by	**-**	**-**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**(8,998,118)**	**(3,922,596)**
- equity investments	-	-
- property, equipment and investment property	(998,541)	(2,283,256)
- intangible assets	(2,499,577)	(1,639,341)
- business units	(5,500,000)	-
Net cash flows used in investing activities	**(8,998,118)**	**(3,922,596)**
C. FINANCING ACTIVITIES	**31/12/2023**	**31/12/2022**
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	3,068,683	25,000,000
- dividend and other distributions	-	-
Net cash flows generated by financing activities	**3,068,683**	**25,000,000**
NET CASH FLOWS FOR THE YEAR	**23,257,242**	**(72,716,064)**

Key: *(+) Generated* *(-) Used*

RECONCILIATION

(Euros)

Financial statements captions	2023	2022
Opening cash and cash equivalents	71,228,067	143,944,131
Total net cash flows for the year	23,257,242	(72,716,064)
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	**94,485,309**	**71,228,067**

With respect to the additional disclosures required for the separate financial statements at 31 December 2023 after publication of Regulation (EU) 2017/1990 which partly amended IAS 7 - Statement of cash flows, the bank does not have liabilities arising from financing activities and, therefore, paragraphs from 44A to 44E and paragraph 60 are not applicable.

Banca CF+

Notes to the separate financial statements

Part A: Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance with IFRS

As required by Legislative decree no. 38 of 28 February 2005, the separate financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union as per the procedure set out by article 6 of Regulation (EC) 1606 of 19 July 2002. They also comply with the layout and compilation requirements contained in Circular no. 262 of 22 December 2005 (eighth revision of 17 November 2022), issued by Bank of Italy as part of its powers granted by article 43 of Legislative decree no. 136/2015.

These separate financial statements set out an analysis of the main captions.

First application/recently adopted standards

In accordance with IAS 8, the new IFRS or amendments to existing standards and the related EU endorsement regulations, the application of which is mandatory for annual periods beginning on or after 1 January 2023, are set out below:

• Definition of accounting estimates (Amendments to IAS 8). On 12 February 2021, the IASB issued amendments to IAS 8 introducing the definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this is disclosed. The directors do not expect the adoption of these amendments will have a significant effect on the bank's separate financial statements.

• Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2). On 12 February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to assist entities in applying materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policy information; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The directors do not expect the adoption of these amendments will have a significant effect on the bank's separate financial statements.

• Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12). On 7 May 2021, the IASB published an amendment to this standard clarifying how an entity should recognise deferred tax when it accounts for transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The directors do not expect the adoption of these amendments will have a significant effect on the bank's separate financial statements.

• International tax reform - Pillar Two model rules (Amendments to IAS 12). On 23 May 2023, the IASB published amendments to IAS 12 to respond to the OECD's BEPS Pillar Two rules. They include:

- a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of financial statements better understand the income tax impacts arising from such legislation, particularly before its effective date. The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual periods beginning on or after 1 January 2023, but not for interim periods ending on or before 31 December 2023.

• Amendments to IFRS 17 - Insurance contracts. On 18 May 2017, the IASB issued IFRS 17 - Insurance contracts as well as amendments thereto on 25 June 2020. This is a new comprehensive standard on insurance contracts covering their recognition and measurement, presentation and disclosure. IFRS 17 replaced IFRS 4 - Insurance contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance) regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. There are a small number of scope exceptions. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. Unlike IFRS 4, which is largely based on maintaining previous accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts. It uses a general measurement model, supplemented by:
- a specific adjustment for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and requires the presentation of comparative figures. Earlier application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17.

• Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17). On 9 December 2021, the IASB introduced a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities 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. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The new standards and amendments effective as of 1 January 2023, where applicable, did not have a significant impact on the bank's financial position and financial performance.

Endorsed standards and interpretations that become effective after 31 December 2023

• Classification of liabilities as current or non-current and deferral of effective date (Amendments to IAS 1) On 23 January 2020, the IASB published an amendment to this standard that clarifies how an entity should classify debt and other financial liabilities as current or non-current in particular circumstances. In June 2021, the IASB decided to defer the effective date of the amendment to annual reporting periods beginning on or after 1 January 2024; earlier application is still permitted but must be applied at the same time as the 2022 amendments. The directors do not expect the adoption of these amendments will have a significant effect on the bank's separate financial statements.
• Non-current liabilities with covenants (Amendments to IAS 1) On 31 October 2022, the IASB published an amendment to this standard regarding non-current liabilities subject to conditions. Only the conditions of a liability arising from a loan arrangement that an entity must comply with by the reporting date will affect the classification of that liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. They are not expected to have a significant impact on the bank's separate financial statements.
• Lease liability in a sale and leaseback (Amendments to IFRS 16) On 22 September 2022, the IASB issued an amendment to this standard that requires a seller-lessee to measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. IFRS 16 already included the information for accounting for a sale and leaseback at the date the transaction occurs, but not the subsequent treatment. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. They are not expected to have a significant impact on the bank's separate financial statements.

IAS/ IFRS accounting standards and related SIC/IFRIC interpretations issued by the IASB/IFRIC that are pending endorsement

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

• Supplier finance arrangements (Amendments to IAS 7 and IFRS 7). On 25 May 2023, the IASB issued amendments to IAS 7 - Statement of cash flows and IFRS 7 - Financial instruments: Disclosures, to clarify the characteristics of supplier finance agreements and request further disclosure of such agreements. The disclosure requirements included in the amendments are intended to enable users of financial statements to understand the effects on an entity's liabilities, cash flows and exposure to liquidity risk related to supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and disclosure of this fact is required.
• Lack of exchangeability (Amendments to IAS 21) (issued on 15 August 2023). On 15 August 2023, the IASB issued amendments to IAS 21 that specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted and disclosure of this fact is required.

Section 2 – Basis of preparation

The separate financial statements consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (prepared using the indirect method) and these notes, drawn up in accordance with the formats and technical layouts defined by Bank of Italy. They are accompanied by a directors' report in which the directors comment on the bank's performance and financial position, as required by the IFRS.

Pursuant to article 5 of Legislative decree no. 38/2005, the reporting currency used to prepare the separate financial statements is the Euro. The amounts in the separate financial statements are presented in Euros while the amounts in the notes are in thousands of Euros, unless specified otherwise. As required by the Circular, the separate financial statements present the prior year corresponding figures for comparative purposes.

The bank prepared the separate financial statements in line with the general principles set out in IAS 1:
a) Going concern: assets, liabilities and off-statement of financial position items are measured on a going concern basis as management is reasonably certain that the bank will continue to operate for least 12 months after the reporting date. Management's considerations are set out in the "Business opportunities and going concern" section of the Directors' report, to which reference is made.
b) Accruals basis of accounting: expenses and revenue are recognised on an accruals and matching basis.
c) Consistency of presentation: the presentation and classification criteria of the captions are consistent from one period to another to ensure comparable information, unless their modification is required by a standard or an interpretation or an improvement in the materiality and reliability of the caption's presentation becomes necessary. Captions are presented and classified in line with Bank of Italy's instructions for banks' financial statements in Circular no. 262 of 22 December 2005 and subsequent amendments.
d) Materiality and aggregation: In line with Bank of Italy's instructions for banks' financial statements, the various classes of similar items are presented separately, if material. Different items, if material, are presented separately.
e) Offsetting: Except when required or allowed by the IAS/IFRS or Bank of Italy's instructions for banks' financial statements, assets and liabilities and expenses and revenue are not offset.
f) Comparative information: comparative information from the previous year for all amounts reported in the current year's separate financial statements is disclosed, including qualitative when deemed useful for understanding, except when the IAS/IFRS permit or require otherwise.
g) Departures: if, in exceptional cases, application of the requirements of the IAS/IFRS is not compatible with a true and fair view of the bank's financial position, financial performance and cash flows, it is not applied. The notes explain the reasons for the departure from the standards and its effect on the bank's financial position, financial performance and cash flows. No departures were made in these separate financial statements.

Section 3 – Events after the reporting date

No events have taken place since the reporting date that would have required changes to the approved data, the results or additional information to be provided. Specifically, no significant events have taken place in the period from the reporting date to the date of approval of the separate financial statements that would have affected the bank's financial position, financial performance and cash flows. This considers the prudent management of risks, the qualitative and quantitative aspects of which are detailed in Part E of these notes and capital adequacy in Part F.

The Directors' report provides information on the capital strengthening initiatives and approval of the new 2024-2026 financial projections in the "Capitalisation" and "Approval of the 2024-2026 financial projections" sections.

Section 4 – Other issues

Use of accounting estimates

Application of the IAS/IFRS to financial reporting requires management to make accounting estimates for some asset and liability captions that are considered reasonable and realistic based on the information available when the estimate is made. The estimates affect the carrying amount of the assets and liabilities and the disclosure about contingent assets and liabilities at the reporting date as well as the revenue and costs for the reporting period.

Changes in the conditions underlying the judgements, assumptions and estimates may affect subsequent period results.

The main areas for which judgements are required by management are:
• calculation of impairment losses or gains on financial assets at amortised cost, which include the ABS and POCI securities held by the bank;
• use of valuation models to calculate the fair value of financial instruments not quoted on active markets such as, specifically, the ABS that do not pass the SPPI test;
• calculation of employee benefits and provisions for risks and charges;
• estimates and assumptions about the recoverability of deferred tax assets;
• estimates and assumptions about the recoverability of intangible assets with indefinite useful lives.

With reference to the estimates and assumptions about the recoverability of deferred tax assets, when preparing its separate financial statements at 31 December 2023, the bank designed a specific probability test in accordance with IAS 12, which was approved by the Board of Directors. The cash flows underlying the quantification of taxable profits are based on the updated financial projections for the 2024-2026 three-year period (the "projections") approved by the bank's Board of Directors on 12 March 2024.

Management used the same projections to estimate the cash flows used for the impairment test, aimed at verifying the recoverability of intangible assets with an indefinite life. The impairment test, approved by the bank's Board of Directors, was prepared to test the factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto.

The descriptions of the accounting policies applied to the main financial statements captions provide the information necessary to identify the main assumptions and judgements adopted by management to prepare the separate financial statements.

Independent auditors

EY S.p.A. performed the statutory audit of the bank's separate financial statements as per the shareholders' resolution of 27 April 2022.

Pursuant to article 17.1 of Decree no. 39/2010, the audit engagement has a nine-year term (from 31 December 2022 to 31 December 2030).

Preparation of consolidated financial statements

Banca CF+ has prepared consolidated financial statements in accordance with Legislative decree no. 136/2015 and IFRS 10. At 31 December 2023, it has de facto control of the vehicles used for investment transactions.

Approval of the separate financial statements

On 28 March 2024, the directors approved the separate financial statements and their presentation to the shareholders within the terms provided for by article 2429 of the Italian Civil Code. The shareholders will be asked to approve the separate financial statements in their meeting of 28 April 2024, on first call, and of 29 April 2024, on second call, and the separate financial statements will be filed within the legal term as per article 2435 of the Italian Civil Code. For the purposes of IAS 10.17, the preparation date of the separate financial statements is 28 March 2024, i.e., when the Board of Directors approved them.

A.2 - MAIN FINANCIAL STATEMENTS CAPTIONS

The accounting policies adopted to prepare the separate financial statements are set out below.

1 - Financial assets at fair value through profit or loss (FVTPL)

Recognition

Debt and equity instruments are initially recognised at the settlement date, loans at the disbursement date and derivatives at the date they are entered into.

Upon initial recognition, financial assets at fair value through profit or loss are measured at fair value without considering transaction costs or revenue.

Classification

This category includes financial assets other than those classified at fair value through other comprehensive income or at amortised cost. Specifically, this caption includes:
- financial assets held for trading, which are mainly derivatives held for trading with positive fair values;
- those assets that are mandatorily measured at fair value, because they do not meet the requirements for their measurement at amortised cost or at fair value through other comprehensive income. The contractual terms of these financial assets give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding (i.e., they did not pass the SPPI test) or the asset is not held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect model) or whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model). The latter category includes the ABS in which the bank invested under a hold to collect business model and which are measured at fair value since they did not pass the SPPI test.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through profit or loss measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through other comprehensive income). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. The effective interest rate is determined on the basis of the fair value of the reclassified financial asset at the reclassification date

Measurement

After initial recognition, financial assets at fair value through profit or loss are measured at fair value and the resulting gain or loss is recognised in profit or loss.

Derecognition

These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the bank derecognises the financial assets if it no longer has control thereover. If the bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the bank retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue

Interest income, calculated using the IRR for ABS, is recognised as "Interest and similar income" in the income statement.

Gains and losses and fair value gains and losses compared to the instruments' acquisition cost are recognised under income statement caption "110. Net gain (loss) on other financial assets and liabilities at fair value through profit or loss".

2 - Financial assets at fair value through other comprehensive income (FVOCI)

Recognition

Debt and equity instruments are initially recognised at the settlement date and loans at the disbursement date.

Upon initial recognition, the assets are measured at fair value, including directly attributable transaction costs or revenue.

Classification

A financial asset shall be classified in this category if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

This category also includes equity instruments other than those held for trading which the bank has designated as measured at fair value through other comprehensive income upon initial recognition.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets.

Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. If an asset is reclassified out of this category and into the amortised cost measurement category, the cumulative gain or loss previously recognised in the fair value reserve is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. If an asset is reclassified out of this category and into the fair value through profit or loss measurement category, the cumulative gain or loss previously recognised in the fair value reserve is reclassified from equity to profit or loss.

Measurement

After initial recognition, a gain or loss on a financial asset measured at fair value through other comprehensive income other than equity instruments is recognised in a specific equity reserve, except for those arising from the application of amortised cost, impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised. When the financial asset is derecognised, in part or in its entirety, the cumulative gain or loss previously recognised in the fair value reserve is reclassified, in part or in its entirety, from equity to profit or loss.

The equity instruments that the bank has elected to classify in this category are measured at fair value and any cumulative gain or loss recognised in OCI (statement of comprehensive income) cannot be subsequently transferred to profit or loss, even when the instrument is disposed of. Only dividends on such investments are recognised in profit or loss.

Like for assets measured at amortised cost, the bank assesses whether the credit risk of its financial assets measured at fair value through other comprehensive income (either debt instruments or loan assets) has increased significantly, in accordance with the impairment requirements of IFRS 9. If this is the case, the bank recognises the expected credit loss accordingly. Specifically, it recognises a 12-month expected credit loss on its financial instruments classified at stage 1 (i.e., financial assets that are not originated credit-impaired and financial assets whose credit risk has not increased significantly since initial recognition) upon initial recognition and at each subsequent reporting date. It recognises a lifetime expected credit loss on its financial instruments classified at stage 2 (performing financial assets, whose credit risk increased significantly since initial recognition) and stage 3 (credit-impaired financial assets). Conversely, equity instruments are not subject to impairment testing.

Derecognition

These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the bank derecognises the financial assets if it no longer has control thereover. If the bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the bank retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients. If it is not possible to ascertain the substantial transfer of risks and rewards of title, the bank derecognises the financial assets if it no longer has control thereover. If the bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Recognition of costs and revenue

Gains and losses on the assets' sale are recognised in caption "100. Net gain (loss) from sales or repurchases of: b) financial assets at fair value through other comprehensive income" in the income statement. Fair value gains and losses are recognised directly in equity (caption "110. Valuation reserves") and reclassified to the income statement (caption "100. Net gain (loss) from sales or repurchases of: b) financial assets at fair value through other comprehensive income") when realised due to their sale or when impairment losses are recognised. In this case, they are recognised in caption "130. Net impairment losses/gains for credit risk associated with: b) financial assets at fair value through other comprehensive income". This caption shows the net impairment gains or losses solely for debt instruments as impairment gains or losses on quoted equity instruments are recognised directly in equity (fair value reserve) while impairment gains cannot be recognised for unquoted equity instruments.

3 - Financial assets at amortised cost

Recognition

Debt instruments are initially recognised at the settlement date, while loans are recognised at the disbursement date. Upon initial recognition, the assets are measured at fair value, including directly attributable transaction costs or revenue.

The disbursement date of loans is usually the agreement signing date. If they are not the same, when signing the agreement, the bank recognises a commitment to grant funds which is extinguished when the loan is disbursed. They are recognised at their fair value, which equals the amount disbursed, or their subscription price including transaction costs or revenue attributable to the individual loan and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or are administrative costs.

Classification

A financial asset (in particular, loans and debt instruments) is classified in this category if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (hold to collect business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

Specifically, this caption mostly includes:
- loans and receivables with banks that meet the requirements set out above;
- loans and receivables with customers that meet the requirements set out above;
- debt instruments that meet the requirements set out above.

This caption also includes trade receivables arising from the provision of financial services, as defined by the Italian Consolidated Banking Act and the Italian Consolidated Finance Act.

Under the IFRS 9 general reclassification rules for financial assets, an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value at amortised cost measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss, if the asset is reclassified out of this category and into the fair value through profit or loss measurement category, whereas it is recognised in the fair value reserve in equity if the asset is reclassified into the fair value through other comprehensive income category.

Measurement

After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method. Under this method, the asset is recognised at its initial carrying amount decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity (generally due to the cost/revenue directly allocated to the individual asset) and by the loss allowance, if any. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the disbursed amount, including directly attributable costs and revenue. This accounting method allows the distribution of the costs and revenue directly attributable to a financial asset over its expected residual life.

The amortised cost method is not used for assets measured at historical cost as discounting these loans has no material impact considering their short term, and assets without a set maturity or on demand.

Impairment is strictly related to the exposures' credit staging, i.e., their classification in one of the three stages provided for by IFRS 9, the last of which (stage 3) includes credit-impaired financial assets and the other two (stages 1 and 2) include performing financial assets.

The expected credit losses on these assets are recognised in profit or loss as follows:
- upon initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has not increased significantly since initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has increased significantly since initial recognition, the lifetime expected credit losses;
- upon subsequent measurements, if, after the credit risk increased significantly since initial recognition, the increase is no longer significant, the amount that accounts for the change from a lifetime expected credit loss to a 12-month expected credit loss.

If they are performing, these financial assets are subject to an individual impairment assessment according to their risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "credit-impaired", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss to be recognised in profit or loss is calculated based on an individual measurement or a collective measurement by group of similar assets and, then, individually allocated to each position, considering forward-looking information and possible alternative recovery scenarios as detailed in the "Impairment of financial assets" section.

Credit-impaired assets include financial assets classified as bad, unlikely to pay or overdrawn/past due by over ninety days according to the rules issued by Bank of Italy, in line with the IAS/IFRS and EU supervisory regulations. The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even when it is restructured with a variation of the contractual interest rate and when the asset, in practice, no longer bears contractual interest.

When the reasons for the impairment loss are no longer valid due to an event that took place subsequently to its recognition, the impairment loss is reversed through profit or loss. The reversal cannot exceed the amortised cost the asset would have had if it had not been impaired.

Impairment gains due to the passage of time are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual terms may be subsequently modified by the parties to the contract. When the contractual terms are modified during the lifetime of an instrument, the bank assesses whether the original asset should continue to be recognised in the statement of financial position or whether, instead, it should be derecognised and a new financial asset needs to be recognised.

In general, modifications to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the modification is made using both qualitative and quantitative information. In some cases, without resorting to complex analyses, it is clear that the characteristics and/or contractual cash flows of a particular asset are substantially modified while, in other cases, further analyses (including quantitative analyses) are necessary to assess the effects of the modifications and check whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must, therefore, consider:
- the purposes for which the modifications were made: e.g., (a) renegotiations for commercial reasons and (b) forbearance measures due to financial difficulties of the counterparty:
• the former, aimed at "retaining" the customer, involve a borrower that does not have financial difficulties. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenue;
• the latter, carried out for "reasons of credit risk" (forbearance measures), relate to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the modifications, are not normally substantially transferred and, consequently, the accounting treatment that provides the most relevant information for the separate financial statements users (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;

- the existence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are expected to lead to derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Derecognition

These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the bank derecognises the financial assets if it no longer has control thereover. If the bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the bank retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue

Interest income, calculated using the nominal interest rate or the IRR for ABS, is recognised as "Interest and similar income" in the income statement. Default interest is recognised in profit or loss when collected.

Impairment gains are recognised in caption "130. Net impairment losses/gains for credit risk associated with: a) financial assets at amortised cost".

If the amount of the impairment loss decreases in subsequent years and the decrease is objectively related to an event that took place after recognition of the impairment loss, the impairment loss is reversed directly or through the release of the allowance to profit or loss.

If the assets are derecognised, any resulting losses are recognised in profit or loss, net of the related allowance.

4 – Equity investments

Recognition, classification and measurement

This caption includes investments in subsidiaries, associates and jointly-controlled entities.

Subsidiaries are entities, including structured entities, that the bank directly or indirectly controls. Control exists when the investor has:
• power over the relevant activities;
• exposure, or rights, to variable returns from involvement with the investee;
• the ability to use its power over the investee to affect the amount of the investor's returns.

The bank considers the following factors to check whether control exists:
• the purpose and design of the investee, in order to identify its objectives, its relevant activities and how these activities are directed;
• power, in order to understand whether the bank has contractual rights that give it the current ability to direct the relevant activities; it only considers substantive rights that give it the practical ability to direct;
• exposure to the investee, to assess whether it is exposed to variable returns, which vary as a result of the performance of an investee, from its involvement with the investee;
• the existence of potential principal - agent relationships.

When the relevant activities are directed through voting rights, the existence of control is checked considering the voting rights, including potential voting rights held and any shareholder agreements that give the right to control the majority of the voting rights, to appoint the majority of the governing body or the power to determine the investee's operating and financing policies.

Structured entities may qualify as subsidiaries even when the voting rights are not substantive in order to determine control. They include special purpose entities and investment funds.

The existence of control of structured entities is assessed considering contractual rights that give the bank the right to direct the entity's relevant activities (those that contribute the most to its results) and the bank's exposure to the variable returns of those activities.

An entity is jointly controlled when control is shared by the bank and one or more parties based on an agreement or when decisions about significant matters have to be taken by all the parties holding control.

An entity is an associate, i.e., subject to significant influence, when the bank has at least 20% of its voting rights (including "potential" voting rights) or, if it has a smaller percentage of voting rights, when the bank has the power to participate in deciding operating and financing policies due to special legal relationships such as shareholder agreements. The bank has investments of more than 20% in entities that are not considered to be subject to significant influence, as it solely has equity rights to a portion of the return on investments, does not participate in operating decisions and can only exercise limited governance rights to protect its interest.

Investments in subsidiaries, associates and jointly-controlled entities are measured at cost less any impairment losses.

If there is an indication that an equity investment is impaired, its recoverable amount is estimated, considering the present value of the future cash flows that the equity investment may generate, including its sales price.

If the recoverable amount is lower than its carrying amount, the difference is recognised in profit or loss.

When the reasons for the impairment loss are no longer valid due to an event that took place subsequently to its recognition, the impairment loss is reversed through profit or loss.

Derecognition

Equity investments are derecognised when the bank's contractual rights to cash flows therefrom expire or when they are sold, transferring substantially all the related risks and rewards.

5 - Property, equipment and investment property

Recognition

Property, equipment and investment property are initially recognised at cost, which comprises the asset's purchase price, trade discounts and rebates, non-refundable purchase taxes (e.g., non-deductible VAT and registration taxes) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Right-of-use assets are initially recognised as the sum of the lease liability (present value of the future lease payments over the lease term), any lease payments made at or before the commencement date, any initial direct costs and any costs to be incurred in dismantling or restoring the underlying asset.

Classification

Property, equipment, machinery and other assets used in operations are covered by IAS 16 while investment property (land and buildings) fall under the scope of IAS 40. The category comprises assets under finance lease (for the lessees) and operating lease (for the lessors) as well as leasehold improvement costs. Reference is made to IFRS 16 to determine whether an arrangement contains a lease. Property, equipment and machinery are recognised as assets when:
• it is probable that future economic benefits associated with the item will flow to the bank;
• the cost of the item can be measured reliably.

Measurement

Subsequent costs, related to an asset already recognised, are added to its carrying amount when it is probable that they will increase the future economic benefits in excess of the normal output of the asset as originally estimated. All other costs are expensed when incurred.

After recognition as an asset, an item of property, equipment and investment property is recognised at its cost less any accumulated depreciation and any accumulated impairment losses. Impairment tests are performed once a year.

Derecognition

Property, equipment and investment property are derecognised on disposal or retirement and no future economic benefits are expected from their use or disposal.

Recognition of costs and revenue

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the bank. When expectations differ significantly from previous estimates, the depreciation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an item of property and equipment or investment property has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

6 - Intangible assets

Recognition

Intangible assets are recognised at cost, adjusted for any transaction costs, only if it is probable that the future economic benefits associated with the asset will flow to the bank and the asset's cost may be determined reliably. If these conditions are not met, the cost of the asset is recognised in profit or loss when incurred.

Classification

Intangible assets include goodwill and other intangible assets which fall under the scope of IAS 38.

An intangible asset is recognised as such solely when it is a resource that is:
• non-monetary;
• identifiable;
• without physical substance;
• held for use in the production or supply of goods or services, lease to third parties or for administrative purposes;
• controlled by the bank;
• from which future economic benefits are expected to flow to the bank.

Measurement

The cost of assets with finite useful lives is amortised on a straight-line or diminishing balance basis depending on how the economic benefits are expected to flow to the bank. Assets with indefinite useful lives are not amortised, but are regularly tested for impairment.

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. The impairment loss, which is recognised in profit or loss, is equal to the difference between the asset's carrying amount and recoverable amount.

In particular, intangible assets include:
a) technology-based intangible assets, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. In particular, the costs incurred internally for the development of software projects are recognised under intangible assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development stage can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to make the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Capitalised software development costs include only the costs directly attributable to the development stage. They are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the bank from the beginning of production over the product's estimated life;

b) goodwill, which may be recognised as part of business combinations when the positive difference between the consideration transferred plus the fair value of any non-controlling interests and the fair value of the acquired assets and liabilities represents the acquiree's future income-generating potential.

If this difference is negative (negative goodwill) or if the positive difference is not justified by the acquiree's future income-generating potential, it is immediately recognised in profit or loss.

Once a year (or whenever there is an impairment indicator), goodwill is tested for impairment. This requires the identification of the cash-generating unit to which goodwill is allocated. Any impairment losses are determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. The recoverable amount is the higher of the fair value less costs to sell of the cash-generating unit and its value in use. Any resulting impairment losses are recognised in profit or loss.

Derecognition

Intangible assets are derecognised on disposal and if no future economic benefits are expected therefrom.

Recognition of costs and revenue

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the bank. When expectations differ significantly from previous estimates, the depreciation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an intangible asset has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

7 - Current and deferred taxes

Recognition

Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised as an expense on an accruals basis, in line with the costs and revenue generating them. They show the tax benefit (expense) for the reporting period. Under the liability method, they include:
a) current tax assets, the amount of income taxes recoverable in respect of the taxable profit (tax loss) for the period;
b) current tax liabilities, the amount of income taxes payable in respect of the taxable profit (tax loss) for the period;
c) deferred tax assets, the amount of income taxes recoverable in future periods in respect of deductible temporary differences (mainly expenses deductible in the future from taxable profit (tax loss) under the ruling tax laws);
d) deferred tax liabilities, the amount of income taxes payable in future periods in respect of taxable temporary differences (mainly deferred tax on revenue or advance deductions of expenses when determining taxable profit (tax loss) of future periods under the ruling tax laws).

Classification

Current tax assets and liabilities shows the bank's tax position vis-à-vis the tax authorities. Current tax liabilities include the tax liability for the reporting period while the current tax assets comprise payments on account and other tax assets for withholdings or other prior year tax assets which the bank intends to use for offsetting purposes in subsequent periods.

Deferred tax assets and liabilities are classified as non-current assets and liabilities pursuant to IAS 1.56.

Therefore, deferred taxes are presented under non-current liabilities as "Deferred tax liabilities" when they are liabilities, i.e., are related to items that will become taxable in future periods, otherwise they are recognised as "Deferred tax assets" under non-current assets when they relate to items that will be deductible in future periods.

Deferred taxes are recognised under equity if they relate to transactions that affect equity.

Measurement

Corporate income tax (IRES) and the regional tax on production activities (IRAP) are calculated using a realistic estimate of the positive and negative items of the reporting period using the enacted tax rates.

Deferred tax assets are only recognised when it is probable that the bank will have sufficient taxable profit in the same period as the reversal of the deductible temporary differences. Deferred tax liabilities are always recognised.

Current and deferred taxes are offset only when the bank has the legally enforceable right to set off the recognised amount and intends to do so.

Recognition of costs and revenue

The balancing entry of tax assets and liabilities (current and deferred) is the caption "Income taxes" in the income statement. When the current or deferred taxes to be recognised relate to transactions, the results of which are recognised directly in equity, the related tax assets and liabilities are also recognised in equity.

8 - Financial liabilities at amortised cost

Recognition

The bank commences recognising these financial liabilities at the contract's execution date, which normally coincides with when the cash is received or the debt instruments are issued.

The financial liabilities are initially recognised at their fair value, which usually equals the cash received or the issue price, increased by any transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Internal administrative costs are excluded.

Classification

Due to banks and to customers and securities issued may comprise the various forms of the bank's funding (interbank and with customers), repurchase agreements and certificates of deposit, bonds and other securities issued (including the subordinated bonds which qualify as a Tier 2 capital instrument issued by the bank), net of any portions redeemed.

This caption also includes the bank's lease liabilities recognised as a lessee in finance leases.

Measurement

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

Current liabilities, where the time value of money is immaterial, are recognised at the amount received.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished. They are derecognised even when the bank has repurchased a portion of previously issued bonds. The difference between the financial liability's carrying amount and the consideration paid is recognised in profit or loss.

Replacements on the market of repurchased securities issued by the bank are considered new issues and recognised at the new placing price.

Recognition of costs and revenue

Interest expense, calculated using the nominal interest rate, is recognised as "Interest and similar expense" in the income statement.

9 - Financial liabilities held for trading

Recognition

Financial liabilities held for trading are initially recognised at the settlement date, except for derivatives that are recognised at the date they are entered into.

These financial liabilities are initially recognised at their fair value, which usually equals the cash received, without considering any transaction costs that are directly attributable to the financial liability and which are recognised in profit or loss.

Classification

This caption mainly includes derivatives with a negative fair value that are not designated as hedging instruments.

Measurement and recognition of costs and revenue

Financial liabilities held for trading are measured at fair value through profit or loss. Gains and losses arising from changes in fair value and/or from the sale of these liabilities are recognised in profit or loss.

When the fair value of a derivative liability becomes positive, it is recognised in "Financial assets at fair value through profit or loss: a) financial assets held for trading".

Trading gains and losses and fair value gains and losses are recognised in caption "80. Net trading income (expense)" in the income statement.

Derecognition

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liabilities are transferred with the transfer of substantially all risks and rewards of ownership.

10 - Financial liabilities at fair value through profit or loss

Recognition

These financial liabilities are measured at fair value since their initial recognition. Any fair value gains or losses are immediately recognised in profit or loss.

Classification

At initial recognition, the bank designates a financial liability as measured at fair value through profit or loss if:
• it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
• a group of financial assets or liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
• there is a hybrid contract that contains one or more embedded derivatives, which may significantly modify the cash flows that otherwise would be required by the contract.

The election to designate a financial liability as measured at fair value through profit or loss is irrevocable, is made on an instrument-by-instrument basis and is not necessarily applied to all instruments with similar characteristics. However, such election cannot be applied to an individual component of a financial instrument, attributable to just one risk component to which the instrument is exposed. This caption includes certain liabilities whose settlement is deferred and linked to the performance of certain assets.

Measurement and recognition of costs and revenue

After initial recognition, the liabilities are measured at fair value and any fair value gain or loss is recognised in profit or loss.

11 - Post-employment benefits

The Italian post-employment benefits are classified as:
– defined contribution plans for the benefits accrued after 1 January 2007 (when the pension reform implemented by Legislative decree no. 252 of 5 December 2005 was enacted) when the employee has opted to transfer them to a supplementary pension fund or to the INPS (the Italian social security institution) treasury fund. The bank's liability is recognised under personnel expense and is calculated considering the benefits due without applying actuarial methods;
– defined benefit plans for the benefits vested up to 31 December 2006. They are recognised at their actuarial value using the projected unit credit method, without considering the pro rata past service cost as the benefits related to the current service cost have mostly vested and its revaluation is not expected to give rise to significant employee benefits in the future.

The discount rate used is determined by reference to market yields at the reporting date on high quality corporate bonds consistent with the term of the post-employment benefit obligations, weighted to reflect the percentage of the amount paid and advanced, for each due date, compared to the total amount to be paid and advanced before final settlement of the entire obligation. The plan servicing costs are recognised as personnel expense while the actuarial gains and losses are recognised in other comprehensive income (expense) as required by IAS 19.

12 - Provisions for risks and charges

Recognition

Provisions for risks and charges include accruals for legal or labour obligations or for disputes (including tax) arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

A provision is recognised when and only when:
• the bank 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;
• a reliable estimate can be made of the amount of the obligation.

Classification

If the recognition criteria are met, the bank recognises the provision under “Provisions for risks and charges” (caption 120).

The provisions include accruals made to cover:
• the bank’s legal disputes, especially risks related to claw-back claims, operational risks on services provided on behalf of third parties and all other operational risks arising in conjunction with complaints received from customers;
• all other accruals for specific expense and/or risks for which the bank has voluntarily or under contract agreed to cover even though they have not yet been specifically formalised at the reporting date.

Measurement

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and that takes risks and uncertainties that inevitably surround many events and circumstances into account.

Provisions for liabilities expected to be settled after one year are recognised at their present value.

Derecognition

A provision is reversed to profit or loss if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or at the time of its settlement.

Recognition of costs and revenue

When the effect of the time value of money is material, the provision is discounted using current market rates. The provision and increase in the provision due to the passage of time are recognised in profit or loss.

The accrual to the restructuring provision covers significant reorganisations that have a material effect on the bank’s nature and strategies. It mainly covers the related consultancy fees.

Accruals made to the provisions for risks and charges are recognised in the income statement caption “Net reversals of (accruals to) provisions for risks and charges”.

13 - Other information

Treasury shares

The bank does not have treasury shares.

Prepayments and accrued income, deferred income and accrued expenses

These captions, which include income and expense related to the reporting period accrued on assets and liabilities, are recognised as an adjustment to the assets and liabilities to which they refer.

Other assets

Other assets comprise tax assets directly acquired by the bank from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the "110% superbonus"). Their recognition, classification and measurement are based on the guidelines of document no. 9 on the application of the IFRS jointly issued by Bank of Italy, Consob (the Italian Commission for listed companies and the stock exchange) and IVASS (the Italian Institute for insurance supervision). This document clarified that the above tax assets are in substance more similar to a financial asset and, therefore, a model based on IFRS 9 is the most appropriate accounting policy to provide relevant and reliable disclosure. The tax assets acquired by the bank and classified in this caption are managed under the hold to collect business model. Therefore, they are measured at amortised cost and held for offsetting purposes.

Classification of financial assets

The classification of the financial assets into the three categories established by the standards depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:
- financial assets at amortised cost: assets that pass the SPPI test and come under the hold to collect (HTC) business model;
- financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the hold to collect and sell (HTCS) business model;
- financial assets at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model assessment or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test

In addition to the analysis of the business model, a financial asset may be classified as at amortised cost or at FVOCI if its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test). Loans and debt instruments, in particular, should be subjected to this test.

The SPPI test should be carried out on each financial instrument upon initial recognition.

After initial recognition, and as long as it is maintained in the statement of financial position, the asset is no longer subjected to the SPPI test. If a financial asset is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:
- principal: the fair value of the financial asset at initial recognition. This may change over the life of the financial asset, for example if there are repayments of part of the principal;
- interest: the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

In assessing whether the contractual flows of a financial asset qualify as SPPI, IFRS 9 refers to the general concept of a "basic lending arrangement", which is independent of the legal form of the asset. When contract terms introduce exposure to risks or volatility in the contractual cash flows that is inconsistent with the definition of a basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual cash flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires judgement and, consequently, the establishment of internal application policies.

When assessing a modified time value of money element – for example, when the interest rate of the financial asset is reset periodically, but the frequency of the reset or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is reset monthly on the basis of a one-year rate) or when the interest rate is reset regularly on the basis of an average of particularly short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are "significantly different" from the (also undiscounted) cash flows of a benchmark instrument (i.e., without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses ("look through tests") to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example when a loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the SPPI requirements (e.g., prepayment options, the possibility of deferring contractually agreed cash flows, embedded derivative instruments, subordinated instruments, etc.).

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each reporting period and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e., 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, it does not affect the classification of the financial asset.

Business model

IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:
- hold to collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- hold to collect and sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contract flows and sales) are indispensable to achieve the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- others/trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (hold to collect and hold to

collect and sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by senior management with the appropriate involvement of the business structures.

It is defined by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as the so-called "worst case" or "stress case" scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In short, the business model:
- reflects the way in which financial assets are managed to generate cash flows;
- is defined by senior management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

In operational terms, the assessment of the business model is carried out in line with the bank's organisation, the specialisation of the business functions, the risk cascading model and the assignment of delegated powers (limits).

All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific business model assessment policy (BMA) – approved by the competent governance levels – defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of the bank's business structures.

For the HTC portfolios, the bank has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate, or for infrequent sales even if their amount is significant) and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity and by the loss allowance, if any.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions are met (for example, reviews of market interest rates).

After initial recognition, amortised cost enables allocation of revenue and costs directly by decreasing or increasing the instrument's carrying amount over its entire expected life via the amortisation process. Amortised cost is calculated differently depending on whether the financial assets/liabilities have fixed or variable rates and – in this last case – whether the rate volatility is known beforehand.

Amortised cost measurement is applied to financial assets at amortised cost and at fair value through other comprehensive income or profit or loss, as well as financial liabilities at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally is equal to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high and, in the case of a purchase, it is purchased at a deep discount (with respect to the initial disbursement amount). If these financial assets, based on the application of the classification drivers (SPPI test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as purchased or originated credit-impaired (POCI) assets and are subject to special impairment requirements. In addition, a credit-adjusted effective interest rate is calculated at the initial recognition of POCI assets, which requires the inclusion of the initial expected credit losses in the cash flow estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

The amortised cost method is not used for financial assets and liabilities with a short term, without a set maturity and on demand as discounting these loans has no material impact.

Impairment

Impairment of financial assets

Pursuant to IFRS 9, at each reporting date, financial assets other than those measured at fair value through profit or loss are tested for impairment to assess whether there is any evidence that their carrying amount may not be fully recoverable. A similar analysis is performed for commitments to disburse funds and guarantees issued that must be tested for impairment under IFRS 9.

If there is indication of impairment, these financial assets - as well as any other assets pertaining to the same counterparty - are considered credit-impaired and are included in stage 3. For these exposures, which are classified – in accordance with Bank of Italy Circular no. 262/2005 – as bad, unlikely to pay and overdrawn/past due by more than ninety days, the bank recognises a loss allowance equal to their lifetime expected credit losses.

Impairment of performing financial assets

When there is no indication of impairment (performing financial instruments), the bank checks whether there is evidence that the credit risk of the individual exposures has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:
- where this evidence exists, the financial assets are included in stage 2. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the bank recognises a loss allowance equal to their lifetime expected credit losses. At each subsequent reporting date, the bank reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account – if the evidence of "significantly increased" credit risk is no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where this evidence does not exists, the financial assets are included in stage 1. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the bank recognises a loss allowance equal to their 12-month expected credit losses. At each subsequent reporting date, the bank reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account – if the evidence

of "significantly increased" credit risk emerges – of the change in the forecast period for the calculation of the expected credit loss.

In accordance with IFRS 9 and effective implementation by the bank, the following factors constitute the key elements to be taken into account for the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset as stage 2):

• ABS not measured at fair value through profit or loss:
– net collections since inception of the securitisation 20% lower than those forecast in the business plan;
– a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
– business plan reviewed downward by over 20% of "net recoveries", if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
– business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

• Government bonds:
– application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade[6] (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches); if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2, only if it is downgraded by at least 3 notches from the origination rate;
– reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are graded CCC+ or lower.

• Financial instruments other than loans and receivables and government bonds:
– application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches);
– after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, leads to classification at stage 2 as long as the downgrading does not directly lead to classification as stage 3;

• Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring assets and guaranteed finance products):
– a past due amount that - subject to the materiality thresholds identified by the regulations - has been as such for at least 30 days. In this case, the credit risk is presumed to have "significantly increased" and the exposure is, therefore, transferred to stage 2 (if it was previously included in stage 1);
– forbearance measures, which lead to the rebuttable presumption that credit risk has "significantly increased" since initial recognition and to the exposure's reclassification.

• Loans and receivables with banks:
– a 3-notch decrease if the counterparty's external rating at origination or, where not available, of the counterparty's country, is equal to BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade).

Once the allocation to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, based on the PD, LGD and EAD parameters.

6) In general, the Fitch rating is used as the external public rating. Where this is not available, the S&P rating and the Moody's rating are used (in that order).

Impairment of credit-impaired financial assets

All credit-impaired exposures are classified as stage 3, including those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

CF+ only reclassifies assets from stage 1 directly to stage 3 in exceptional cases, i.e., when their credit standing deteriorates dramatically and default is evident before receiving an interim report on credit rating. The bank's legacy portfolio, coming from its pre-demerger structure, envisages investments in POCI assets, which are therefore directly classified as stage 3 upon initial recognition.

The bank assesses its credit-impaired exposures analytically using specific models depending on the nature of the assessed asset.

In particular, its POCI assets have specific impairment characteristics. Since initial recognition and over their entire life, the bank recognises a loss allowance equal to their lifetime ECL. Therefore, at each reporting date, the bank recognises any impairment gains or losses as may be necessary to adjust their lifetime ECL in profit or loss. Based on the above, the POCI assets are initially classified as stage 3, although that they may be subsequently reclassified as performing exposures, nonetheless adjusted by a loss allowance equal to their lifetime ECL.

Business combinations

Business combinations are governed by IFRS 3.

The transfer of control over an entity (or an integrated set of activities and assets that is capable of being conducted and managed as a single business) is considered a business combination.

To this end, control is deemed to have been transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as, for example, in the case of the exchange of equity investments, the identification of the acquirer considers other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration or the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquiree, is recognised on the date on which the acquirer effectively obtains control over the acquired entity or businesses. When the combination occurs in a single exchange, the date of the exchange usually coincides with the acquisition date, provided that there are no agreements stipulating the transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the transaction price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. The "Fair value" section provides information on the fair value measurement of financial instruments. In the case of shares listed on active markets, the fair value is the acquisition-date quoted market price or, should that not be available, the latest price available.

The acquisition-date consideration transferred includes any contingent consideration based on future events, if provided for by the combination agreement and only if it is probable, it can be measured reliably and realised within one year of acquisition of control. Instead, any compensation for impairment losses on the assets used as consideration is not included in the purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition-related costs are those incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for appraisals and audits of financial statements, preparation of information documents required by the law, as well as advisory fees incurred to identify potential targets, if the contract provides for the payment of success fees, as well as debt or equity securities' registration and issue costs.

The acquirer must account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities are recognised in accordance with IAS 32 and IFRS 9.

Business combinations are recognised using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquiree) or liabilities assumed (including contingent liabilities) are recognised at their acquisition-date fair value.

Any excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased by any non-controlling interests (determined as above) as well as the fair value of any equity interest already held by the acquirer, and the fair value of acquired assets and liabilities is recognised as goodwill. Conversely, when the fair value of acquired assets and liabilities exceeds the sum of the consideration transferred, non-controlling interests and the fair value of any equity interest already held, the difference is recognised in profit or loss.

Business combinations may be recognised provisionally by the end of the reporting period in which the combination occurs, to be finalised within one year of the acquisition date.

On 25 July 2023, the bank finalised the acquisition of a business unit from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A.", the "fintech"). The business unit comprises technological assets and a highly qualified workforce. The consideration is €4.9 million and the agreement provides for an earn-out of a maximum of €4.5 million, if certain performance objectives are achieved. The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the bank obtained control of the business unit. The bank will remeasure the amounts after completion of the ongoing PPA procedure.

Revenue and cost recognition

Revenue is the gross flow of economic benefits generated by an entity's ordinary operations. It is recognised when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled. Specifically, revenue is recognised using the model that can:
• identify the contract, defined as an agreement that creates enforceable obligations;
• identify the performance obligations in the contract;
• determine the transaction price, i.e., the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods and/or services to a customer;
• allocate the transaction price to the performance obligations on the basis of the relative stand-alone selling prices of each distinct good or service;
• recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue can be recognised at a point in time when the entity satisfies a performance obligation by transferring the promised good or service to a customer, or over time as the entity satisfies the performance obligation by transferring the promised good or service. Specifically:

a) interest is recognised on a pro rata basis, using the contractual interest rate or the effective interest rate when the amortised cost model is applied;
b) any contractually provided for default interest is recognised only when actually collected;
c) dividends are recognised in profit or loss when their distribution is approved;
d) commissions on revenue from services contractually provided for are recognised when the services are rendered. Commissions included in amortised cost to calculate the effective interest rate are recognised as interest;
e) income and expense from the trading of financial instruments is recognised when the sale is executed and is the difference between the transaction price paid or collected and the instrument's carrying amount;
f) gains on the sale of non-financial assets are recognised when the sale is executed, unless the bank has substantially retained the risks and rewards of ownership.

Costs are recognised in profit or loss on an accruals basis. Costs to obtain and fulfil a contract with a customer are recognised in profit or loss in the period in which the related revenue is recognised.

A.3 - TRANSFERS AMONG FINANCIAL ASSET PORTFOLIOS

None.

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

None.

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

None.

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

None.

A.4 – FAIR VALUE

This section includes the disclosures on fair value required by IFRS 13.

Qualitative information

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

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 transaction is a normal transaction between independent parties that have a reasonable understanding of the market conditions and significant facts about the asset or liability. Fundamental to the definition of fair value is the assumption that the entity is able to operate normally and does not need to urgently liquidate or significantly decrease a position. The fair value of an instrument reflects its credit quality as it includes the counterparty or issuer default risk among other things.

The fair value of financial instruments is determined using a hierarchy based on the origin, type and quality of the information used. This hierarchy gives maximum priority to quoted prices (unadjusted) in active markets and less priority to unobservable inputs. There are three different levels:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3: inputs for the asset or liability that are not based on observable market data.

These valuation approaches are applied hierarchically. Therefore, if a quoted price on an active market is available, the Level 1 approach must be applied. In addition, the valuation technique applied must maximise the use of factors observable on the market and, therefore, rely as little as possible on subjective parameters or "private information".

In the case of financial instruments that are not quoted on active markets, the level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The valuation techniques used to determine fair value are calibrated regularly and validated using variable inputs observable on the market to ensure that they represent the actual market conditions and to identify any weaknesses.

The fair value hierarchy was included in IFRS 7 solely for disclosure purposes and not for measurement purposes. Therefore, the financial assets and liabilities are measured in accordance with IFRS 13.

Level 1

A financial instrument is quoted on an active market when its price is:
- readily and promptly available from stock exchanges, brokers, intermediaries, information providers, etc.;
- significant, i.e., representative of effective market transactions that take place regularly in normal trading.

In order to be considered as Level 1, the price shall be unadjusted, that is not adjusted by applying a valuation adjustment. Otherwise, the fair value measurement of the financial instrument will fall into Level 2.

Level 2

A financial instrument is included in Level 2 when all the significant inputs (other than quoted prices included in Level 1) used to measure it are observable directly or indirectly on the market.

The Level 2 inputs are:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the financial asset or liability (risk free rate curve, credit spread, volatility, etc.);
- inputs that mainly derive from or are corroborated (through correlation or other techniques) by observable market data (market-corroborated inputs).

An input is observable when it reflects the assumptions that a market participant would use when pricing a financial asset or liability using market data provided by independent sources.

If a fair value measurement uses observable data, which require significant adjustment using unobservable inputs, the measurement is categorised within Level 3 of the fair value hierarchy.

Level 3

Level 3 includes financial instruments, whose fair value is estimated using a valuation technique that uses inputs that are not observable on the market, not even indirectly. Specifically, inclusion in Level 3 takes place when at least one of the significant inputs used to measure the instrument is unobservable.

This categorisation takes place when the inputs used reflect the entity's assumptions, developed on the basis of the available information.

Levels 2 and 3: valuation techniques and inputs used

The fair value of financial instruments is determined using prices on financial markets for instruments quoted on active markets or internal valuation models for other financial instruments.

If a quoted price on an active market is unavailable or the market is not operating regularly, fair value is measured using valuation techniques to establish a price for a hypothetical independent transaction, driven by normal market considerations. These techniques include:
- reference to market values that are indirectly related to the instruments being valued and inferred from products with a similar risk profile and return;
- valuations made using, including partially, non-market inputs calculated using estimates and assumptions.

A.4.2. Valuation processes and sensitivity

Valuation processes and sensitivity

Assets other than short-term exposures classified as Level 3 mainly include:
– the ABS at fair value through profit or loss;
– participating financial instruments at fair value through other comprehensive income.

The bank measures the ABS using the discounted cash flow model ("DCF"), estimating the future cash flows and a suitable discount rate that reflects the time value of money and the risk premium. The cash flows are estimated considering the securitisations' business plans. The discount rate is identified as the cost of capital ("Ke"), calculated using the capital asset pricing model ("CAPM") method, and is estimated to be equal to the rate of return on the risk-free assets ("Rf"), increased by the sector-specific risk premium. This premium is calculated by considering the β coefficient, which measures a specific entity's risk, in relation to the variability of its return compared to the market risk and multiplying it by the equity risk premium ("ERP"). A specific risk coefficient is added to the output to account for the riskiness of the relevant securities compared to that of the market (small size premium).

Assisted by independent experts, the bank regularly measures financial assets at fair value through other comprehensive income using market multiple or discounted cash flow models.

A.4.3. Fair value hierarchy

The bank did not transfer any financial assets or liabilities from one level to another during the year.

A.4.4. Other information

The bank did not apply the exception provided for by IFRS 13.48 (fair value based on the net exposure) for financial assets and liabilities that offset the market or counterparty risk.

Quantitative disclosure

A.4.5. Fair value hierarchy

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

(€'000)

Financial assets/ liabilities at fair value	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	-	-	-	-	-	-
a) held for trading	-	-	517	-	-	554
b) designated at fair value	-	-	-	-	-	-
c) mandatorily measured at fair value	-	-	280,931	-	-	267,571
2. Financial assets at fair value through other comprehensive income	-	-	4,000	-	-	4,000
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**-**	**-**	**285,448**	**-**	**-**	**272,125**
1. Financial liabilities held for trading	800	-	-	-	-	-
2. Financial liabilities at fair value through profit or loss	-	-	5,345	-	-	4,424
3. Hedging derivatives	-	-	-	-	-	-
Total	**800**	**-**	**5,345**	**-**	**-**	**4,424**

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

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

(€'000)

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehen-sive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Including: a) held for tra-ding	Including: b) designated at fair value	Including: c) mandatorily measured at fair value				
1. Opening balance	**272,125**	**554**	**-**	**267,571**	**4,000**	**-**	**-**	**-**
2. Increases	-	-		-				
2.1 Purchases	38,378	-	-	38,378	-	-	-	-
2.2 Gains recognised in:	34,412	-	-	34,412	-	-	-	-
2.2.1 Profit or loss	34,412	-	-	34,412	-	-	-	-
- including: gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	-			-	-			
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Repayments	(26,981)	-	-	(26,981)	-	-	-	-
3.3 Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1 Profit or loss	(32,486)	(37)	-	(32,449)	-	-	-	-
- including losses	(32,486)	(37)	-	(32,449)	-	-	-	-
3.3.2 Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**285,448**	**517**	**-**	**280,931**	**4,000**	**-**	**-**	**-**

A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (Level 3)

(€'000)

	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	-	4,424	-
2. Increases	-	-	-
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	2,714	-
2.2.1 Profit or loss	-	2,714	-
- including losses	-	2,714	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	-
3.1 Repayments	-	(1,794)	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Profit or loss	-	-	-
- including gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	-	5,344	-

A.4.5.4. Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(€'000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2023				31.12.2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	1,221,883	274,436	-	985,114	808,766	137,479	-	635,374
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	**1,221,883**	**274,436**	**-**	**985,114**	**808,766**	**137,479**	**-**	**635,374**
1. Financial liabilities at amortised cost	1,539,614	-	-	1,539,614	1,058,726	-	-	1,058,726
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
Total	**1,539,614**	**-**	**-**	**1,539,614**	**1,058,726**	**-**	**-**	**1,058,726**

Key:
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

The carrying amount of financial instruments equals their fair value at the reporting date. With respect to financial instruments not measured at fair value through profit or loss, their fair value is considered to equal their price collected or paid at the recognition date.

Any difference between the amount collected or paid for financial instruments measured at fair value through profit or loss and classified as Level 3 may be recognised in the relevant income statement caption, generating a day one profit or loss (DOP). The difference is recognised in profit or loss only if it is due to changes in factors on which the market participants based their assumptions when setting the price (including the time effect). When the instrument has a set maturity date and a model that monitors changes in the factors is not immediately available, the bank may recognise the DOP in profit or loss over the financial instrument's term.

The bank has not recognised a day one profit or loss on financial instruments as set out in IFRS 7.28 and the sections in the other related standards.

Part B: Notes to the statement of financial position

Assets

Section 1

Cash and cash equivalents – Caption 10

1.1 Cash and cash equivalents: breakdown

(€'000)

	31/12/2023	31/12/2022
a) Cash	2	2
b) Current accounts and demand deposits with central banks	83,778	55,410
c) Current accounts and demand deposits with banks	10,705	15,816
Total	**94,485**	**71,228**

As well as the bank's demand bank current account and deposits, an overnight deposit with Bank of Italy and cash-in-hand, this caption includes the payment module ("PM") account it holds as a participant in the European real-time gross settlement system. As per European legislation, the PM account is held with Bank of Italy.

Section 2

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

2.1 Financial assets held for trading: breakdown by type

(€'000)

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
A Assets						
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing						
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B Derivatives						
1. Financial derivatives						
1.1 trading	-	-	517	-	-	554
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	**-**	**-**	**517**	**-**	**-**	**554**
Total (A+B)	**-**	**-**	**517**	**-**	**-**	**554**

The caption "Financial derivatives: 1.1 trading" includes a call option for 100% of BE TC S.r.l.. The company is deemed strategic for the development of the tax asset business.

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

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
A. Assets	**-**	**-**
1. Debt instruments	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	--	--
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**-**	**-**
B. Derivatives	**-**	**-**
a) Central counterparties	-	-
b) Other	517	554
Total B	**517**	**554**
Total (A+B)	**517**	**554**

2.3 Financial assets at fair value through profit or loss: breakdown by type

None.

2.4 Financial assets at fair value through profit or loss: breakdown by debtor/issuer

None.

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

(€'000)

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	280,931	-	-	267,571
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-		-	-	
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**280,931**	**-**	**-**	**267,571**

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

This caption includes ABS that did not pass the SPPI test (their business model is HTC):
• senior ABS of €861 thousand;
• mezzanine ABS of €11,861 thousand;
• junior and mono tranche ABS of €268,209 thousand.

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

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt instruments	**280,931**	**267,571**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	280,931	267,571
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**280,931**	**267,571**

Section 3

Financial assets at fair value through other comprehensive income – Caption 30

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

(€'000)

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	4,000	-	-	4,000
3. Financing	-	-	-	-	-	-
Total	**-**	**-**	**4,000**	**-**	**-**	**4,000**

At the reporting date, financial assets at fair value through other comprehensive income relate to a participating financial instrument. Its Level 3 fair value has been measured considering the best information available at the reporting date, with the assistance of independent experts. No changes in its fair value took place in 2023.

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

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Debt instruments		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**4,000**	**4,000**
a) Banks	-	-
b) Other issuers:	4,000	4,000
- Other financial companies	-	-
of which: insurance companies	-	-
- Non-financial companies	4,000	4,000
- Other	-	-
3. Financing		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**4,000**	**4,000**

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

(€'000)

	Gross amount				Total impairment losses			Partial/ total writeoffs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: instruments with a low credit risk						
Debt instruments	-	-	-	-	-	-	-	-
Financing	-	-	-	-	-	-	-	-
Total 31/12/2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

**To be shown for disclosure purposes*

Section 4

Financial assets at amortised cost – Caption 40

4.1 Financial assets at amortised cost: loans and receivables with banks broken down by type

(€'000)

Transaction type/Amount	31/12/2023						31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated creditim-paired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated creditim-paired	L1	L2	L3
A. Loans and receivables with central banks	**5,404**	**-**	**-**	**-**	**-**	**-**	**3,260**	**-**	**-**	**-**	**-**	**-**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	5,404	-	-	X	X	X	3,260	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	**43,466**	**-**	**-**	**-**	**-**	**-**	**616**	**-**	**-**	**-**	**-**	**-**
1. Financing												
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Other financing:	-	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Net investments in leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	43,466	-	-	X	X	X	616	-	-	X	X	X
2. Debt instruments												
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	**48,869**	**-**	**-**	**-**	**-**	**-**	**3,876**	**-**	**-**	**-**	**-**	**-**

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

This caption includes the minimum reserve held with Bank of Italy, collections from customers credited to bank accounts with a value date of 2 January 2024 (€41,363 thousand) and margins for future positions with bank counterparties (€1,950 thousand).

4.2 Financial assets at amortised cost: loans and receivables with customers broken down by type

(€'000)

Transaction type/Amount	31/12/2023						31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated creditim-paired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated creditim-paired	L1	L2	L3
Financing												
1.1. Current accounts	-	-	883	X	X	X	10,013	-	1,073	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Loans	548,253	39,994	5,065	X	X	X	314,316	5,396	6,060	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	101	-	-	X	X	X	177	-	-	X	X	X
1.5. Net investments in leases	2,760	5,207	1,980	X	X	X	4,778	3,432	2,880	X	X	X
1.6. Factoring	97,036	-	-	X	X	X	95,079	4,159	-	X	X	X
1.7. Other financing	16,526	-	-	X	X	X	30,197	-	-	X	X	X
Debt instruments												
1.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other	455,207	-	-	274,436	-	180,374	327,329	-	-	137,479	-	157,566
Total	**1,119,884**	**45,201**	**7,928**	**274,436**		**180,374**	**781,889**	**12,987**	**10,014**	**137,479**		**157,566**

Loans and receivables with customers amount to €1,173,014 thousand, net of impairment losses. They increased by €368,124 thousand from €804,890 thousand at 31 December 2022, mainly due to development of the guaranteed finance business line (guaranteed finance products amounted to €586,088 thousand at the reporting date, up €269,097 thousand on 31 December 2022) and greater investments in government bonds (up €124,543 thousand on the previous year end). The caption is net of loss allowances of €44 million.

It consists of:
• loans and financing disbursed of €604,512 thousand, including the financing of €16,432 thousand given to the REOCOs and guaranteed finance products of €586,088 thousand;
• Gimli portfolio of €5,948 thousand at 31 December 2023, which the bank purchased for investment purposes in 2018, together with the ABS issued by the SPVs Ponente and New Levante, whose underlying assets consist of non-performing bank loans and leases, respectively;
• net investments in leases of €9,947 thousand, equal to the present value of the minimum lease payments at the reporting date;
• factoring assets of €97,036 thousand;
• other assets of €363 thousand, which mainly include trade receivables.

The caption also comprises government bonds of €276,211 thousand and senior and mezzanine ABS of €178,997 thousand that passed the SPPI test.

4.3 Financial assets at amortised cost: breakdown of loans and receivables with customers by debtor/issuer

(€'000)

Transaction type/Amount	31/12/2023			31/12/2022		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt instruments						
a) Public administrations	276,211	-	-	151,741	-	-
b) Other financial companies	178,997	-	-	175,589	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing to:						
a) Public administrations	-	-	-	-	-	-
b) Other financial companies	7,233	-	1	18,433	-	2
of which: insurance companies	2,044	-	-	-	-	-
c) Non-financial companies	656,850	44,989	7,454	435,315	12,729	9,317
d) Households	595	213	473	813	257	695
Total	**1,119,886**	**45,201**	**7,928**	**781,891**	**12,985**	**10,014**

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

(€'000)

	Gross carrying amount					Total impairment losses				Partial/ total write-offs (*)
	Stage 1	of which: instru-ments with a low credit risk	Stage 2	Stage 3	Purcha-sed or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purcha-sed or originated credit-impaired	
Debt instruments	327,986	276,317	143,101	-	-	(340)	(15,539)	-	-	-
Financing	707,790	-	8,001	52,499	26,723	(2,179)	(66)	(7,298)	(18,795)	-
Total 31/12/2023	**1,035,776**	**276,317**	**151,102**	**52,499**	**26,723**	**(2,519)**	**(15,605)**	**(7,298)**	**(18,795)**	**-**
Total 31/12/2022	**619,019**	**151,774**	**170,250**	**16,059**	**24,987**	**(1,241)**	**(2,263)**	**(3,072)**	**(14,973)**	**-**

Section 5

Hedging derivatives - Caption 50

5.1 Hedging derivatives: breakdown by type of hedge and level

None.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

None.

Section 6

Macro-hedged financial assets - Caption 60

6.1 Macro-hedged financial assets: breakdown by hedged portfolio

None.

Section 7

Equity investments – Caption 70

7.1 Equity investments: details

This caption includes the investments in the following companies at the reporting date (value is equal to €3).

Company	Registered office	Head office	Investment %	Voting rights %
A. Subsidiaries				
1. Crediti fiscali+ S.r.l.	Via Piemonte, 38 Rome	Via Piemonte, 38 Rome	60%	60%
2. Cassia SPV S.r.l.	Via Piemonte, 38 Rome	Via Piemonte, 38 Rome	60%	60%
3. Aircraft Purchase Fleet Limited	29 Earlsfort Terrace - Dublin 2	29 Earlsfort Terrace - Dublin 2	100%	100%
B. Jointly controlled entities				
None	-	-	-	-
C. Associates				
None	-	-	-	-

7.2 Significant equity investments: carrying amount, fair value and dividends received

Since the bank prepares consolidated financial statements pursuant to Bank of Italy's Circular no. 262/2005, this disclosure is not required.

7.3 Significant equity investments: breakdown

Since the bank prepares consolidated financial statements pursuant to Bank of Italy's Circular no. 262/2005, this disclosure is not required.

7.4 Insignificant equity investments: breakdown

None.

7.5 Equity investments: changes

(€'000)

	31/12/2023	31/12/2022
A. Opening balance	**-**	**5,718**
B. Increases	**25**	**60**
B.1 Purchases	25	60
B.2 Impairment gains	-	-
B.3 Fair value gains	-	-
B.4 Other increases	-	-
C. Decreases	**(25)**	**(5,778)**
C.1 Sales	-	-
C.2 Impairment losses	(25)	(60)
C.3 Fair value losses	-	-
C.4 Other decreases	-	(5,718)
D. Closing balance	**-**	**-**
E. Total fair value gains	**-**	**-**
F. Total impairment losses	**-**	**-**

Purchases include the injections made by the bank into Cassia SPV during the year to cover its losses, which increased the equity investment's carrying amount, before being impaired.

7.6 Commitments relating to jointly controlled entities

None.

7.7 Commitments relating to associates

None.

7.8 Significant restrictions

None.

7.9 Other disclosures

As required by IFRS 12.3 and 22.b) - c), it is noted that the bank has not entered into joint control arrangements.

Section 8

Property, equipment and investment property – Caption 80

8.1 Property and equipment: assets measured at cost

(€'000)

Assets/Amounts	31/12/2023	31/12/2022
1. Owned	**1,738**	**2,052**
a) land	-	-
b) buildings	-	-
c) furniture	710	934
d) electronic systems	-	-
e) other	1,028	1,118
2. Right-of-use	**5,739**	**6,270**
a) land	-	-
b) buildings	5,074	5,888
c) furniture	-	-
d) electronic systems	-	-
e) other	665	382
Total	**7,476**	**8,323**
of which: obtained through enforcement of guarantees received	-	-

This caption comprises the right-of-use assets of €5,739 thousand recognised in accordance with the requirements of IFRS 16. The assets falling within the scope of the standard refer to the leased offices in Rome and Milan, buildings for residential use granted as a benefit to certain employees, company cars and printers.

8.2 Investment property: assets measured at cost

None.

8.3 Property and equipment: revalued assets

None.

8.4 Investment property: assets measured at fair value

None.

8.5 Property held for resale governed by IAS 2: breakdown

None.

8.6 Property and equipment: changes

(€'000)

	Land	Building	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**5,888**	**1,503**	**-**	**3,019**	**10,410**
A.1 Accumulated depreciation and net impairment losses	-	-	(569)	-	(1,518)	(2,088)
A.2 Net opening balance	**-**	**5,888**	**934**	**-**	**1,501**	**8,323**
B. Increases:	**-**	**253**	**538**	**-**	**2,003**	**2,794**
B.1 Purchases	-	-	62	-	695	757
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	x	x	x	-
B.7 Other increases	-	253	476	-	1,308	2,037
C. Decreases:	**-**	**(1,067)**	**(762)**	**-**	**(1,811)**	**(3,640)**
C.1 Sales	-	-	-	-	(7)	-
C.2 Depreciation	-	(1,067)	(136)	-	(503)	(1,706)
C.3 Impairment losses through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses through:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	x	x	x	-
b) non-curent assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other decreases	-		(627)	-	(1,301)	-
D. Net closing balance	**-**	**5,074**	**710**	**-**	**1,693**	**7,476**
D.1 Accumulated depreciation and net impairment losses	-	-	(229)	-	(546)	(775)
D.2 Gross closing balance	**-**	**5,074**	**939**	**-**	**2,238**	**8,251**
E. Measurement at cost	-	-	-	-	-	-

The bank does not have any investment property at 31 December 2023 or other property held for resale governed by IAS 2. It has not committed its property and equipment in any way.

As required by IFRS 16.53.h), it is noted that the bank did not make any significant additions to its right-of-use assets as a lessee.

8.7 Investment property: changes

None.

8.8 Property held for resale governed by IAS 2: changes

None.

8.9 Commitments to purchase property and equipment

None.

Section 9

Intangible assets – Caption 90

9.1 Intangible assets: breakdown by asset

(€'000)

Assets/Amounts	31/12/2023		31/12/2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**x**	**2,723**	**x**	**2,178**
A.2 Other intangible assets	**8,985**	**-**	**3,630**	**-**
including: software	8,985	-	3,630	-
A.2.1 Assets measured at cost:	-	-	-	-
a) internally developed assets	1,817	-	2,423	-
b) other	7,168	-	1,207	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally developed assets	-	-	-	-
b) other	-	-	-	-
Total	**8,985**	**2,723**	**3,630**	**2,178**

Intangible assets comprise the cost of software net of accumulated amortisation (€2,213 thousand), goodwill arising on the acquisition of Fifty (€1,272 thousand) and BECM (€906 thousand) and the unamortised amount of the intangible asset also related to the Fifty merger (€2,423 thousand). This intangible asset is the value of the platform developed internally by Fifty to manage its factoring products.

The bank checked the recoverability of its intangible assets with an indefinite useful life through a dedicated impairment test, which was approved by its Board of Directors. The test confirmed their recoverability.

With the completion of the acquisition of the business unit of Instapartners S.r.l. in liquidation (formerly Credimi S.p.A.) on 25 July 2023, the fair values attributed in the sale agreement to the technology platform acquired and goodwill of €4,955 thousand and €545 thousand, respectively, were also provisionally recognised in this caption. These assets were not tested for impairment as they relate to a recently-completed transaction (July 2023). In addition, neither the integration underway at the reporting date nor the analyses performed as part of the PPA procedure to be completed within 12 months of the acquisition date have identified impairment indicators.

For the purposes of the impairment test, the bank identified two specific cash-generating units ("CGUs") to which the goodwill was allocated:
– the goodwill arising on the merger of BECM was allocated to the tax asset CGU;
– the goodwill arising on the merger of Fifty was allocated to the factoring CGU.

Specifically, the bank tested its factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto.

The cash flows underlying the quantification of taxable profits are based on the updated financial projections for the 2024-2026 three-year period (the "projections") approved by the bank's Board of Directors on 12 March 2024.

The main parameters used were cost of equity (Ke) 10.3% and long-term growth rate 2%.

The bank also carried out sensitivity analyses of the parameters used to determine the cost of equity and the long-term growth rate, which confirmed the assets' recoverability.

The qualitative and quantitative analyses carried out for the purposes of the level two test required by IAS 36 confirmed the recoverability of the carrying amounts of the assets.

9.2 Intangible assets: changes

(€'000)

	Goodwill	Other intangible assets: internally-generated		Other intangible assets: other		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**2,178**	**3,029**	**-**	**1,924**	**-**	**7,131**
A.1 Accumulated amortisation and net impairment losses	-	(606)	-	(716)	-	(1,322)
A.2 Net opening balance	**2,178**	**2,423**	**-**	**1,207**	**-**	**5,808**
B. Increases	**545**	**-**	**-**	**7,454**	**-**	**8,000**
B.1 Purchases	-	-	-	2,500	-	2,500
B.2 Increase in internally-generated assets	x	-	-	-	-	-
B.3 Reversals of impairment losses	x	-	-	-	-	-
B.4 Fair value gains:						
- through equity	x	-	-	-	-	-
- through profit or loss	x	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	545	-	-	4,955	-	5,500
C. Decreases	**-**	**(606)**	**-**	**(1,494)**	**-**	**(2,100)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	x	(606)	-	(1,494)	-	(2,100)
- Impairment losses:	-	-	-	-	-	-
+ equity	x	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses:	-	-	-	-	-	-
- through equity	x	-	-	-	-	-
- through profit or loss	x	-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	**2,723**	**1,817**	**-**	**7,168**	**-**	**11,708**
D.1 Accumulated amortisation and net impairment losses	-	(1,212)	-	(2,210)	-	(3,422)
E. Gross closing balance	**2,723**	**3,029**	**-**	**9,378**	**-**	**15,130**
F. Measurement at cost	-	-	-	-	-	-

Key
FINITE: finite life
INDEFINITE: indefinite life

Internally-developed assets include the Fifty platform designed to manage the factoring product acquired through the merger of Fifty S.r.l. in 2022, while the Other Increases include the Credimi platform obtained with the acquisition of the business unit completed during the year.

9.3 Intangible assets: other disclosures

The following should be noted:
a) the bank does not have any gains related to revalued intangible assets (IAS 38.124.b));
b) the bank has not acquired intangible assets under government concessions (IAS 38.122.c));
c) the bank has not pledged intangible assets to secure its debts (IAS 38.122.d));
d) the bank does not have commitments to acquire intangible assets (IAS 38.122.e));
e) it has not leased any intangible asset.

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

10.1 Deferred tax assets: breakdown

Deferred tax assets of €5,935 thousand include €4,056 thousand related to carryforward tax losses, €779 thousand to the ACE (Aid for Economic Growth) benefit and €720 thousand to other deductible temporary differences that can be used to reduce the tax base in future years.

The deferred tax assets on the carryforward tax losses and the ACE were originally recognised in 2018 and 2019, respectively.

The deferred tax assets on deductible temporary differences include IRES and IRAP recognised in the previous year for the substitute tax to be paid on the goodwill arising from the 2022 mergers of Fifty and BECM for its tax alignment.

As these tax benefits are potential only, the future taxable profits should be such as to offset the deductible temporary differences, the carry forward tax losses and the ACE benefit. IAS 12.24 provides that a deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Paragraph 34 and following paragraphs of the same standard clarify that a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. This shall be ascertained on a prudent basis and by performing a specific probability test to support the underlying assumptions.

Accordingly, the bank tested the deferred tax assets at the reporting date, other than those covered by Law no. 214/2011, for probability. The test was approved by its Board of Directors and prepared in accordance with IAS 12. The cash flows used to quantify taxable profits are based on the 2024-2026 financial projections approved by the bank's Board of Directors on 12 March 2024.

The bank also carried out sensitivity analyses to check the potential effect of adverse scenarios on the deferred tax assets' recoverability. These analyses also confirmed the recoverability of the deferred tax assets recognised in the separate financial statements.

The carryforward tax losses and the unused ACE benefit at the reporting date amount to approximately €93.3 million, equal to deferred tax assets of €25.6 million (calculated using the rate of 27.5%), including €20.8 million which was not recognised.

The deferred tax assets recognised in accordance with Law no. 214/2011 relate to impairment losses on loans and receivables and amount to €379 thousand.

10.2 Deferred tax liabilities: breakdown

The bank recognised deferred tax liabilities on a participating financial instrument classified under financial assets at fair value through other comprehensive income (€55 thousand).

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

(€'000)

	2023	2022
1. Opening balance	**5,954**	**5,320**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impiement losses	-	-
d) other	-	720
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	65	-
3. Decreases		
3.1 Deferred tax assets derecognised in the year	-	-
a) reversals	-	(65)
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:		
a) conversion into tax assets, as per Law no. 214/2011	(84)	(21)
b) other	-	-
4. Closing balance	**5,935**	**5,954**

Other increases refer to the recognition of deferred IRES assets on carryforward tax losses and the ACE benefit following the filing of a supplementary tax return for 2021.

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

(€'000)

	2023	2022
1. Opening balance	**463**	**484**
2. Increases	**-**	**-**
3. Decreases		
3.1 Reversals	-	-
3.2 Conversions into tax assets		
a) arising on the loss for the year	(84)	(21)
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**379**	**463**

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

(€'000)

	2023	2022
1. Opening balance	**-**	**-**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	787
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	-	(787)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**-**

10.5 Changes in deferred tax assets (recognised in equity)

(€'000)

	2023	2022
1. Opening balance	**-**	**11**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**(11)**
3.1 Deferred tax assets derecognised in the year		
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	(11)
4. Closing balance	**-**	**-**

10.6 Changes in deferred tax liabilities (recognised in equity)

(€'000)

	2023	2022
1. Opening balance	**-**	**1,313**
2. Increases	**55**	**-**
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	55	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**(1,313)**
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	(1,313)
4. Closing balance	**55**	**-**

10.7 Other disclosures

Current tax assets at the reporting date may be analysed as follows:

(€'000)

No.	Description	31/12/2023	31/12/2022
1	Withholdings on current account interest paid on account	3,660	4,332
2	Virtual stamp duty paid on account	2,826	3,957
3	Asset as per Law no. 214/2011 on the conversion of deferred tax assets	6	21
4	IRAP	74	1,818
5	VAT/Group account	60	-
6	Non-current substitute tax paid on account	578	25
7	IRES surtax to be recovered	72	72
8	Tax assets of demerged companies	32	70
9	New operating assets Law no. 178/20	102	-
	Total	**7,410**	**10,295**

The caption mostly consists of the virtual stamp duty paid on account, withholdings on current account interest and the IRAP asset resulting from the previous tax return.

Section 11

Non-current assets held for sale, disposal groups and associated liabilities – Caption 110 of assets and Caption 70 of liabilities

11.1 Non-current assets held for sale and disposal groups: breakdown by asset

None.

11.2 Other disclosures

None.

Section 12

Other assets – Caption 120

12.1 Other assets: breakdown

(€'000)

Transaction type/Amount	31/12/2023	31/12/2022
Grants for subsidised loans	4	4
Guarantee deposits	91	431
Prepayments and accrued income	1,790	1,423
Coins	4	4
Factoring loans	824	439
Tax assets purchased from third parties	20,068	26,062
Other assets	1,794	937
Total	**24,574**	**29,300**

Other assets mainly comprise tax assets acquired from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the "110% superbonus"). Part A (paragraph on "Other assets") provides information about their classification and measurement.

Liabilities

Section 1

Financial liabilities at amortised cost – Caption 10

1.1 Financial liabilities at amortised cost: Financial liabilities with banks broken down by type

(€'000)

Transaction type/Amount	31/12/2023				31/12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**210,105**	**x**	**x**	**x**	**85,018**	**x**	**x**	**x**
2. Due to banks	**236,114**	**x**	**x**	**x**	**67,042**	**x**	**x**	**x**
2.1 Current accounts and demand deposits	-	x	x	x	-	x	x	x
2.2 Term deposits	18,026	x	x	x	18,007	x	x	x
2.3 Financing	-	x	x	x	-	x	x	x
2.3.1 Repurchase agreements	218,088	x	x	x	47,138	x	x	x
2.3.2 Other	-	x	x	x	-	x	x	x
2.4 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 liabilities	-	x	x	x	1,897	x	x	x
Total	**446,219**	**-**	**-**	**-**	**152,059**	**-**	**-**	**-**

Key:
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

Due to central banks of €210,105 thousand relates to advances for open market transactions.

The "Term deposits" of €18,026 thousand relate to interbank financing.

The repurchase agreements of €218,088 thousand refer to funding with government bonds given as security.

The bank does not have any structured liabilities, subordinated liabilities or finance lease liabilities to banks.

1.2 Financial liabilities at amortised cost: Financial liabilities with customers broken down by type

(€'000)

Transaction type/Amount	31/12/2023				31/12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	28,120	x	x	x	34,122	x	x	x
2 Term deposits	1,032,693	x	x	x	865,137	x	x	x
3 Financing	-	x	x	x	-	x	x	x
3.1 Repurchase agreements	-	x	x	x	-	x	x	x
3.2 Other	-	x	x	x	-	x	x	x
4 Commitments to repurchase own equity instruments	-	x	x	x	-	x	x	x
5 Lease liabilities	6,650	x	x	x	6,762	x	x	x
5 Other liabilities	478	x	x	x	645	x	x	x
Total	**1,067,941**	**-**	**-**	**-**	**906,666**	**-**	**-**	**-**

Key:
CA = Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

The current accounts and demand deposits include the retail current accounts for which the time deposit letter had to be signed for €20,645 thousand and sight deposits from retail customers for €7,476 thousand.

The term deposits mainly relate to retail online term deposits ("DOL"). At the reporting date, the liability to DOL customers includes deposits for which the time deposit letter had been signed of €985,369 thousand (31 December 2022: €830,400 thousand).

"Lease liabilities" are recognised in accordance with IFRS 16 for €6,650 thousand.

The bank does not have any structured liabilities, subordinated liabilities or finance lease liabilities to customers.

1.3 Financial liabilities at amortised cost: securities issued broken down by type

(€'000)

Transaction type/Amount	31/12/2023				31/12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	25,454	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	25,454	-	-	25,454	-	-	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**25,454**	**-**	**-**	**25,454**	**-**	**-**	**-**	**-**

The caption includes the subordinated bonds with a nominal amount of €25 million issued on 13 October 2023 at an annual interest rate of 14.50%. The bonds qualify as a Tier 2 capital instrument in accordance with the provisions of Regulation (EU) no. 575/2013 ("CRR", Capital Requirements Regulation) and Bank of Italy Circular no. 285 of 17 December 2013.

The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A.

1.4 Breakdown of subordinated liabilities/junior securities

Breakdown of subordinated liabilities	31/12/2023	31/12/2022
Due to banks	-	-
Due to customers	-	-
Securities	25,454	-
Total	**25,454**	**-**

1.5 Breakdown of structured liabilities

None.

1.6. Lease liabilities

Lease liabilities	31/12/2023	31/12/2022
Offices	5,938	6,330
Buildings for residential use	31	48
Company cars	661	358
Printers	20	26
Total	**6,650**	**6,762**

Section 2

Financial liabilities held for trading - Caption 20

2.1 Financial liabilities held for trading: breakdown by type

(€'000)

Transaction type/Amount	31/12/2023					31/12/2022				
	Nominal amount	Fair value			Fair Value	Nominal amount	Fair value			Fair Value
		L1	L2	L3			L1	L2	L3	
A. Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt instruments	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	x	-	-	-	-	x
3.1.2 other	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	x	-	-	-	-	x
3.2.1 structured	-	-	-	-	x	-	-	-	-	x
3.2.2 other	-	-	-	-	x	-	-	-	-	x
TOTAL A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	-	-	-	-	-	-	-	-	-
1.1 Trading	x	800	-	-	x	x	-	-	-	x
1.2 Associated with fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	-	-	x	x	-	-	-	x
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	x	-	-	-	x	x	-	-	-	x
2.2 Associated with fair value option	x	-	-	-	x	x	-	-	-	x
2.3 Other	x	-	-	-	x	x	-	-	-	x
TOTAL B	**-**	**800**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**-**	**800**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

This caption includes listed trading derivatives (futures) with a negative fair value.

2.2 Breakdown of financial liabilities held for trading: subordinated liabilities

None.

2.3 Breakdown of financial liabilities held for trading: structured liabilities

None.

Section 3

Financial liabilities at fair value through profit or loss - Caption 30

3.1 Financial liabilities at fair value through profit or loss: breakdown by type

(€'000)

Transaction type/Amount	31/12/2023					31/12/2022				
	Nominal or notional amount	Fair value			Fair Value (*)	Nominal or notional amount	Fair value			Fair Value (*)
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	x	-	-	-	-	x
1.1. Structured	-	-	-	-	x	-	-	-	-	x
1.2. Other including:	-	-	-	-	x	-	-	-	-	x
- loan commitments	-	x	x	x	x	-	x	x	x	x
- financial guarantees given	-	x	x	x	x	-	x	x	x	x
2. Due to customers	-	-	-	-	x	-	-	-	-	x
2.1 Structured	-	-	-	-	x	-	-	-	-	x
2.2 Other including:	5,345	-	-	5,345	x	4,424	-	-	4,424	x
- loan commitments	-	-	-	-	x	-	-	-	-	x
- financial guarantees given	-	-	-	-	x	-	-	-	-	x
3. Debt instruments	-	-	-	-	x	-	-	-	-	x
3.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2 Other	-	-	-	-	x	-	-	-	-	x
TOTAL	**5,345**	**-**	**-**	**5,345**	**-**	**4,424**	**-**	**-**	**4,424**	**-**

The caption includes liabilities for the payment of deferred prices of the portfolios of former Artemide (€1,712 thousand) and Crediti Fiscali+ (€3,632 thousand).

3.2 Breakdown of "Financial liabilities at fair value through profit or loss": subordinated liabilities

None.

Section 4

Hedging derivatives - Caption 40

4.1 Hedging derivatives: breakdown by type of hedge and fair value level

None.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

None.

Section 5

Macro-hedged financial liabilities - Caption 50

5.1 Macro-hedged financial liabilities: breakdown by hedged portfolio

None.

Section 6

Tax liabilities – Caption 60

The caption includes the second and third instalments of the substitute tax to be paid on the alignment of the carrying amount of the goodwill and intangible assets arising from the mergers of Fifty and BECM to their tax base, which, according to current regulations, must be paid in June 2024 and June 2025, respectively.

Section 7

Liabilities associated with disposal groups - Caption 70

None.

Section 8

Other liabilities – Caption 80

8.1 Other liabilities: breakdown

(€'000)

	31/12/2023	31/12/2022
Amounts to be credited to current accounts	-	3
Remuneration due to employees	3,546	2,135
Social security contributions to be paid	624	951
Sundry liabilities for the on-line term deposit account product	7,780	6,051
Sundry guaranteed finance liabilities	4	-
Sundry investment liabilities	542	714
Sundry lease liabilities	241	160
Sundry amounts due to SPVs	87	90
Trade payables	7,760	9,117
Liabilities to sellers of tax assets	-	8,142
Amounts due to "Gimli"	32	32
Withholding taxes to be paid	847	576
Factoring transactions	9,438	5,861
Sundry liabilities	4,134	2,854
Total	**35,035**	**36,685**

Sundry liabilities mainly consist of:
i. deferred commission income collected from the vehicle Crediti Fiscali+ on the issue of long-term sureties of €1,483 thousand;
ii. the substitute tax of €588 thousand to be paid on loans disbursed and
iii. the commissions of €620 thousand charged to guaranteed finance customers to be transferred to SACE and the SME fund.

Section 9

Post-employment benefits – Caption 90

9.1 Post-employment benefits: changes

(€'000)

	2023	2022
A. Opening balance	**416**	**511**
B. Increases	**-**	**-**
B.1 Accruals	15	4
B.2 Other increases	201	83
C. Decreases	**-**	**-**
C.1 Payments	(126)	(1)
C.2 Other decreases	(25)	(181)
D. Closing balance	**480**	**416**
Total	**480**	**416**

9.2 Other disclosures

The carrying amount of these benefits is calculated using actuarial methods as provided for by IAS 19.

The main actuarial assumptions are:
- discount rate of 3.50% (31 December 2022: 4.05%);
- expected inflation rate of 2.00% (31 December 2022: 2.50%).

Section 10

Provisions for risks and charges – Caption 100

10.1 Provisions for risks and charges: breakdown

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Provisions for credit risk for loan commitments and financial guarantees given	-	-
2. Provisions for other commitments and other guarantees given	-	-
3. Internal pension funds	-	-
4. Other provisions		
4.1 legal and tax disputes	514	611
4.2 personnel	-	-
4.3 other	-	-
Total	**514**	**611**

10.2 Provisions for risks and charges: changes

(€'000)

	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**-**	**-**	**611**	**611**
B. Increases				
B.1 Accruals	-	-	-	-
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases				
C.1 Utilisations	-	-	(47)	(47)
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	(50)	(50)
D. Closing balance	**-**	**-**	**514**	**514**

10.3 Provisions for credit risk for loan commitments and financial guarantees given

None.

10.4. Provisions for other commitments and other guarantees given

None.

10.5 Defined benefit plans

None.

10.6 Provisions for risks and charges - other provisions

These provisions comprise:

Description	Amount
Provision for legal fees	415
Provision for amounts to be returned to courts	24
Provision for litigation	75
Total	**514**

Details of the provisions and the related risks are given below.

The provision for legal fees includes the fees for professional services to collect problematic loans and receivables for ongoing legal proceedings. The bank expects to use the entire provision in 2024.

The provision for amounts to be returned to courts refers to amounts collected by the bank as part of court enforcement and insolvency proceedings and court-approved creditor settlements that have not yet been finalised. They may have to be returned following enforcement of the individual voluntary agreement, but it is not known exactly when, as it depends on the courts where the proceedings are being held. The provision was not used during the year.

The provision for litigation covers actions for compensation claimed by customers. Once again, it is difficult to estimate when the pending litigation will be settled. The bank cannot objectively calculate an accrual to the provision as it depends on what level the hearing is at and whether an out-of-court settlement may be reached.

Pursuant to IAS 37, it decided not to provide for the pending disputes for which management and the legal advisors deem that a negative outcome is only "possible" and not "probable". Management's and the legal advisors' opinion is supported by a number of factors, including the fact that the proceedings are still at an initial stage and the hearings will take place in the coming months, which make it difficult to estimate the possible amounts and timing.

Section 11

Redeemable shares - Caption 120

None.

Section 12

Equity – Captions 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

The bank's fully paid-up share capital consists of 19,066,549 ordinary shares (that have one voting right per share) with a unit value of €1.

12.2 Share capital - Number of shares: changes

(€'000)

Captions/T ype	Ordinary	Ordinary
A. Opening balance	**14,000**	**-**
- fully paid-up	14,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**14,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	5,067	-
- bonus:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Business transfers	-	-
C.4 Other decreases	-	
D. Outstanding shares: closing balance	**19,067**	**-**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	-	-
- fully paid-up	-	-
- not fully paid-up	-	-

On 28 October 2022, the bank's controlling shareholder, Tiber Investments 2 S.à.r.l. ("Tiber 2"), injected €25 million for a future capital increase to strengthen its equity.

This capitalisation was formalised on 10 February 2023, when the bank's shareholders approved a capital increase against payment of a maximum of €28,499,998.16. This increase may take place in instalments with the issue of a maximum of 5,144,404 ordinary shares without a nominal amount, with regular dividend rights and the same characteristics as the shares already issued by the bank.

After the €25 million injection by the controlling shareholder in October 2022, other investors confirmed their interest in participating in the capital increase for €3.1 million. €5,066,549 was allocated to share capital and €23,002,132.46 to the share premium.

12.3 Share capital: other information

The bank does not have special shares with rights or restrictions, including shares with restrictions to dividend distributions or capital repayment. It does not hold treasury shares nor do its subsidiaries and associates hold its shares. The bank does not have shares reserved for issues with option rights or sales contracts.

12.4 Income-related reserves: other information

They are made up of the legal reserve. This legally-required reserve amounts to €3,233 thousand and must equal at least one fifth of share capital; it was set up in prior years by allocating prior year profits thereto (at least one twentieth). If the reserve decreases, it shall be increased by allocating one twentieth of the profit for the year thereto.

12.5 Equity instruments: breakdown and changes

The bank has not issued equity instruments other than ordinary shares.

12.6 Other disclosures

The share premium amounts to €88,060 thousand.

The valuation reserves amount to €3,814 thousand. They include actuarial gains of €120 thousand on post-employment benefits while the remainder relates to post-tax fair value gains on financial assets at fair value through other comprehensive income. This fair value reserve increased as a result of the adjustment of the related tax following the tax authorities' response to the request for clarification about the IRES treatment of a participating financial instrument which led to the filing of a supplementary tax return for 2021. The tax adjustment is a mere reclassification, as the lower taxes recognised through equity (€1,037 thousand) are offset by higher taxes recognised through profit or loss related to previous years.

Other information

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

(€'000)

	Nominal amount of loan commitments and financial guarantees given				31/12/2023	31/12/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**1,637**	**-**	**-**	**-**	**1,637**	**2,134**
a) Central banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	1,637	-	-	-	1,637	2,134
f) Households	-	-	-	-	-	-
Financial guarantees given	**300,000**	**-**	**-**	**-**	**300,000**	**140,000**
a) Central banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	300,000	-	-	-	300,000	140,000
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-

Financial guarantees include the guarantees issued by the bank on behalf of its subsidiary Crediti Fiscali+ SPV to the Revenue of Agency for reimbursement of the tax assets acquired by the vehicle.

2. Other commitments and other guarantees given

None.

3. Assets pledged to guarantee liabilities and commitments

None.

4. Management and trading on behalf of third parties

(€'000)

Type of service	Amount
1. Execution of customer orders	**-**
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Asset management	**-**
3. Securities custody and administration	**469,833**
a) Third party securities held as part of depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) Third party securities on deposit (excluding asset management):	-
1. securities issued by the reporting entity	-
2. other securities	-
c) Third party securities deposited with third parties	-
d) Securities owned by the bank deposited with third parties	469,833
4. Other	**-**

At 31 December 2023, the following sections were not applicable:
– assets pledged to guarantee liabilities and commitments;
– operating leases;
– financial assets eligible for netting or subject to master netting or similar agreements;
– securities lending transactions;
– jointly controlled operations.

5. Financial assets eligible for netting or subject to master netting or similar agreements

None.

6. Financial liabilities eligible for netting or subject to master netting or similar agreements

None.

7. Securities lending transactions

None.

8. Jointly controlled operations

None.

Part C: Notes to the income statement

Section 1

Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

(€'000)

Captions/Type	Debt instru-ments	Financing	Other tran-sactions	2023	2022
1. Financial assets at fair value through profit or loss:	**37,690**	**-**	**-**	**37,690**	**37,602**
1.1 Held for trading	-	-	-	-	-
1.2 Designated at fair value	-	-	-	-	-
1.3 Mandatorily measured at fair value	37,690	-	-	37,690	37,602
2. Financial assets at fair value through other comprehensive income	**-**	**-**	**x**	**-**	**-**
3. Financial assets at amortised cost:	**12,046**	**47,260**	**-**	**59,306**	**18,615**
3.1 Loans and receivables with banks	-	3,980	x	3,980	506
3.2 Loans and receivables with customers	12,046	43,280	x	55,326	18,108
4. Hedging derivatives	x	x	-	-	-
5. Other assets	x	x	-	-	-
6. Financial liabilities	x	x	x	-	-
Total	**49,736**	**47,260**	**-**	**96,996**	**56,216**
including: interest income on credit-impaired financial assets	-	803	-	803	1,269
including: interest income on finance leases	x	789	x	789	-

Interest income on debt instruments of €49,736 thousand refers to investments made by the bank in ABS (€44,021 thousand) and investments in government bonds (€5,715 thousand).

Interest income of €47,260 thousand on financing mainly relates to guaranteed finance products (€34,945 thousand), factoring products (€4,413 thousand), tax assets purchased directly by the bank (€1,240 thousand), other loans and financing (€1,627 thousand) and investments in the Gimli portfolio (€556 thousand) and leases (€1,036 thousand).

Interest income on liquidity invested with banks amounts to €3,980 thousand.

1.2 Interest and similar income: other disclosures

1.2.1 Interest income on foreign currency financial assets

None.

1.3 Interest and similar expense: breakdown

(€'000)

Captions/Type	Liabilities	Securities	Other transactions	2023	2022
1. Financial liabilities at amortised cost					
1.1 Due to central banks	834	x	-	834	634
1.2 Due to banks	8,918	x	-	8,918	699
1.3 Due to customers	28,361	x	-	28,361	15,415
1.4 Securities issued	x	819	-	819	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value through profit or loss	-	-	-	-	-
4. Other liabilities and provisions	x	x	-	-	-
5. Hedging derivatives	x	x	-	-	-
6. Financial assets	x	x	x	-	-
Total	**38,113**	**819**	**-**	**38,932**	**16,748**
including: interest expense on lease liabilities	*224*	*x*	*x*	*224*	*149*

Interest expense is the cost of funding to the bank, the most significant of which is that accrued on the online deposits (€26,813 thousand).

1.4 Interest and similar expense: other disclosures

1.4.1 Interest expense on foreign currency liabilities

None.

1.5 Hedging gains and losses

None.

Section 2

Fees and commissions – Captions 40 and 50

2.1 Fee and commission income: breakdown

(€'000)

Type of service/Amounts	2023	2022
a) Financial instruments	-	-
1. Securities placement	-	-
1.1. Firm or irrevocable commitment underwriting	-	-
1.2. Without irrevocable commitment	-	-
2. Reception, transmission and execution of customer orders	-	-
2.1. Reception and transmission of orders for one or various financial instruments	-	-
2.2. Execution of customer orders	-	-
3. Other financial instruments-related services	-	-
including: proprietary trading	-	-
including: asset management	-	-
b) Corporate finance	-	-
1. M&A consulting	-	-
2. Treasury services	-	-
3. Other corporate finance-related services	-	-
c) Investment consulting	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Depository services	-	-
2. Other custody and administration-related services	-	-
f) Central administrative services for collective asset management	-	-
g) Fiduciary services	-	-
h) Payment services	-	-
1. Current accounts	-	-
2. Credit cards	-	-
3. Debit and other payment cards	-	-
4. Transfer and other payment orders	-	-
5. Other payment-related services	-	-
i) Distribution of third party services	-	-
1. Collective asset management	-	-
2. Insurance products	-	-
3. Other products	-	-
including: asset management	-	-
j) Structured finance	-	-
k) Servicing services for securitisations	852	273
l) Loan commitments	-	-
m) Financial guarantees given	-	-
including: credit derivatives		
n) Lending	3,052	2,163
including: factoring transactions	3,001	2,138
o) Foreign currency transactions	-	-
p) Commodities	-	-
q) Other	659	384
including: management of multilateral trading systems	-	-
including: management of organised trading systems	-	-
Total	**4,563**	**2,819**

2.2 Fee and commission income: product and service distribution channels

Not applicable.

2.3 Fee and commission expense: breakdown

(€'000)

Type of service/Amounts	2023	2022
a) Financial instruments	40	-
including: trading	-	-
including: placement	40	-
including: asset management	-	-
- Own portfolios	-	-
- Third party portfolios	-	-
b) Clearing and settlement	-	-
c) Custody and administration	76	67
d) Collection and payment services	60	70
including: credit, debit and other payment cards	-	-
e) Servicing services for securitisations	-	-
f) Loan commitments	-	-
g) Financial guarantees received	6	7
including: credit derivatives	-	-
h) Off-premises distribution of financial instruments, products and	-	-
i) Foreign currency transactions	-	-
j) Other	1,581	1,649
Total	**1,764**	**1,792**

"Other" includes commission expense on the servicing of the bank's legacy portfolio which was outsourced after the demerger (€415 thousand), the fees paid to brokers for factoring (€275 thousand) and commissions paid to third parties that assist the bank with its online deposit collection activities (€661 thousand).

Section 3

Dividends and similar income – Caption 70

3.1 Dividends and similar income: breakdown

The bank did not receive any dividends in 2023.

Section 4

Net trading expense– Caption 80

4.1 Net trading expense: breakdown

(€'000)

Transactions	Unrealised gains (A)	Trading income (B)	Unrealised losses (C)	Trading losses (C)	Net expense [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments	-	-	-	-	-
2.2 Financial liabilities	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
4. Derivatives	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives:	-	-	-	-	-
- On debt instruments and interest rates	-	3,182	800	4,326	(1,944)
- On equity instruments and equity indexes	-	-	37	-	(37)
- On currencies and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	x	x	x	x	-
Total	**-**	**3,182**	**836**	**4,326**	**(1,981)**

This caption includes the realised loss on the trading of listed financial instruments (futures) (€1,944 thousand) and the fair value loss on the call option for BE TC, as described in Section 2 - Financial assets at fair value through profit or loss: Financial assets held for trading (€37 thousand).

Section 5

Net hedging income (expense) - Caption 90

None.

Section 6

Net gain from sales/repurchases – Caption 100

6.1 Net gain from sales/repurchases: breakdown

(€'000)

Captions	2023			2022		
	Gain	Loss	Net gain	Gain	Loss	Net gain
A. Financial assets						
1. Financial assets at amortised cost	**535**	**-**	**535**	**112**	**-**	**112**
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with	535	-	535	112	-	112
2. Financial assets at fair value through other comprehensive income						
2.1 Debt instruments	-	-	-	-	-	-
2.4 Financing	-	-	-	-	-	-
Total assets	**535**	**-**	**535**	**112**	**-**	**112**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
T otal liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The caption comprises the gain of €535 thousand on the sale of government bonds before their maturity but in compliance with the limits set for the sale of HTC portfolio securities.

Section 7

Net loss on other financial assets and liabilities at fair value through profit or loss - Caption 110

7.1 Net loss on other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€'000)

Transactions	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments	-	-	-	-	-
1.2 Financing	-	-	-	-	-
2. Financial liabilities					
2.1 Securities issued					
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	2,714	-	(2,714)
3. Foreign currency financial assets and liabilities: exchange gains (losses)	x	x	x	x	x
Total	**-**	**-**	**2,714**	**-**	**(2,714)**

The caption shows the net fair value losses on the financial liabilities recognised in caption 30 of liabilities. It is mostly attributable to fair value losses on the deferred price of the Crediti Fiscali+ portfolio (€2,544 thousand).

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

(€'000)

Transactions	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments	4,136	68	31,185	-	(26,981)
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
2. Foreign currency financial assets: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
Total	**4,136**	**68**	**31,185**	**-**	**(26,981)**

The net loss on other financial assets mandatorily measured at fair value amounts to €26,981 thousand. They include the adverse effect of the review of the business plans underlying the ABS subscribed and, to a lesser extent, the change in the parameters used in the discounted cash flow model adopted to measure these securities.

Section 8

Net impairment losses for credit risk - Caption 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

(€'000)

Transactions	Impairment losses (1)						Impairment gains (2)				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			write-off	Altre	write-off	Altre						
A. Loans and receivables with banks												
- financing	(54)	-	-	-	-	-	-	-	-	-	(54)	(21)
- debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers:												
- financing	(1,102)	(15)	-	(6,603)	-	(1,832)	7	37	2,458	-	(7,050)	(6,456)
- debt instruments	(227)	(13,833)	-	-	-	-	2	253	.	.	(13,804)	(335)
C. Total	**(1,384)**	**(13,848)**	**-**	**(6,603)**	**-**	**(1,832)**	**9**	**291**	**2,458**	**-**	**(20,909)**	**(6,813)**

Net impairment losses on financial assets at amortised cost of €20,909 thousand for the year mainly include:
- individual impairment losses of €1,832 thousand on parent's portfolios of purchased or originated credit impaired ("POCI") exposures;
- individual impairment losses of €6,593 thousand on stage 3 mortgages and financing;
- individual impairment losses of €27 thousand on trade receivables;
- collective impairment losses of €13.731 thousand on ABS. The balance includes individual impairment losses of €13.8 million on mezzanine ABS and impairment gains of €0.2 million;
- collective impairment losses of €73 thousand on government bonds;
- collective impairment losses of €59 thousand on factoring assets;
- collective impairment losses of €996 thousand on stages 1 and 2 mortgages and financing;
- collective impairment losses of €54 thousand on current accounts;
- impairment gains of €2,251 thousand on a factoring asset classified as unlikely to pay in 2022, as the customer repaid the outstanding amounts and settled its balance;
- other impairment gains to reverse collective impairment losses on deposits of €6 thousand and net investments in leases of €200 thousand.

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

None.

Section 9

Modification gains/losses - Caption 140

None.

Section 10

Administrative expenses – Caption 160

10.1 Personnel expense: breakdown

(€'000)

Type of expense/Amounts	2023	2022
1) Employees		
a) wages and salaries	13,419	9,304
b) social security contributions	4,536	3,323
c) termination benefits	-	-
d) pension costs	-	-
e) accrual for post-employment benefits	866	552
f) accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	3,810	2,680
2) Other personnel	-	-
3) Directors and statutory auditors	952	999
4) Retired personnel	-	-
5) Cost recoveries for personnel seconded to other companies	-	-
6) Cost reimbursements for personnel seconded to the bank	31	114
Total	**23,615**	**16,972**

Personnel expense amounts to €23,615 thousand (€16,972 thousand in 2022). The bank's workforce increased from 135 (December 2022) to 190 employees at the reporting date. The higher personnel expense reflects new employees and, to a lesser extent, the increase in the variable remuneration component.

10.2 Average number of employees by category

Employees:	-
a) managers	19.42
b) junior managers	86.33
c) other employees	66
Other personnel	-

At the reporting date, the bank had 190 employees.

10.3 Defined benefit plans: costs and income

None.

10.4 Other employee benefits

(€'000)

	2023	2022
MBO bonuses	1,120	943
Other bonuses	182	123
Insurance policies	304	414
Healthcare	67	44
Canteen subsidy and lunch vouchers	248	109
Refresher courses	240	149
Other long-term benefits	-	-
Other	1,650	898
Total	**3,810**	**2,680**

10.5 Other administrative expenses: breakdown

(€'000)

	2023	2022
Business development, ICT development and due diligences	159	177
Taxes and duties	1,840	1,514
Professional services	205	275
Sundry consultancies	4,969	3,675
Insurance	1,313	736
Building leases and management fees	406	442
Payroll services	120	109
IT costs	5,320	4,608
Maintenance	222	1,423
Audit fees	396	242
Rating agency fees	23	-
Posting and telephone	23	78
Cleaning and related supplies	106	88
Information services	919	345
Pro rata deductible/non-deductible VAT	16	6
Contribution to resolution funds	16	224
Advertising	2,274	2,654
Sundry lease costs	155	71
Contribution to the Interbank Deposit Protection Fund	1,822	1,686
Covid-19 sanitation material	10	8
Outsourcing of guaranteed finance service	912	1,623
Instalment for business unit	487	-
Other	551	369
Total	**22,266**	**20,354**

The caption "Taxes and duties" includes stamp duty on online deposits from customers (€1,647 thousand).

"Professional services" mainly comprise fees paid to legal advisors for credit collection services (€187 thousand).

Sundry consultancies include costs incurred for the development of the bank's new businesses.

The caption "Insurance" mostly includes premiums of €1,225 thousand for policies taken out to cover credit risk on the factoring products.

IT costs mainly refer to fees paid for operating management and accounting systems used by the bank (€3,973 thousand) and expenses for the related technical assistance (€1,310 thousand).

Information services include the cost of external providers used for information analyses on financing and factoring customers (Chamber of Commerce reports, ratings, etc.).

The caption "Outsourcing of guaranteed finance service" comprises the costs incurred for external servicers entrusted with the management of the background checks of potential customers, decision-making and monitoring of financing dossiers, which are not comprised in the initial costs to be included in the amortised cost of financing pursuant to IFRS 9.

The caption "Other" includes €487 thousand paid by the bank for the period from May to July 2023 under the lease agreement signed with Instapartners for the Credimi business unit subsequently acquired in July 2023.

In accordance with IFRS 16, it is noted that the bank did not recognise costs for short-term leases (IFRS 16.53.c) or leases of low-value assets (IFRS 16.53.d) or variable lease payments not included in the measurement of the lease liabilities (IFRS 16.53.e).

Section 11

Net reversals of (accruals to) provisions for risks and charges - Caption 170

11.1 Net reversals of (accruals to) provisions for loan commitments and financial guarantees given: breakdown

None.

11.2 Net reversals of (accruals to) provisions for other commitments and other guarantees given: breakdown

None.

11.3 Net reversals of other provisions for risks and charges: breakdown

(€'000)

	2023	2022
Release of provision for litigation	36	484
Total	**36**	**484**

Section 12

Depreciation and net impairment losses on property, equipment and investment property - Caption 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

(€'000)

Captions	Depreciation (a)	Impairment losses (b)	Reversals of impair-ment losses (c)	T otal (a + b - c)
A. Property, equipment and investment property				
1. Property and equipment				
- owned	579	-	18	579
- right-of-use	1,283	-	-	1,283
2. Investment property				
- owned	-	-	-	-
- right-of-use	-	-	-	-
3. Inventories	X	-	-	-
Total	**1,863**	**-**	**18**	**1,845**

Section 13

Amortisation and net impairment losses on intangible assets - Caption 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

(€'000)

Captions	Amortisation (a)	Impairment losses (b)	Reversals of impair-ment losses (c)	Net gain (a + b - c)
A. Intangible assets	2,100	-	-	2,100
including: software	2,100	-	-	2,100
A.1 Owned	-	-	-	-
- Developed internally	-	-	-	-
- Other	2,100	-	-	2,100
A.2 Right-of-use	-	-	-	-
Total	**2,100**	**-**	**-**	**2,100**

Section 14

Other operating income, net - Caption 200

14.1 Other operating expense: breakdown

(€'000)

	2023	2022
Legal disputes	18	-
Other	165	766
Total	**183**	**766**

14.2 Other operating income: breakdown

(€'000)

	2023	2022
Recovery of social security contributions	65	48
Other tax recoveries	-	1,041
Smaller prior year expense	-	509
Sundry lease income	7	37
Recovery of stamp duty on deposits	635	17
Tax benefit for operating assets	60	-
Legal cost recoveries	-	2
Other	4,153	210
Total	**4,921**	**1,863**

"Other" comprises prior year income of €3,326 thousand recognised after the repayment of the amount that the then-named Credito Fondiario S.p.A. had paid following an unfavourable first degree ruling in a dispute prior to the demerger at the beginning of 2021. The Court of Appeal overturned the first degree ruling and ordered the other party to repay the amount. The other party did not appeal the ruling, which therefore became final. The amount was collected in full. "Other" also includes €562 thousand for the recovery of social security contributions paid to INPS in previous years.

Section 15

Net losses on equity investments - Caption 220

15.1 Net losses on equity investments: breakdown

(€'000)

Amounts	2023	2022
A. Income		
1. Fair value gains	-	-
2. Gains on sales	-	-
3. Impairment gains	-	-
4. Other income	-	40
B. Losses		
1. Fair value losses	(25)	(60)
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other losses	-	-
Net losses	**(25)**	**(20)**

Section 16

Net fair value gains (losses) on property, equipment, investment property and intangible assets - Caption 230

16.1 Net fair value gains (losses) on property, equipment, investment property and intangible assets at fair value (or revalued amount) or estimated realisable value: breakdown

None.

Section 17

Impairment losses on goodwill - Caption 240

17.1 Impairment losses on goodwill: breakdown

None.

Section 18

Net gain (loss) from sales of investments - Caption 250

None.

Section 19

Income taxes - Caption 270

19.1 Income taxes: breakdown

(€'000)

Amounts	2023	2022
1. Current taxes (-)	-	(586)
2. Change in current taxes from previous years (+/-)	(1,075)	1,529
3. Decrease in current taxes for the year (+)	7	138
3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	65	655
5. Change in deferred tax liabilities (+/-)	-	787
6. Tax benefit (expense) for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(1,003)**	**2,523**

The bank's income tax expense of €1,003 thousand is offset by a tax benefit of the same amount recognised in other comprehensive income and equity. This benefit is the accounting effect of the correct calculation of the 2021 IRES base following the tax authorities' response to the request for clarification about the tax treatment of a participating financial instrument.

19.2 Reconciliation between the theoretical and effective tax expense

The theoretical tax rate is 33.07% (IRES ordinary and surtax rate of 27.5% and IRAP rate of 5.57%).

Section 20

Post-tax profit (loss) from discontinued operations - Caption 290

20.1 Post-tax profit (loss) from discontinued operations: breakdown

None.

20.2 Breakdown of income taxes on discontinued operations

None.

Section 21

Other information

Not applicable.

Section 22

Loss per share

22.1 Average number of ordinary shares with dilutive effect

Pursuant to IAS 33.70.b), it is noted that the bank only has ordinary shares.

22.2 Other disclosures

Considering the disclosures required by paragraphs 68, 70.a)/c)/d) and 73 of IAS 33, the following is noted:
• there are no discontinued operations that would affect profit (loss);
• there are no instruments that would affect calculation of the basic earnings (loss);
• there are no contingently issuable shares at 31 December 2023;
• components other than those provided for by IAS 33 were not used.

Part D: Comprehensive expense

BREAKDOWN OF COMPREHENSIVE EXPENSE

(€'000)

	Captions	2023	2022
10.	**Loss for the year**	**(37,267)**	**(24,397)**
	Other comprehensive income (expense) that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	1,037	
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
30.	Financial liabilities at fair value through profit or loss (changes in own credit rating)		
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income:		
	a) Fair value gains (losses) (hedged instrument)	-	-
	b) Fair value gains (losses) (hedging instrument)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	18	131
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Related tax	-	-
	Other comprehensive income (expense) that will be reclassified to profit or loss		
110.	Hedges of investments in foreign operations:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Exchange gains (losses):		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	including: net gain (loss)	-	-
140.	Hedging instruments (non-designated items)		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:		317
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
160.	Non-current assets held for sale and disposal groups:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investees:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
180.	Related tax	-	-
190.	**Total other comprehensive income**	**1,055**	**131**
200.	**Comprehensive expense (captions 10 + 190)**	**(36,211)**	**(24,266)**

Part E: Information on risks and hedging policies

Introduction

Banca CF+ acknowledges the strategic importance of the internal control system, consisting of rules, procedures and structures designed to allow sustainable growth in line with the bank's objectives by properly identifying, measuring, managing and monitoring its risks. The risk culture not only relates to the control functions but is disseminated throughout the bank.

In particular, the bank focuses on its capacity to identify and promptly analyse interrelations between the various risk categories.

As provided for by the current regulations, the Board of Directors, as it is also the body charged with managing the bank, is responsible for defining and approving the bank's risk management policies and it is constantly informed about changes in the bank's and group's business risks. The CEO and General Manager, as the body charged with managing the bank, is responsible for the implementation of the risk governance policies and for the adoption of all necessary measures to ensure the internal control system's compliance with applicable legislation and aids the development and spreading at all levels of an integrated risk culture for all different risk types and across the entire group structure. The Board of Statutory Auditors supervises the completeness, functionality and adequacy of the internal control system and the risk appetite framework (RAF). It also monitors compliance with the regulations governing the banking sector, communicating the need for remedial actions to remedy weaknesses or irregularities, when necessary.

The Supervisory Body as per Legislative decree no. 231/01 checks that the organisational, management and control model, required by law, is operational and compliant.

The Audit Committee supports the Board of Directors with its monitoring of the governance and integrated management of the overall business risks to which the bank is exposed.

This Committee also acknowledges and expresses its opinion on the risk appetite statement (RAS) and Risk Appetite Framework (RAF) and carries out ongoing checks of any changes in business risks and compliance with the various types of risk assumption thresholds.

The Internal Audit Department, which directly reports to the Board of Directors, checks that the business operations are carried out regularly and monitors changes in risks. It also assesses the completeness, functionality and adequacy of the organisational structures and other components of the internal control system. This department informs the internal bodies of any possible improvements, especially to the RAF or to the risk management process as well as to the risk measurement and control instruments.

The second-level control departments (Compliance & AML, ICT Risk & Security and Risk Strategy & Management Departments) report directly to the CEO and General Manager and to the Board of Directors.

The Compliance & AML Department:
– prevents and manages the risk of incurring judicial or administration sanctions, large financial losses or damage to the bank's reputation due to violations of imperative regulations or self-regulations;
– performs ongoing checks to ensure that the bank's procedures are suitable to prevent and thwart violations of imperative regulations or self-regulations on money laundering and the financing of terrorism;
– is responsible for the outsourced data protection activities.

The ICT Risk & Security Department, set up by the Board of Directors on 20 December 2022, assists with the definition and implementation of the policies to monitor the bank's ICT risks and security. Its remit is to ensure that the banking group's current and future exposure to the various types of ICT and security risks are properly assessed and managed. It also provides the bank's bodies with the support necessary to promote and disseminate an appropriate ICT risk and security culture within the bank.

The Risk Strategy & Management Department monitors all types of risk and provides a clear presentation of the bank's total risk profile and its financial strength to the Board of Directors. The department assists with the definition and implementation of the RAF, the related risk governance policies, the various stages of risk management and the setting of risk taking limits.

The internal units that define organisational and control checks for cross-bank risks are an important part of the internal control system as are the individual operating offices in charge of implementing risk mitigation measures and achieving the strategic risk objectives, the tolerance threshold and operating limits defined and approved by the Board of Directors.

Section 1 – CREDIT RISK

QUALITATIVE DISCLOSURE

1. General information

Credit risk arises on the bank's previous business of investing in securities, loans or securitisation notes and its new core business (lending to SMEs).

Given that its debt purchasing and debt servicing businesses were demerged on 1 August 2021, the bank has continued to manage ABS and the underlying illiquid and non-performing loans, supported by its servicers. It has continued to purchase tax assets through Crediti Fiscali+ and starting from 2022 has steadily rolled out its new factoring business and guaranteed finance business (MCC/SACE-backed loans).

The bank's assumption of credit risk is designed to:
– achieve its growth objective for sustainable lending activities in line with its risk appetite and the creation of value;
– diversify its portfolio, limit its exposure to individual counterparties/groups, business or geographical segments;
– efficiently select economic groups and individual customers by carefully analysing their credit standing in order to take on credit risk in line with its risk appetite.

The bank's continued monitoring of the quality of its loan portfolio includes adopting precise operating methods for each stage of the credit disbursement process.

Its classification of non-performing loans complies with the definition of default set out in the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of Regulation (EU) 575/2013).

In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with class-3 assets, the bank measures counterparty risk on a current and forward looking perspective in baseline and adverse scenarios using the standard method.

It uses the granularity adjustment method to calculate single name concentration risk and the ABI method to calculate geographical-business sector concentration risk.

2. Credit risk management policies

2.1 Organisational aspects

In the bank a fundamental role in managing and controlling credit risk is played by the internal bodies that, properly assisted by the control departments and each according to its duties, ensure the proper monitoring of credit risk. They identify the strategies to be taken and the risk management policies, checking continuously their efficiency and effectiveness. The internal bodies also define the duties and responsibilities of the departments and units involved in the process.

This monitoring and checking of credit quality, ensured by the internal bodies, is reflected in the bank's current organisational structure with the allocation of specific responsibilities that guarantee that risks are managed and monitored at various levels.

The Board of Directors defines the guidelines for taking on risk and the lending policies which include, inter alia, guidance about the guarantees accepted to mitigate risk.

At operating level, the bank's units each cover their own area of expertise and ensure a risk taking approach in line with the relevant policies and a systematic monitoring of credit risk.

The operating departments carry out the first level controls regularly and systematically to ensure that the bank operates correctly. They carry out credit standing checks, checks of the collateral and checks by the unit that approves the lending transaction that the transaction complies with both ruling regulations and internal policies.

Specifically, new risk taking activities mainly relate to the purchase of tax assets, new factoring transactions and the disbursement of new MCC/SACE-backed loans. In this respect, the following checks are carried out:
– with respect to the purchase of tax assets, thorough due diligence activities to confirm the existence of a tax asset, assess the transferor's credit risk and potential claw back risk and forecast collections;
– with respect to new disbursements, an assessment of credit rating (of both the transferors and the transferred debtors for factoring transactions) based on at least an analysis of the counterparty's financial statements, sector and business plan and that of its legal group (if any), an analysis of the credit information centre data, a check of protested bills, prejudicial events and any adverse conditions. Moreover, a check of the counterparty's reporting quality assessment provided by credit rating agencies supports the background checks and credit assessment. In addition, specific transaction-based assessments are carried out (e.g., claw back risk assessment in the case of factoring with transferors with limited access to the banking system).

The bank also monitors the performance of its credit exposures in order to ensure proactive customer relationship management and the prevention of credit deterioration, as well as the classification of the exposures in line with regulations.

The management of non-performing exposures retained after the demerger's completion has been outsourced to specialised servicers reporting to the chief lending officer.

The Risk Strategy & Management Department carries out the second level controls:
– it checks the risk profile once a quarter, identifying any critical issues or deviations from the set risk objectives and reporting them to the internal bodies and audit committee;
– it checks the loan portfolio quality reporting its findings to the internal bodies and the Audit Committee and checking any irregularities with the relevant internal bodies;
– it checks that the performance of individual credit exposures is monitored correctly and the adequacy of the related provisioning, the customer due diligences, their classification, business sector concentration, the collection process and the risks of applying credit risk mitigation techniques;
– it checks compliance with the risk limits defined in line with the bank's risk appetite.

The Internal Audit Department performs the third level controls and makes sure that the entire process is carried out correctly through:
– remote checks, designed to ensure the orderly monitoring and analysis of credit risks as well as spot checks of the exposures' performance and potential risks in order to agree how and when to intervene if necessary;
– on-the-spot checks, designed to check the operating, accounting and administrative procedures are performed correctly and to check the security, correctness and compliance of the staff's conduct and management practices;
– checks of processes and procedures to assist internal bodies introduce the organisational model by performing analyses of its impact on the internal controls.

2.2 Management, measurement and control systems

Credit risk is the risk that the bank may incur losses if its counterparty, beneficiary of a loan or issuer of a financial obligation (bonds, securities, etc.) is unable to meet its commitments (payment of interest and/or repayment of principal on time and any other amounts due) (default risk). Credit risk also includes the potential loss arising from the default of a borrower/issuer or a drop in market value of a financial obligation due to deterioration in its credit quality.

2.3. Measurement of expected credit losses

IFRS 9 introduced three approaches:
1. the general approach, whereby entities recognise 12-month ECL (stage 1) or lifetime ECL (stages 2 and 3);
2. the purchased or originated credit-impaired (POCI) approach, whereby entities recognise the accumulated change in lifetime ECL since initial recognition at each reporting date;
3. the simplified approach for trade receivables or financial assets that do not contain a significant financing component under IFRS 15, whereby entities can elect to recognise lifetime ECL rather than 12-month ECL.

The bank measures the ECL through the following steps:
• staging: this is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed;
• calculation of impairment.

Staging
This is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed.

The purpose of staging exposures is to identify impairment before the occurrence of a default event, i.e., before the exposure becomes non-performing and is, therefore, subject to individual impairment.

Indeed, under IFRS 9, at each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. Specifically, based on the increase in their credit risk during the reporting period, financial assets are classified into the following stages:
• stage 1: this includes all performing financial assets whose credit risk, at the staging date, has not significantly increased since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL;
• stage 2: this includes all performing financial assets whose credit risk, at the staging date, has significantly increased since initial recognition. For financial assets in stage 2, entities are required to recognise lifetime ECL;
• stage 3: this includes all non-performing financial assets.

CF+ only reclassifies assets from stage 1 directly to stage 3 in exceptional cases, i.e., when their credit standing deteriorates dramatically and default is evident before receiving an interim report on credit rating. The bank's business model envisages investments in POCI assets, which are therefore directly classified as stage 3 upon initial recognition.

The bank has defined the trigger events to determine whether its financial assets' credit risk has increased significantly since initial recognition at each reporting date (i.e., at least quarterly). If this is the case for stage 1 performing financial assets, they are reclassified to stage 2. The bank identified the trigger events, which can be used alternatively unless specified otherwise, considering the particular nature of its financial assets.

In the case of ABS not measured at fair value through profit or loss, the trigger events are as follows:
• an ABS is usually classified in stage 1 when it is purchased;
• net collections 20% lower than those forecast in the business plan;
• a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
• business plan reviewed downward by over 20% of "net recoveries", if the new business plan does not lead to the

write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
• business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

Government bonds:
• performing government bonds are usually classified in stage 1 when they are purchased;
• the low risk exemption[7] is subsequently applied, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notch);
• if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2 only if it is downgraded by at least 3 notches from the origination rate;
• reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are graded CCC+ or lower.

Financial instruments other than loans and receivables and government bonds:
• performing non-government bonds are usually classified as stage 1 when they are purchased;
• the low risk exemption[8] is subsequently applied, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notch);
• after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, leads to classification at stage 2 as long as the downgrading does not directly lead to classification as stage 3;
• analytical risk assessment of the instrument (issuer risk, country risk, etc.).

Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring and guaranteed finance products). The trigger events are:
• more than 30 days past due (IFRS 9. 5.5.11);
• forborne performing (IFRS 9. 5.5.12).

Loans and receivables with banks. The trigger events are:
• a 3-notch decrease if the counterparty's external rating at origination or, where not available, of the counterparty's country, is equal to BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade);
• analytical risk assessment of the counterparty (issuer risk, country risk, etc.).

The bank's business model envisages investments in POCI assets, which are therefore directly classified as stage 3 upon initial recognition.

Calculation of impairment
The fine-tuning of the valuation models, aimed at continuously improving the ability to intercept the effects of the changing macroeconomic scenario as well as at introducing the necessary additions made necessary by the roll out of the new business continued during 2023. Specifically, the bank introduced and revisited its impairment models to introduce suitable policies to estimate ECL on the credit exposures arising from the new businesses. It also concurrently tweaked existing impairment models. The risk parameters used for each type of risk are summarised below:

ABS measured at amortised cost, loans and receivables with banks and other financial instruments (other than government bonds, ABS and loans and receivables)
The bank uses both internal inputs (information about its relationship with the borrower) and external inputs. It updates the probability of default (PD) once a year using the studies on default and recovery rates published by rating agencies in the first quarter of the year as a base to estimate the multi-period PD vectors, adjusted on a forward-looking basis by the Risk Strategy & Management Department. Specifically, the PD applied to stage 1 and stage 2 securities was calculated using the average PD for the categories from A+ to B- (average of the central cat-

7) IFRS 9.5.5.10 states that an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.
8) IFRS 9.5.5.10 states that an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

egories on the rating scale of rating agencies) and applied differently depending on their time horizon (one year for stage 1 or lifetime for stage 2), excluding judgements about changes in PD and considering any missing additional information about the borrower's credit standing.

As the bank does not have historical information about actual losses, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Government bonds
The bank updates the PD once a year using the studies on default and recovery rates of sovereign counterparties published by rating agencies in the first half of the year as a base to estimate the multi-period PD vectors. In line with the approach adopted for ABS and other securities, and considering the average 12-month migration matrices, it calculates marginal PD vectors, adjusted on a forward-looking basis by the Risk Strategy & Management Department. The bank uses the one-year PD, equal to the rating of the issuing country, for stage 1 bonds.

The entire multi-period PD vector, equal to the issuing country's rating, is used for stage 2 bonds.

The LGD is assumed to be steady over the entire maturity of the financial asset and, in line with market practice, the value of 60% is applied based on the ranking of the instrument (senior) and the classification of the issuing country (developed economies) for the simplified estimate of LGD.

Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring and guaranteed finance products)
The lifetime Probability of Default is estimated using the Weibull function in order to obtain a long-term fitting of the system default rates extrapolated from Bank of Italy's public database. The PD vectors are adjusted on a forward-looking basis by the Risk Strategy & Management Department. The bank uses the one-year PD for stage 1 loans and receivables.

The PD is estimated over the life of the stage 2 loans and receivables. Therefore, in order to determine the impairment loss, the related node on the multi-period PD curve is used for each maturity date.

On an exceptional basis, given the current and prospective macroeconomic scenario and in line with the approach adopted at 31 December 2022 and 30 June 2023, the bank recognised an additional impairment loss at the reporting date to reflect the possible increase in risk of some sectors.

It acquires eligible personal guarantees to mitigate credit risk and potential losses in the case of default for guaranteed finance and factoring products. Due to the characteristics of these products, the estimate of the LGD considers their secured and unsecured components.

As the bank does not have historical information about actual losses for the other products, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures (stage 3) can be split into:
– non-performing overdrawn and/or past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
– unlikely to pay exposures: on and off-statement of financial position exposures classified as such given that the bank does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
– bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not legally certified as such) or in substantially similar situations regardless of the bank's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Both performing and non-performing exposures can be classified as forborne when the following regulatory conditions are met:
– modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
– confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure but has to be based on a specific valuation of the customer in the case of a performing exposure.

Impairment testing aims at identifying impairment losses due to deterioration in the counterparty's credit rating in a timely manner by using appropriate models to determine their amount.

The bank has recognised a loss allowance for expected credit losses on:
• financial assets at amortised cost: ABS, loans and receivables with customers, including those arising from leases and factoring, and loans and receivables with banks;
• financial assets at fair value through other comprehensive income;
• receivables from contracts with customers covered by IFRS 15. The ECL calculation model requires a quantitative estimate of future cash flows and assumes that these may be reliably estimated.

The impairment model consists of:
• the staging of exposures, based on an assessment of the increase in the exposure's/counterparty's risk;
• using multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify the lifetime ECL on financial instruments whose credit risk has increased significantly since initial recognition.

Non-performing loans and receivables (bad, unlikely to pay and overdrawn or past due) are tested for impairment individually or collectively. The impairment loss is calculated by discounting the expected future cash flows of principal and interest net of recovery costs considering any guarantees.

The bank assesses its credit-impaired exposures analytically depending on the nature of the assessed asset:
• Customer financing: the impairment losses are calculated either **individually** or **collectively** in the case of exposures that, due to their inherent characteristics (immaterial amounts and large numbers), can be tested using prudential but streamlined and low-cost models, capable of guaranteeing uniform result.

In line with the supervisory guidance and market practices, as well as the nature of the products offered, Banca CF+ tests all the UTP and bad exposures exceeding €500 thousand individually in order to achieve an accurate as possible estimate of the more risky positions and to recognise a lump-sum impairment loss for smaller exposures and past due exposures for organisational efficiency purposes, maintaining a prudential approach which envisages a threshold equal to that for the lump-sum impairment loss for individual exposures.

The Chief Lending Officer's staff estimates the lifetime expected credit losses of the individual exposures considering their specific nature and the minimum impairment percentages. To this end, they firstly decide whether to assess the counterparty using:
– a **going concern** approach, where their assessment focuses on the sustainability of the customer's debt over time based on its estimated cash flows;
– a **gone concern** approach, if recovery is possible through the enforcement of the guarantees and/or liquidation of the company's assets or when there is no reliable information about its estimated future cash flows.

• POCI exposures: the impairment losses are calculated as the difference between the individual portfolios' carrying amount and their expected recoverable amount based on the underlying business plan;
• ABS: the impairment losses are the higher of those calculated using the approach described for stages 1 and 2 exposures and their expected recoverable amount based on the underlying business plan;
• leases: the impairment losses are calculated individually by assessing their recoverability considering issuer risk.

Supported by the information provided by the servicers, the bank revises the business plans used for the measurement of the impaired loans and receivables/ABS every six months or more frequently, if appropriate.

The bank checks that the impairment losses on loans is adequate including by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts based on the results of its recovery procedures (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on problematic loans and receivables are reversed only when their quality has improved to the point that the bank is reasonably certain that it will recover principal and interest and/or has collected amounts greater than the exposure's carrying amount. Depending on the method used to calculate the impairment loss, the proximity to the deadline for collection of the exposure due to the passage of time gives rise to a reversal of impairment losses as it implies a reduction in the unrealised interest expense previously used to decrease the loans and receivables.

Measurement of expected credit losses
IFRS 9 requires an entity to consider relevant forward looking information when measuring credit impairment and not only historical and current information, as it deems that it can affect the recoverability of the credit exposures.

Accordingly, the bank considered the following:
• its update of the macro-economic scenarios, using a baseline, a best and an adverse scenario:
– **baseline**: based on the 2024-2026 macroeconomic projections for Italy prepared by Bank of Italy's experts as part of the Eurosystem's coordinated exercise (see "Macroeconomic Projections for the Italian Economy (Eurosystem staff macroeconomic projections)", 15 December 2023");
– **adverse**:the December 2023 update of the bank of Italy's macroeconomic projections for Italy does not include GDP growth rate estimates in an adverse scenario, however, the ECB presented the GDP growth rate estimates for the Eurozone in the Eurosystem's coordinated exercise (see "Eurosystem staff macroeconomic projections for the euro area") in an adverse scenario assuming the impacts of a further escalation of the conflict in the Middle East. In the light of the above, the information included in the ECB report "Eurosystem staff macroeconomic projections for the euro area" was used for the projections of the GDP growth rate (2024, 2025 and 2026) in the adverse scenario;
– **best**: given the current macroeconomic situation and the fact that the regulators do not provide estimates in favourable conditions (best scenario) in the above documents, the bank did not consider the best scenario when estimating the forward-looking factor for the figures at 31 December 2023.

• the review of the business plan for the POCI portfolios, primarily due to the postponement of the collection dates.

2.4 Credit risk mitigation techniques

In order to mitigate credit risk in line with the regulations, the bank and the group use the CRM (Credit Risk Mitigation) techniques, set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, and the CRR.

Specifically, the bank may make use of personal guarantees (sureties, personal guarantees, credit derivatives), financial collateral (liens on cash and/or listed securities and master netting agreements) and property collateral (residential and non-residential property mortgages).

The bank has specific procedures to efficiently manage risk covering the various stages involved (from acquisition of the individual guarantees to their execution as well as the more operational aspects for their management) and to identify the relevant internal process owners.

Even when the exposures are secured, the bank is still required to measure credit risk, focusing on the borrower's capacity to meet its obligations without considering the guarantee.

3. Non-performing exposures

3.1. Management strategies and policies

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures can be split into:
– non-performing overdrawn and/or past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
– unlikely to pay exposures: on and off-statement of financial position exposures classified as such given that the bank does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
– bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not legally certified as such) or in substantially similar situations regardless of the bank's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Non-performing exposures can be classified as forborne when the following regulatory conditions are met:
– modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
– confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure.

The bank checks that the impairment losses on loans is adequate including by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts based on the results of its recovery procedures (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on ABS reflect both remeasurement of the investment's value compared to its calculation using the amortised cost method agreed during the underwriting phase as well as available onboarding information.

3.2. Write-offs

The bank reduces the carrying amount of a non-performing exposure when it has no reasonable expectations of recovering it in its entirety or a portion thereof (total/partial write-offs), e.g., in the following cases:
a) irrecoverability, based on certain and precise elements (such as, for example, the debtor being untraceable or destitute, non-recovery from foreclosure of movable and immovable property, unsuccessful seizures, bankruptcy proceedings ended with an incomplete settlement of the bank's claim, if there are no further enforceable guarantees, etc.);
b) transfers;
c) waivers, as a result of unilateral debt forgiveness or residual under settlement agreements;
d) without waivers. In order to avoid retaining in the statement of financial position financial assets that continue to be managed by the credit collection departments but that have a very low chance of being recovered, all or part of their carrying amount is written off due to its irrecoverability even when the related legal case has not been terminated. The write-off may only affect the portion of a financial asset covered by a loss allowance; therefore, each financial asset may be written off to the extent of its carrying amount.

3.3 Purchased or originated credit-impaired financial assets

POCI financial assets mainly refer to those purchased by the former Credito Fondiario S.p.A., which, prior to the demerger completed on 1 August 2021, had subscribed notes issued by securitisation vehicles or directly acquired in the banking book. These are both bad and UTP exposures, mostly SME property loans.

The bank acquired the POCI financial assets to collect the related cash flows (HTC business model). As already described, the bank calculates the expected credit losses on POCI exposures as the difference between the net present value of their future cash flows (through credit collection activities less related costs) discounted at the transaction's interest rate (IRR) calculated at inception and the gross amount of the purchased exposures (i.e., the purchase price less collections plus interest calculated using the transaction's IRR).

Supported by the information provided by the servicers, the bank revises the business plans used for the measurement of the financial assets every six months or more frequently, if appropriate.

As the department in charge of performing the second level controls, once every six months, the Risk Strategy & Management Department checks that the business plan reviews of all portfolios coordinated by the portfolio management office and carried out by external servicers has been carried out using a systematic and accurate review process (individual and/or collective) of collection flow projections.

At this time, the Risk Strategy & Management Department reviews the underlying assumptions by position clusters (defined according to uniform categories of strategy/recovery phase), where they are applied collectively to all portfolios/positions not pipelined by the manager.

The department is informed of the above assumptions in special meetings with the portfolio management office and, where it deems it appropriate, carries out an in-depth analysis of certain portfolios/positions, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

4. Renegotiated financial assets and forborne exposures

At 31 December 2023, the bank has renegotiated performing financial assets, mostly related to waivers on covenants granted to creditworthy counterparties, and forborne exposures.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 Performing and non-performing exposures: carrying amount, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

(€'000)

Portfolios/quality	Bad exposures	Unlikely to pay exposures	Nonperforming past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets at amortised cost	7,396	36,968	8,765	4,144	1,164,610	**1,221,883**
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	**-**
3. Financial assets at fair value through profit or loss	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	280,931	**280,931**
5. Financial assets held for sale	-	-	-	-	-	**-**
Total 31/12/2023	**7,396**	**36,968**	**8,765**	**4,144**	**1,445,541**	**1,502,814**
Total 31/12/2022	**5,324**	**15,483**	**2,194**	**9,088**	**1,044,248**	**1,076,337**

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (eighth update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

(€'000)

Portfolios/quality	Non-performing				Performing			
	Gross amount	Total impairment losses	Carrying amount	Part ial/ total write-of fs (*)	Gross amount	Total impairment losses	Carrying amount	Total (carrying amount)
1. Financial assets at amortised cost	79,222	(26,093)	53,129	43	1,186,878	(18,124)	1,168,754	**1,221,883**
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	**-**
3. Financial assets at fair value through profit or loss	-	-	-	-	x	x	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	x	x	280,931	**280,931**
5. Financial assets held for sale	-	-	-	-	-	-	-	**-**
Total 31/12/2023	**79,222**	**(26,093)**	**53,129**	**43**	**1,186,878**	**(18,124)**	**1,449,685**	**1,502,814**
Total 31/12/2022	**41,046**	**(18,046)**	**23,001**	**43**	**789,269**	**(3,504)**	**1,053,336**	**1,076,337**

Portfolios/quality	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	517
2. Hedging derivatives	-	-	-
Total 31/12/2023	**-**	**-**	**517**
Total 31/12/2022	**-**	**-**	**554**

**To be shown for disclosure purposes*

Financial assets at amortised cost classified as non-performing mainly include loans that had already been classified as such and acquired with deep discounts, as well as the first instances of defaulting loans disbursed as part of the bank's new businesses.

A.1.3 Breakdown of financial assets by past due bracket (carrying amounts)

(€'000)

Portfolios/ risk stages	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	From 1 to 30 days	From 30 to 90 days	Af ter 90 days	From 1 to 30 days	From 30 to 90 days	Af ter 90 days	From 1 to 30 days	From 30 to 90 days	Af ter 90 days	From 1 to 30 days	From 30 to 90 days	Af ter 90 days
1. Financial assets at amortised cost	267	670	-	1	3,349	1,920	524	4,214	40,087	3,530	-	3,173
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**267**	**670**	**-**	**1**	**3,349**	**1,920**	**524**	**4,214**	**40,087**	**-**	**-**	**3,173**
Total 31/12/2022	**2,005**	**-**	**-**	**-**	**4,551**	**601**	**-**	**853**	**4,542**	**-**	**-**	**5,636**

A.1.4. Financial assets, loan commitments and financial guarantees given: total impairment losses and provisioning

(€'000)

Reasons/risk stages	Total impairment losses																							Total provisioning on loan commitments and financial				Total
	Stage 1						Stage 2						Stage 3						Purchased or originated credit-impaired financial assets									
	On demand loans and receivables with banks and central banks	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	On demand loans and receivables with banks and central banks	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	On demand loans and receivables with banks and central banks	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Loan commitments and financial guarantees given purchased or originated credit-impaired	
Opening balance	**(37)**	**(1,241)**	**-**	**-**	**-**	**(1,279)**	**-**	**(2,263)**	**-**	**-**	**-**	**(2,263)**	**-**	**(3,073)**	**-**	**-**	**(3,073)**	**-**	**(14,973)**	**-**	**-**	**(14,973)**	**-**	**-**	**-**	**-**	**-**	**(21,587)**
Increase in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses/gains for credit risk (+/-)	(23)	(1,325)	-	-	-	(1,348)	-	(13,560)	-	-	-	(13,560)	-	(4,169)	-	-	(4,169)	-	(1,832)	-	-	(1,832)	-	-	-	-	-	(20,909)
Modification gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	48	-	-	-	48	-	217	-	-	-	217	-	(56)	-	-	(56)	-	(1,990)	-	-	(1,990)	-	-	-	-		(1,781)
Closing balance	**(60)**	**(2,519)**	**-**	**-**	**-**	**(2,579)**	**-**	**(15,606)**	**-**	**-**	**-**	**(15,606)**	**-**	**(7,298)**	**-**	**-**	**(7,298)**	**-**	**(18,795)**	**-**	**-**	**(18,795)**	**-**	**-**	**-**	**-**		**(44,276)**
Collections of written-off financial ass	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.5 Financial assets, loan commitments and financial guarantees given: transfers among the various credit risk stages (gross amount and nominal amount)

(€'000)

Portfolios/ risk stages	Gross/nominal amounts					
	Transfer between stage 1 and 2		Transfer between stage 2 and 3		Transfer between stage 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	741	3,013	5,756	-	37,814	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	-	-	-	-	-	-
Total 31/12/2023	**741**	**3,013**	**5,756**	**-**	**37,814**	**-**
Total 31/12/2022	**70,576**	**-**	**-**	**-**	**75**	**51**

A.1.6 On- and off-statement of financial position exposures with banks: gross amount and carrying amount

(€'000)

Types of exposure/amounts	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/ tota l write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit -impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit -impaired		
A. ON-STATEMENT OF FINANCIAL POSITION												
A.1 ON DEMAND												
a) Non-performing	**-**	**x**	**-**	**-**	**-**	**-**	**x**	**-**	**-**	**-**		**-**
b) Performing	**94,544**	**94,544**	**-**	**x**	**-**	**(60)**	**(60)**	**-**	**x**	**-**	**94,484**	**-**
A.2 OTHER												
a) Bad exposures	-	x	-	-	-	-	x	-	-	-	-	-
- including: forborne exposures	-	x	-	-	-	-	x	-	-	-	-	-
b) Unlikely to pay exposures	-	x	-	-	-	-	x	-	-	-	-	-
- including: forborne exposures	-	x	-	-	-	-	x	-	-	-	-	-
c) Non-performing past due exposures	-	x	-	-	-	-	x	-	-	-	-	-
- including: forborne exposures	-	x	-	-	-	-	x	-	-	-	-	-
d) Performing past due exposures	-	-	-	x	-	-	-	-	x	-	-	-
- including: forborne exposures	-	-	-	x	-	-	-	-	x	-	-	-
e) Other performing exposures	48,903	48,903	-	x	-	(34)	(34)	-	x	-	48,869	-
- including: forborne exposures	-	-	-	x	-			-	x	-	-	-
TOTAL A	**143,447**	**143,447**	**-**	**-**	**-**	**(94)**	**(94)**	**-**	**-**	**-**	**143,353**	**-**
B. OFF-STATEMENT OF FINANCIAL POSITION	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	x	-	-	-	-	x	-	-	-	-	-
b) Performing	-	-	-	x	-	-	-	-	x	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**143,447**	**143,447**	**-**	**-**	**-**	**(94)**	**(94)**	**-**	**-**	**-**	**143,353**	**-**

* *To be shown for disclosure purposes*

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (eighth update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

Like at the previous year end, the bank does not have non-performing exposures with banks at the reporting date.

A.1.7 On- and off-statement of financial position exposures with customers: gross amount and carrying amount

(€'000)

Types of exposure/amounts	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/ total 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-STATEMENT OF FINANCIAL POSITION												
a) Bad exposures	20,883	x	-	6,158	14,725	(13,486)	x		(1,935)	(11,552)	7,396	43
- including: forborne exposures	-	x	-	-	-	-	x	-	-	-	-	-
b) Unlikely to pay exposures	49,036	x	-	37,038	11,998	(12,068)	x	-	(4,825)	(7,243)	36,968	-
- including: forborne exposures	12,280	x	-	2,094	10,186	(6,285)	x	-	(135)	(6,149)	5,995	-
c) Non-performing past due exposures	9,303	x	-	9,303	-	(538)	x	-	(538)	-	8,765	-
- including: forborne exposures	-	x	-	257	-	-	x	-	(29)	-	-	-
d) Performing past due exposures	4,187	268	3,919	x	-	(43)	(1)	(42)	x	-	4,144	-
- including: forborne exposures	-	-	-	x	-	-	-	-	x	-	-	-
e) Other performing exposures	1,414,720	1,267,536	147,184	x	-	(18,048)	(2,485)	(15,563)	x	-	1,396,672	-
- including: forborne exposures	-	-	34	x	-	-	-	(2)	x	-	32	-
TOTAL A	**1,498,128**	**1,267,804**	**151,102**	**52,499**	**26,723**	**(44,183)**	**(2,486)**	**(15,605)**	**(7,298)**	**(18,795)**	**1,453,945**	**43**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing		x					x					
b) Performing	301,637	301,637		x					x		301,637	
TOTAL B	**301,637**	**301,637**									**301,637**	
TOTAL A+B	**1,799,765**	**1,569,441**	**151,102**	**52,499**	**26,723**	**(44,183)**	**(2,486)**	**(15,605)**	**(7,298)**	**(18,795)**	**1,755,582**	**-**

A.1.8 On-statement of financial position exposures with banks: gross non-performing exposures

None.

A.1.8bis On-statement of financial position exposures with banks: gross forborne exposures broken down by credit quality

None.

A.1.9 On-statement of financial position exposures with customers: gross non-performing exposures

(€'000)

Reasons/Categories	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**15,280**	**23,400**	**2,366**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**-**	**-**	**-**
B.1 from performing exposures	5,400	29,454	12,525
B.2 from purchased or originated creditimpaired exposures	-	-	-
B.3 transfers from other non-performing categories	2,128	3,890	-
B.4 modification losses	-	-	-
B.5 other increases	1,737	3,688	876
C. Decreases	**-**	**-**	**-**
C.1 to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	(3,663)	(8,820)	(312)
C.4 sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other non-performing categories	-	(492)	(5,558)
C.7 modification gains	-	-	-
C.8 other decreases	-	(2,084)	(593)
D. Gross closing balance	**20,883**	**49,036**	**9,303**
- including: exposures transferred but not derecognised	-	-	-

A.1.9bis On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

(€'000)

Description/Quality	Forborne non-performing exposures	Forborne performing exposures
A. Gross opening balance	**14,088**	**5,023**
- including: exposures transferred but not derecognised	-	-
B. Increases	**-**	**-**
B.1 from non-forborne performing exposures	1,371	-
B.2 from forborne performing exposures	-	x
B.3 from forborne non-performing exposures	-	-
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	1,515	-
C. Decreases	**-**	**-**
C.1 to non-forborne performing exposures	-	-
C.2 to forborne performing exposures	-	x
C. 3 to forborne non-performing exposures	x	-
C.4 write-offs	-	-
C.5 collections	(502)	(4,989)
C.6 sales	-	-
C.7 losses on sales	-	-
C.8 other decreases	(3,936)	-
D. Gross closing balance	**12,537**	**34**
- including: exposures transferred but not derecognised	-	-

A.1.10 On-statement of financial position non-performing exposures with banks: changes in impaired positions

None.

A.1.11 On-statement of financial position non-performing exposures with customers: changes in impaired positions

(€'000)

Reasons/Categories	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	including: forborne exposures	Total	including: forborne exposures	Total	including: forborne exposures
A. Opening balance	**9,957**	**1,295**	**7,918**	**4,568**	**171**	**73**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 from purchased or originated credit-impaired exposures	-	x	-	x	-	x
B.2 other impairment losses	1,912	-	1,975	1,713	-	-
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing categories	583	-	56	-	-	-
B.5 modification losses	-	x	-	x	-	x
B.6 other increases	1,140	-	4,572	61	535	29
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1. fair value gains	(106)	-	-	-	-	-
C.2 impairment gains due to collections	-	(1,295)	(2,282)	(56)	-	-
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing categories	-	-	(171)	-	(168)	(73)
C.6 modification gains	-	x	-	x	-	x
C.7 other decreases	-	-	-	-	-	-
D. Closing balance	**13,486**	**-**	**12,068**	**6,285**	**538**	**29**
- including: exposures transferred but not derecognised	-	-	-	-	-	-

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (eighth update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

A.2 Classification of financial assets, loan commitments and financial guarantees given based on external and internal ratings

A.2.1 Breakdown of financial assets, loan commitments and financial guarantees given by external rating class (gross amounts)

(€'000)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	276,317	-	-	-	759,459	1,035,776
- Stage 2	-	-	3,727	-	-	-	147,375	151,102
- Stage 3	-	-	-	-	-	-	52,499	52,499
- Purchased or originated credit-impaired	-	-	-	-	-	-	26,723	26,723
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**280,043**	**-**	**-**	**-**	**986,056**	**1,266,099**
D. Loan commitments and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	301,637	301,637
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**301,637**	**301,637**
Total (A + B + C + D)	**-**	**-**	**280,043**	**-**	**-**	**-**	**1,287,693**	**1,567,736**

A.2.2 Breakdown of financial assets, loan commitments and financial guarantees given by internal rating class (gross amounts)

The bank does not use internal ratings.

A.3 BREAKDOWN OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 On- and off-statement of financial position guaranteed exposures with banks

None.

A.3.2 On- and off-statement of financial position guaranteed exposures with customers

(€'000)

	Gross amount	Carrying amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement credits				
								Other derivatives								
			Mortgaged property	Net investments in property leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Public administrations	Banks	Other financial companies	Other	
1. On-statement of financial position guaranteed exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 fully guaranteed	218,213	208,185	10,751	-	-	-	-	-	-	-	-	164,590	-	2,359	30,485	208,185
- including non-performing	41,108	31,565	6,091	-	-	-	-	-	-	-	-	20,802	-	14	4,658	31,565
1.2 partly guaranteed	440,391	435,233	1,269	-	-	-	-	-	-	-	-	340,271	-	42,280	-	383,820
- including non-performing	20,980	16,654	1,269	-	-	-	-	-	-	-	-	14,479	-	-	-	15,748
2. Off-statement of financial position guaranteed exposures:																
2.1 fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The personal guarantees include those given by MCC and SACE for guaranteed finance products and those given by Allianz Trade for the factoring products. The recovery process includes calling in the guarantee/requesting the loan repayment from the central funds and Allianz Trade directly. The carrying amount of the personal guarantees is the amount guaranteed by MCC, SACE or Allianz Trade.

The guarantees for the bank's original business (pre-demerger) are first level mortgages. The loans are usually recovered through court procedures by selling the property pledged as guarantee. The collateral's carrying amount is the market value of the mortgaged property.

A.4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED

None.

B. BREAKDOWN AND CONCENTRATION OF EXPOSURES

B.1 Breakdown of on- and off-statement of financial position exposures with customers by business segment

(€'000)

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (including: insurance companies)		Non-financial companies		Households	
	Carrying amount	T otal impairment losses	Carrying amount	T otal impairment losses	Carrying amount	T otal impairment losses	Carrying amount	T otal impairment losses	Carrying amount	T otal impairment losses
A. On-statement of financial position										
A.1 Bad exposures	-	-	1	(7)	-	-	6,961	(11,405)	434	(2,075)
- including: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	36,717	(11,974)	251	(93)
- including: forborne exposures	-	-	-	-	-	-	5,995	(6,285)	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	8,765	(538)	-	-
- including: forborne exposures	-	-	-	-	-	-	228	(29)	-	-
A.4 Performing exposures	276,211	(106)	467,161	(15,816)	2,044	(4)	656,848	(2,156)	595	(12)
- including: forborne exposures	-	-	-	-	-	-	-	-	32	(2)
Total (A)	**276,211**	**(106)**	**467,163**	**(15,823)**	**2,044**	**(4)**	**709,291**	**(26,074)**	**1,280**	**(2,181)**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	300,010	-	-	-	1,627	-	-	-
Total (B)	**-**	**-**	**300,010**	**-**	**-**	**-**	**1,627**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**276,211**	**(106)**	**767,173**	**(15,823)**	**2,044**	**(4)**	**710,918**	**(26,074)**	**1,280**	**(2,181)**
Total (A+B) 31/12/2022	**151,741**	**(33)**	**601,596**	**(2,060)**	**-**	**-**	**459,495**	**(17,600)**	**1,764**	**(1,854)**

B.2 Breakdown of on- and off-statement of financial position exposures with customers by geographical segment (carrying amounts)

(€'000)

Exposures/Geographical segments	Italy		Other European countries		Americas		Asia		Rest of the world	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.Bad exposures	7,362	(13,297)	34	(185)	1	(5)	-	-	-	-
A.2 Unlikely to pay exposures	36,968	(12,068)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	8,765	(538)	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,393,102	(18,046)	7,714	(44)	-	-	-	-	-	-
Total (A)	**1,446,197**	**(43,949)**	**7,747**	**(229)**	**1**	**(5)**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	301,627	-	10	-	-	-	-	-	-	-
Total (B)	**301,627**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**1,747,824**	**(43,949)**	**7,758**	**(229)**	**1**	**(5)**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**1,205,444**	**(21,336)**	**9,152**	**(207)**	**1**	**(5)**	**-**	**-**	**-**	**-**

B.3 Breakdown of on- and off-statement of financial position exposures with banks by geographical segment (carrying amounts)

(€'000)

Exposures/Geographical segments	Italy		Other European countries		Americas		Asia		Rest of the world	
	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses
A. On-statement of financial position										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	143,353	(94)	-	-	-	-	-	-	-	-
Total (A)	**143,353**	**(94)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**143,353**	**(94)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**75,105**	**(39)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

(€'000)

Large exposures	31/12/2023	31/12/2022
a) Carrying amount	1,614,929	1,006,179
b) Weighted amount	103,726	132,734
c) Number	27	19

The bank's large exposures at 31 December 2023 comply with the limits set by the supervisory regulations.

Pursuant to the recommendations made in the "Enhancing the risk disclosures of banks" report, a breakdown of the assets and related weighting factors used to calculate credit risk is set out below.

(€'000)

Assets	Nominal amount	Weighing	Weighted amount
Exposure with or guaranteed by central administrations or central banks	1,055,266,132.95	0%	-
	378,773.87	100%	378,774
	720,289.36	250%	1,800,723
Exposures with or guaranteed by local administrations or authorities	11,605,925.57	100%	11,605,926
Exposure with or guaranteed by public sector bodies	43,964,900.07	100%	43,964,900
Exposure with or guaranteed by bodies	80,733,858	20%	15,924,422
	56,018	100%	56,018
Exposures with or guaranteed by companies	300,000,000	0%	-
	15,017,382	20%	2,975,834
	129,451,837.06	100%	123,404,248
Retail exposures	42,430,736.97	75%	24,329,311
Exposures guaranteed by mortgages on properties	488,461.28	35%	170,961
	4,347,906.54	50%	2,173,953
Defaulting exposures	54,805,673.58	100%	54,805,674
	1,713,757.01	150%	2,570,636
Equity instruments	4,000,000.00	100%	4,000,000
	319.68	250%	799
Other exposures	3,749.78	0%	-
	684,629.70	20%	136,926
	11,294,435.75	100%	11,294,436
Exposures with securitisations	195,753,867	100%	195,753,867
	3,694,512	105%	3,879,238

TOTAL WEIGHTED ASSETS	499,226,646
Capital allocated to cover credit and counterparty risk at the reporting date (in Euro)	39,938,132

C. SECURITISATIONS

Qualitative disclosure

Strategies - processes - objectives:
As a bank specialised in the brokerage, management and servicing of impaired or illiquid exposures, pre-demerger Banca CF+ played many roles in securitisation transactions. It acted as arranger, asset manager and servicer, it structured securitisation vehicles (as per Law no. 130/99) and provided all the related portfolio management services.

The bank also acted as sponsor and with the option of taking part of the risk as the direct investor (in accordance with the retention rule set by the regulations).

It acted as asset manager/primary servicer of portfolios on behalf of third parties.

After the demerger, the bank continued to engage in securitisations, focusing on the tax assets business through Crediti Fiscali+ SPV.

Internal risk measurement and control systems
The Planning & Control and Portfolio Management Office is responsible, inter alia, for the following in connection with the loan portfolios in which the bank invests:
• monitoring the business plan annual and half yearly reviews, with specific reference to the legacy portfolio, working with the securitisations' servicers to define guidelines, monitor execution (e.g., roll-up) and approve the results;
• ensuring the monitoring of the notes recognised as assets, obtaining information from the securitisations' servicers on the performance of the underlying portfolios (e.g., collection amounts and timing) and analysing the master servicing reports provided for by the contracts for the securitisations in which the bank invests;
• managing the reporting of investments in tax assets, in close coordination with the relevant department;
• ensuring the preparation of management reports for a comprehensive and aggregated view of the performance of the bank's portfolios recognised as assets;
• managing relationships with the servicers involved in order to ensure proper management and an adequate level of service when reviewing the business plans and reporting on the legacy portfolio;
• evaluating the business plan reviews of the legacy portfolio, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections;

Moreover, as part of the second level controls, prior to completion of the half yearly review, the Risk Management Department reports to the competent bodies the assessment of the legacy portfolio, with the aim of checking the completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

Hedging policies
The bank does not engage in hedge accounting. However, it introduced a strategy to mitigate its securitised portfolios' exposure using interest rate derivatives.

Disclosure on the profit or loss of the securitisations
The profits or losses on securitisations substantially reflect the performance of the underlying portfolios and the related cash flows at the end of the year, considering any prepayments made during the year.

Quantitative disclosure

C.1 Exposures of the main self-securitisations broken down by securitised asset and type of exposure

(€'000)

Type of securitised asset/ Exposure	Exposures						Financial guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ gains	Carrying amount	Impairment losses/ gains	Carrying amount	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains
A. Fully derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Securitisation notes	5,269	(41)	42,547	(14,482)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

This caption includes the ABS subscribed by the then Credito Fondiario S.p.A. prior to the demerger completed in August 2021 as part of two securitisations.

The balance mainly includes mezzanine ABS and, for the remainder, senior ABS.

C.2 Exposures of the main third party securitisations broken down by securitised asset and type of exposure

(€'000)

Type of securitised asset/ Exposure	Exposures						Financial guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ gains	Carrying amount	Impairment losses/ gains	Carrying amount	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains
Mortgage loans, leases, tax assets and trade receivables	191,646	(1,249)	10,506	-	209,961	-	-	-	-	-	-	-	-	-	-	-	-	-

The bank has not issued guarantees or granted credit facilities to the securitisations.

C.3 Securitisation vehicles

(€'000)

Securitisation name/Special purpose vehicle	Registered office	Consolidation	Assets			Liabilities		
			Loans and receivables	Debt instruments	Other	Senior	Mezzanine	Junior
PONENTE SPV S.R.L.	Rome - Italia	yes	18,356	-	8	17,264	-	5,890
NEW LEVANTE SPV S.R.L.	Rome - Italia	yes	8,999	-	777	6,842	-	2,940
COSMO SPV 1 S.R.L.	Rome - Italia	yes	9,125	-	1	685	-	7,019
CREDITI FISCALI+ S.R.L.	Rome - Italia	yes	134,206	-	26,418	50,888	-	88,147
LIBERIO SPV S.R.L.	Rome - Italia	yes	32,512	-	1,820	-	-	11,669
FAIRWAY 1 SPV S.R.L.	Rome - Italia	yes	1,727	-	440	-	-	4,907
FAIRWAY 2 SPV S.R.L.	Rome - Italia	yes	1,322	-	998	3,035	-	20,190
AVENTINO SPV S.R.L.	Rome - Italia	yes	49	-	203	-	-	561
RESTART SPV S.R.L.	Rome - Italia	equi-ty-ac-coun-ted	13,325	-	3,634	4,022	-	14,800
ITALIAN CREDIT RECYCLE SPV S.R.L.	Rome - Italia	equi-ty-ac-coun-ted	5,668	-	2,177	-	-	10
FEDAIA SPV S.R.L.	Rome - Italia	no	103,851	-	14,751	-	193,852	-
RIENZA SPV S.R.L.	Rome - Italia	no	87,184	-	11,477	-	10	-
GARDENIA SPV S.R.L.	Rome - Italia	no	120,346	-	32,239	7,584	209,658	-
BRAMITO SPV S.R.L.	Rome - Italia	no	42,924	-	4,302	39,731	-	25,314
VETTE TV SPV S.R.L.	Rome - Italia	no	24,349	-	1,898	18,500	13,160	-
APPIA TV SPV S.R.L.	Rome - Italia	no	42,828	-	179	42,811	-	-
PALATINO SPV S.R.L.	Rome - Italia	no	51,514	-	17,727	74,754	23,594	6,280
DOMIZIA SPV S.r.l.	Rome - Italia	no	72,805	-	11,105	31,667	100,659	7,155

The information in the table is updated to 31 December 2023.

C.4. Non-consolidated securitisation vehicles

(€'000)

Securitisation name/ Special purpose vehicle	Banca CF+ classification			CA			Maximum loss risk
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior	
FEDAIA SPV S.R.L.	FAAC	N/A	FAFVTPL	-	-	32,533	32,533
RIENZA SPV S.R.L.	N/A	N/A	FAFVTPL	-	-	18,249	18,249
GARDENIA SPV S.R.L.	FAAC	N/A	FAFVTPL	1,467	-	28,053	29,520
APPIA TV SPV S.R.L.	FAFVTPL	N/A	N/A	-	-	2,120	2,120
BRAMITO SPV S.R.L.	FAAC	N/A	FAFVTPL	36,861	-	4,776	41,637
VETTE TV SPV S.R.L.	FAAC	N/A	FAFVTPL	18,281	-	254	18,535
PALATINO SPV S.R.L.	FAAC	FAAC (B1)/ FAFVTPL (B2)	FAFVTPL	3,695	9,030	-	12,725
DOMIZIA SPV S.r.l.	FAAC	FAAC (B1)/ FAFVTPL (B2)	FAFVTPL	1,574	33,517	-	35,091
ITALIAN CREDIT RECYCLE S.R.L.	FAFVTPL	N/A	N/A	-	3,785	-	3,785
RESTART SPV S.R.L.	FAFVTPL	N/A	N/A	653	6,721	-	7,374

Key:
FAAC: Caption 40. Financial assets at amortised cost: b) loans and receivables with customers
FAFVTPL: Caption 20. Financial assets at fair value through profit or loss: c) other financial assets mandatorily measured at fair value

C.5 Servicer - self-securitisations: collection of securitised loans and redemption of securities issued by the securitisation vehicle

None.

D. Non-consolidated structured entities (other than securitisation vehicles)

Since the bank prepares consolidated financial statements, the information required by Bank of Italy's Circular no. 262 of 22 December 2005 (eighth update) is not presented.

E. Transfers

This section covers assets that have been fully transferred and not derecognised related to self-securitisations or transfers of own loans and receivables. It includes self-securitisations only if the transfer is made to issue covered bonds and the bank is not the lender.

A. Financial assets transferred and not fully derecognised

Qualitative disclosure

The bank has not engaged in transfers to issue covered bonds where it is not the lender.

Quantitative disclosure

E.1 Financial assets transferred and recognised in full and associated financial liabilities: carrying amount

At 31 December 203, there are no financial assets transferred and not derecognised.

The bank has not engaged in covered bond transactions where the originator and the lender are the same bank.

E.2 Financial assets transferred and partly recognised and associated financial liabilities: carrying amount

None.

E.3 Transfers with liabilities that can solely be covered by the transferred assets not fully derecognised: fair value

None.

B. Financial assets transferred and fully derecognised with recognition of continuing involvement

Qualitative disclosure

None.

Quantitative disclosure

None.

C. Financial assets transferred and fully derecognised

Qualitative disclosure

None.

Quantitative disclosure

None.

D. Covered bond transactions

None.

F. CREDIT RISK MEASUREMENT MODELS

At present, the bank does not use internal portfolio valuation models to measure its exposure to credit risk, apart from that described in the first part of this Section 1.

Section 2 – MARKET RISK

2.1 - Interest rate and price risks - Supervisory trading book
Market risk is the risk of incurring losses generated by operating on the market for financial instruments (assets and liabilities) included in the "Financial assets at fair value through profit or loss" portfolio due to fluctuations in interest rates, exchange rates, the inflation rate, fluctuations in share prices, credit spreads, commodity prices (generic risk) and the issuer's credit standing (specific risk).

The bank can make small investments in the trading book for which it avails of the derogation for small trading book business as per article 94 of the CRR. Although not part of its supervisory trading book, the bank is also exposed to the risk of losses solely with respect to its investments in financial assets managed under the HTC and HTCS business models that do not pass the SPPI test.

The bank does not have foreign currency assets or liabilities on or off the statement of financial position. It does not undertake transactions in Euros indexed to variations in exchange rates or in gold.

QUALITATIVE DISCLOSURE

A. General information

At 31 December 2023, the bank's trading book mostly consisted of interest rate derivatives. It is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

B. Management and measurement of interest rate and price risks

As part of its routine checks, the Risk Strategy & Management Department monitors changes in the trading book and the corresponding sensitivity to interest rate risk on a daily basis.

Quantitative disclosure

None.

2.2 - Interest rate and price risks - banking book

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of interest rate and price risks

The bank is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

It uses the method required by the supervisory regulations to measure own funds to cover this risk (simplified method as per annexes C and C-bis to Bank of Italy's Circular no. 285/2013). The method consists of classifying assets and liabilities by time bracket based on their residual life (fixed rate assets and liabilities) or the interest rate renegotiation date (floating rate assets and liabilities), weighing the net exposures in each bracket, adding the weighted exposures of each bracket and calculating the risk indicator (ratio of net weighted exposure to the own funds).

The Risk Strategy & Management Department performs this calculation.

Specifically, the Risk Strategy & Management Department analyses the classification of assets and liabilities in the different time brackets depending on the interest rate renegotiation period and applies the identified measurement methods and rules.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

(€'000)

Types/Residual maturity	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	135,133	61,292	125,145	344,022	70,442	106	-
1.2 Financing to banks	137,797	5,556	-	-	-	-	-	-
1.3 Financing to customers								
- current accounts	-	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	22	2,220	2,920	334	11,609	1,080	35	-
- other	31,069	586,998	24,250	9,553	45,686	2,027	-	-
2. Liabilities								
2.1 Due to customers								
- current accounts	35	-	-	-	-	-	-	-
- other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	28,829	172,056	138,641	251,133	477,421	5,172	-	-
2.2 Due to banks								
- current accounts	-	-	-	-	-	-	-	-
- other liabilities	-	446,219	-	-	-	-	-	-
2.3 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	25,454	-	-	-
2.4 Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	516	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

The bank does not use internal models for its sensitive analyses but the methods provided for by Bank of Italy's Circular no. 285/2013, as subsequently amended.

2.3 Currency risk

The bank does not have foreign currency assets or liabilities on or off the statement of financial position. It did not undertake transactions in Euros indexed to variations in exchange rates or in gold.

A. General aspects, management and measurement of currency risk

None.

B. Hedging of currency risk

Quantitative disclosure

None.

3 – DERIVATIVES AND HEDGING POLICIES

3.1 Trading derivatives

At 31 December 2023, the bank had a call option for a company which it deems is of strategic interest in addition to the interest rate derivatives described earlier.

A. Financial derivatives

A.1 Trading financial derivatives: reporting date notional amounts

(€'000)

Underlying asset/T ype Without central counterparties of derivatives	31/12/2023				31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt instruments and interest rates								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	100,547	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indexes								
a) Options	-	-	200	-	-	-	200	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other								
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**100,547**	**200**	**-**	**-**	**-**	**200**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

(€'000)

Type of derivative	31/12/2023				31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	517	-	-	-	554	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**517**	**-**	**-**	**-**	**554**	**-**
1. Fair value negativo								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	800	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**800**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC trading financial derivatives - notional amounts, gross positive and negative fair value by counterparty

(€'000)

Underlying asset	Government and central banks	Banks	Other financial companies	Other
Contracts not covered by netting agreements				
1) Debt instruments and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and share indexes				
- notional amount	x	-	-	200
- positive fair value	x	-	-	517
- negative fair value	x	-	-	-
3) Currencies and gold				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
4) Commodities				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
5) Other				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
Contracts covered by netting agreements				
1) Debt instruments and interest rates				
- notional amount	-	100,547	-	-
- positive fair value	-	-	-	-
- negative fair value	-	800	-	-
2) Equity instruments and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

(€'000)

Underlying/Residual maturity	Up to 1 year	From 1 to 5 years	After 5 years	Total
A.1 Financial derivatives on debt instruments and interest rates	100,547	-	-	100,547
A.2 Financial derivatives on equity instruments and share indexes	200	-	-	200
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2023	**100,747**	**-**	**-**	**100,747**
Total 31/12/2022	**200**	**-**	**-**	**200**

B. Credit derivatives

B1. Credit derivatives: notional amounts at the reporting date

None.

B.2 Trading credit derivatives: gross positive and negative fair value - breakdown by product

None.

B.3 OTC trading credit derivatives - notional amounts, gross positive and negative fair value by counterparty

None.

B.4 Residual life of OTC trading credit derivatives: notional amounts

None.

B.5 Credit derivatives associated with the fair value option: changes

None.

3.2 Hedging

QUALITATIVE DISCLOSURE

None.

QUANTITATIVE DISCLOSURE

None.

Section 4 – LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the bank is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk).

The bank manages and monitors its liquidity levels to ensure its short-term structural stability, finance its growth and mitigate its liquidity risk.

The Finance & Investment Department handles the bank's liquidity.

CF+ uses different tools to measure and monitor its liquidity risk. The main tool is the maturity ladder.

Measurement of the bank's exposure to operating liquidity risk is based on the projection of expected cash inflows and outflows and the related shortfalls or surpluses in the various maturity brackets included in the maturity ladder. Structural liquidity risk management aims at ensuring a balanced liquidity profile in the long term (after 12 months) and its matching to short-term liquidity management.

The bank monitors early warning ratios and indicators for the timely identification of any vulnerabilities in its financial position. In addition, it regularly develops stress scenarios and has defined a contingency funding and recovery plan.

Funding requirements are met using demand deposits with mainly retail as well as corporate customers, short-term funding (up to six months), funding through uncommitted credit facilities granted by national banks, funding repos and OMOs with the central bank using eligible securities and eligible performing exposures.

The Risk Strategy & Management Department carries out the second level controls and checks compliance with the defined limits.

At the reporting date, the bank's liquidity covers its short and long-term requirements. It also has liquidity reserves consisting of highly liquid assets or the possibility to access the funds of the ECB.

Pursuant to IFRS 7.39.c, it is noted that the bank has financial liabilities to be repaid upon maturity and it does not have derivatives with a contractual maturity to be settled.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

(€'000)

Captions/Time buckets	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	-	-	-	-	-	-	45,000	196,000	40,000	-
A.2 Other debt instruments	-	-	-	5,082	130,416	61,579	79,524	169,078	30,023	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing										
- banks	138,039	-	-	-	-	-	-	-	-	5,408
- customers	11,022	14,808	11,673	19,239	64,179	55,933	74,206	461,346	21,893	-
Liabilities										
B.1 Deposits and current accounts										
- banks	-	210,000	10,000	-	8,000	-	-	-	-	-
- customers	28,106	4,830	8,748	31,848	124,077	116,401	254,532	487,002	3,495	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	25,000	-
B.3 Other liabilities	692	-	-	90,711	126,584	-	-	3,633	1,712	-
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	-	-	-	100,547	-	-	200	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Firm loan commitments										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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 RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

Main sources and nature of operational risk
Operational risk is the risk of losses arising from shortcomings, malfunctioning or weaknesses in internal procedures, human resources and systems or due to external factors.

It includes losses deriving from fraud, human error, business disruptions, systems unavailability, contractual defaults and natural disasters. It does not include strategic or reputation risks but does include legal risk (i.e., the risk created by violations or non-compliance with laws and regulations or scant transparency about the rights and obligations of counterparties in a transaction) and conduct risk (i.e., the risk of losses resulting from the inappropriate supply of financial services and the resulting litigation costs, including wilful or negligent conduct).

This risk also comprises exposure to fines, warnings and sanctions as a result of measures taken by the supervisory authority or private transactions.

Operational risk is one of the factors that can trigger the second level reputation risk. This is a current or prospective risk of a downturn in profits or capital due to the negative perception of the bank by its customers, counterparties, shareholders, employees, investors or regulators.

The internal consequences include employee dissatisfaction.

Reputation risk can be measured as part of the ICAAP process although actual or possible internal capital is not calculated or estimated, respectively.

Reputation risk is managed and monitored with an integrated process involving various internal bodies at different levels and depending on their expertise.

The Board of Directors decides the organisational and risk appetite strategies.

At operational level, the operating and control departments ensure a comprehensive overview of reputation risk, each in their own area of expertise.

Operational risk control unit
The operating departments perform the first level controls while the Risk & Strategy Management, ICT Risk & Security (for the ICT and security risk component), Compliance & AML and Internal Audit Departments carry out the second and third level controls.

Internal operational and reputation risk measurement, management and control systems
In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with assets equal to or less than €4 billion (class 3), the bank measures operational risk using the basic indicator approach (BIA) to calculate the regulatory capital requirement, whereby it calculates the related capital requirement by applying a 15% factor to the average of the last three annual positive observations of the relevant indicator (article 316 of the CRR).

The procedures define in-depth first level controls designed to protect the formal and substantial correctness of the bank's operations.

The bank adopts risk-self-assessment systems for all business processes in order to identify risks (mainly operational and compliance) inherent in the processes and define action plans for their continuous improvement.

Similarly, it holds special training courses, especially for employees with new duties or about new procedures or about significant changes in the regulatory or legislative framework.

Assessments of the operating performance
The bank manages legal risks by setting up a specific provision which amounted to €0.4 million at the reporting date. The first level control units also monitor this risk on an ongoing basis as do the second and third level control units.

QUANTITATIVE DISCLOSURE
Based on its observation of the relevant indicator for application of the basic indicator approach and calculation of the operational risk, the capital requirement to cover this risk at a stand-alone level is €6.451 million at the reporting date.

Part F: Information on equity

SECTION 1 – EQUITY

A. Qualitative disclosure

The bank manages its capital requirements by constantly analysing the components and performance of the activities in which its capital is employed. As part of its Risk Appetite Framework, the bank has four capital adequacy indicators calculated on the basis of its consolidated figures.

The risk capacity indicator is the limit set by current regulations while the risk appetite indicator reflects the activities to be carried out in accordance with the business plan and profit objectives. With respect to the risk tolerance indicator, the bank has provided for the possibility that it may exceed its normal risk appetite in certain circumstances to exploit opportunities available on the market in exceptional circumstances that will be unlikely to be repeated with a recovery plan in line with the risk appetite.

The bank monitors the indicators on a quarterly and, as already mentioned, consolidated basis.

Quantitative disclosure

The main components of equity are:
• share capital of €19,066 thousand;
• reserves of €91,293 thousand including the legal reserve (€3,233 thousand) and the share premium (€88,060 thousand);
• valuation reserve of €3,814 thousand;
• loss for the year of €37,267 thousand.

As set out in the Directors' report, the directors propose that the loss for the year of €37,266,647 be fully covered by the share premium.

Further to its resolution of 8 November 2023 to avail of the option provided for by article 26.5-bis of Decree law no. 104/2023 (as amended by Law no. 136/2023), the Board of Directors proposes the set-up of a non-distributable reserve of €4,135,250 drawing from the existing reserves in lieu of payment of the windfall tax.

The tax authorities did not specify how the reserve was to be set up in its Circular no. 4 of 23 February 2024. Given that the bank has sufficient reserves to satisfy the requirement of setting aside an amount to cover the windfall tax, on 16 January 2024, it filed a request for clarification about the obligation to pay the tax and, alternatively, how the non-distributable reserve is to be set-up.

As the bank has not yet received a response from the tax authorities, its Board of Directors proposed that the legal reserve be tied up and a part of the share premium also be tied up for an amount equal to the remaining part of the amount required to be set aside instead of paying the windfall tax. The Board of Directors also reserved the right to modify this proposal to reflect the tax authorities' response once received.

As required by article 2427.1.7-bis of the Italian Civil Code, the following table summarises the equity captions, showing their origin and possible use and distribution. The line "of which: unavailable" already reflects the above proposal to the shareholders.

(Euros)

	31/12/2023	Possible use	Available portion	Use in the last three years
Equity-related reserves:				
Share premium	88,059,658	A, B, C	88,059,658	-
Income-related reserves:	-	-	-	-
Legal reserve	3,233,349	B	3,233,349	-
Reserve for treasury shares - available portion	-	-	-	-
Total	**91,293,006**		**91,293,006**	**-**
of which: unavailable	41,401,897	-	-	-
of which: available	49,891,110	-	-	-
Share capital	19,066,549	-	-	-
Valuation reserve	3,814,467	-	-	-
Loss for the year	(37,266,647)	-	-	-
Total equity	**76,907,376**	**-**	**-**	**-**

Key:
A = capital increase
B = to cover losses
C = for dividends

B. Quantitative disclosure

B.1 Equity: breakdown

(€'000)

Captions/Amounts	31/12/2023	31/12/2022
1. Share capital	19,067	14,000
2. Share premium	88,060	76,020
3. Reserves		
- income-related		
a) legal	3,233	3,233
b) statutory	-	13,605
c) treasury shares	-	-
d) other	-	(4,635)
- other	-	29,464
3.5 Interim dividends (-)		
4. Equity instruments	-	-
5. (Treasury shares)		
6. Valuation reserves		
- Equity instruments at fair value through other comprehensive income	3,695	2,657
- Hedges of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange gains (losses)	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains on defined benefit pension plans	120	102
- Share of valuation reserves of equity-accounted - investees	-	-
- Special revaluation laws	-	-
7. Loss for the year	(37,267)	(24,397)
Total	**76,908**	**369,542**

B.2 Fair value reserves: breakdown

(€'000)

Assets/Amounts	31/12/2023		31/12/2022	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	-	-	-	-
2. Equity instruments	3,695	-	2,657	-
3. Financing	-	-	-	-
Total	**3,695**	**-**	**2,657**	**-**

B.3 Fair value reserves: changes

(€'000)

	Debt instruments	Equity instruments	Financing
1. Opening balance	**-**	**2,657**	**-**
2. Increases			
2.1 Fair value gains	-	-	-
2.2 Impairment losses for credit risk	-	x	-
2.3 Reclassification of fair value losses to profit or loss on sale	-	x	-
2.4 Transfers to other equity reserves (equity instruments)	-	-	-
2.5 Other increases	-	1,037	-
3. Decreases			
3.1 Fair value losses	-	-	-
3.2 Impairment gains for credit risk	-	-	-
3.3 Reclassification of fair value gains to profit or loss: on sale	-	x	-
3.4 Transfers to other equity reserves (equity instruments)	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**-**	**3,695**	**-**

B.4 Actuarial reserves: changes

At the reporting date, the bank has an actuarial reserve for defined benefit plans of €120 thousand. The net gain arising on the actuarial valuation of the liability was €18 thousand in 2023.

SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

2.1 Own funds

A. Qualitative disclosure

1. Common Equity Tier 1 – CET1

Common Equity Tier 1 is comprised of the following elements.

3. Additional Tier 1 – AT1

None.

4. Tier 2 – T2

On 13 October 2023, the bank completed the issue of subordinated bonds with a nominal amount of €25 million at an annual interest rate of 14.50%. These bonds qualify as a Tier 2 capital instrument in accordance with the provisions of the CRR and Bank of Italy Circular no. 285 of 17 December 2013.

The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

5. Quantitative disclosure

(€'000)

	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) before application of prudential filters	76,907	110,050
including CET1 instruments covered by transitional measures	-	-
B. CET1 prudential filters (+/-)	(292)	(277)
C. CET1 including elements to be deducted and the effects of the transitory regime (A +/-B)	76,616	109,773
D. Elements to be deducted from CET1	16,543	10,579
E. Transitory regime - Impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**60,072**	**99,195**
G. Additional Tier 1 (AT1) including elements to be deducted and the effects of the transitory regime	-	-
including AT1 instruments covered by transitional measures	-	-
H. Elements to be deducted from AT1	-	-
I. Transitory regime - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	-	-
M. Tier 2 (T2) including elements to be deducted and the effects of the transitory regime	25,454	-
including T2 instruments covered by transitional measures	-	-
N. Elements to be deducted from T2	-	-
O. Transitory regime - Impact on T2 (+/-)	-	-
P. Total Tier 2 (T2) (M-N+/-O)	**25,454**	**-**
Q. Total own funds (F+L+P)	**85,526**	**99,195**

6. Capital adequacy

A. Qualitative disclosure

The bank develops forward-looking calculations to reflect developments in its business so as to monitor capital adequacy, including in the case of changes in its operations or significant changes in its revenue and expenses.

The projections prepared in the last few years always considered the capital adequacy.

B. Quantitative disclosure

(€'000)

Category/Amounts	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. EXPOSURES				
A.1 Credit and counterparty risk	**1,956,373**	**1,352,779**	**499,227**	**513,136**
1. Standardised method	1,756,925	1,111,231	299,594	271,346
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2. Advanced	-	-	-	-
3. Securitisations	199,448	241,548	199,633	241,790
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	**-**	**-**	**39,938**	**41,051**
B.2 Risk of adjustments to assessment of credit	**-**	**-**	**-**	**-**
B.3 Regulation risk	**-**	**-**	**-**	**-**
B.4 Market risk	**-**	**-**	**-**	**-**
1. Standard method	-	-	-	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	**-**	**-**	**6,451**	**9,764**
1. Basic method	-	-	6,451	9,764
2. Standardised method	-	-	-	-
3. Advanced method			-	-
B.6 Other calculation elements			**57**	**81**
B.7 Total prudential requirements			**46,446**	**50,895**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**580,572**	**636,192**
C.2 CET1 / Risk-weighted assets (CET1 capital ratio)			**10.35%**	**15.59%**
C.3 Tier 1 / Risk-weighted assets (T1 capital ratio)			**10.35%**	**15.59%**
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			**14.73%**	**15.59%**

With its letter no. 1569983/23 of 20 September 2023, Bank of Italy notified Banca CF+ of its decision to authorise the change of the method of calculating the own funds requirement for operational risk pursuant to article 315 of the CRR and the supervisory regulations for banks (Circular no. 285, Part Two, chapter 8, section II), in response to the application filed by the bank on 29 May 2023. This change resulted in a saving of €29 million in terms of RWA from operational risk on a stand-alone basis.

Part G: Business combinations

SECTION 1 - COMBINATIONS PERFORMED DURING THE YEAR

On 25 July 2023, the bank finalised the acquisition of a business unit (the "business unit") from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A."). The business unit comprises technological assets and a highly qualified workforce. The consideration of €4.9 million provides for the payment of a possible earn-out of a maximum of €4.5 million, if certain business objectives are achieved.

Acquisition of the business unit (the "transaction") is an alternative to the bank's "small ticket financing" business' organic growth. In particular, the transaction will allow Banca CF+ to accelerate this type of business' growth, achieve greater lending volumes and, consequently, higher prospective profits thanks to the business unit's highly specialised workforce and state-of-the-art technologies.

The preliminary agreement was signed on 23 March 2023. It provided that Instapartners S.r.l. undertook to sell to Banca CF+, which in turn undertook to purchase, the business unit, free from encumbrances, on the execution date, against payment of the price and subject to the fulfilment of a series of conditions precedent. On 15 May 2023, Banca CF+ also paid the down payment of €1.1 million.

The acquisition date was identified as 25 July 2023, the date on which, once the conditions precedent had been satisfied, the transaction was completed and the balance of the price of €3.9 million paid.

The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the bank obtained control of the business unit.

This standard requires the adoption of the PPA method, whereby the purchase price is allocated to the fair value of the assets acquired and liabilities assumed.

The agreement signed on 25 July 2023 established payment of an up-front consideration of €4.9 million, comprised of (i) €0.5 million for goodwill, (ii) €5.0 million for property, equipment and investment property, intangible assets and other assets, net of (iii) €0.6 million for liabilities related to the transferred employees. Accordingly, the purchase price is the sum of (i) the down payment of €1.1 million and (ii) the balance of €3.9 million, as set out below:

(€)	
Down payment	1,051,000
Balance	3,875,653
Purchase price	**4,926,653**
Liabilities transferred	604,594

The business unit's assets and liabilities at 25 July 2023 are as follows:

(€'000)

Acquisi tion-date statement of financial posi tion			
Assets	**Pre-PPA carrying amounts**	**Effects of provisional PPA entries**	**Post-provisional PPA carrying amounts**
Intangible assets	-	5,500	5,500
including: software	-	4,955	4,955
of which: goodwill	-	545	545
Other assets	31	-	31
Total assets	**31**	**5,500**	**5,531**
Liabilities	**Pre-PPA carrying amounts**	**Effects of provisional PPA entries**	**Post-provisional PPA carrying amounts**
Amounts due to employes	397	-	397
Post-employment benefits	207	-	207
Total l iabilities	**604**	**-**	**604**
Total equity	**(573)**	**5,500**	**4,927**

The PPA procedure commenced with the support of an independent expert will be concluded within twelve months of the acquisition date. Therefore, the separate financial statements at 31 December 2023 include the effects of the provisional allocation of the former Credimi business unit's assets and liabilities.

SECTION 2 – COMBINATIONS PERFORMED AFTER THE REPORTING DATE

None.

SECTION 3 – Retrospective adjustments

None.

Part H: Related party transactions

1. Key management personnel's remuneration

Pursuant to IAS 24.16, a table showing the total fees of the bank's Board of Directors, the Board of Statutory Auditors and key management personnel for 2023 is set out below:

(€'000)

	Directors	Statutory auditors	Other key management personnel
a) Short-term benefits	620	216	3,919
b) Post-employment benefits	-	-	311
c) Other long-term benefits	-	-	-
d) Termination benefits	-	-	244
e) Share-based payments	-	-	-
Total	**620**	**216**	**4,473**

The fees due to the Board of Statutory Auditors amounted to €216 thousand at the reporting date.

2. Related party transactions

	Consolidated SPVs	%
Assets	249	0.01% (*)
Liabilities	2,422	0.15% (*)
Revenue	1,404	4.72% (**)
Costs	-	0.00% (**)
Endorsement credits	199,149	-
Commitments on endorsement credits	100.851	-

(*) % of total assets
(**) % of total income

The table shows the assets and liabilities with consolidated companies at the reporting date. Revenue includes servicing fees and commissions paid to the bank by Crediti Fiscali+ in connection with its servicing of securitisations (€793.3 thousand) and sureties issued by the bank for tax asset reimbursements by the Revenue of Agency (€610.5 thousand).

The bank's endorsement credits include sureties of €100,851 thousand given on behalf of Crediti Fiscali+, out of a total ceiling granted of €300,000 thousand.

No atypical or unusual related party transactions took place during the year that would have affected the bank's financial position and performance, given their materiality. All transactions with related parties were conducted at arm's length and are part of the bank's operations.

On 13 October 2023, the bank completed the issue of subordinated bonds with a nominal amount of €25 million at an annual interest rate of 14.50%. These bonds qualify as a Tier 2 capital instrument in accordance with the provisions of the CRR and Bank of Italy Circular no. 285 of 17 December 2013. The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

Orado Investments S.à r.l., a related party given that it is part of the Elliott Group, subscribed bonds for €13.8 million while other related parties (directors of the bank) subscribed €0.7 million.

In addition to the above, the following information is provided given the bank's numerous related parties.

In 2023, commission expense of €0.4 million was paid to the Gardant Group for the servicing activities outsourced to it starting from 1 August 2021.

At the reporting date, there is a credit facility (of which €3.3 million has been drawn down) agreed in 2020 with Leviticus Reoco S.r.l., a subsidiary of European Investment Holding (a related party). The credit facility's original amount was €5 million which was decreased to €4.5 million in 2003.

MANAGEMENT AND COORDINATION ACTIVITIES PURSUANT TO ARTICLE 2497 AND FOLLOWING ARTICLES OF THE ITALIAN CIVIL CODE

At 31 December 2023, the bank was not managed or coordinated by another company pursuant to article 2497 and following articles of the Italian Civil Code.

Fees for audit and non-audit services pursuant to article 2427.1.16-bis of the Italian Civil Code

Pursuant to article 2427.1.16-bis of the Italian Civil Code, the contractually-agreed fees for the statutory audit of the bank's separate and consolidated financial statements and other services provided by the independent auditors in 2023 are set out below.

The amounts are net of VAT and out-of-pocket expenses.

(€'000)

Type of service	Provider: independent auditors or entity of their network	Fees
Audit services		
- Audit of the separate financial statements, including checks that the accounting records are kept correctly, and the consolidated financial statements	EY S.p.A.	155
- Review of the condensed interim separate and consolidated financial statements	EY S.p.A.	25
- Comfort letter as per art. 26.(2) of Regulation (EU) no. 575/2013	EY S.p.A.	16
- Attestation services on tax returns	EY S.p.A.	5
- Check of translation into English of the annual report	EY S.p.A.	3
Other services		
- Limited assurance engagement on the calculation of the standalone own funds requirement for operational risk as per article 315 of Regulation (EU) no. 575/2013 (ISAE 3000)	EY S.p.A.	45
Total		**249**

Part I: Share-based payments

Qualitative disclosure

1. Description of share-based payments

No new incentive plans had been approved at 31 December 2023.

Quantitative disclosure

1. Changes

No options for the shares were exercised during the year.

Part L: Segment reporting

Segment reporting is presented in section L of the notes to the consolidated financial statements, to which reference is made.

Part M: Leases

SECTION 1 - LEASES AS LESSEE

Qualitative information

Pursuant to IFRS 16.59 and 60, it is noted that, as a lessee, the bank leases buildings for office use in Rome and Milan, buildings for residential use of employees, company cars used by employees and printers. Moreover, during the year, the bank was not exposed to: i) variable lease payments; ii) extension or termination options; iii) residual value guarantees; and iv) leases not yet commenced to which the lessee is committed. In addition, there are no restrictions or covenants imposed by leases and sale and leaseback transactions. As a lessee, the bank has not accounted for short-term leases or leases of low-value assets during the year.

Quantitative information

Reference should be made to:
– the information on right-of-use assets set out in Part B, Assets;
– the information on lease liabilities set out in Part B, Liabilities;
– the information on interest expense on lease liabilities and other expenses relating to right-of-use assets, gains or losses from sale and leaseback transactions and income from subleasing right-of-use assets set out in Part C.

The main figures relating to the bank's leasing activities are summarised in the following table.

(€'000)

Lessee captions	Office premi-ses	Buildin-gs for residen-tial use	Com-pany cars	Printers	2023
a) depreciation of right-of-use assets	1,050	17	210	6	**1,283**
b) interest expense on lease liabilities	201	1	21	1	**224**
c) costs for short-term leases (IFRS 16.6)	-	-	-	-	**-**
d) costs for leases of low-value assets (IFRS 16.6)	-	-	-	-	**-**
e) variable lease payments not included in the measurement of lease liabilities	-	-	-	-	**-**
f) income from subleasing right-of-use assets	-	-	-	-	**-**
g) total cash outflows for leases	854	18	332	7	**1,211**
h) additions to right-of-use assets	-	-	-	-	**-**
i) gains or losses from sale and leaseback transactions	-	-	-	-	**-**
j) closing balance of right-of-use assets	5,043	31	646	20	**5,739**

Depreciation, interest and cash outflows include those related to the leased offices in Rome and Milan, buildings for residential use, company cars and printers.

The bank did not take on any commitments for short-term leases during the year.

SECTION 2 - LEASES AS A LESSOR

Qualitative information

The bank recognised three lease portfolios in its separate financial statements, two of which meet the definition of POCI assets. It constantly monitors the related cash flows and manages the risk associated with the rights it retains in underlying assets though credit collection activities and/or by enforcing the residual value guarantees.

There are no operating leases.

Quantitative information

1. Statement of financial position and income statement

Reference should be made to the information on interest income on the net investment in the lease and other income relating to finance leases set out in Part C.

2. Finance leases

2.1 Breakdown of lease payments receivable by due date and reconciliation with the net investment in the lease recognised under assets

(€'000)

Time bands	31/12/2023 Lease payments receivable	31/12/2022 Lease payments receivable
Up to 1 year	2,094	3,191
From 1 to 2 years	2,131	2,225
From 2 to 3 years	1,961	1,712
From 3 to 4 years	2,377	1,748
From 4 to 5 years	2,179	2,020
After 5 years	2,873	4,952
Total lease payments receivable	**13,616**	**15,847**
RECONCILIATION WITH NET INVESTMENTS IN LEASES		
Unaccrued interest income (-)	(3,669)	(4,758)
Unguaranteed residual value (-)	-	-
Net investments in leases	**9,947**	**11,090**

2.2 Other disclosures

None.

3. Operating leases

3.1 Breakdown of lease payments receivable by due date

None.

3.2 Other disclosures

None.

Banca CF+

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS PURSUANT TO ARTICLE 2429 OF THE ITALIAN CIVIL CODE

(Translation from the Italian original which remains the definitive version)

Dear shareholders,

Our duty is to report to the shareholders of Banca CF+ (Credito Fondiario) S.p.A. ("CF+" or the "bank") called, inter alia, to approve the bank's separate financial statements as at and for the year ended 31 December 2023. We report on our supervisory activities and any omissions or objectionable actions identified pursuant to article 2429.2 of the Italian Civil Code.

The separate financial statements, which comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (prepared under the indirect method) and notes thereto, have been prepared in accordance with Legislative decree no. 38 of 28 February 2005 and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations. They also comply with the layout and compilation requirements contained in Circular no. 262/2005 issued by Bank of Italy.

During the year, we held 20 meetings, participated in 25 Board of Directors' meetings and attended the three shareholders' meetings of 10 February, 26 April and 8 November 2023. We performed our mandatory duties in accordance with the Italian Civil Code, Legislative decree no. 385/1993 (the Consolidated Banking Act) and related implementing measures, the bank's by-laws, other special legislative requirements and the provisions issued by the Italian and EU regulators. In 2023, we carried out our supervisory duties and obtained pertinent information to allow us to carry out our general supervisory and control activities by *(i)* analysing the bank's complex information system, *(ii)* participating in the Board of Directors' meetings and shareholders' meetings, *(iii)* meeting with the CEO and general manager, the internal control departments, the chief financial officer ("CFO"), the chief lending officer ("CLO"), the independent auditors and the heads of the business and back office departments and *(iv)* the other checks performed during our meetings, which are usually attended by the internal audit manager.

We have been entrusted with the duties of the supervisory body set up as per Legislative decree no. 231/2001 to comply with the provisions about companies' administrative liability.

Following the demerger of the NPL debt servicing and debt purchasing businesses to the Gardant Group in 2021, the bank revisited its mission to focus on advanced operating and distribution models. Using technology as a tool to facilitate and accelerate access to credit by companies, the bank concentrated on providing finance solutions to performing and reperforming companies such as *(i)* guaranteed finance products for Italian SMEs, backed by state guarantees, *(ii)* factoring products to finance working capital, *(iii)* the purchase of tax assets as a partnership with Be Finance S.r.l. and *(iv)* investments in securities. These new business lines complement the bank's original business. The bank's shareholders, and especially the controlling shareholder Tiber Investments 2 S.à r.l. ("Tiber 2", a Luxembourg-based company which is part of the US group Elliott Investment Management and has an 88.356% controlling stake in the bank), have continuously supported and will continue to support the bank's transformation into a challenger bank. This support has taken the form of capital strengthening transactions to facilitate the growth of its new business lines and management of its securities and NPE portfolio retained after the demerger to Gardant (the legacy portfolio).

1. Compliance with the law and the by-laws

Based on our supervisory activities, the findings of the procedures performed as the supervisory body and meetings with the independent auditors, we checked the compliance of the resolutions taken by the Board of Directors with the relevant legislation, regulations and by-laws. We did not identify any instances of non-compliance.

Based on the information available and obtained, we can reasonably believe that the key transactions carried out by the bank were in compliance with principles of correct administration, the law and the by-laws, were not openly imprudent, risky or contrary to the resolutions taken by the shareholders or that would jeopardise the bank's assets. One of us attended the audit committee's meetings, improving the efficiency of our supervisory duties. We noted that the Board of Directors and departments carry out their activities in accordance with the principles of correct administration and to protect the bank's assets. We also checked that appropriate and detailed analyses and valuations were performed of the main aspects of both key and other transactions authorised by the Board of Directors and that external experts were involved, when necessary.

The bank's directors have described the key events of the year in the "Operations and key events of the year" section of their report, to which reference is made. Some of the key events are also described below.

During the year, the bank continued to develop its new business lines identified after the demerger. In order to accelerate the growth of the guaranteed finance line, it acquired a business unit from Instapartners S.r.l. in liquidation (formerly "Credimi S.p.A.") for €4.9 million (with a potential earn-out of up to €4.5 million) on 25 July 2023. This business unit includes technological assets and a highly qualified workforce. The bank's aim is to more rapidly grow the small business/small ticket segment of the guaranteed finance business line with automated digital lending solutions.

The upturn in lending achieved by the new business lines, confirmed by the increase in total assets from €1,212 million at 31 December 2022 to €1,659 million at 31 December 2023, was achieved through continuation of the funding strategy rolled out in 2022, focused on online deposits from retail customers (€1,005.3 million) as well as interbank funding, which grew significantly in 2023, and a modest volume of funding from corporate customers.

Other key events of the year comprised continuation of the bank's technology investment plan, an increase in the workforce, the launch of a climate and environmental risk project and the opening of a branch in Milan.

In order to bolster the new business lines' growth, drawing on the results achieved in 2022, especially those of the legacy portfolio, the bank undertook the following capitalisation transactions:

- February 2023: the capital increase of €28.1 million (€5.1 million as capital and €23 million as the share premium) approved by the shareholders on 10 February 2023. Tiber 2 had already provided €25.0 million for the purposes of a future capital increase in October 2022;
- 13 October 2023: the bank issued Lower Tier 2 subordinated bonds of €25 million, traded on the MTF Euronext Access Milan by professional investors. Orado Investments S.à r.l., a related party given that it is part of the Elliott Group, subscribed bonds for €13.8 million while other related parties (directors of the bank) subscribed €0.7 million.

While the new business lines are still consolidating after their recent roll-out, the legacy portfolio performed badly again in 2023. At year end, its assets amounted to €334 million after impairment losses of €36.7 million recognised as a result of the business plan review of the portfolio's underlying exposures. Together with the impairment losses of €25.2 million recognised in the separate financial statements at 31 December 2022, the total impairment losses amount to €57.9 million for the two years.

As a result, the Board of Directors approved an additional capital increase of €28.5 million to be subscribed in instalments and offered to the shareholders with rights of first refusal on 14 March 2024. This transaction was included in the 2024-2026 financial projections which the bank's directors approved on 12 March 2024 as the continuation of its growth journey started in the first two years after the demerger. The controlling shareholder, Tiber 2, communicated its intention to subscribe €25 million of this new capital increase and formalised its commitment through an underwriting commitment letter.

We have no further comments to make on the above.

2. The bank's financial position and performance

2023 saw the consolidation of the new strategic business lines' development. The bank's assets grew, mostly related to the portfolio of exposures and securities of €1,507 million, of which €334 million refers to the legacy portfolio, as mentioned earlier.

The bank made a loss of €37.3 million for the year, which was larger than that of the previous year (€24.4 million), mainly as a result of the impairment losses and fair value losses on financial assets included in the legacy portfolio. Despite the loss for the year, at the reporting date, the bank's capital ratios are above the thresholds required by prudential regulations, as were all the liquidity indicators.

As described in the "Business opportunities and going concern" section of the directors' report and mentioned above, on 14 March 2024, the Board of Directors *(i)* approved a capital increase of €28.5 million and set out the conditions, *(ii)* commenced the supervisory procedure to have Bank of Italy approve the related changes to its by-laws and *(iii)* received confirmation from the controlling shareholder that it would participate in the transaction. On this basis, the bank's directors prepared the separate financial statements at 31 December 2023 on a going concern basis as there are no doubts about the bank's ability to continue as a going concern in the foreseeable future and for beyond 12 months from the reporting date.

We have no objections to make in this respect. In order to ensure the capital increase can take place, the Board of Directors monitors compliance with the ceilings and conditions set by the current SREP and RAF. In addition, as noted by the directors, the bank is evaluating structured proactive portfolio management methods that would support a speed-up in the run-off of the legacy portfolio. In the meantime, the strategic planning and management control procedures will be used to capture and assess changes in internal and external factors, including to ensure prompt action should the bank require additional capitalisation. The support provided by the shareholders, and the controlling shareholder in particular, is essential for the bank to continue its growth strategy in a complicated external (high interest rates that adversely affect companies, rising default rates) and internal (the legacy portfolio's particularly poor performance) situation.

The bank mostly obtains funding from the online retail channel, which provides roughly two thirds of the total. This is a flexible and fast source of funding. While it mostly consists of forward funding products, the management of changes in their repayment dates requires careful monitoring due to the potential volatility in terms of prices and other external factors and the investments and the system used to change repayment dates require careful calibration, as shown by the recent market experience.

The "Risks and uncertainties" section of the Directors' report and Part E of the notes (Information on risks and hedging policies) provide information about the main risks and uncertainties faced by the bank. Section 10 of Part B - Liabilities of the notes discloses details of the liabilities and risks the bank is exposed to.

3. Suitability of the organisational structure

To the extent of our duties, we obtained information about and checked that the bank's organisational structure is suitable.

We also discussed, when appropriate or opportune, the proposed transactions and their effects on the bank's financial position, financial performance and organisation in special meetings held before the board meetings and during such latter meetings.

In parallel with the roll-out of its new business lines, the bank has continued to introduce organisational measures and procedures, thus gradually aligning its organisation with the greater operating volumes. The "Developments and investments in technology" section of the Directors' report describes the bank's process to identify a suitable accounting information system and the investments made and planned. Such a system is essential for a challenger bank. Other developments and new products relate to the management reporting system and the development of a segment reporting framework, which will allow the bank to fine-tune its ability to have a timely overview of its current and prospective financial position, financial performance and cash flows.

Concurrently with the development of business activities in 2023, the bank continued the strategy of hiring specialised professionals begun in previous years, with the strengthening of both the business structure (factoring, financing, tax assets and finance & investments) and the governance and support structure (accounting and loan administration, IT and controls). Its workforce increased from 135 to 190 resources during the year.

Given the bank's start-up phase, it requires considerable third party specialist support to more quickly achieve its operating objectives which also makes the careful dove-tailing of external and internal expertise essential.

As a result of the growth in its business and workforce, the bank has commenced a far-reaching overhaul of its internal organisation (which is still underway) in order to make its proxies and responsibilities system more transparent, fluid and efficient.

We have no additional comments to make in this respect.

4. Internal controls and risk management

We checked the adequacy of the internal controls by *(i)* meeting the bank's senior management to examine the internal control and risk management system and its planned development, *(ii)* meeting the control departments (Internal Audit, Risk Strategy & Management, Compliance & AML, ICT Risk & Security and DPO) to assess how they plan their work, based on the identification and valuation of the main risks inherent in the processes and departments and by checking the procedures and regular reports prepared by the control departments, *(iii)* reviewing the information provided periodically about the monitoring activities and the implementation of identified remedial actions and *(iv)* discussing our work with the independent auditors.

The bank has established rules for *(i)* policies for each internal control department and information flows and interaction with the internal controls, *(ii)* the internal control system, the roles and responsibilities of the corporate bodies and control departments and *(iii)* coordination among these departments in compliance with the model set out in Bank of Italy's Circular no. 285/2013.

Given the significant role of the bank's technological platform and the very serious danger that cyber attacks pose today (with the risk that the bank's data could be compromised), in December 2022, the Board of Directors set up a new second level control department, the ICT Risk & Security Department, to manage and oversee ICT and security risks. It also liaises with the regulators about important topics that are coming under increasing scrutiny by these authorities, such as disaster recovery, business continuity plans, cyber security and response capacity, including in light of the provisions set out in the 40th update of Bank of Italy's Circular no. 285/2013 and the EBA's guidelines of 28 November 2019 on ICT and security risk management (EBA/GL/2019/04).

The outsourcing of important parts of the financing process (acquisition of financing opportunities, initial assessment of credit worthiness, management of the loan dossier's administrative processes and of the receipt and activation of state guarantees) exposes the bank to risks that require proper monitoring. This is also true of its resort to third party distribution networks, which include multi-mandate agents and expose the bank to the risk of alterations in the quality and quantity of financing opportunities. Digital lending processes are also complicated.

This led the bank to reinforce its internal controls during the year by strengthening the risk assessment methodologies and increasing the integration and standardisation of the processes and methods used to assess the findings of its controls. It has also started to introduce new methods to manage and follow up on remedial measures that might be taken by the internal control department. These changes also clearly affected the supervisory body's activities as it is an integral part of the internal controls and its planning. The bank is also upgrading its risk management system, with far-reaching projects to strengthen and develop both the risk assessment methods and the supporting systems. The risk monitoring and management reporting processes, introduced in 2022, underwent significant change in 2023 and the bank plans to revisit them again in the coming years.

During the year, we continued to monitor the bank's prompt response to the regulator's requests. We also checked the introduction of the measures implementing the general or specific recommendations made by the regulator. We have no comments to make in this respect.

Based on our assessments, we express an opinion on the overall qualitative and quantitative adequacy of the bank's operating and control departments and the overall appropriateness (in terms of its size and working) of the internal control structure in a framework which does require the introduction of some measures to fine-tune and improve the system, which have already been identified and planned.

Specifically, the qualitative and quantitative systems of the internal control departments need to evolve concurrently with the growth in the business volumes and complexity and the risks faced by the bank. This implies that they need to be reassessed continuously. The bank also has to duly evaluate the risks related to the human resources factor, both in terms of quality control checks of the processes performed and business cultural integration (banking sector), which can be achieved in part through dedicated training courses.

We monitored the process to define *(i)* the risk appetite and related ceilings and indicators (RAF, RAS), *(ii)* the regulatory capital planning and liquidity (ICAAP/ILAAP), as well as *(iii)* the consistency of their indicators and parameters and their compliance with the supervisory limits. The ICAAP/ILAAP reports, approved in April 2023, included stress testing exercises based on two scenarios, characterised by a different degree of severity in relation to the potential impact of the pandemic on the real economy.

We also checked compliance with the RAF and the supervisory requirements during the year. The bank's reporting-date prudential total capital ratio (at stand-alone level) was 14.73%, above the limits set by the supervisory regulations, albeit down from 15.59% at 31 December 2022.

5. Administrative accounting system and financial reporting process

We checked the adequacy of the administrative and accounting system and its reliability in correctly presenting the bank's operations by *(i)* obtaining information from the competent department heads, *(ii)* reviewing the more important internal documents and *(iii)* analysing the results of the work performed by the independent auditors, EY S.p.A., the CFO, the Accounting, Tax & Regulatory Officer and the Internal Audit Department.

Given our duties with respect to financial reporting, we worked closely with the CFO and the Accounting, Tax, Regulatory Reporting, Planning & Control and Portfolio Departments as well as the independent auditors, with which we analysed the basis of preparation of the separate and consolidated financial statements, as well as especially the use of accounting estimates including:

- the analyses of the management and assessment of the legacy portfolio;
- the classification, measurement and monitoring of financial assets related to the new business lines;
- the impairment tests of intangible assets and the analyses of the recoverability of the deferred tax assets;

Management of the legacy portfolio is outsourced to specialised servicers that liaise with the CLO while the Risk Strategy & Management Department carries out the second level controls. Supported by the information provided by the servicers, the bank regularly revises the business plans used to measure the impaired loans and receivables/ABS. During the year, it fine-tuned the portfolio assessment procedures by type of governance process, which led to strengthening of the methodologies and procedures used, especially as regards the portfolio items included in the consolidated financial statements.

With respect to the recoverability of deferred tax assets and indefinite-life intangible assets, during preparation of the separate financial statements at 31 December 2023, the Board of Directors performed, respectively, the probability test as per IAS 12 and the impairment test of the factoring and tax assts CGUs as per IAS 36, considering the cash flows included in the revisited financial projections for the 2024-2026 three-year period approved by it on 12 March 2024. More information is available in Sections 9 (impairment test) and 10 (probability test) of Part B - Assets of the notes.

While awaiting completion of the purchase price allocation procedure, the bank provisionally allocated the consideration transferred to acquire the Credimi S.p.A. business unit to software (€5.0 million) and goodwill (€0.5 million), net of the liabilities related to the transferred employees (€0.6 million). Part G: Business combinations of the notes provides more information.

The bank is still engaged in standardising and integrating several subsystems (partly as a result of its acquisitions) used for accounting and administration purposes, as its applications, processes and systems designed specifically for its different business lines are obviously not wholly integrated nor are the various processes and this could generate greater operating risks.

We do not have any comments and/or remarks to make with respect to the administrative management of the bank nor does any other of the internal control bodies.

During the year, the bank created a segment reporting process, based on an internal transfer pricing system which it formalised in a dedicated policy and which contributes to its management reporting system. While the process may require tweaking with respect to the allocation of indirect costs, it will make it significantly easier to analyse the bank's business and take decisions based on timely and granular data, thus facilitating the bank which operates in an extremely dynamic and complex market.

The independent auditors checked the administrative and accounting procedures and did not identify any issues with their reliability. They also checked the correctness of the accounting entries and the completeness of the information and accounting policies applied to prepare the separate and consolidated financial statements. They did not identify any issues to be brought to the bank's attention.

Although we are not required to perform the statutory audit as per Legislative decree no.

39/2010, as this is performed by the independent auditors, we note that, based on the information provided by the independent auditors, the CFO and the Accounting, Tax & Regulatory Department Head, the administrative and accounting system as a whole is adequate and reliable and the bank's operations are correctly recorded on a timely basis.

6. Atypical and/or unusual transactions with related parties and conflicts of interest

Part H of the notes shows that no atypical and/or unusual transactions with related parties took place during the year. Moreover, no atypical and/or unusual transactions with third parties or subsidiaries took place.

The same section of the notes provide extensive information about other related party transactions. As far as we are aware, these transactions were performed in the bank's interests and we do not have any comments about their suitability as they were part of the bank's normal operations.

The bank has adopted a policy to manage related party transactions and transactions giving rise to conflicts of interest to monitor the risk that the proximity of certain parties to the bank's decision-makers could compromise the objectivity and impartiality of decisions about the granting of loans and other transactions with those parties. This could affect the allocation of resources, the bank's exposure to risks that are not sufficiently measured or monitored and potential damage to deposit holders and shareholders. The policy is also designed to ensure that the bank adopts all reasonable measures to avoid conflicts of interest that could harm its customers' interests. We acknowledged the statements made in accordance with article 2391 of the Italian Civil Code.

We have no further comments to make on the above.

7. Statutory audit

In accordance with article 19 of Legislative decree no. 39/2010, in our capacity as the "Internal audit committee", we carried out the required checks of the independent auditors' work. We analysed and approved the audit plan, monitored its implementation and, as far as was relevant to our duties, supervised the financial reporting process, checked the efficiency of the internal controls over quality, the internal audit and risk management related to this information, the statutory audit of the separate and consolidated financial statements and the independence of the auditors, including as provided for in Regulation (EU) 537/2014.

We regularly met the independent auditors for the mutually-profitable exchange of information. In particular, we checked *(i)* the application of the accounting policies, *(ii)* the correct recognition and presentation of the main separate financial statements captions with them from a financial and equity point of view, *(iii)* the process used to assess the legacy portfolio and the results thereof and *(iv)* the audit of the consolidated vehicles.

Overall, we did not identify any irregularities, critical issues or omissions to be brought to the shareholders' attention based on our discussions with the independent auditors.

Pursuant to Legislative decree no. 39 of 27 January 2010 and Regulation (EU) 537/2014, the shareholders appointed Ernst & Young S.p.A. ("EY") as the bank's independent auditors for the statutory audit of its financial statements for the nine-year period from 2022 to 2030 in their meeting of 27 April 2022.

The audit fees are detailed in Part H of the notes. We authorised the limited non-audit services in accordance with Regulation (EU) 537/2014.

On 12 April 2024, EY issued its audit report on the separate financial statements pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014, which is unqualified and does not include any emphasis of matter paragraphs. The independent auditors stated that the separate financial statements give a true and fair view of the bank's financial position as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136 of 18 August 2015. They also stated that the Directors' report which accompanies the separate financial statements is consistent with the separate financial statements and has been prepared in compliance with the law. They had nothing to report as regards the Directors' report based on their knowledge and understanding of the entity and its environment obtained through the audit.

In accordance with the applicable regulations, the audit report refers to the auditing standards applied, the audit procedures performed and sets out the key audit matters that were identified during the audit, i.e., (i) measurement of instruments related to the securitisations classified as other assets mandatorily measured at fair value and (ii) classification and measurement of loans and receivables with customers recognised under assets measured at amortised cost. The audit report specifies the audit procedures performed for these matters.

The audit report also states that the opinion is consistent with the information provided in the additional report to us.

On 12 April 2024, EY provided us with its report as per article 11 of Regulation (EU) 537/2014, which did not mention any material deficiencies in the internal controls over financial reporting and/or the accounting system or other material issues related to actual or alleged non-compliance with laws, regulations or the bank's by-laws. No other situations were identified that needed to be brought to our attention.

The independent auditors also provided us with the statement of their independence as required by article 6 of Regulation (EU) 537/2014, which did not refer to any situations that could compromise their independence. We acknowledged the transparency report published by the independent auditors on their website as required by article 13 of Regulation (EU) 537/2014.

We do not deem that critical issues exist with respect to EY's independence or incompatibility as per articles 10, 10-bis and 17 of the Italian Consolidated Statutory Audit Act and related implementing measures.

The bank is not required to comply with the provisions of Legislative decree no. 254/2016 which transposed Directive 2014/95/EU into Italian law and, therefore, it does not publish a consolidated non-financial statement.

8. Complaints, statements, reports and opinions

We did not receive any complaints as per article 2408 of the Italian Civil Code during the year or up until the date of this report.

We did not receive any statements or other forms of complaints from the bank's shareholders, stakeholders or qualified creditors during the year.

With respect to the requirements of article 52-bis of the Consolidated Banking Act and Bank of Italy's related instructions, the bank has set up a whistleblowing system, which is also compliant with Legislative decree no. 24/2023 and the applicable regulations.

During 2023 and up to the date of this report, we expressed our opinion, where required by law, the bank's by-laws and supervisory regulations. The opinions and comments made in compliance with supervisory requirements include the assessment of the ICAAP and ILAAP 2023 process (required by Bank of Italy's Circular no. 285/2013, Part 1, Title III, Chapter 1 and Circular no. 263 of 27 December 2006, Title V, Chapter 7 and Bank of Italy's extraordinary request of 23 June 2021), comments on the outsourcing report (Bank of Italy Circular no. 263/2006, Title V, Chapter 7), the opinions required by Bank of Italy Circular no. 285/2013, Part I, Chapter 1, Section III, the comments on the planning of their activities by the internal control bodies and their reports required by Bank of Italy Circular no. 285/2013 (Title V, Chapter 3) and Bank of Italy's Measure of 11 March 2011, the opinions required by Bank of Italy (for example, on the updating of the financial outlook for 2023 and 2024 and the related funding plan and the climate and environmental risk action plan).

9. Events after the reporting date and outlook

The directors have presented the key transactions and events that have taken place after the reporting date in the "Events after the reporting date" and "Business opportunities and going concern" sections of their report and in Part A.1 section 3 "Events after the reporting date" of the notes, to which reference should be made.

These transactions and events include the approval of the updated 2024-2026 financial projections and the capital increase, approved by the bank's Board of Directors on 12 and 14 March 2024, respectively.

The directors noted that no adjusting events (as per the definition of IAS 10.8) took place in the period from the reporting date to the date of approval of the separate financial statements (28 March 2024) that would have required the bank to adjust the amounts recognised in its separate financial statements, also considering the bank's prudent risk management practices, the qualitative and quantitative aspects of which are presented in Part E of the notes, and the bank's capital adequacy disclosed in Part F of the notes.

We believe that the directors have provided exhaustive information about the events after the reporting date and the bank's outlook.

10. Conclusions

Dear shareholders,

We confirm that we performed our activities with the full collaboration of the corporate bodies, management, the heads of the administration and operating departments, the control departments, the independent auditors, the department in charge of financial reporting and the other internal control departments.

We did not identify any omissions, objectionable actions, imprudent or other situations that would require your attention or that of the regulators or mention herein nor did we identify the need to make recommendations to you.

As stated in the Directors' report and in the notes, no events have taken place after the reporting date that would have required changes to the approved data, the results or additional information to be provided. Specifically, no significant events have taken place in the period from the reporting date to the date of publication of the separate financial statements that would have affected the bank's financial position, financial performance and cash flows.

Reference should be made to the directors' reports accompanying the separate and consolidated financial statements for information on the main risks and uncertainties faced by the bank, its ability to continue as a going concern and its outlook.

The separate financial statements show a loss of €37,266,647 and equity of €76,907,375.

Both the separate financial statements and the consolidated financial statements have been prepared on a going concern basis. The bank did not make any departures from the accounting policies and the independent auditors expressed unqualified opinions without emphasis of matters on both sets of financial statements. We have no issues to report in this respect.

At a stand-alone level, the bank has complied with the prudential requirements at year end.

The directors have proposed that the bank's loss for the year be fully covered by using the share premium.

With respect to the requirements of article 26 of Decree law no. 104/2023 (converted by Law no. 136/2023) (substitute tax on the increase in net interest income), as the bank has not yet received a response from the tax authorities to its request for clarification about the obligation to pay the tax, its Board of Directors proposes the set-up of a non-distributable reserve of €4,135,250 drawing from the existing reserves in lieu of payment of the windfall tax.

We have no comments to make on this proposal.

In conclusion, we have no comments to make about your approval of the separate financial statements at 31 December 2023 as they stand or the proposals made to you.

The term of office of both the bank's Board of Directors and board of statutory auditors expires with the approval of its 2023 separate financial statements and, therefore, you should elect new boards.

Milan and Rome, 12 April 2024

Board of statutory auditors

Antonio Mele (chairman)

Giuseppina Pisanti (standing statutory auditor)

Franco Vezzani (standing statutory auditor)

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Banca CF+ S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Banca CF+ S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the related explanatory notes, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n. 136, dated August 18, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. 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.

We identified the following key audit matters:

Key Audit Matters	Audit Response
Valuation of financial instruments related to securitization transactions classified as financial assets mandatorily measured at fair value	
The financial assets mandatorily measured at fair value which are reported in line item 20 c) of the Balance Sheet amount to approximately Euro 281 million and represent approximately 17% of total assets of the financial statements as at December 31, 2023. The related economic effects are reflected in line item 110 of the income statement. The financial assets mandatorily measured at fair value included in line item 20 c) of the balance sheet, based on the outcome of the SPPI test required by IFRS 9, refer exclusively to financial instruments related to securitization transactions for which there is no quoted price in an active market nor a quoted price for sufficiently comparable financial assets. For the valuation of these financial instruments, the Bank employs complex models that are consistent with market valuation practices (market multiples models or *discounted cash flow* models based on projected future cash flows derived from the relevant securitization *business plans*). These models are supplied with directly observable market data or, if unavailable, internally estimated based on qualitative and quantitative assumptions. The related disclosures are provided in Part A – Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements.	In relation to this aspect, our audit procedures, also conducted with the assistance of our experts in financial instrument valuation techniques, have included, among others: • understanding and analyzing the company's processes and internal controls regarding the operational methods employed for conducting SPPI tests and the monitoring activities aimed at reviewing the changes in estimates of expected cash flows related to financial instruments connected to securitization operations; • verifying the fair value through the analysis of valuation models, assessing the reasonableness of key qualitative and quantitative assumptions used, and evaluating input parameters; • analysis, for a sample of securitization transactions loans for which the Company holds all or the majority of Junior Notes, of the reasonableness of the estimated expected cash flows by examining the data relating to collection flows, valuation of guarantees, as well as the related recovery times; • performing comparative analysis procedures to identify the most significant differences compared to the previous fiscal year; • analysis of the disclosures provided in the notes to the financial statements.

Key Audit Matters	Audit Response
Classification and valuation of financial loans and receivables with customers measured at amortized cost Loans and receivables with customers represented by loans measured at amortized cost and financial instruments related to securitization transactions, which are reported in line item 40 b) of the balance sheet assets, amount to Euro 897 million. As at December 31, 2023 loans and receivables with customers represent 54% of total assets. The related economic effects are reflected in line item 130 of income statement. The classification and valuation of loans and receivables with customers are relevant for the audit due to the significance of the amount of the loans to the financial statements as a whole and in consideration of the fact that the recoverable amount is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, that involve specific factors aimed at reflecting the current uncertainty over the evolution of the macro-economic scenario. Amongst the aspects that assume particular importance in the credit estimation processes for loans include: • the identification and calibration of the parameters for determining the significant increase in credit risk compared to the date of initial recognition, for the purpose of allocating the non-defaulted loan exposures (Stage 1 and Stage 2); • the definition of the models and valuation parameters regarding the *Probability of Default*, *Loss Given Default* (LGD) and *Exposure at Default* (EAD) used for the calculation of one year expected losses (ECL – *Expected Credit Losses*) for exposures classified in Stage 1 and *lifetime* for exposures classified in Stage 2 including forward looking information, such as macroeconomic factors; • identification of evidence that may lead to assess that the carrying amount of the loan is not fully recoverable (impairment indicators), with related classification of the exposures in defaulted loans (Stage 3);	In relation to this aspect, our audit procedures, also conducted with the assistance of our experts, primarily on the subject matter of risk management specialists and information systems, included amongst others: • understanding and analyzing the company's processes and internal regarding the classification and valuation of financial loans and receivables with customers and performing tests over key controls, including those concerning IT systems for the purpose of verifying their operating effectiveness; • the execution, on a sample basis, of substantive procedures aimed at verifying the correct classification and measurement of credit exposures; • understanding the methodologies used in relation to statistical valuations and the reasonableness of the assumptions used including the macroeconomic scenarios and their weightings; • performing compliance and testing procedures, which were aimed at verifying the appropriate determination of the valuation parameters *Probability of Default* (PD), *Loss Given Default* (LGD) and *Exposure at Default* (EAD) applied in calculating the Expected Credit Losses (ECL)for the purpose of determining the impairment provisions; • performing comparative analysis procedures for the loan portfolio regarding the coverage levels with respect to the most significant differences compared to the closing balances of the preceding year end; • analysis of the adequacy of the disclosures provided in the notes to the financial statements.

- for loans classified in Stage 3, the determination of the criteria for estimating the expected cash flows according to the recovery strategy.

The related disclosures are provided in Part A – Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n. 136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

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- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have 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 a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by international standards on auditing (ISA Italia), regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate the relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/2014

The shareholders of Banca CF+ S.p.A., in the general meeting held on April 27, 2022, appointed us to perform the audits of the separate financial statements for each of the years ending December 31, 2022 to December 31, 2030.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Banca CF+ S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Banca CF+ S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations with the financial statements of Banca CF+ S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Banca CF+ S.p.A. as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, April 12, 2024

EY S.p.A.
Signed by: Davide Lisi, 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.