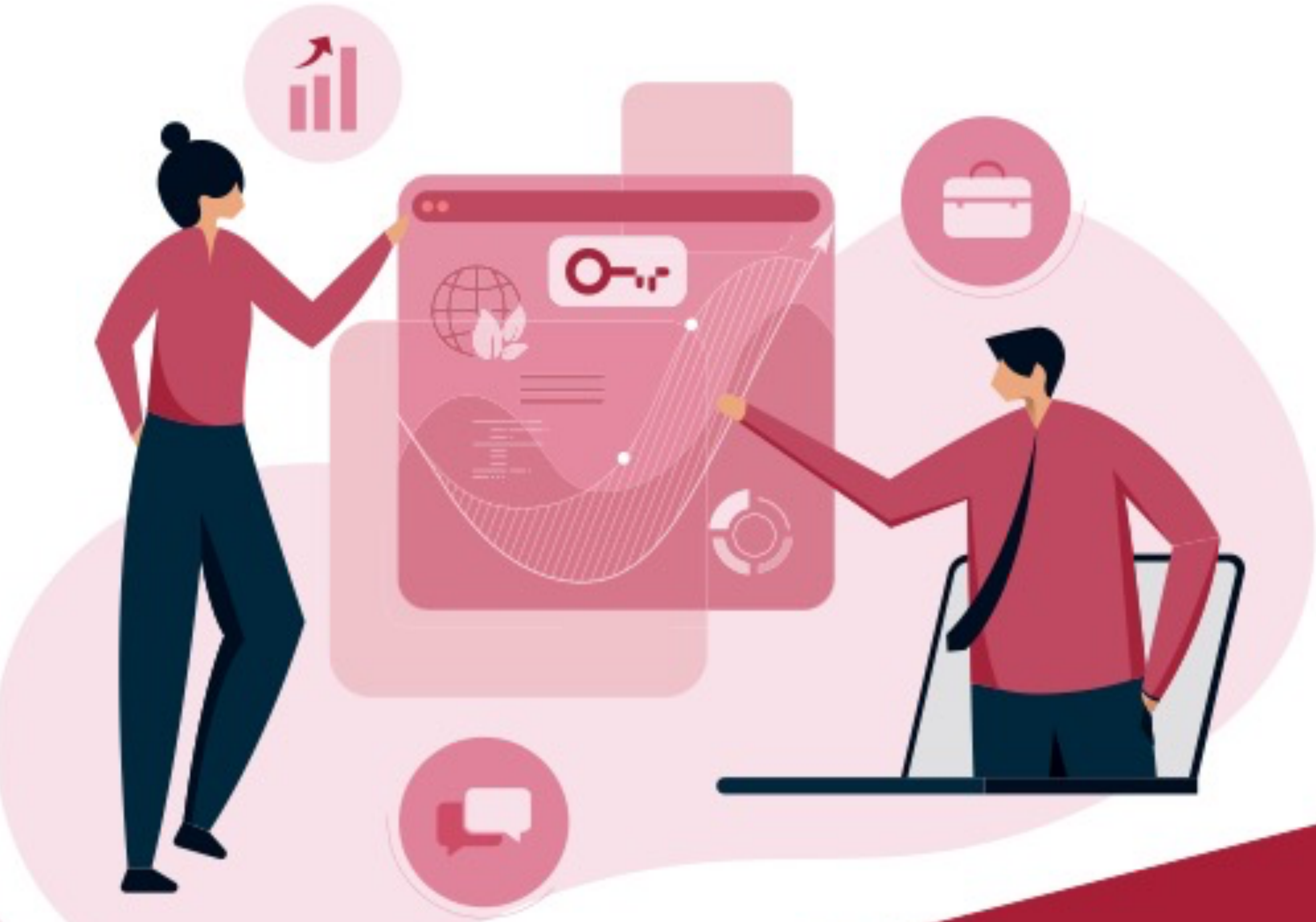
ANNUAL REPORT

2023



BANCA PROGETTO

Translation from the Italian original which remains the definitive version

Contents

Part I – Report on operations ... 7
Part II – Consolidated Financial Statements ... 45
Explanatory notes to the financial statements ... 55
Part A - Accounting policies ... 59
Part B – Information on the statement of financial position ... 87
Part C – Information on the statement of profit or loss ... 115
Part D – Consolidated statement of comprehensive income ... 129
Part E – Information on risks and hedging policies ... 133
Part F – Information on Consolidated capital ... 183
Part G – Business combinations ... 191
Part H – Related-party transactions ... 195
Part L – Segment reporting ... 199
Part M –Information on leases ... 203
Attachment 1 - Fees paid to the auditors ... 207
Attachment 2 - Public disclosure, state by state ... 211
Report of the Independent Auditors ... 215
Report of the Board of Statutory Auditors ... 223

Corporate bodies

Board of Directors

Chairman	Massimo Capuano
Deputy Chairman	Mario Adario
Chief Executive Officer	Paolo Fiorentino
Directors	Daniele Cabiati Francesca Carlesi Laura Ciambellotti Carlo Garavaglia Liliana Fratini Passi Italo Vitale

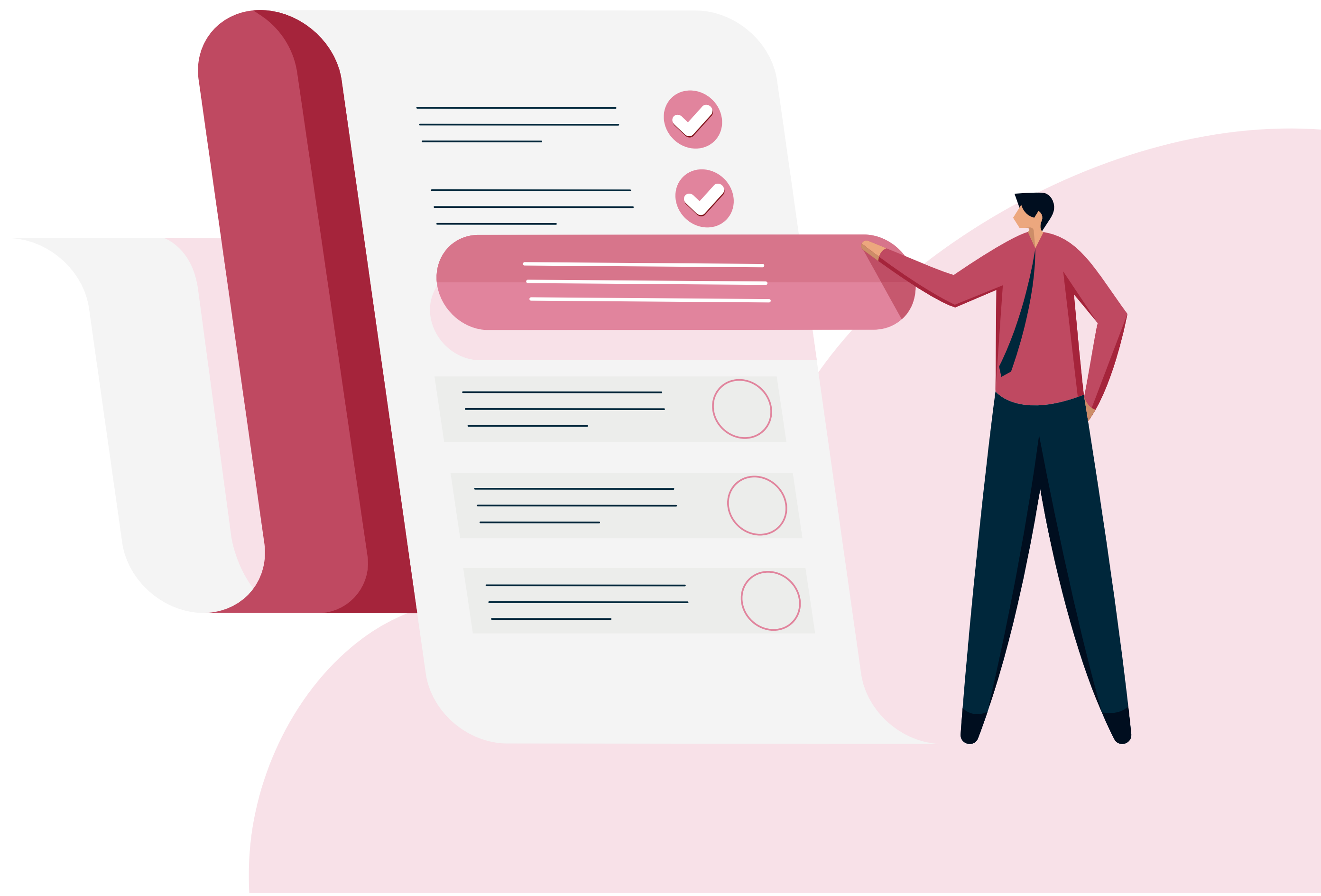
Board of Statutory Auditors

Chairman	Marco Reboa
Acting Auditors	Laura Braga Maurizio Parni
Alternate Auditors	Gianluca Bolelli Pietro Pagnozzi

Independent auditors	KPMG S.p.A.

PART I

REPORT ON OPERATIONS



INTRODUCTION

These consolidated financial statements drawn up by Banca Progetto S.p.A. (hereinafter "Banca Progetto" or the "Bank") include within the scope of consolidation the vehicles Progetto Quinto S.r.l., Progetto PMI S.r.l., Progetto PMI 2 S.r.l., Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l., from which the Bank purchased their Junior securities.

Having an investment in these vehicles is not considered an essential condition for consolidation. In fact, there is a requirement to include among the subsidiaries of a company also those companies or entities that have a specific purpose (i.e. "special purpose vehicles" or "SPVs") over which there is effective control. In this regard, based on IFRS 10, an investor controls an investee if and only if it simultaneously has power over the investee, exposure or rights to variable returns deriving from its involvement with the investee and the ability to affect those returns through its power over the investee. In relation to these points, taking into account the structuring of the securitisation mentioned above, the Bank is of the opinion that it falls into the circumstances envisaged by IFRS 10.

To the Shareholders,

2023 closed with a profit of 71.9 million, an increase of 38% compared with the previous year, as proof of the fact that the growth trend of recent years is continuing.

The Bank is showing itself to be solid from a capital point of view thanks to a consolidated CET1 ratio of more than 17% with liquidity indicators that are stable compared with last year, well above the regulatory limits.

The results for 2023 were achieved in a macroeconomic context characterised by geopolitical tensions, restrictive policies on the part of Central Banks and still high inflation, confirming the resilience of our Bank's business model.

Before examining the results of operations in detail, we would like to take this opportunity to explain the market and macroeconomic context in which the Bank operates.

The economic and sector scenario

During 2023, global economic growth was lower than in previous years. The slowdown in economic activity was particularly marked in the service sector, while manufacturing continued to record modest activity.

The slow recovery in global trade is still underway, although the most recent data point to a weaker expansionary trend in the coming quarters, in line with the slowdown in economic activity. Pressures on overall inflation increased slightly at a global level, reflecting increases in energy prices. However, underlying inflation continues to decline. In fact, at the end of the third quarter of 2023, there was a decrease to 4.5% (compared with over 5% in the previous two months), helped by the improvement in supply conditions and the effect of more restrictive monetary policy on demand and the prices set by companies. Measures of longer-term inflation expectations are mostly around 2%, but some have remained high and therefore require constant monitoring, also for banking operators.

In the latter part of 2023, developments in euro area financial markets reflected expectations of stable short-term policy rates, whereas longer-term rates increased. Following the monetary policy decision by the Governing Council of the European Central Bank (ECB) in September 2023 to raise its three key interest rates by 25 basis points, the short segment of the risk-free rate curve of the euro area only changed marginally. This reflected market participants' expectations that reference rates had reached their peak, whereas longer-term risk-free rates stood at significantly higher levels after the September meeting, largely reflecting externalities coming from the US market. In the euro area, government bond yields rose in line with risk-free rates, with spreads increasing to a certain extent. Burdened by rising longer-term discount rates, stock prices fell, particularly for non-financial corporations, while spreads on euro area corporate bonds increased slightly, especially in the high-yield segment. On foreign exchange markets, the euro depreciated on a trade-weighted basis. The intensification of tensions in the Middle East since the beginning of October led to higher market volatility, but generally speaking it had a limited impact on the financial markets of the euro area, at least initially.

At the same time, the ECB has started to reduce the portfolio of assets relating to the Asset Purchase Programme (APP) by interrupting reinvestments. The excess reserves held by the Eurozone banking system were further reduced by the maturities of long-term refinancing operations, which were only replaced for a small fraction by greater use of ordinary refinancing windows. The IRS rate curve saw its negative slope reduce, with more marked rate increases on 10–30-year maturities. The ten-year spread between BTPs and Bunds rose considerably at the end of the third quarter of 2023, affected by a less positive climate on the performance of Italian public finances, subsequently falling back to a lower level in the latter part of the year.

During 2023, the Italian economic system was still subject to a number of stress factors, such as the ongoing crisis between Russia and Ukraine and the tensions caused by the Israel-Palestinian conflict, but it still managed to keep up a certain amount of growth. Italy's GDP, which the main sector operators expected to grow by 0.9% on 2022, turned in actual growth of 0.7%, confirming the resilience of our country's post-pandemic economic recovery.

The scenario assumes that the economic repercussions of the uncertain geopolitical context remain limited and do not lead to particular tensions on international commodity and financial markets. It is assumed that international trade will expand again over the next three years by around 3% on average and, on the basis of futures contracts, that the prices of energy raw materials will fall slightly over the forecast horizon, even if January 2024 saw a certain amount of tension in international trade linked to conflict situations in the Red Sea. The macroeconomic framework is being affected by the tightening of monetary and credit conditions for businesses and families following the sharp increase in monetary policy interest rates. The scenario incorporates the effects of the budget manoeuvre for 2024 and the use of European funds under the Next Generation EU programme, based on the latest information on the National Recovery and Resilience Plan (PNRR).

Gross domestic product is expected to expand again gradually from the beginning of next year, supported by the recovery in disposable income and foreign demand, with GDP expected to grow by 0.6% during 2024.

Compared with the projections published in October, GDP growth in 2024 has been revised downwards to reflect signs of a longer than expected period of economic weakness.

Household consumption is expected to expand at rates slightly higher than GDP over the next year, benefiting from a recovery in their purchasing power. Investments are likely to slow down considerably, held back in the private sector by the rise in borrowing costs, stricter conditions of access to credit and the declining impact of government incentives for the building industry; on the other hand, there should be a higher boost from the interventions of the PNRR. Exports should expand in line with the trend in foreign demand.

Imports are expected to grow slightly less, due to the weakness of investment in capital goods, characterised by a high level of imported products.

Employment, which rose sharply in 2023, is expected to carry on growing, albeit at a rate equal to around half that of GDP. The unemployment rate is expected to continue to fall slowly over the next year.

Consumer inflation should be 6.0% on average this year and should then decrease sharply afterwards, reaching lower levels even in 2024. Underlying inflation will probably decline more slowly, as the lower costs of intermediate inputs gradually get passed on to end-prices.

Compared with the forecasts published in October, consumer inflation has been revised downwards as well and to a particularly marked extent in 2024, by 0.5 percentage points, reflecting a more rapid decline in energy prices and a stronger slowdown in the underlying component highlighted by the latest data.

These projections are subject to a high level of uncertainty, with risks to growth tilted predominantly to the downside. The geopolitical context remains one of the main factors of instability, which could lead to new increases in raw material prices and a deterioration in household, business and investor confidence. Quite hefty risks also depend on the evolution of global economic activity, which could be affected to a greater extent by the difficulties of the Chinese economy and the uncertainty linked to international tensions. GDP could also be held back by even more stringent borrowing conditions, also because of a higher level of credit risk. Inflation risks are more balanced. Upward pressure could come from further increases in commodity prices. On the other hand, the possibility of a deterioration in the international scenario and a higher-than-expected impact on the part of monetary tightening could result in lower growth in wages, profit margins and consumer inflation.

The main risks for the banking system continue to depend on the weak growth prospects. Although asset quality has so far shown only faint signs of deterioration, the deceleration in economic activity and the high level of interest rates could lead to a worsening of debtors' ability to meet their obligations. Profitability has increased strongly, favoured by the good performance by net interest income, but over the next two years it will be affected by the higher cost of funding and a greater proportion of loan losses. The liquidity profile will remain balanced; the repayment of a significant amount of the targeted longer-term refinancing operations (TLTRO3) in June 2023 did not have any significant repercussions on the liquidity of the banking system. Capital ratios have improved. A stress test carried out on the banks supervised directly by the Bank of Italy shows that overall, they would be able to withstand the impact of adverse macroeconomic scenarios, in line with what has already been found for the larger groups in the exercise conducted in recent months at a European level.

The system of Italian Small and Medium-sized Enterprises (SMEs) continues to drive the economic recovery, thanks in part to the financial support introduced by the Temporary Framework on State Aid, which was also extended throughout 2023 even if in a context of normalisation of this public support system, which is gradually returning to what it was prior to the pandemic.

The government measures launched in the “Aid Decree” and subsequent amendments, due to the ongoing emergency caused by the Russia-Ukraine conflict, in the form of guarantees on the loans in support of the economy, were applied throughout 2023.

Consequently, for the entire year, the Bank continued to operate with target customer companies through the disbursement of medium and long-term loans supported by state guarantees issued by the Central Guarantee Fund - MCC and by SACE, in accordance with the provisions of the Aid Decree and subsequent amendments.

The level of coverage by government guarantees continued to be fully compliant with the needs of the sector, allowing the financing of SMEs to continue without a break.

Loans guaranteed by the Guarantee Fund for SMEs pursuant to law 662/96

With the “Aid Decree” and subsequent amendments together with the application of point 2.2 of the Temporary Crisis Framework, it was possible for requests from SMEs for guarantees from the Central Guarantee Fund managed by Medio Credito Centrale to obtain a coverage equal to:

- 80% guarantees in favour of the types of businesses and financial operations to which the rating model is not applied (start-ups, innovative start-ups and certified incubators, microcredit, low value loans);
- 80% guarantee on financial transactions involving capital investment;
- 80% guarantee on financial transactions not involving capital investment for businesses in bands 3, 4 and 5 of the Fund's valuation model;
- 60% guarantee on financial transactions not involving capital investment for businesses in bands 1 and 2 of the Fund's valuation model granted for the financing of liquidity needs;
- 90% guarantee on loans aimed at achieving energy efficiency objectives or diversification of energy production or consumption as envisaged by the Temporary Crisis Framework.

The maximum amount that can be guaranteed is Euro 5 million per beneficiary.

On 17 December 2023, Parliament converted the so-called "Advances Decree" into law.

The main changes compared with the Framework that characterised 2023 included the following:

- Exclusion of those that fell into band 5 of the evaluation model, i.e. the riskiest companies;
- 55% of financial transactions, relating to micro and SMEs that fell into bands 1 and 2 of the Fund’s valuation model, granted to finance liquidity needs;
- 60% of financial transactions involving SMEs that fell into bands 3 and 4 of the Fund’s valuation model;
- 80% in the case of financing of investment programmes and financial transactions relating to SMEs already established or that started up in business less than 3 years before the request for the guarantee, which cannot be assessed on the basis of the Fund’s model;
- 50% for investments in the risk capital of end-beneficiaries.

Guaranteed financing from SACE – SupportItalia guarantee

The SupportItalia Guarantee was an extraordinary tool put in place by SACE to support Italian companies hit by the effects of the Russian-Ukrainian crisis.

Thanks to the "Aid Decree" and subsequent amendments and within the limits of the Euro 200 billions of State guarantees already allocated by the "Liquidity Decree", SACE supported the system by issuing guarantees on preferential terms, counter-guaranteed by the State, on the loans provided by the financing entities to help companies find the liquidity needed to deal with the negative effects of the Russian-Ukrainian crisis, thereby ensuring that business activities could continue.

From a regulatory point of view, the limit on the amount of financing that could be obtained was the greater of:

- 15% of total average annual turnover in Italy for the last three years as shown in the financial statements;
- 50% of energy costs incurred in the 12 months preceding the request for financing.

To be eligible for the SACE guarantee, loans had to have the following characteristics (among other things):

- a total duration of not more than 8 years
- instalment loans: with a pre-amortisation period of up to 36 months, an Italian-style repayment plan with a constant amount of principal or a French-style repayment plan with constant instalments, the latter only in the case of a fixed rate, monthly, quarterly, half-yearly or annual payment frequency of the instalments, single disbursement on a dedicated current account of the company making the request.

The percentage of the disbursement covered by the SACE guarantee could reach a maximum of 90%. The counterparties who could request it were represented by any type of company, regardless of size, sector of activity (excluding banks) and legal form, based in Italy.

This extraordinary measure terminated at the end of 2023. It is worth pointing out that further support tools for SMEs were introduced by SACE at the beginning of 2024, in particular "SACE Green" and "SACE Futuro". These are tools to support Italian businesses, designed to promote sustainable economic growth for the country, on the other hand, and to sustain innovation, digitisation and growth for businesses, on the other.

Significant events that took place in 2023

The Board of Directors of the Bank, at their meeting on 13 February 2023, examined the report replying to the Bank of Italy's request of 17 January 2023 for information on the updated forecasts relating to the two-year period 2023 and 2024 on the business model and funding, in a profoundly changed macroeconomic context compared with the beginning of 2022, due to the exacerbation of geopolitical tensions and the change in the orientation of the Eurozone's monetary policy implemented following the marked growth in inflation.

At the conclusion of the analysis carried out on its business model, in relation to the positive trend of the main equity, economic and financial indicators recorded during the previous year, as well as the simulations carried out on the evolution of the profitability and sustainability of the business model in light of the socio-economic scenarios and market prospects, including adverse ones, we can confirm the substantial validity and adequacy of the current strategic guidelines, which show a prospective sustainability of the business from a capital, economic and financial point of view.

At the end of the first quarter of the year and on completion of the Supervisory Review and Evaluation Process (SREP), the Supervisory Authority communicated our overall capital requirement ratios:

- 8.2% for the CET 1 Ratio;
- 10.1% for the Tier 1 Ratio and
- 12.6% for the Total Capital Ratio.

In order to ensure that the binding measures are complied with even in conditions of deterioration of the economic and financial context, the Supervisory Body has requested to add to the above coefficients a further target component of 1.25% against a greater exposure to risk under stressful conditions. These indicators saw a reduction compared with the previous ones, both for the overall capital requirement ratios and for the one relating to the target component under stressed conditions which determined minimum requirements equal to 15% of the previous SREP.

In the last quarter of the year, the Supervisory Authority updated the Minimum Requirement for own funds and Eligible Liabilities (MREL). In particular, the MREL that the Bank will have to comply with is currently 10.10% of the Total Risk Exposure Amount (TREA) and 3% for the Leverage Ratio Exposure (LRE).

On 13 June 2023, the Bank's Board of Directors decided to proceed with preparations for the listing of the Bank's ordinary shares on the Euronext Milan market organised and managed by Borsa Italiana, and, if the conditions exist, on the Euronext STAR Milan segment.

The same Board meeting approved the proposal to group together a number of ordinary shares and make related amendments to the articles of association, the proposal for a cash increase in capital excluding the option right of BPL Holdco Sarl and the proposal to adopt a new text for the articles of association to reflect current legislation on companies with shares listed on a regulated market; these last two resolutions have conditional effectiveness that depends on admission to trading of the Bank's shares on the Euronext Milan. The entire listing project will obviously depend on the state of the market, so its timing could vary over the next few months.

Pursuant to the resolution passed by the Board of Directors on 13 June 2023, the ordinary shareholders' meeting of 21 July 2023 met and approved, inter alia, the submission to Borsa Italiana of the Application for admission of the Bank's ordinary shares to listing on the

Euronext Milan market (previously called the MTA, Mercato Telematico Azionario - STAR segment) organised and managed by Borsa Italiana S.p.A.

On 6 September 2023, the Ordinary Shareholders' Meeting decided (i) that the Board of Directors would have 9 members and (ii) to appoint Massimo Capuano as Chairman of the Board of Directors.

Following this resolution of the Shareholders' Meeting, the Board of Directors met on the same day and confirmed Paolo Fiorentino as CEO of the Bank and Mario Adario as Deputy Chairman of the Board of Directors.

At the same meeting, the Sustainability Report for 2022 was approved.

The report reflects the Bank's genuine commitment to ESG in terms of objectives, responsibilities, conduct and performance, not only economic but also social and environmental. It also explains the Bank's system of governance and highlights the close relationship between corporate strategy and sustainability objectives.

The Report was prepared on a voluntary basis as the Bank is not currently obliged to publish Non-Financial Disclosures in accordance with Legislative Decree 254/2016. The Report was audited by KPMG S.p.A., again on a voluntary basis.

On 2 October 2023, an Extraordinary Shareholders' Meeting approved: a proposed share split, an increase in capital reserved for the shareholder BPL Holdo S.a.r.l. and adoption of new articles of association. All of the resolutions will take effect subject to the admission to trading of the Bank's shares on the Euronext Milan.

Please note that Legislative Decree 104 of 10 August 2023 introduced an extraordinary tax on banks' net interest income. With Law 136 of 9 October 2023, this Legislative Decree was converted into law with amendments.

In this context, confirming the introduction of an extraordinary tax to be paid by banks, the Law introduced the faculty, in lieu of payment of the tax, to allocate at the time of approval of the 2023 financial statements an amount not less than 2.5 times the amount of the tax to a non-distributable reserve. The Law also says that if this reserve is used in the future for the distribution of profits, the bank will have to pay the amount due for the tax, increased by the interest accrued in the meantime, within 30 days of approval of the resolution.

The Board of Directors meeting on 29 November 2023 passed a resolution with the Bank's intention to allocate, on approval of the 2023 financial statements, an amount not less than 2.5 times the amount of the so-called "Tax on extra profits" to a non-distributable reserve of Euro 8,357,985. This resolution does not have any impact on the Bank's result for the year nor on its capital ratios.

During the year, the Bank completed four securitisations with underlying portfolios of loans provided by the Bank to Italian SMEs backed by the Guarantee Fund and/or by SACE. At a time of strong competition on funding sources, these operations made it possible to diversify our funding structure and support the Bank's growth in lending. It should also be noted that in December 2023 the Bank reached an agreement with one of the financial partners to extend the revolving period of the PROGETTO PMI S.r.l. securitisation by a further 12 months, i.e. to December 2024. The related senior note of Euro 500 million will therefore begin the amortisation period at the end of 2024. The main characteristics of the operations completed during the year are provided below.

Operation Progetto PMI 3

The first operation of 2023, which was structured in co-arrangement by Banca Progetto and Société Générale, was completed in April 2023 through the SPV Progetto PMI 3 S.r.l.

The securities were issued in two classes: a senior class of Euro 400 million, of which Euro 250 million subscribed by a “conduit” led by the arranger Société Générale and Euro 150 million purchased by the Bank, and a junior class, fully subscribed by the Bank, of approximately Euro 177 million.

The portfolio involved in the operation, equal to Euro 571.5 million at the time of issue, was representative of the Bank's production mix at the time and the guarantee provided by SACE.

The operation obtained "STS" status, an acronym used in European securitisation regulations for transactions that are "Simple, Transparent and Standardised". These quality criteria were also analysed by Prime Collateralised Securities (PCS) as a third-party verifier. The senior tranche is unrated and not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2023 is approximately Euro 465.9 million, while the nominal values of the senior and junior notes are Euro 323.5 million and Euro 177.2 million, respectively.

The Bank was appointed by Progetto PMI 3 S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 4

The second securitisation carried out during the year, with Intesa Sanpaolo as arranger, was finalised on 13 June 2023 through the vehicle Progetto PMI 4 S.r.l.

The bonds were issued in two classes: a senior one of Euro 500 million, subscribed by a “conduit” led by arranger Intesa Sanpaolo, and a junior one, fully subscribed by the Bank, of approximately Euro 170 million.

The portfolio involved in the operation, equal to Euro 666.7 million at the time of issue, was representative of the Bank's production mix at the time and the guarantee provided by the Guarantee Fund.

The senior tranche is unrated and not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2023 is Euro 604.2 million, while the nominal values of the senior and junior notes are Euro 427.3 million and Euro 170.1 million respectively.

The Bank was appointed by Progetto PMI 4 S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 5

The third operation carried out during the year, with J.P. Morgan Chase Bank N.A. as arranger, was completed on 7 August 2023 through the SPV Progetto PMI 5 S.r.l.

The proposed structure involved the disbursement, by J.P. Morgan Chase Bank N.A., of a loan to the SPV of Euro 500 million and the subscription by the Bank of the junior security for an amount of Euro 225.4 million.

The portfolio involved in the operation, equal to Euro 725.4 million at the time of issue, was representative of the Bank's production mix at the time and the guarantee provided by the Guarantee Fund and SACE.

The value of the loan portfolio underlying the transaction at 31 December 2023 is equal to approximately Euro 664.8 million, the nominal value of the loan stands at Euro 437.4 million and the nominal value of the junior note amounts to Euro 225.4 million.

The loan is unrated, and the repayment structure is amortising, starting from the first payment date.

The Bank was appointed by Progetto PMI 5 S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 6

The fourth securitisation carried out during the year, with Citibank as arranger, was finalised on 29 November 2023 through the SPV Progetto PMI 6 S.r.l.

The proposed structure involved the disbursement by Citibank of a loan, without a rating, to the SPV of Euro 400 million and the subscription by the Bank of the junior security for an amount of Euro 104 million.

The Bank also has the right, as part of the overall structure of the operation, to assign further loans to the vehicle within a revolving period that will end in December 2025.

The portfolio involved in the operation, equal to Euro 500 million at the time of issue, was representative of the Bank's production mix at the time and the guarantee provided by the Guarantee Fund equal to 80%.

After the end of the revolving period, the loan will follow an amortising repayment profile.

The value of the loan portfolio underlying the transaction at 31 December 2023 is equal to Euro 490 million, the nominal value of the loan stands at Euro 400 million and the nominal value of the junior note amounts to Euro 104 million.

The Bank was appointed by Progetto PMI 6 S.r.l. to act as servicer for the securitisation.

For details on the qualitative and quantitative aspects of the securitisations currently outstanding, please refer to "Securitisations" in the explanatory notes.

Summary of developments on lending and funding in 2023

Loans to SMEs

During the year, the business segment involving loans to small and medium-sized enterprises, mainly assisted by the Guarantee Fund and to a lesser extent by SACE, posted a further increase in disbursements compared with the previous year, following our strategic desire to consolidate support for the activities of small and medium-sized businesses in our country. During 2023, new loans were disbursed for Euro 2,764 million (of which Euro 2,117 backed by the Guarantee Fund and Euro 646 by SACE), compared with Euro 2,662 million in 2022 (+4%). This result was achieved by the distribution channel made up of agents and brokers operating throughout Italy.

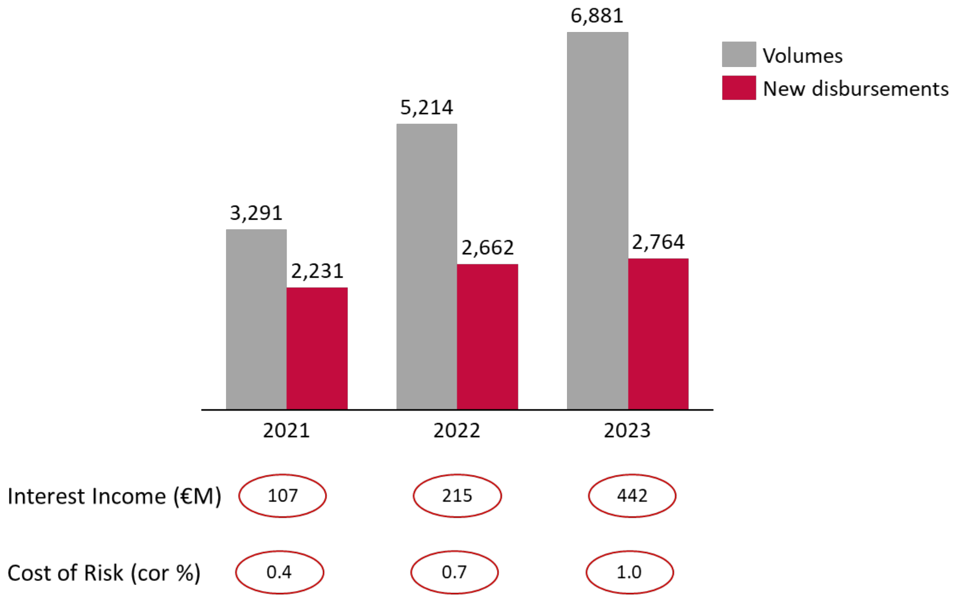
The overall portfolio at the end of 2023 of Euro 6.9 billion is Euro 1.7 billion higher than at the end of 2022, with an average guarantee of 82%, most of which was disbursed during 2022 and 2023. In terms of a geographical breakdown, around 36% is the exposure to companies in northern Italy, while the remainder is divided almost equally between central and southern Italy. Note that approximately 79% of the loans made in 2023 were for investment purposes, which compares with 77% of those provided in 2022 with the same purpose.

Total interest income on these loans in 2023 amounted to Euro 442 million (including the cost of the sales network included in the internal rate of return on the loans), compared with a figure of Euro 215 million in 2022. The commissions paid to the network are included in interest income and accounted for as an initial direct cost over the duration of the loan based on internal rates of return.

Note that at the end of 2023, around 86% of the portfolio was at a floating rate linked to Euribor; the equivalent percentage at the end of 2022 was 76%.

Impairment losses on loans for the year on the SME portfolio amounted to Euro 63 million (Euro 35 million in 2022). The increase in the cost of risk is attributable to the growth of the stock and the overall age of the existing portfolio, deterioration in the macroeconomic context where high inflation, rapidly rising interest rates, energy costs and scarcity of raw materials were all features of 2023. These phenomena have had a significant impact on the Bank's target customers represented by small and medium-sized Italian businesses, with a consequent increase in impairment adjustments on loans compared with the previous year.

Below there is a graph showing the evolution of stock volumes, new disbursements, interest income and the percentage cost of risk over the last three years.



Purchase without recourse of VAT credits and factoring

During 2023, the Bank consolidated the development of the product for the purchase without recourse of VAT credits from small and medium-sized enterprises with new volumes reaching Euro 196 million (Euro 97 million in 2022) and a balance at the end of 2023 of Euro 175 million (Euro 64 million at the end of 2022). The total interest income recorded on this product came to Euro 7.2 million (including the cost of the sales network included in the internal rate of return of VAT credits), with insignificant impairment losses due to the type of credit.

A new product was launched during the year: Factoring with or without recourse, again for small and medium-sized enterprises, with an overall turnover of Euro 194 million and a balance at the end of 2023 of Euro 75 million. This completes the range of financing products offered to target customers. The overall positive components of "Factoring" as a product, namely interest income and commission income, came to a total of Euro 1.6 million, while the commission expenses pertaining to the network amounted to Euro 0.3 million.

Also, for these products, the distribution channel is represented almost exclusively by the same network of agents and brokers that distributes loans to SMEs.

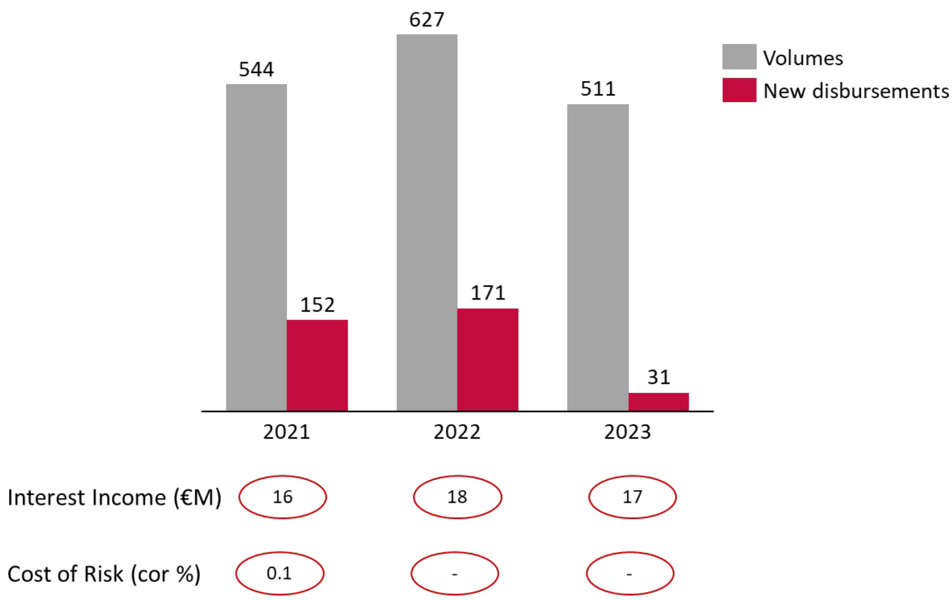
Salary-backed loans

2023 suffered the simultaneous effects of a significant increase in interest rates and the consequences of the ruling of the Constitutional Court (published in December 2022) regarding the application of the Lexitor ruling in Italy. As a result, the Bank took a series of strategic decisions to limit the impact of this judgement: first of all, switching to the so-called "all TAN" to avoid charging customers any commission. In fact, in the event of early repayment, these commissions would have to be reimbursed in accordance with the ruling. Following the rise in funding costs in relation to the ECB's latest monetary policies, in order to preserve the profitability of the product, the Bank increased lending rates. Considering the high level of competition in this market with other operators who have implemented more aggressive policies on offer rates, salary-backed loans saw an overall reduction in volumes disbursed during the year to Euro 31 million (-82% compared with 2022). The net decrease in the stock of direct production during the year was Euro 115 million (-18% compared with the end of 2022). At the end of 2023, loans in this segment amounted to Euro 511 million compared with Euro 627 million in December 2022, including portfolios purchased from third parties in previous years, which in any case remain residual compared with the total stock (Euro 6 million at the end of 2023). The product distribution channel is represented, as in previous years, by the network of agents/brokers spread all over the country.

The overall portfolio at the end of 2023 is made up of around 85% of civil servants and pensioners; the other 15% includes loans to employees in the private sector. In terms of geographical breakdown, about 60% of the portfolio was disbursed in southern Italy, in line with the product's characteristics and typical market.

The total interest income earned by the product came to Euro 17.3 million (including the cost of the sales network included in the internal rate of return of salary-backed loans), compared with a similar figure in 2022 of Euro 18 million.

At the end of 2023 the impact of impairment losses is practically zero, being offset by the impairment gains of the same period, compared with gains of Euro 0.2 million in 2022, confirming the product’s low level of intrinsic risk and the quality of the Bank’s loan book. The evolution of stock volumes, new disbursements, interest income and percentage of the cost of risk over the last three years is shown below.



Instant Lending to Private Individuals

Instant lending as a product is an alternative way of granting loans to retail customers. It uses a proprietary application that allows amounts ranging from a minimum of Euro 300 to a maximum of Euro 3,000 to be disbursed in a totally digital manner with repayments in instalments up to a maximum of 24 months. New disbursements in 2023 amounted to Euro 0.6 million (Euro 3 million in 2022), with an overall stock at the end of 2023 of Euro 1.4 million.

Customer and institutional funding

2023 saw a further increase in funding through all channels, which went from Euro 6,369 million at the end of 2022 to Euro 8,098 million at the end of 2023, which accompanied the growth in loans that took place in the same period.

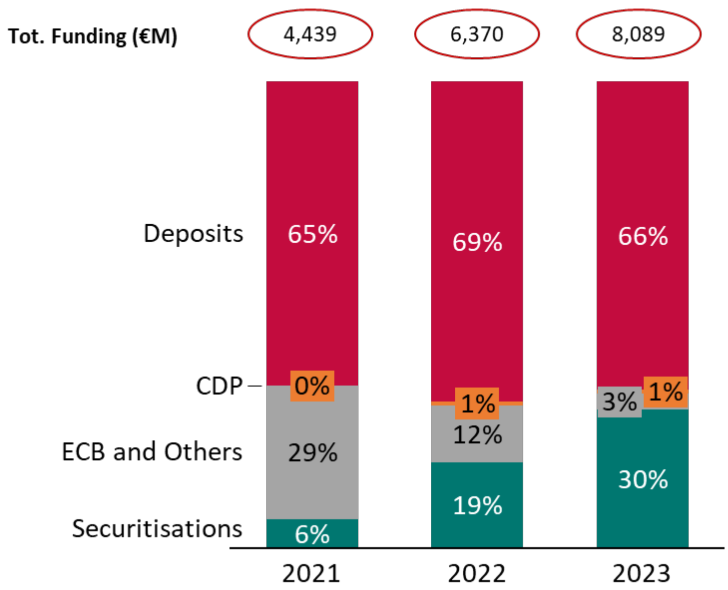
In particular, deposits went from Euro 4,369 million to Euro 5,348 million, including those collected on the Italian market (Euro 2,210 million) and in Germany, Spain and the Netherlands (Euro 3,138 million). Within the Italian market, a part of this amount is represented by time deposits with institutional customers, which at the end of the year reached a total of Euro 272 million.

Funding by means of securitisations reached a total of Euro 2.4 billion at 31 December 2023, corresponding to the amount of the senior notes and loans subscribed by institutional investors. All existing securitisations, with the exception of Progetto Quinto, have as their underlying portfolios of loans disbursed by the Bank guaranteed by the Guarantee Fund and/or by SACE for a total stock of Euro 2,290 million at 31 December 2023. During 2023, four securitisations were completed for a total intake of around Euro 1.5 billion.

At the end of the year, the total amount of funding from central counterparties was Euro 136 million for TLTRO III. The Bank did not take part in any of the auctions for refinancing operations with the Central Bank. At the beginning of 2023, the Bank repaid PELTRO funding for a total of Euro 350 million, replacing this source of funding with securitisations and deposits.

Other funding operations with underlyings involving both senior and junior securities of the securitisations, equal to Euro 139 million at 31 December 2023, and the Euro 69 million raised by CDP complete the funding sources used.

The evolution of the mix of various funding sources and related interest over the last three years is shown below.


Tot. Funding (€M)
4,439
6,370
8,089
Deposits
CDP
ECB and Others
Securitisations
65%
69%
66%
0%
1%
1%
29%
12%
3%
6%
19%
30%
2021
2022
2023

The main aggregates in the consolidated statement of financial position

AGGREGATES IN THE STATEMENT OF FINANCIAL POSITION (euro/thousand)	31/12/2023	31/12/2022	Change	
			absolute	%
Cash and cash equivalents	32,313	48,257	(15,944)	-33.0%
Financial assets at amortised cost – Loans and receivables with banks	110,615	67,474	43,141	63.9%
Financial assets at amortised cost – Loans and receivables with customers	8,122,618	6,410,963	1,711,655	26.7%
Tax assets	31,123	10,727	20,396	190.1%
Hedging derivatives	6,249	16,259	(10,010)	61.6%
Other assets	231,027	154,934	76,093	49.1%
TOTAL ASSETS	**8,533,945**	**6,708,614**	**1,825,331**	**27.2%**
Financial liabilities at amortised cost - Due to banks	1,127,640	764,585	363,055	47.5%
Financial liabilities at amortised cost - Due to customers	5,410,718	4,431,398	979,320	22.1%
Debt securities in issue	1,565,200	1,180,870	384,330	32.5%
Other liabilities	140,616	106,984	33,632	31.4%
Equity	289,701	224,747	64,954	28.9%
Equity attributable to non-controlling interests	70	30	40	133.3%
TOTAL LIABILITIES AND EQUITY	**8,533,945**	**6,708,614**	**1,825,331**	**27.2%**

Cash and cash equivalents

(euro/thousand)	31/12/2023	31/12/2022	Change	
			Absolute	%
Cash	-	1	(1)	-
Loans and receivables with Central Banks	29,134	42,336	(13,202)	-31.2%
Current accounts and deposits with banks	3,179	5,920	(2,741)	-46.3%
TOTAL	**32,313**	**48,257**	**(15,944)**	**-33.0%**

The balance at 31 December 2023, Euro 32.3 million, is mainly attributable to the cash on deposit with the Bank of Italy, as well as the cash on sight current accounts with other credit institutions.

Loans and receivables with banks

LOANS AND RECEIVABLES WITH BANKS (euro/thousand)	31/12/2023	31/12/2022	Change	
			absolute	%
Loans and receivables with Central Banks	44,496	39,097	5,399	14%
Current accounts and deposits with banks	58,070	18,148	39,922	220%
Guarantee margins	8,049	10,229	(2,180)	-21%
TOTAL	**110,615**	**67,474**	**43,141**	**64%**

Loans and receivables with banks, equal to Euro 110.6 million, are attributable for Euro 44.5 million to the Minimum Reserve deposited with the Bank of Italy, Euro 58.1 million to current accounts with credit institutions and deriving from securitised vehicles and for Euro 8 million to guarantee margins on repurchase agreements involving securities.

Loans and receivables with customers

(Euro/thousand)	2023	2022	Change	
			Absolute	%
- Mortgages and loans	6,884,923	5,217,469	1,667,454	32.00%
- Salary-backed and personal loans	511,260	626,686	(115,426)	-18.40%
- Debt securities	470,112	498,935	(28,823)	-5.80%
- VAT credits purchased without recourse	174,535	64,360	110,175	171.20%
- Factoring	74,655	-	74,655	na
- Instant Lending	1,445	2,614	(1,169)	-44.70%
- Other loans	5,688	902	4,786	na
Total receivables	**8,122,618**	**6,410,963**	**1,711,652**	**26.70%**

At 31 December 2023, the total amount of loans to customers of the Bank amounted to Euro 8,123 million, with a net increase of Euro 1,712 million compared with 2022 (+26.7%). The growth in the stock of loans granted to SMEs continued which, in terms of net volumes, increased by Euro 1,673 million compared with the same figure last year (+32%). The stock of salary-backed and personal loans product decreased during 2023 by 115.4 million (-18.4%) also in light of the Bank's strategic decision, as explained in the section on "Salary-backed loans".

Debt securities, represented by Italian government bonds, are down because of the scheduled reimbursements that took place during the year. They are classified as held to collect with two thirds of the portfolio's overall nominal value (€320 million) represented by fixed rate securities and one third (Euro 150 million) by floating rate securities. The portfolio has an average residual life of approximately 1.7 years and represents a stock of assets that can be readily liquidated, also for the purposes of the main liquidity indicators at the end of the year.

The VAT credits purchased without recourse show an increase of Euro 110.2 million (+171.2%) in line with the growth prospects of this product.

During the year, the range of financing products offered to businesses was completed thanks to the launch of factoring with and without recourse. The stock of net receivables at the end of the year came to Euro 74.7 million.

Instant lending loans are marginal in terms of overall volumes with a total stock at the end of 2023 of Euro 1.4 million.

Details of loans and receivables with customers by status

Status (euro/thousand)	31/12/2023			31/12/2022		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Bad loans	345,708	(58,900)	286,808	72,146	(12,846)	59,300
Unlikely to pay exposures	199,692	(24,610)	175,082	161,495	(19,627)	141,868
Impaired past due exposures	174,791	(8,047)	166,745	162,786	(9,089)	153,697
Total impaired loans (NPE)	**720,191**	**(91,557)**	**628,635**	**396,427**	**(41,562)**	**354,865**
Performing loans excluding debt securities	**7,045,602**	**(21,731)**	**7,023,871**	**5,570,721**	**(13,558)**	**5,557,163**
Debt securities	**470,256**	**(144)**	**470,112**	**499,142**	**(207)**	**498,935**
Total performing loans	**7,515,858**	**(21,875)**	**7,493,983**	**6,069,863**	**(13,765)**	**6,056,098**
TOTAL	**8,236,050**	**(113,432)**	**8,122,618**	**6,466,290**	**(55,327)**	**6,410,963**

Details of loans and receivables with customers by type of loan are shown below, along with the related coverage ratio. We also show the gross exposure net of coverage by the Guarantee Funds (MCC or SACE) with the corresponding adjusted coverage ratio.

(Euro/thousand)	Gross exposure	Impairment losses	Net exposure	Coverage ratio	Gross exposure net of Guarantee Fund coverage	Adjusted coverage ratio
Bad loans:						
- personal and salary-backed loans	742	(742)	-	100.0%	742	100.0%
- loans to SMEs	342,740	(56,491)	286,249	16.5%	56,491	100.0%
- instant lending	65	(65)	-	100.0%	65	100.0%
- exposures of the former Banca Lecchese	2,161	(1,603)	558	74.2%	2,161	74.2%
Total bad loans	**345,708**	**(58,901)**	**286,807**	**17.0%**	**59,459**	**99.1%**
Unlikely to pay exposures:						
- personal and salary-backed loans	8,452	(1,439)	7,013	17.0%	8,452	17.0%
- loans to SMEs	190,765	(22,815)	167,950	12.0%	29,658	76.9%
- instant lending	444	(333)	111	75.0%	444	75.0%
- exposures of the former Banca Lecchese	31	(23)	8	74.2%	31	74.2%
Total unlikely to pay exposures	**199,692**	**(24,610)**	**175,082**	**12.3%**	**38,585**	**63.8%**
Past due loans:						
- personal and salary-backed loans	6,557	(465)	6,093	7.1%	6,557	7.1%
- loans to SMEs	165,200	(7,149)	158,051	4.3%	28,316	25.2%
- instant lending	1,187	(178)	1,009	15.0%	1,187	15.0%
- factoring	1,599	(242)	1,357	15.1%	1,599	15.1%
- exposures of the former Banca Lecchese	248	(12)	235	4.8%	248	4.8%
Total past due loans	**174,791**	**(8,046)**	**166,745**	**4.6%**	**37,907**	**21.2%**
TOTAL IMPAIRED LOANS (NPE)	**720,191**	**(91,557)**	**628,634**	**12.7%**	**135,951**	**67.3%**
Performing loans:						
- personal and salary-backed loans	498,369	(215)	498,154	0,0%	498,369	0,0%
- instant lending	362	(37)	325	10,2%	362	10,2%
- debt securities	470,256	(144)	470,112	0,0%	470,256	0,0%
- SME loans and financial intermediaries	6,288,510	(20,819)	6,267,691	0,3%	1,133,058	1,8%
- exposures of the former Banca Lecchese	4,251	(70)	4,181	1,6%	4,227	1,7%
- VAT credits purchased without recourse	174,588	(53)	174,535	0,0%	174,588	0,0%
- factoring	73,779	(481)	73,298	0,7%	73,779	0,7%
- other loans	5,744	(56)	5,688	1,0%	5,744	1,0%
TOTAL PERFORMING LOANS	**7,515,859**	**(21,875)**	**7,493,984**	**0,3%**	**2,360,383**	**0,9%**
TOTAL RECEIVABLES	**8,236,050**	**(113,432)**	**8,122,618**	**1,4%**	**2,496,334**	**4,5%**

Net non-performing loans at the end of December 2023 increased by Euro 274 million, going from Euro 354.9 million at the end of 2022 to Euro 628.6 million at the end of 2023. This was as a result of portfolio growth and physiological elements linked to the passing of time and the macroeconomic scenario, which is in continuous evolution, having changed considerably compared with what it was at end of 2022, as mentioned previously in the sections entitled "Economic and sector scenario" and "Loans to SMEs". The growth in the stock of impaired loans is also a consequence of the implicit riskiness of the Bank's target customers.

Gross non-performing loans come to Euro 720.2 million (Euro 396.4 million at the end of 2022), while loss allowances come to Euro 91.6 million (Euro 41.6 million at the end of 2022).

Gross bad loans have increased by Euro 273.6 million and amount to Euro 345.7 million, with impairment losses of Euro 58.9 million and a coverage ratio of 17.0% (17.8% in 2022). It should be noted, however, that, taking into account the guarantees issued by the Guarantee Funds, MCC and SACE, the adjusted coverage ratio calculated on the bad loans portfolio is equal to 99.1% (93.7% the adjusted coverage ratio at the end of 2022), given the weighting of SME financing, which generates almost all of the bad loan portfolio.

Gross unlikely to pay exposures amount to Euro 199.7 million with a coverage ratio of 12.3% (12.2% at the end of 2022). The adjusted coverage ratio is equal to 63.8% (71.7% at the end of 2022).

Gross non-performing past due exposures total Euro 174.8 million with a coverage ratio of 4.6% (5.6% at the end of 2022); excluding gross exposures covered by guarantees, the adjusted coverage ratio comes to 21.2% (28.1% at the end of 2022).

The coverage ratio on the entire non-performing loan portfolio at the end of 2023 stands at 12.7% (10.5% for 2022); taking into account the backing from the Guarantee Funds, the adjusted coverage ratio is equal to 67.3% (56.6% at the end of 2022).

It should be noted that the portfolio stock of SME loans, which represents the majority of the Bank's loan portfolio, has a coverage by state guarantees of approximately 82% at 31 December 2023 (83% at the end of 2022).

Details of loans and receivables with customers by staging are shown below, along with the related coverage ratio. We also show the gross exposure net of coverage by the Public Guarantee Funds with the corresponding adjusted coverage ratio.

(Euro/thousand)	Gross exposure	Impairment losses	Net exposure	Coverage ratio	Gross exposure net of Guarantee Fund coverage	Adjusted coverage ratio
Stage 1	5,979,972	(8,831)	5,971,141	0.2%	2,017,555	0.4%
Stage 2	1,535,887	(13,044)	1,522,843	0.9%	342,827	3.8%
Stage 3	720,191	(91,557)	628,634	12.7%	135,950	67.4%
TOTAL LOANS AND RECEIVABLES	**8,236,050**	**(113,432)**	**8,122,618**	**1.4%**	**2,496,332**	**4.5%**

In this context, the gross non-performing loan ratio amounts to 9.3% (calculated as the ratio between gross exposures in stage 3 and total gross loans and receivables with customers excluding securities), compared with 6.6% in 2022. Considering the coverage provided by the guarantees obtained on the overall SME loan portfolio, the ratio net of this coverage and the related impairment losses comes to 2.3% (calculated as the ratio between gross stage 3 exposures net of guarantees and related adjustments and total gross loans and receivables with customers excluding securities, net of guarantees and adjustments).

Tax assets

Tax assets amount to Euro 31.1 million at the end of 2023, of which Euro 26.5 million for advances on current taxes and tax credits and Euro 4.6 million for deferred tax assets. As regards the latter, Euro 3.8 million relate to temporary differences and the other Euro 0.8 million is the residual component recorded in application of Law 214/2011.

Hedging derivatives

Hedging derivatives include the positive fair value of Euro 6.2 million relating to the subscription by the SPV Progetto Quinto of an IRS for hedging purposes aimed at mitigating exposure to interest rate risk. The underlying of this derivative at the end of 2023 is Euro 115.9 million compared with Euro 204.1 million at the end of 2022. The reduction in the fair value of the instrument of approximately 10 million compared with the previous year is mainly attributable to the gradual decrease in the amount of the underlying (the "Progetto Quinto" senior notes) on the one hand and, on the other, to the evolution of the expected interest rate curve at the end of 2023 compared with what was expected the end of 2022.

Other assets

The other asset items, equal to Euro 231 million, include Euro 177.8 million of items in progress for collections relating to December instalments on loans to SMEs. This amount was settled in the first few days of January. The item also includes property and equipment and intangible assets of Euro 7.5 million, tax credits of Euro 25.0 million, prepaid expenses and other items in progress.

Due to banks

DUE TO BANKS (Euro/thousand)	31/12/2023	31/12/2022	Change	
			absolute	%
Due to Central Banks	135,816	632,750	(496,934)	-78.5%
Payables due to banks	152,321	131,835	20,486	15.5%
Loans (securitisations)	839,503	-	na	na
TOTAL	**1,127,640**	**764,585**	**363,055**	**47.5%**

The year-end balance due to Central Banks relates to the refinancing programmes with the ECB (TLTRO III). Amounts due to banks include two loans secured by the junior and senior securities of the Progetto PMI and Progetto PMI 3 securitisations. The item Loans (securitisations) refers to the amortised cost of the loans granted to the SPVs Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l., linked to the securitisations that the Bank carried out as part of its funding activity (as explained in the specific section of the directors' report on operations).

Due to customers

DUE TO CUSTOMERS (Euro/thousand)	31/12/2023	31/12/2022	Change	
			absolute	%
Current accounts and deposits from customers	5,336,032	4,368,944	967,088	22.1%
Lease liabilities	5,204	6,177	(973)	-15.8%
Loans	69,306	55,047	14,259	25.9%
Other	176	1,230	(1,054)	-85.7%
TOTAL	**5,410,718**	**4,431,398**	**979,320**	**22.1%**

Due to customers amounts to Euro 5,411 million at 31 December 2023, having increased by Euro 967 million on the end of 2022. This trend is attributable to the increase in funding through deposit accounts with retail customers. Loans refer to the funding transaction involving loans from Cassa Depositi e Prestiti (CDP). The lease liabilities of Euro 5.2 million are payables relating to company real estate lease and car rental fees falling within the scope of IFRS 16, as detailed in the notes. With regard to funding through deposit accounts, it should be noted that in Italy the total is Euro 2,210 million at the end of 2023 (including corporate and financial customers), while the deposits with residents in Germany, the Netherlands and Spain - almost exclusively time deposits - placed through a partner platform amount to Euro 3,138 million at the same date.

Debt securities in issue

DEBT SECURITIES IN ISSUE (euro/thousand)	31/12/2023	31/12/2022	Change	
			absolute	%
ABS Securities	1,565,200	1,180,870	384,330	32.5%
TOTAL	**1,565,200**	**1,180,870**	**384,330**	**32.5%**

The item refers to the amortised cost of the senior securities issued by the SPV Progetto Quinto S.r.l. and by the SPVs Progetto PMI S.r.l., Progetto PMI 2 S.r.l., Progetto PMI 3 S.r.l. and Progetto PMI 4 S.r.l., linked to the securitisations that the Bank carried out as part of its funding activity (as explained in greater detail in the appropriate section of the directors' report on operations and in the notes).

Other liabilities

(Euro/thousand)	2023	2022	Change	
			Absolute	%
Provisions for risks and charges:	11,053	13,607	(2,554)	-18.8%
Tax liabilities	36,107	31,889	4,218	13.2%
Other liabilities	91,642	60,534	31,108	51.4%
Post-employment benefits	1,814	953	861	90.3%
TOTAL	140,616	106,983	33,633	**31.4%**

This item, equal to Euro 140.7 million, includes provisions for risks and charges which at the end of the year amounted to Euro 11.1 million (Euro 13.6 million at the end of 2022). It consists of Euro 4.4 million of personnel expenses, of which Euro 4.1 million for allocations relating to the variable component. The additional Euro 6.7 million mainly refers for Euro 5.0 million to the residual provision linked to the allocations made following the Lexitor ruling of December 2022 on salary-backed loans and Euro 1.4 million relating to estimated charges for the network of agents and brokers (in particular the agent's termination indemnities of Euro 1.1 million and the estimated part of commissions linked to production volumes and the quality of the agents' portfolio).

The other liabilities also include tax liabilities of Euro 36.1 million, which include deferred tax liabilities of Euro 2.1 million relating to the valuation reserve of the hedging derivative, post-employment benefits of Euro 1.8 million, as well as other liabilities of Euro 91.6 million, mainly consisting of tax liabilities, bank transfers to be settled, trade payables and deferred income.

Equity

At the end of December 2023, equity, including the profit for the period of Euro 71.9 million and the positive hedging reserve, come to Euro 289.7 million.

Financial performance

Statement of profit or loss

(Euro/thousand)	31/12/2023	31/12/2022	Change	
			absolute	%
Net interest income	260,087	180,928	79,159	43,8%
Net fee and commission expense	(6,236)	(789)	(5,447)	n.a
Net gains (losses) on sale and repurchase of financial assets	-	-	-	-
Total income	**253,851**	**180,139**	**73,712**	**40,9%**
Net impairment losses	(63,789)	(33,819)	(29,970)	88,6%
Net financial income	**190,062**	**146,320**	**43,742**	**29,9%**
Personnel expenses	(23,986)	(18,948)	(5,038)	26,6%
Other administrative expenses	(64,292)	(47,897)	(16,395)	34,2%
Net accruals to provisions for risks and charges	33	(6,682)	6,715	-100,5%
Depreciation, amortisation and impairment losses on property and equipment and intangible assets	(3,097)	(2,233)	(864)	38,7%
Other operating income, net	8,061	6,528	1,533	23,5%
Operating costs	**(83,281)**	**(69,232)**	**(14,049)**	**20,3%**
Profit (Loss) before tax from continuing operations	**106,781**	**77,088**	**29,693**	**38,5%**
Income tax for the year	**(34,863)**	**(25,104)**	**(9,759)**	**38,9%**
Profit (Loss) for the year	**71,918**	**51,984**	**19,934**	**38,3%**

During 2023 net interest income was Euro 260.1 million, compared with Euro 180.9 million the previous year, as a result of interest income of Euro 482.3 million (Euro 236.1 million in 2022) and interest expense of Euro 222.2 million (Euro 55.2 million in 2022). Interest income mainly includes Euro 442.6 million of interest on mortgages and loans, Euro 17.3 million of interest on salary-backed loans, Euro 7.2 million of interest on purchased tax credits, Euro 0.8 million on factoring with recourse, Euro 5.9 million of interest on bank accounts and Euro 8.8 million of interest on securities. The significant growth compared with the previous year is a consequence of the combined effect of the growth in SME portfolios and the increase in the Euribor parameter to which approximately 86% of SME loans were linked at the end of 2023 (76% at the end of 2022). Interest expense mainly includes Euro 128.1 million relating to customer deposit accounts (of which Euro 65 million on the Conto Progetto in Italy and Euro 63 million on the Conto Progetto in Germany, the Netherlands and Spain), in addition to interest on loans and securities deriving from securitisations for a total of Euro 74.5 million, interest on loans payable of Euro 0.8 million, interest on bank current accounts of Euro 8.2 million and Euro 10.6 million for ECB facilities. The growth on the interest expense side is a consequence of the higher cost of funding products linked to the trend in the Euribor (see the securitisations that are index-linked to Euribor) and to the various deposit accounts, which are also linked to market rates and to the competition between banks on this type of product, which became increasingly fierce during 2023.

Net fees and commissions in 2023 were negative for Euro 6.2 million (negative for Euro 1.0 million in 2022). In particular, fee and commission income of Euro 5.1 million (Euro 4.6 million in 2022) is mainly attributable to the fees due on early repayment of loans to SMEs for a total of Euro 2.1 million, the commissions received on factoring activities of Euro 1.5 million and up-front commissions on the salary-backed loans of Euro 0.4 million.

The fee and commission expense of Euro 11.3 million (Euro 5.6 million in 2022) is mainly represented by intermediation fees on funding products paid to Italian and foreign intermediaries for Euro 8.6 million deriving from the increases in stocks during the year (Euro 4.7 million in 2022), commissions due to the network of agents and brokers not included in the amortised cost for Euro 0.7 million, of which Euro 0.3 million relating to the promotion of the with- and without recourse factoring product by the network.

The increase in foreign and Italian funding during the year, also through partnerships with distribution platforms, resulted in an overall increase in the related costs; we would also highlight the costs involved in marketing the new factoring products launched during the year.

The year under review ends with total income of Euro 253.9 million, compared with Euro 180.1 million in 2022, an increase of 41%.

Net impairment losses come to a total cost of Euro 63.8 million (versus Euro 33.8 million in 2022). With regard to financial assets at amortised cost, this item includes net impairment losses on performing loans of Euro 8.1 million, net impairment losses on non-performing loans of Euro 55.7 million (made up of impairment losses of Euro 57,8 million less Euro 2.1 million of impairment gains). As already mentioned in the section on loans to SMEs, the increase in this aggregate compared with last year is mainly attributable to higher stocks and the ageing of the portfolio at the end of the year, as well as the effect of the macroeconomic scenario on interest rates and energy costs, which have had an impact on the Bank's target customers represented by SMEs.

The net financial income in 2023 amounts to Euro 190.1 million, compared with the 2022 figure of Euro 146.3 million, an increase of about 30%.

Personnel expenses amount to Euro 23.9 million compared with Euro 18.9 million in 2022. The average workforce went from 187 people in 2022 to 230 in 2023. This increase in personnel in almost all divisions and departments is the result of the continuous growth in the Bank's business volumes and stocks, which also resulted in a corresponding increase in recurring staff costs. This item also includes the variable portion relating to staff bonuses totalling Euro 4.1 million (Euro 3.6 million in 2022).

Other administrative expenses increased to Euro 64.3 million from Euro 47.9 million in 2022. The increase in expenses is once again a direct consequence of the growth in the Bank's size, the related stocks and volumes of disbursements recorded in 2023, which led to an increase in all variable costs and, to a certain extent, also in fixed costs. The Bank has continued its technological and IT investments with the aim of carrying on its organic development which is based on enhancing the current operating systems and which also contributed to the launch of the factoring product which took place in the first half of 2023.

In addition to the physiological increase linked to the Bank's growth in size, of the main costs that led to the difference in the aggregate compared with the previous year, we would highlight the expenses for maintenance of the technological infrastructure and the development activities carried out on Bank's proprietary software associated with new products and refinements on existing products in 2023 for approximately Euro 4 million; higher costs deriving from indirect taxes, typically stamp duty on deposit accounts for Euro 1.5 million, non-recurring expenses needed for the Bank's listing for Euro 2.8 million; expenses relating to the Interbank Deposit Protection Fund (FITD) and the Deposit Guarantee Scheme (SRF) for approximately Euro 3 million more than last year. In particular, the contributions paid to the FITD (both the ordinary and extraordinary components) amount to Euro 8.8 million (Euro 6.6 million in 2022) and for the SRF Euro 1.6 million (Euro 0.9 million in 2022).

Net accruals to provisions for risks and charges generated a positive effect of approximately Euro 33 thousand compared with the negative effect of Euro 6.7 million at the end of 2022. In 2023, there were provisions of Euro 0.3 million related to the agents' termination indemnity and non-recurring commissions of Euro 0.1 million to be paid to the commercial network, which were more than offset by the release of a provision of Euro 0.4 million linked to the closure of a dispute during the year.

Operating costs come to Euro 83.3 million compared with Euro 69.2 million in 2022, with a cost/income ratio of 32.8% despite the non-recurring charges linked to the start-up of the proposed listing and non-recurring contributions to the Italian and European deposit protection funds (38.4% in 2022).

The profit before tax from continuing operations for 2023 is equal to Euro 106.8 million, compared with Euro 77.1 million in 2022, an increase of 39% on last year.

Income taxes for the year on current operations are negative for Euro 34.8 million compared with Euro 25.1 million in 2022. They relate to current taxes for Euro 33.9 million and the charge on the net effect of deferred tax assets and liabilities for the year of Euro 0.9 million.

2023 closes with a profit of Euro 71.9 million compared with a profit of Euro 52.0 million in 2022, an increase of more than 38% on last year.

Own funds and consolidated capital adequacy

The total of Common Equity Tier 1 capital and Own Funds at the end of 2023 comes to Euro 289.4 million (Euro 226.1 million at the end of 2022), total Risk Weighted Assets (RWA) amount to Euro 1,667.2 million (Euro 1,315.1 million at the end of 2022), with a CET 1 Ratio and a Total Capital Ratio of 17.36% (17.19% at the end of 2022).

The growth in Own Funds of Euro 63.3 million is mainly attributable to:

- the profit for the year of Euro 71.9 million,
- the negative change in the valuation reserve for a total of Euro 6.9 million, of which Euro 6.7 million referring to the change in the fair value of the hedging derivative accounted for as a "Cash flow hedge", resulting from the consolidation of the SPV Progetto Quinto S.r.l. As explained in the section on "Hedging derivatives", the reduction in the fair value of the instrument of approximately 10 million compared with the previous year is essentially attributable to the gradual decrease in the amount of the underlying (the Quinto Project senior note) and the evolution of the interest rate curve expected at the end of 2023 compared with what was expected at the end of 2022.
- the effects deriving from the application of the transitional provisions on provisioning according to IFRS 9, which led to a decrease in the benefit of Euro 1.8 million compared with last year (Euro 2.2 million in 2023 compared with Euro 4 million in 2022).

The growth in RWA of approximately Euro 350 million during 2023 compared with the previous year is the result of:

- the increase in credit risk for a total of some Euro 215 million, by virtue of the growth in net exposures towards SMEs for approximately Euro 1.7 billion (government guarantees represent around 82% of the overall SME loan portfolio at the end of 2023, mitigating the capital absorption for credit risk);
- the increase in operational risk of Euro 136 million driven by the sustained growth in total income (this indicator is calculated by the Bank using the Basic Approach).

As specified in the section on significant events during the year, the Supervisory Authority communicated its decision on capital to the Bank (SREP procedure), as a result of which the overall capital requirements for 2023 were:

- 8.2% for the CET 1 Ratio;
- 10.1% for the Tier 1 Ratio and
- 12.6% for the Total Capital Ratio.

In order to ensure that the binding measures are respected even in conditions of deterioration in the economic and financial context, the Supervisory Authority asked to add an additional 1.25% to the above coefficients as a stress buffer. The SREP process therefore resulted in a reduction of approximately 1.15% in the maximum requirement compared with the previous year.

The Bank includes in the calculation of own funds, in accordance with the provisions of the current rules and Regulation 575/2013, the effects deriving from application of the transitional rules on provisioning in accordance with IFRS 9 (using both the static and dynamic approaches, as detailed in the paragraph below on "risk management"), which led to a benefit of Euro 2.2 million at the end of 2023 in terms of own funds, already net of the tax effect, so the fully phased CET 1 Ratio is equal to 17.23%.

Own funds

Amounts in thousands of Euro	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) capital prior to the application of prudential filters	289,703	224,748
of which: CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)		
C. CET1 prior to the deductions and impact of the transitional provisions (A +/- B)	289,703	224,748
D. Deductions from CET1	2,502	2,688
E. Transitional provisions - Impact on CET1 (+/-)	2,181	4,033
F. Total CET1 (C - D +/- E)	289,381	226,093
G. AT1 prior to deductions and impact of the transitional provisions		
of which: AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional provisions - Impact on AT1 (+/-)		
L. Total AT1 (G - H +/- I)		
M. T2 prior to deductions and impact of the transitional provisions		
of which: T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional provisions - Impact on T2 (+/-)		
P. Total T2 (M - N +/- O)		
Q. Total own funds (F + L + P)	289,381	226,093

Capital adequacy

amounts in thousands of Euro	31/12/2023	31/12/2022
Total own funds	**289,381**	**226,093**
A. Risk assets		
A.1 Credit and counterparty risk	**8,533,213**	**6,703,974**
1. Standardised approach	8,533,213	6,703,974
B. Minimum capital requirements		
B.1 Credit and counterparty risk	**105,541**	**88,285**
B.5 Operational risk	**27,839**	**16,925**
1. Basic approach	27,839	16,925
2. Standardised approach		
B.7 Total prudential requirements	**133,380**	**105,210**
C. Risk assets and capital ratios		
C.1 Risk-weighted assets	1,667,245	1,315,131
C.2 Common Equity Tier 1 capital/Risk weighted assets (CET1 capital ratio)	17.36%	17.19%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	17.36%	17.19%
C.4 Tier 1 and 2 capital/Risk-weighted assets (Total capital ratio)	17.36%	17.19%

Risk management

From 1 January 2014 onwards, the reforms of the Basel Committee agreements ("Basel 3")[1] have been transposed into the European Union system in order to strengthen banks' ability to absorb shocks from financial and economic tensions, regardless of their origin, to improve risk management and governance, as well as to strengthen transparency and disclosure of their risk profile and risk coverage through own funds. The national provisions aimed at transposing supranational legislation are contained in the Bank of Italy Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent amendments and additions.

The regulatory updates that have taken place have maintained the three-pillar approach that underlay the previous Basel 2 capital agreement, currently Basel 3, integrating and strengthening it to increase the quantity and quality of the intermediaries' capital endowment, as well as introducing counter-cyclical supervisory instruments, rules on liquidity risk management and leverage containment.

[1] Regulation (EU) no. 575/2013 ("CRR") with which the rules defined by the Basel Committee for banking supervision are introduced into the European Union with the articulated set of documents jointly called "Basel 3" (including the technical implementation regulations - ITS) and Directive 2013/36 / EU (CRD IV) which concerns, among other things, the conditions for access to banking activities, the freedom of establishment and the freedom to provide services, the prudential control process and additional capital reserves.

As regards the business risks of Banca Progetto, they are continuously monitored with a view to collaboration between the Bank's structures (first, second and third level controls), in line with the provisions of the new prudential supervisory provisions mentioned above.

The Bank has applied the capital requirements of Basel 3 starting from 1 January 2014. With this in mind, the Bank has introduced the procedural and organisational interventions needed to comply with the regulations on how to use the calculation methods adopted.

The issue of Regulation (EU) 2017/2395 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds" updated Regulation EU 575/2013 CRR, inserting a new article 473 bis "Introduction of IFRS 9 ", which offered banks an opportunity to mitigate the impact on own funds deriving from IFRS 9 in a transitional period of 5 years (from March 2018 to December 2022). It does this by sterilising the impact on CET1 by applying decreasing percentages over time. So the Bank has chosen to adopt both the so-called "static approach", to be applied to the impact from comparing the IAS 39 adjustments at 31/12/2017 with those resulting from IFRS 9 at 1/1/2018, and the so-called "dynamic approach" to be applied to the impact by comparing the IFRS 9 adjustments at 1/1/2018 and at the subsequent reporting dates (only for the performing component and for the transitional period up to 2024 in application of the European Commissions instructions following the Covid 19 crisis).

Consistent with what is laid down in the First Pillar for the method of calculating the requirements to face the typical risks of banking activities, the Bank uses:

- for credit risk: the standardised approach;
- for operational risk: the basic approach.

In particular, in the context of credit risk, for the process of determining and monitoring the capital requirements, customers are classified as envisaged by the prudential supervisory regulations; the Credit Risk Mitigation techniques envisaged by the same legislation are also applied.

Lastly, Banca Progetto oversees operational risks through its corporate organization with defined lines of skills and responsibilities, capable of ensuring the separation of roles between the control and operational functions. To this end, risk self-assessments are carried out at least once a year involving the individual "risk owners" of the various functional areas, identified on the basis of the corporate "Risk Policy". Based on a structured approach, they evaluate in qualitative terms the exposure to operational risk, first in terms of inherent risk and - depending on the effectiveness of the controls in place - in terms of residual risk. Any remediation actions are subject to periodic monitoring.

Key indicators

	31/12/2023	31/12/2022
Composition indices		
Banks' and customers' deposits/Total liabilities and equity	94.96%	95.10%
Loans and receivables with customers/Banks' and customers' deposits and debt securities in issue	100.24%	100.50%
Net interest income/Total income	102.46%	100.40%
Capital ratios and financial leverage		
Financial leverage (Own funds/Total assets)	3.39%	3.40%
Consolidated CET 1 ratio	17.36%	17.19%
Risk ratios		
NPL	2.57%	1.20%
Net bad loans/Loans and receivables with customers	2.16%	0.90%
Bad loan coverage ratio	17.04%	17.80%
Adjusted bad loan coverage ratio (***)	99.06%	93.70%
Non-performing loan (NPE) coverage ratio	9.27%	10.50%
NPE ratio	9.30%	6.60%
NPE ratio, net (****)	2.30%	2.10%
Adjusted non-performing loan (NPE) coverage ratio (***)	67.35%	56.60%
Total cost of risk (*)	0.94%	0.70%
Profitability ratios		
Total income/Total assets	2.97%	2.70%
Cost/Income Ratio	32.81%	38.40%
ROE (**)	27.95%	27.60%
Liquidity Indices		
LCR	459%	267%
NSFR	114.5%	113.3%

(*) calculated as the ratio between item 130 of the statement of profit or loss (excluding impairment losses on securities and loans and receivables with banks) and the arithmetic mean of item 40b loans and receivables with customers (excluding securities) at the beginning and end of 2023
(**) calculated as profit compared with the average of equity at the beginning and end of the period
(***) the items in the adjusted coverage ratio were calculated using the exposure net of the coverage of the government guarantee funds.
(****) calculated as the ratio between gross exposures in stage 3 and total gross loans and receivables with customers excluding securities

Other information

The reconciliation between the result and equity of the Bank with the figures in the consolidated financial statements is provided below.

Items	Profit	Equity
Profit/equity in the separate financial statements	71,918	213,601
Progetto Quinto hedging reserve	-	4,182
Equity attributable to non-controlling interests	-	70
Total at 31/12/2023	**71,918**	**217,853**
Equity at 31/12/2023		**289,771**

Research and Development

No research and development was carried out during 2023.

Secondary offices

The Bank also carries on its business in a secondary office in Piazza San Bernardo 101, Rome.

Changes in the Group workforce

Number of employees by category	31/12/2023	31/12/2022
Employees:	243	213
1. Managers	18	17
2. Executives	90	78
3. Other employees	135	118
Other staff	5	3

Treasury shares

During the year, the Bank and the SPVs did not carry out any transactions in treasury shares.

Related parties

At 31 December 2023, there were various related-party transactions outstanding, mainly loans for Euro 11.4 million and deposits for Euro 0.4 million. For more information, see Part H "Related-Party Transactions" of the Notes.

Significant subsequent events and outlook

There have been no events subsequent to the reporting date that might have had an impact on the consolidated financial statements.

Note that on 1 February 2024 another funding operation was completed through the increase in the financing granted to the SPV Progetto PMI 5 for a further Euro 350 million.

The Board of Directors' meeting held on 12 February 2024 approved the 2024-2026 business plan which confirms the Bank's growth and development path and consolidates its role as a bank that specialises in the small and medium-sized business segment, always leveraging state-guaranteed financing and products for the purchase of VAT credits without recourse and factoring with and without recourse.

Shareholders,

in accordance with the law and the articles of association, the Board of Directors submits the consolidated financial statements at 31 December 2023 to the Shareholders' Meeting.

Particular acknowledgement by the Board of Directors goes to all of the staff at all levels of the Bank, who have committed themselves constantly with professional competence, as well as to the sales network and our technological partners.

Milan, 12 February 2024

The Board of Directors
The Chairman
Massimo Capuano

PART II

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

(amounts in thousands of Euro)

	Asset items	31/12/2023	31/12/2022
10.	Cash and cash equivalents	32,313	48,257
40.	Financial assets at amortized cost	8,233,232	6,478,437
	a) loans and receivables with banks	110,615	67,474
	b) loans and receivables with customers	8,122,618	6,410,963
50.	Hedging derivatives	6,249	16,259
90.	Property and equipment	4,967	6,318
100.	Intangible assets	2,502	2,688
110.	Tax assets	31,123	10,727
	a) current	26,506	5,417
	b) deferred	4,617	5,310
130.	Other assets	223,559	145,928
	Total assets	**8,533,945**	**6,708,614**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(amounts in thousands of Euro)

	Liabilities and Equity items	31/12/2023	31/12/2022
10.	Financial liabilities at amortized cost	8,103,558	6,376,854
	a) due to banks	1,127,640	764,585
	b) due to customers	5,410,718	4,431,398
	c) securities in issue	1,565,200	1,180,870
60.	Tax liabilities	36,107	31,889
	a) current	34,040	26,512
	b) deferred	2,066	5,377
80.	Other liabilities	91,642	60,534
90.	Post-employment benefits	1,814	953
100.	Provisions for risks and charges:	11,053	13,607
	a) commitments and guarantees given	30	11
	c) other provisions	11,023	13,596
120.	Valuation reserves	3,790	10,754
150.	Reserves	149,541	97,557
160.	Share premium reserve	54,048	54,048
170.	Share capital	10,404	10,404
190.	Equity attributable to non-controlling interests (+/-)	70	30
200.	Profit (loss) for the year (+/-)	71,918	51,984
	Total liabilities and equity	**8,533,945**	**6,708,614**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)

		2023	2022
10.	Interest and similar income	482,306	236,125
	of which: interest income with the effective interest method	476,452	236,077
20.	Interest expense and similar charges	(222,219)	(55,197)
30.	**Net interest income**	**260,087**	**180,928**
40.	Fee and commission income	5,057	4,836
50.	Fee and commission expense	(11,293)	(5,625)
60.	**Net fees and commission**	**(6,236)**	**(789)**
100.	Net gains on sales and repurchases of	-	-
	a) financial assets at amortised cost	-	-
120.	**Total income**	**253,851**	**180,139**
130.	Net impairment losses on:	(63,789)	(33,819)
	a) financial assets at amortised cost	(63,789)	(33,819)
150.	**Net financial income**	**190,062**	**146,320**
190.	Administrative expenses:	(88,278)	(66,845)
	a) personnel expenses	(23,986)	(18,948)
	b) other administrative expenses	(64,292)	(47,897)
200.	Net accruals to provisions for risks and charges	33	(6,682)
	a) commitments and guarantees given	(18)	13
	b) other net provisions	51	(6,695)
210.	Depreciation and net impairment losses on property and equipment	(1,659)	(1,356)
220.	Amortization and net impairment losses on intangible assets	(1,438)	(877)
230.	Other operating income, net	8,061	6,528
240.	**Operating costs**	**(83,281)**	**(69,232)**
290.	**Profit (loss) from continuing operations before tax**	**106,781**	**77,088**
300.	Income taxes	(34,863)	(25,104)
310.	**Profit (loss) from continuing operations after tax**	**71,918**	**51,984**
330.	**Profit (loss) for the year**	**71,918**	**51,984**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)

Items		31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**71,918**	**51,984**
	Other comprehensive income after tax not reclassified to profit or loss	**(264)**	**64**
70.	Defined benefit plans	(264)	64
	Other comprehensive income reclassified to profit or loss	**(6,701)**	**10,146**
130.	Hedging of financial flows	(6,701)	10,146
200.	**Total other comprehensive income after tax**	**(6,965)**	**10,210**
210.	**Comprehensive income (Item 10+200)**	**64,953**	**62,194**
220.	**Consolidated statement of comprehensive income of non-controlling interests**	**-**	**-**
230.	**Consolidated statement of comprehensive income of the parent company**	**64,953**	**62,194**

BANCA PROGETTO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31/12/2023

(amounts in thousands of Euro)

	Balance at 31/12/2022	Balance at 01/01/23	Allocation of prior year results		Changes in 2023								Consolidated equity at 31/12/2023	Equity of non-controlling interests at 31/12/2023
						Transactions on consolidated equity								
			Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Consolidated statement of comprehensive income at 31/12/2023		
Share capital:	**10,404**	**10,404**	-	-	-	-	-	-	-	-	-	-	**10,404**	**70**
a) ordinary shares	10,404	10,404	-	-	-	-	-	-	-	-	-	-	10,404	70
b) other shares	-		-	-	-	-	-	-	-	-	-	-		
Share premium reserve	**54,048**	**54,048**	-	-		-	-	-	-	-	-	-	**54,048**	-
		-											-	-
Reserves:	**97,557**	**97,557**	**51,984**	-	-	-	-	-	-	-	-	-	**149,542**	-
a) from earnings	11,897	11,897	51,984	-	-	-	-	-	-	-	-	-	63,881	-
b) other	85,660	85,660	-	-	-	-	-	-	-	-	-	-	85,660	-
Valuation reserves	**10,754**	**10,754**	-	-	-	-	-	-	-	-	-	**(6,965)**	**3,790**	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
												-		
Profit (loss) for the period	**51,984**	**51,984**	**(51,984)**	-	-	-	-	-	-	-	-	**71,918**	**71,918**	-
Equity	**224,747**	**224,747**	-	-	-	-	-	-	-	-	-	**64,953**	**289,701**	**70**
Equity of non-controlling interests	**30**	**30**	-	-	-	**40**	-	-	-	-	-	-	-	**70**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31/12/2022

(amounts in thousands of Euro)

	Balance at 31/12/2021	Balance at 01/01/22	Allocation of prior year results		Changes in 2022								Consolidated equity at 31/12/2022	Equity of non-controlling interests at 31/12/2022
						Transactions on consolidated equity								
			Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Consolidated statement of comprehensive income at 31/12/2022		
Share capital:	**10,404**	**10,404**	-	-	-	-	-	-	-	-	-	-	**10,404**	**30**
a) ordinary shares	10,404	10,404	-	-	-	-	-	-	-	-	-	-	10,404	30
b) other shares	-		-	-	-	-	-	-	-	-	-	-		
Share premium reserve	**54,048**	**54,048**	-	-		-	-	-	-	-	-	-	**54,048**	-
		-											-	-
Reserves:	**46,570**	**46,570**	**40,988**	-	**10,000**	-	-	-	-	-	-	-	**97,557**	-
a) from earnings	(29,090)	(29,090)	40,988	-	-	-	-	-	-	-	-	-	11,897	-
b) other	75,660	75,660	-	-	10,000	-	-	-	-	-	-	-	85,660	-
Valuation reserves	**544**	**544**	-	-	-	-	-	-	-	-	-	**10,210**	**10,754**	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (loss) for the period	**40,988**	**40,988**	**(40,988)**	-	-	-	-	-	-	-	-	- **51,984**	**51,984**	-
Equity	**152,553**	**152,553**	-	-	**10,000**	-	-	-	-	-	-	**62,194**	**224,747**	**30**
Equity of non-controlling interests	**20**	**20**	-	-	**(10)**	**20**	-	-	-	-	-	-	-	**30**

The amount of Euro 10,000,000 refers to non-refundable payment into the account for a current or future increase in capital by the majority shareholder in December.

CONSOLIDATED CASH FLOW STATEMENT

(amounts in thousands of Euro)
Indirect method

A. OPERATING ACTIVITIES	31/12/2023	31/12/2022
1. Cash flow generated by operations (+/-)	**143,683**	**119,438**
- Profit for the year (+/-)	71,918	51,984
- Net adjustments for credit risk (+/-)	63,789	33,819
- Net adjustments to property, plant and equipment and intangible assets (+/-)	3,097	2,233
- Net provisions for risks and charges and other expenses/income (+/-)	(33)	6,682
- Unpaid duties, taxes and tax credits (+)	4,912	24,720
2. Cash flow generated/absorbed by financial assets (+/-)	**(1,914,258)**	**(2,251,474)**
- Other assets mandatorily at fair value through other comprehensive income	3,046	(4,949)
- Financial assets at amortised cost	(1,818,584)	(2,115,995)
- Other assets	(98,720)	(130,530)
3. Cash flow generated/absorbed by financial liabilities (+/-)	**1,756,151**	**1,959,550**
- Financial liabilities at amortised cost	1,726,704	1,937,972
- Other liabilities	29,447	21,578
Net cash flow generated/absorbed by operating activities (+/-)	**(14,424)**	**(172,486)**
B. INVESTING ACTIVITIES		
2. Cash flow absorbed by (-)	**(1,560)**	**(7,348)**
- Purchase of property, plant and equipment	(308)	(5,999)
- Purchase of intangible assets	(1,252)	(1,349)
Net cash flow generated/absorbed by investing activities	**(1,560)**	**(7,348)**
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	40	10,010
Net cash flow generated/absorbed by funding activities	**40**	**10,010**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR in cash and cash equivalents	**(15,944)**	**(169,824)**

RECONCILIATION

Line items	Amount 31/12/2023	Amount 31/12/2022
Cash and cash equivalents at the beginning of the year	48,257	218,081
Total cash flow generated/absorbed during the year	(15,944)	(169,824)
Cash and cash equivalents at the end of the year	**32,313**	**48,257**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Explanatory notes to the financial statements

Part A - Accounting policies

Part B – Information on the consolidated statement of financial position

Part C – Information on the consolidated statement of profit or loss

Part D – Consolidated statement of comprehensive income

Part E – Information on risks and hedging policies

Part F – Information on consolidated capital

Part G – Business combinations

Part H – Related-party transactions

Part L – Segment reporting

Part M –Information on leases

PART A

ACCOUNTING POLICIES

A1 – GENERAL PART

SECTION 1 - DECLARATION OF CONFORMITY WITH IFRS

The consolidated financial statements of Banca Progetto have been drawn up in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB), including the interpretative documents called SIC and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission until as at 31 December 2023, as established by the European Union Regulation no. 1606 of 19 July 2002, implemented in Italy by Legislative Decree 38 of 28 February 2005.

In preparing the financial statements, the Bank has applied the instructions issued by the Bank of Italy with Circular no. 262 of 22 December 2005 and subsequent updates.

The specific accounting standards adopted have been applied on a consistent basis.

No exceptions have been made in the application of IAS/IFRS.

The consolidated financial statements is audited by KPMG S.p.A.

The following are the new documents issued by the IASB and approved by the EU to be adopted mandatorily, starting with the financial statements for years beginning on 1 January 2023.

Document title	Date of publication of the IASB document	Effective date	EU regulation and date of publication	Approval date
IFRS 17 Insurance Contracts (including changes published in June 2020)	May 2017 and June 2020	1 January 2023	(UE) 2021/2036 23 November 2021	19 November 2021
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	1 January 2023	(EU) 2022/357 3 March 2022	2 March 2022
Disclosure of Accounting Policies (Amendments to IAS 1)	February 2021	1 January 2023	(EU) 2022/357 3 March 2022	2 March 2022
Deferred taxes relating to assets and liabilities deriving from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	(EU) 2022/1392 12 August 2022	11 August 2022
Initial adoption of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	December 2021	1 January 2023	(EU) 2022/1491 9 September 2022	8 September 2022
International tax reform – Pillar 2 model rules (Amendments to IAS 12)	May 2023	1 January 2023	(UE) 2023/2468 9 November 2023	8 November 2023

As indicated in the table, some changes to the accounting standards approved by the European Commission, mainly during 2022, have to be applied for the first time from 1 January 2023. These changes do not have a significant impact on the Bank nor on the companies in the scope of consolidation.

The accounting principles applied are explained below.

SECTION 2 - BASIS OF PREPARATION

The consolidated financial statements are prepared with a view to the Bank's continuity, given that there are no significant uncertainties relating to events or conditions that could give rise to doubts about its ability to continue operating as a going concern. The measurement criteria adopted are therefore consistent with the going-concern assumption and respond to the principles of matching costs and revenues (i.e. the accruals principle), the relevance and significance of accounting information and the prevalence of economic substance over legal form. These criteria are consistent with those of the previous year. The consolidated financial statements are drawn up under the general principles envisaged by IAS 1 and the specific reporting standards endorsed by the European Commission and illustrated in Part A.2 of these explanatory notes to the consolidated financial statements. The consolidated financial statements are drawn up clearly and give a true and fair view of the Bank's financial position, financial performance and cash flows. The general principles underlying the financial statements are shown below:

- going concern: measurements are carried out with a view to the business being able to continue as a going concern;
- accruals basis of accounting: costs and revenues are recognised in the period in which they accrue in relation to the underlying services received and provided, regardless of when they were actually settled in monetary terms;
- consistency: to ensure the comparability of the figures and information contained in the schedules and in the consolidated financial statements, the methods of representation and classification are kept constant over time, unless they are required to be changed by a standard or by an interpretation, or if it is intended to present the figures in a more meaningful and reliable way;
- materiality and aggregation: each material class of items that have a similar nature or function is shown separately in the statement of financial position and statement of profit or loss; items that have a different nature or function, if material, are presented separately;
- offsetting: the ban on offsetting is applied, unless it is required or permitted by an IFRS, by an interpretation of these standards or by the Bank of Italy's Circular 262 of 22 December 2005 and subsequent updates;
- comparative information: the schedules and tables in the consolidated financial statements give prior-year figures, adapted where necessary to ensure that they are comparable;
- the financial statements are drawn up favouring the prevalence of substance over form and in compliance with the principle of relevance and significance of the information.

The amounts shown in the consolidated financial statements and in these explanatory notes are expressed in thousands of euro. If by chance the figures do not square, it is solely due to a rounding error.

Furthermore, in preparing these consolidated financial statements, the interpretative and support documents for the application of the reporting standards with reference to the impacts of Covid-19, issued by the European regulatory and supervisory bodies and by standard setters, were taken into consideration, to the extent that they were applicable.

Contents of the consolidated financial statements

Consolidated statement of financial position and statement of profit or loss

The consolidated statement of financial position and consolidated statement of profit or loss are made up of items, sub-items and further disclosures. The statement of profit or loss shows revenue without a sign, whereas costs are shown in brackets.

Consolidated statement of comprehensive income

In addition to the consolidated statement of profit or loss for the year, the statement of comprehensive income also shows the income components recognised as a contra-entry to the valuation reserves, net of tax, in compliance with the IFRS. Consolidated statement of comprehensive income is shown by giving separate evidence of the income components that will not be reclassified to profit or loss in the future, as well as those that may subsequently be reclassified to profit or loss for the year if certain conditions are fulfilled.

Consolidated statement of changes in equity

The table shows the composition of the equity items and movements during the year, divided between the share capital (ordinary and other shares), equity-related reserves, income-related reserves, valuation reserves of assets or liabilities and the profit or loss for the year. The Bank does not hold treasury shares in its portfolio and there are no capital instruments other than ordinary shares.

Consolidated cash flow statement

The consolidated cash flow statement during the year is prepared according to the indirect method, according to which the flows deriving from operating activities are represented by the profit or loss for the period adjusted for the effects of non-monetary transactions. Cash flows are broken down into those from operating activities, investing activities and financing activities. In the statement, the flows generated during the year are shown without a sign, whereas those absorbed are shown in brackets.

Explanatory notes to the consolidated financial statements

The notes contain the information required by the IFRS and the Bank of Italy's Circular 262 issued on 22 December 2005 and subsequent updates, applicable for the preparation of these consolidated financial statements.

SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

SCOPE AND METHODS OF CONSOLIDATION

The consolidated financial statements include Banca Progetto S.p.A., the SPV Progetto Quinto S.r.l. (formerly Vidal SPV S.r.l.), Progetto PMI S.r.l., Progetto PMI 2 S.r.l. and from 2023 also the SPVs Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l., from which the Bank acquired the Junior notes. Note that in the case of Progetto PMI 3 S.r.l. the Bank also acquired a Senior tranche with a nominal value of Euro 150 million, which at 31 December 2023 has a value of Euro 121.3 million not placed on the market. The following table lists the companies included in the consolidation scope, along with the consolidation methods used:

Company's name	Operating office/legal office	Type of relationship (*)	Consolidating company	% voting rights
Line-by-line consolidation				
Progetto Quinto S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI 2 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI 3 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI 4 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI 5 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI 6 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0

(*) Key

1 = majority of voting rights at ordinary shareholders' meetings

2 = dominant influence at ordinary shareholders' meetings

3 = agreements with other shareholders

4 = other forms of control

5 = coordinated management pursuant to art. 26, paragraph 1, of Legislative Decree 87/92

6 = coordinated management pursuant to art. 26, paragraph 2, of Legislative Decree 87/92

Line-by-line consolidation

The consolidated financial statements include in the scope of consolidation Banca Progetto S.p.A., the SPVs Progetto Quinto S.r.l. (formerly Vidal SPV S.r.l), Progetto PMI S.r.l. and Progetto PMI 2 S.r.l. and from 2023 also the SPVs Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l, because even though the Bank does not hold any stake in the capital of these vehicles, it still has a relationship that gives it control, having subscribed all of the Junior notes, bearing all of the risks and rewards.

In other words, having an investment in the vehicle is not considered an essential condition for consolidation. In fact, there is a requirement to include among the subsidiaries of a company also those companies or entities that have a specific purpose (i.e. the "special purpose vehicles" or "SPVs") over which control is actually exercised. In this regard, according to IFRS 10, an investor controls an investee if and only if it simultaneously has: power over the investee; exposure or rights to variable returns arising from its involvement with the investee and has the ability to affect those returns through its power over the investee. In relation to these points, taking into account the structuring of the securitisations carried out, the Bank is of the opinion that they fall into the circumstances envisaged by IFRS 10.

It should be noted that these vehicles have been consolidated on a line-by-line basis. Line-by-line consolidation means including in the consolidated financial statements the individual items in the statement of financial position and statement of profit or loss of the companies being consolidated. All intragroup assets, liabilities, income and expenses between consolidated companies are eliminated. The consolidated financial statements have been drawn up on the basis of the financial statements prepared by the vehicles at the reporting date, reclassified in order to bring the form of presentation into line with that of Banca Progetto's consolidated financial statements.

SECTION 4 - EVENTS AFTER THE REPORTING DATE

There have been no events subsequent to the reporting date that might have had an impact on the consolidated financial statements.

Note that on 1 February 2024 another funding operation was completed through the increase in the financing granted to the SPV Progetto PMI 5 for a further Euro 350 million.

The Board of Directors' meeting held on 12 February 2024 approved the 2024-2026 business plan which confirms the Bank's growth and development path and consolidates its role as a bank that specialises in the small and medium-sized business segment, always leveraging state-guaranteed financing and products for the purchase of VAT credits without recourse and factoring with and without recourse.

SECTION 5 – OTHER MATTERS

Preparing consolidated financial statements also requires the use of estimates and assumptions that can have a significant effect on the figures in the consolidated statement of financial position and the consolidated statement of profit or loss, as well as on the information on contingent assets and liabilities disclosed in the financial statements. Making such estimates means using the information that is available and adopting reasonable assumptions about future events. By their very nature, the estimates and assumptions used may vary from year to year, so it cannot be excluded that the figures shown here could differ in subsequent years, even quite significantly, following a change in judgements which are inevitably subjective.

The main situations in which management has to make subjective judgements are as follows:

1. the quantification of impairment losses on loans and receivables and other financial assets generally;
2. determining the fair value of financial instruments other than government bonds in the consolidated financial statements, as well as the financial instruments to be used for disclosure purposes;
3. the quantification of provisions for risks and charges;
4. making estimates and assumptions on the recoverability of deferred tax assets.

The stock of corporate loans outstanding at 31 December 2023 comes to Euro 7 billion with an average government guarantee coverage (by the Central Guarantee Fund and, to a lesser extent, by SACE), of approximately 82%.

Performing volumes amount to approximately Euro 6.3 billion, with disbursements in 2023 of roughly Euro 2.8 billion; positions with gross non-performing status amount to Euro 720.2 million, of which Euro 174.8 million in past due, Euro 199.6 million in UTP and Euro 345.7 million in bad loans. The ratio to overall gross non-performing exposures is 9.3% (2.3% net of the guarantee).

For corporate loans there are collective impairment losses of Euro 107 million divided into approximately Euro 21 million of performing positions and the remaining approximate Euro 87 million of non-performing positions. The average coverage ratio (ECL%) of the portfolio is about 1.6%, of which roughly 0.33% for the performing portion.

Given what we said above regarding the percentage of gross NPE at the end of December 2023, the average coverage is 1.6% and is a consequence of the growing trend in impaired volumes, bearing in mind the prevalence of UTP exposures/bad loans.

Analysing the credit quality of the positions in stage 2, approximately Euro 1.4 billion can be broken down as follows:

- Euro 909 million due to a rating downgrade or as a result of the PD delta compared with the rating assigned as of the stipulation date;

- Euro 137 million with at least 30 days past due;
- Euro 190 million with a forbearance measure ("forborne");
- Euro 209 million due to the introduction of SICR overlays (i.e. negative events in CR, loan reviews with an unsuccessful outcome, Emilia-Romagna flood victims, sectors most sensitive to the Russia/Ukraine war).

In terms of forbearance measures (point 3), it is worth emphasising that the moratoriums granted as a result of the Covid-19 emergency, for which the Supervisory Authorities/EBA ordered a temporary suspension of automatic reclassification of loans to forborne, are not automatically classified in stage 2. Lastly, in line with the regulatory guidelines, the Bank has taken steps, pursuant to EU regulation 227/2015 of the Bank of Italy, to consider as "forborne performing" those positions subject to forbearance measures, not included in the government support adopted due to the Covid-19 emergency, but due to internal decisions of the Bank or granted under Law no. 244 of 24/12/2007.

As regards the deterioration of credit as the result of a downgrade of the current rating compared with the origination rating, it should be noted that, from December 2022, a more stringent rule has been implemented. It has the aim of intercepting in stage 2 not only the positions whose rating has deteriorated by at least two notches, but also those positions whose current rating has deteriorated by at least one notch starting from "CCC" or worse; it also applies to those positions which were unrated during the disbursement phase, but which have a current rating of "CC" or worse, or a percentage increase of at least 15% of the current PD Through The Cycle ("TTC") compared with the equivalent figure at origin, even with the same rating (this assessment is always provided for in the case of a current rating of "CCC" or worse).

The explanation of the accounting policies applied to the main consolidated financial statements aggregates gives sufficient information to identify the main assumptions and judgements made in preparing the consolidated financial statements. For further details on the composition and carrying amounts of the items affected by such estimates, please refer to the specific sections of the notes.

Pursuant to Legislative Decree 39/2010 and Legislative Decree 58/98 and on the basis of the shareholders' resolution of 27 April 2018, these consolidated financial statements are subject to audit by KPMG S.p.A. for the years 2018-2026.

A2 - MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting standards used in the preparation of the consolidated financial statements of Banca Progetto S.p.A. at 31 December 2023 are explained below. They comply with the IAS/IFRS in force at the date of preparation of these consolidated financial statements, as published by the IASB and endorsed by the European Commission.

3 - FINANCIAL ASSETS AT AMORTISED COST

Classification

IFRS 9 provides that the classification of financial assets should be guided, on the one hand, by the characteristics of the contractual cash flows and, on the other hand, by the business model for which such assets are held. Financial assets at amortised cost include financial assets for which it can be demonstrated that they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (so-called "SPPI test").

The following are included in this item if they meet the above requirements:

1. Loans and receivables with banks, with the exception of sight deposits (which, in accordance with the 7th update of Bank of Italy Circular 262/2005, are classified under the statement of financial position item "Cash and cash equivalents");
2. Loans and receivables with customers, mainly consisting of:
   - mortgage loans to SMEs;
   - personal loans, salary-backed loans and payment delegations pensioners, civil servants, private sector employees;
   - VAT credits purchased without recourse;
   - factoring (with or without recourse);
   - debt securities;
   - bad loans.

Recognition

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the same asset.

Measurement and recognition of profit or loss items

After initial recognition, loans and receivables are measured at amortised cost calculated using the effective interest rate method. The effective interest rate is identified by calculating the rate that makes the present value of the future cash flows of the loan, both the principal and the interest portion, equal to the amount disbursed, including transaction costs and/or proceeds. This accounting method allows the economic effect of these costs to be distributed over the duration of the individual transaction according to a financial logic. The amortised cost method is not normally used for loans and receivables with a duration of less than 18 months.

The measurement criteria are related to the inclusion of financial assets at amortised cost in one of the different stages of credit risk envisaged by IFRS 9, where stages 1 and 2 include performing assets, while stage 3 has the impaired assets.

On the basis of the regulatory framework, according to the rules of the Bank of Italy, consistent with the IAS/IFRS and European Supervisory regulations, supplemented by the internal implementation provisions, impaired financial assets are classified according to their criticality status in one of three categories:

- past-due exposures: this category includes all cash exposures other than those defined as non-performing or unlikely to pay, which at the reporting date present an amount overdue by at least 90 consecutive days. The overall exposure to a debtor must be recognised as past due and/or overdrawn if at the reporting date the amount of principal, interest and/or commissions not paid on the date on which it was due exceeds both of the materiality thresholds indicated below:
    1. an absolute limit of Euro 100 for retail exposures and Euro 500 for exposures other than retail ones (the so-called "Absolute Threshold") to be compared with the debtor's total past due and/or overdrawn amount;
    2. a relative limit of 1% to be compared with the ratio between the total past due and/or overdue amount and the total amount of all exposures recorded in the financial statements to the same debtor (the so-called "Relative Threshold");
    3. note that materiality thresholds (1) and (2) must be calculated daily at the level of overall exposure of the individual debtor/counterparty, considering all outstanding loans with the Bank and without any offsetting between the various lines of credit.
- unlikely to pay: exposures for which – according to the judgement of the creditor bank – full repayment is unlikely (in terms of principal and/or interest and without considering recourse to actions such as the enforcement of guarantees). This assessment must be made independently of the presence of any overdue and unpaid amounts (or instalments). Since it is up to the bank to assess the improbability of repayment, it is not necessary to wait for the explicit symptom of anomaly (non-repayment), where there are elements that imply a situation of risk of default by the debtor (for example, loans and receivables that present serious indications of anomaly such as a drastic drop in turnover, a worsening of financial indicators, a crisis in the industrial sector in which the debtor operates, or significant overruns reported to the Central Credit Register). The combination of on and off-statement of financial position

exposures to the same debtor who is in the above situation is therefore called "Unlikely-to-pay" (unless the conditions are met for the debtor to be classified under non-performing loans). Unless the conditions for their classification as bad loans are met, unlikely to pay loans include exposures to issuers that have not honoured their payment obligations (principal or interest) related to listed debt securities on time. To this end, the "grace period" envisaged by the contract or, failing that, recognised by the market where the securities are listed is considered.

- bad loans: on and off-statement of financial position exposures to an entity in a state of insolvency (even if not judicially ascertained) or in substantially comparable situations, regardless of any loss forecasts formulated by the Bank. The existence of any guarantees (secured or unsecured) stipulated to protect the exposures is disregarded. Loans and receivables that present serious signs of insolvency attributable to significant and non-temporary difficulties of the overall financial situation will be coded in this category, such as, without being exhaustive, the start of insolvency proceedings, significant foreclosures by creditors, judicial mortgages, protests, news of financial distress, non-payment of a significant number of monthly instalments of loans with amortisation, reporting of non-performing loans by other financial institutions in the system for a significant amount compared with the uses, which lead the Bank to presume that there may be difficulty of recovery without taking legal action to recover the money. Exposures for which the irregular situation is attributable to profiles relating to country risk are excluded.

With reference to impairment, the model based on the concept of "expected loss" is used for the instruments at amortised cost.

Losses that are expected in the following 12 months (stage 1) are accounted for from initial recognition of the financial instrument. The time horizon for calculating the expected loss then becomes the entire residual life of the asset being measured, where the credit quality of the financial instrument has undergone a "significant" deterioration compared with the initial measurement ("stage 2") or if it turns out to be "impaired" ("stage 3").

More specifically, the rules relating to impairment involve:

1. the allocation of performing financial assets in different stages of credit risk (a process known as "staging"), to which impairment losses are applied based on the losses expected in the next 12 months ("Stage 1"), or over the entire residual lifetime of the instrument ("Stage 2"), in the presence of a significant increase in credit risk ("SICR");
2. allocation of non-performing financial assets to the so-called "Stage 3", foreseen impairment losses through flat-rate and/or analytical evaluations:
3. the inclusion in the calculation of expected credit losses ("ECL") of forward-looking information related, among other things, to how the macroeconomic scenario is likely to evolve.

Depending on what is required by the standard and how it is applied in practice, the main determinants to be taken into consideration when evaluating "transfers" between different stages are:

- the change in the rating/scoring with respect to the time of initial recognition of the financial instrument in the consolidated financial statements or significant variations in PD even with the same rating/scoring class. It is therefore an evaluation carried out by adopting a "relative" criterion;
- the presence of any past due exposure which - without prejudice to the materiality thresholds identified by the legislation - has been such for at least 30 days. In this case, the credit risk of the exposure is presumed to be "significantly increased" and, therefore, this is followed by its "transfer" to stage 2 (if it was previously in stage 1);
- the possible presence of concession/forborne measures. It should be noted that, in relation to the current macroeconomic context, with reference to the COVID-19 emergency, the positions in the portfolio that currently benefit from the following decrees "ABI Imprese in ripresa 2.0" (ABI Moratoriums) or "Decree-Law 18 of 17 March 2020 – article 56.C.2 (“Cura Italia decree”), for which the counting of days past due has been frozen, are assessed as positions in "performing" status and allocated to Stage 1[2]. However, at the end of this support measure, counting the days of possible defaults starts again from the number of days past due at the time the measure was granted; the position will then be analysed according to its credit status at the time of its assessment;
- obvious economic/financial difficulties, also found during the periodic review of credit lines or on-site verification for monitoring purposes, material negativities in the Risk Centre.

As regards the method used for unimpaired (i.e. performing) loans, the assessment is carried out by estimating the expected loss, based on the usual risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PD is estimated, in accordance with the lending policies, using metrics obtained from external infoproviders for SMEs as well the salary-backed loan portfolio; metrics based on Rating/Scoring models developed at consortium level by the IT outsourcer Cedacri for other retail exposures.

The LGD parameter used is obtained through regulatory values provided by regulatory indications or benchmark values, also in relation to market practices, to make the portfolio as representative as possible.

The impairment losses determined on a collective basis are recognised in the statement of profit or loss. At each annual and interim reporting date, any additional impairment losses or gains were recalculated differentially with reference to the entire performing loan portfolio on that date.

[2] For these cases, it is also reasonable to evaluate the possibility of transferring them prudently to Stage 2 in the event that a non-performing report in the "Central Credit Register" is observed or prejudicial news are received from sources outside the Bank.

Derecognition

Financial assets are derecognised when they expire or are settled.

4 - HEDGING TRANSACTION

Hedging transactions have the purpose of reducing certain risks of potential loss on financial assets or liabilities through specific financial instruments. The type of hedge used is the cash flow hedge, the objective of which is to hedge the exposure to a particular risk associated with an asset or liability recognized in the financial statements, or with a highly probable forecast transaction, which could affect the statement of profit or loss in subsequent years. The Bank has chosen to make use of the option to continue applying the criteria laid down in IAS 39 - Hedge Accounting for each type of hedge.

At the date of initial recognition, hedging derivative contracts are recognized at fair value. A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the item being hedged is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify its prospective and retrospective effectiveness. Generally, a hedge is considered effective when changes in the fair value (or future cash flows) of the hedging instrument offset changes in the financial instrument being hedged within an interval of 80% - 125%. The effectiveness assessment is carried out at each year-end or interim reporting date. If the tests do not confirm the hedge's effectiveness, hedge accounting is interrupted from that moment and the derivative in question is reclassified to instruments held for trading. Furthermore, the hedging relationship ceases when the hedging instrument or the instrument being hedged expires, is extinguished or sold. Derivative hedging instruments are measured at fair value. In the case of cash flow hedges, any change in the fair value of the hedging instrument, if considered effective, is recorded in a specific reserve. The ineffective part is charged to the statement of profit or loss.

6 - PROPERTY AND EQUIPMENT

Classification

Property and equipment include land, buildings used in the business, technical installations, furniture, furnishings and all kinds of equipment. These assets are used to supply goods and services, presumably for more than one accounting period.

Property, plant and equipment held to be used for the purpose of carrying on the company's business and whose use is assumed to be longer than one year are defined as "assets held for business purposes". On the other hand, "investment property" is held to earn rentals or for capital appreciation. An investment property therefore differs from an operating asset, in that it generates cash flows that are completely different from the other assets owned by the Bank.

The Bank holds property and equipment for business purposes. In addition, the Bank holds the rights of use which are mainly attributable to the lease of company buildings and cars. The classification model is based mainly on the type of assets subject to lease contracts.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as any directly-related costs and the costs incurred to bring the assets to working condition.

Non-routine maintenance costs that enhance the future economic benefits are recognised as an increase in the asset’s carrying amount, whereas routine maintenance costs are recognised in the statement of profit or loss.

As regards properties, IAS 16 provides that land and buildings are to be considered as separate components for accounting purposes and should therefore be recognised separately on acquisition. The Bank does not own any properties.

Should any new properties be purchased, the Bank will recognised the land separately from the building, in accordance with IAS 16.

With reference to the right-of-use assets, it should be noted that they are recognised in accordance with IFRS 16 and therefore in consideration of the lease term and the related discount rates.

Measurement and recognition of profit or loss items

Property and equipment are stated at cost, net of accumulated depreciation and any impairment losses. Property and equipment are systematically depreciated over their useful lives on a straight-line basis, except for:

1. land, whether acquired individually or embedded in the value of buildings, as it has an indefinite useful life. In the event that its value is part of the value of the building, by virtue of the component approach, it is considered an asset that can be separated from the building; the split between the value of the land and that of the building is based on independent expert appraisals.
2. artwork, as the useful life of a work of art cannot be estimated and its value should normally increase over time.

Depreciation of an asset begins when it is available for use and ceases when it is derecognised. Depreciation does not cease when the asset is no longer used or is withdrawn from active use, unless it is fully depreciated.

At each annual or interim reporting date, if there is any indication that an asset may have suffered an impairment loss, a comparison is made between the carrying amount of the asset and its recoverable amount, which is the higher of fair value less costs to sell and its related value in use, understood as the present value of future cash flows originating from the asset. Any impairment losses are booked to the statement of profit or loss.

If the reasons that led to the recognition of an impairment loss cease to exist, the loss is reversed up to the value that the asset would have had net of depreciation without the previous impairment losses.

With reference to the right-of-use assets, the effects of the measurement refer to the recognition of material impairment losses based on IAS 16.

Derecognition

Property and equipment are derecognised on disposal, or when they are permanently retired from use and no further economic benefits are expected from their disposal, pursuant to paragraph 67 of IAS 16. In the case of a sale and lease-back of an asset or set of assets to the same company, the transaction is accounted for in accordance with IFRS 16 and IFRS 15. In particular, in the event of failure to transfer the risks and benefits of ownership of the asset to the seller/lessor, any capital gain will be deferred over the duration of the lease which will therefore be considered a finance lease; otherwise, in the event of an operating lease contract, the capital gain will be fully recognised in the year in which the sale takes place.

LEASES

Recognition, classification and derecognition

The standard, IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Commission Regulation (EU) no. 1986/2017, has replaced from 1 January 2019 IAS 17 "Leases", IFRIC 4 "Determining whether an agreement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease", and lays down the rules on lease accounting.

The new standard requires an entity to identify whether a contract is (or contains) a lease, based on the use of an identified asset over a period of time.

It follows that also rent, hire, rental or free loan contracts could now, under certain conditions, fall within the scope of application of the new rules on leases.

A single model of accounting for lease contracts is envisaged in the statement of financial position of the lessee/user, based on the so-called "right of use".

The accounting model envisages recording the right to use the leased asset under assets (as "right-of-use assets"); liabilities for lease/rental instalments still to be paid to the lessor are shown under liabilities. In addition, in accordance with the aforementioned standard, both the charges relating to the depreciation on the right-of-use asset and the interest expense on the liability are recognised in the statement of profit or loss.

The minimum disclosure required from lessees includes: − the division between the different "classes" of leased assets; − a maturity analysis of lease liabilities; − potentially useful information to understand the entity’s business better in terms of its lease contracts (for example, early repayment or extension options). For Banca Progetto, property lease contracts and car rental contracts fall within the scope of application of this standard. Property leases are the area where the impact of accounting for right-of-use assets is the most significant.

As regards the term of the lease, the Bank has decided to consider as from the FTA date (and with full effect on new contracts) only the first renewal period as reasonably certain, unless there are particular contractual clauses, facts or circumstances that suggest additional renewals or that terminate the lease. Furthermore, it was decided not to apply the new standard to contracts with an overall lease term equal to or less than 12 months and to contracts with an underlying asset value equal to or less than Euro 5 thousand when new.

With regard to the discount rate, the Bank has decided to adopt the internal funding transfer rate.

7 - INTANGIBLE ASSETS

<u>Classification</u>

Non-monetary assets that are identifiable, devoid of physical consistency and held for use long-term or for an indefinite period are defined as intangible.

An asset is considered identifiable when:

1. it is separable, i.e. capable of being separated or split and sold, transferred, licensed, leased or exchanged;
2. it derives from contractual rights or other legal rights regardless of whether these rights are transferable or separable from other rights and obligations.

The asset is controlled by the Bank as a consequence of past events and on the assumption that through its use, economic benefits will flow to the Bank. In fact, the Bank has control of an asset if it has the power to take advantage of future economic benefits deriving from the resource in question and can also limit access to these benefits by third parties.

An intangible asset is recognised as such if:

1. it is probable that expected future economic benefits attributable to the asset will flow to the Bank;
2. the cost of the asset can be reliably measured.

The probability of future economic benefits is assessed by considering the best estimate of the set of economic conditions that will exist during the useful life of the asset, taking into account the sources of information available at the time of initial recognition.

At year-end, intangible assets include application software that will be used over a number of years. The Bank does not hold intangible right-of-use assets.

Recognition and measurement

Intangible assets are recorded at cost, adjusted for any related costs, if it is probable that the future economic benefits attributable to the asset will be realised and the cost of the asset can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed when incurred.

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

At each annual or interim reporting date, if there is evidence of impairment losses, the asset's recoverable amount is estimated. The loss charged to profit or loss reflects the difference between the carrying amount of the asset and its recoverable amount.

Derecognition

Intangible assets are derecognised on disposal and if they are not expected to generate any further economic benefits.

9-CURRENT AND DEFERRED TAXATION

Income tax

The provision for income tax reflects a prudent estimate of the current and deferred tax charges. Deferred tax assets and liabilities represent temporary differences between the carrying amount of assets and liabilities and the corresponding values recognised for fiscal purposes.

Deferred tax assets and liabilities are accounted for separately in the statement of financial position, with the former in "Tax assets" and the latter in "Tax liabilities".

Deferred tax assets are recorded in the consolidated financial statements to the extent that their recovery is deemed likely, having regard for the Bank's ability to generate taxable income on an ongoing basis.

If deferred tax assets and liabilities refer to components that have affected the statement of profit or loss, the contra-entry is to income tax. In cases where deferred tax assets and liabilities relate to transactions that directly affected equity without affecting the statement of profit or loss, they are recognised as a contra-entry to equity, affecting specific reserves when required.

The Bank recognises the effects of deferred tax assets and liabilities by applying the tax rates in force on the reporting date.

10 - PROVISIONS FOR RISKS AND CHARGES

Recognition, classification and derecognition

Provisions for risks and charges are liabilities that are uncertain in terms of their amount or when they will occur, recognised in the consolidated financial statements when all of the following conditions are met:

1. there is a current obligation at the reporting date, which derives from a past event; the obligation must be either legal (i.e. it originates from a contract, legislation or other legal provision) or constructive (i.e. it arises when the entity generates an expectation in third parties that it will fulfil its commitments, even if they are not a legal obligation);
2. an outflow of resources is likely to occur;
3. it is possible to make a reliable estimate of the amount of the obligation.

Provisions for risks and charges include employee benefits dealt with in IAS 19 and provisions for risks and charges dealt with in IAS 37.

Measurement and recognition of profit or loss items

Provisions are discounted where the effect of the time value of money is material. Provisions are charged to the statement of profit or loss. Accruals to/recoveries from provisions for risks and charges and the effect deriving from the passage of time are allocated to "Net accruals to provisions for risks and charges".

Accounting treatment of the Solidarity Fund

From an accounting point of view and in light of the provisions of IAS 19, the transaction - as a whole - falls within the area of termination benefits. The sums paid (both as an incentive and as a monthly allowance) qualify as termination benefits as they derive from the Bank's decision to terminate the employment relationship with the employee, without being forced to continue working, based on an agreement between the parties. The Bank therefore recognises a liability (and the related cost) when the employee accepts the offer or when the Bank can no longer withdraw the offer.

11 - FINANCIAL LIABILITIES AT AMORTISED COST

Recognition

Due to banks, Due to customers and Debt securities in issue include the various forms of interbank and customer funding and the funds raised through certificates of deposit and debt securities in circulation, net of any amount repurchased. This item also includes the financial liability deriving from the application of IFRS 16 as a contra-entry to the right to use the properties and company cars, as well as the phantom liability resulting from the non-derecognition of the salary-backed loans transferred to Progetto Quinto S.r.l. and of the mortgage loans transferred to Progetto PMI S.r.l. Progetto PMI 2 S.r.l., Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. e Progetto PMI 6 S.r.l..

Classification

Initial recognition of such financial liabilities takes place on receipt of the sums raised or on issuance of the debt securities.

Initial recognition is based on the fair value of the liabilities, which is usually the same as the amount received or the issue price, including any additional costs or revenue directly attributable to the individual funding transaction and not reimbursed by the counterparty. Internal administrative costs are excluded.

The fair value of any financial liabilities issued at other than market conditions is subject to a specific estimate and the difference with respect to market value is recognised in profit or loss.

As regards the financial liability deriving from the recognition of lease contracts following the application of IFRS 16, please refer to the paragraph in question.

Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Current liabilities are an exception when the time factor is negligible, so they continue to be shown at the amount received.

Derecognition

Financial liabilities are derecognised when they expire or are settled. Derecognition also takes place on the repurchase of securities issued previously. The difference between the carrying amount of the liability and the amount paid to repurchase it is recognised in the statement of profit or loss.

14 - TRANSACTIONS IN FOREIGN CURRENCIES

On initial recognition, foreign currency transactions are recorded in the functional currency, applying the exchange rate ruling on the transaction date to the amount in foreign currency.

At each annual or interim reporting date, foreign currency items are valued as follows:

1. monetary items are translated at period-end rates of exchange;
2. non-monetary items measured at historical cost are translated at the exchange rates ruling at the transaction dates;
3. non-monetary items measured at fair value are translated at the exchange rates ruling at the period-end date.

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the rate used to translate the previous financial statements, are recorded in the statement of profit or loss in the period in which they arise.

If a gain or loss on a non-monetary item is recognised directly in equity, any exchange differences arising in relation to that gain or loss are also recognised directly in equity. On the other hand, if a gain or loss is recognised in the statement of profit or loss, the related exchange difference is also recognised in profit or loss.

16 - OTHER INFORMATION

Post-employment benefits

Post-employment benefits are considered as a defined benefit plan, so their recognition requires an estimate of their actuarial value.

The projected unit credit method is used for this estimate. This involves projecting future outflows based on an analysis of historical data and the demographic curve and discounting such flows using a market rate of interest.

This method is based on assessments that express the average present value of the pension obligations accrued on the basis of the years of service that the worker has provided up to the time when the assessment is carried out, extrapolating the worker's earnings. The method of calculation used can be summarised as follows:

1. setting aside future portions of post-employment benefits which will accrue up to the assumed time of payment;
2. determining for each employee of the probable post-employment bneefits to be paid by the Bank in the event of the employee leaving due to dismissal, resignation, incapacity, death or retirement, taking into account the possibility that they might ask for an advance;
3. discounting each probable liability at the valuation date;
4. proportioning, for each employee, of the probable, discounted benefits based on the years of service accrued up to the valuation date with respect to the total at the assumed date of payment.

Post-employment benefits are recorded on the basis of their actuarial value, determined annually according to estimates made by an independent external actuary, also taking into account the regulatory changes made by Legislative Decree no. 252/2005. The accruals for post-employment benefits are charged to the statement of profit or loss under "Personnel expenses". The income components relating to actuarial gains or losses, on the other hand, are recognised (as required by Commission Regulation (EU) 1910/2005 of 8 November 2005, published in the Official Journal of the European Union on 24 November 2005) directly in equity, without passing through the statement of profit or loss, already in line with IAS 19 Revised. These actuarial components are therefore presented in the statement of comprehensive income. With reference to the discount rate used in all the assessments made in accordance with IAS 19, reference was made to the term structure of interest rates, bootstrapping the swap rate curve at 29 December 2023 (Source: Bloomberg) for liabilities with an average residual duration of 25 years.

Revenue recognition

Revenue is recognised when it is received or, in any case, when it is probable that future benefits will be received, and these benefits can be reliably quantified. For example:

1. interest is recognised on an accruals basis at the contractual interest rate or at the effective interest rate if amortised cost is being applied;
2. dividends are recognised in the statement of profit or loss when distribution is approved;
3. revenue from brokering trading financial instruments, being the difference between the transaction price and the fair value of the instrument, is recognised in profit or loss when the transaction is recognised, if the fair value can be determined with reference to parameters or recent transactions observable on the same market in which the instrument is traded;
4. other fees and commissions are recognised on an accruals basis; in particular, commission income for the preliminary investigation of salary-backed loans is recorded upfront in correlation with the costs incurred for the analysis and disbursement of the loans, which are also recorded immediately in the statement of profit or loss.

Cost recognition

Costs are accounted for when they are incurred.

Costs directly attributable to financial instruments measured at amortised cost and determinable from the start, regardless of when they are liquidated, flow to the statement of profit or loss by applying the effective interest rate.

Impairment losses are recognised in profit or loss in the period in which they are recognised.

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

With regard to the disclosures required by the Bank of Italy's Circular in paragraphs A.3 - Transfers between portfolios, the Bank has not transferred any financial assets between portfolios, except as required by IFRS 9.

A.4 – INFORMATION ON FAIR VALUE

Information of a qualitative nature

Information on fair value is shown below as required by IFRS 13, with which the Bank of Italy's circular no. 262 of 22 December 2005 and subsequent amendments complied.

IFRS 13 defines fair value as 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. In the case of financial instruments listed on active markets, the fair value is determined on the basis of the official prices of the reference market. In the absence of a listing on an active market for the purpose of determining fair value, the Bank uses adequate measurement techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of non-observable inputs.

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

The Bank has classified its financial assets into different fair value levels on the basis of the following principles:

1. Fair value level 1: the valuation is carried out at the market price of the financial instrument being valued, obtained on the basis of quotations expressed by an active market;
2. Fair value level 2: the valuation is not based on quotations expressed by an active market, but on assessments that are available on info providers. That is

on prices determined using certain calculation methods based on observable market parameters;

3. Fair value level 3: the valuations are carried out using different inputs, through the inclusion of discretionary parameters, the value of which cannot be deduced exclusively from quotations of financial instruments present on active markets, but which have a decisive influence on the price in the final valuation. The fact that all the parameters cannot be observed directly on the market implies the need for estimates and assumptions by the evaluator.

The valuation techniques used have been adapted to the specific characteristics of the assets and liabilities being measured by means of a revenue/cost approach: this method converts future amounts (cash flows, revenue, expenses) into a single amount (which is then discounted). When this approach is used, the fair value calculation reflects current expectations of the future amount.

In general, the choice of inputs used is aimed at maximising the use of those directly observable on the market, minimising the use of internal estimates.
The hadge derivative stipulated by the Progetto Quinto Srl vehicle is considered level 3 of Fair Value.

For the purposes of quantifying the Fair Value, the Bank simulates the FV of a "Plain Vanilla" derivative with the same characteristics and, as part of the evaluation, the specificity of the instrument is taken into account which also considers the prepayment curves historical and prospective data relating to the underlying. In particular, the instrument has options such that the closure of the derivative is guaranteed without suffering losses if the underlying has amortization dynamics different from the original ones. These cases are inputs that are not observable on the market also considering the fact that the derivative is so-called Over the counter.

A.4.2 Valuation processes and sensitivity

In the table below in this section, the debt securities classified in Financial assets at amortised cost ("Held to collect") are measured at fair value. These securities, which are all listed on an active market, are measured at the market price on the last business day (Level 1).

The other assets and liabilities of the Bank are not measured at fair value for the purpose of recognition in the consolidated financial statements, but for these categories the fair value was recognised exclusively for IFRS 13 disclosure purposes.

The process used to determine the fair value of the other items in the consolidated financial statements is explained below. With reference to the assets in the statement of financial position:

1. Financial assets at amortised cost: it is assumed that the fair value of these financial assets is estimated by discounting future cash flows at the market rate

corrected for the Probability of Default and average LGD of the SME loan portfolio. For the salary-backed loan portfolio, the fair value is estimated by discounting future cash flows at the market rate adjusted for a liquidity spread consistent with the residual maturity of the portfolio. The exception is impaired loans for which it is assumed that the fair value is equal to to the carrying amount;

2. Financial assets at fair value through other comprehensive income: not applicable;
3. Financial assets at fair value through profit or loss: not applicable.

With reference to the liabilities in the statement of financial position:

1. Financial liabilities at amortised cost: it is assumed that their fair value is estimated by discounting future cash flows at the market interest rate adjusted for the average spread of portfolio transactions;
2. Financial liabilities held for trading: not applicable.
3. Financial liabilities at fair value: not applicable.

Evaluation and control of the output data directly involves the Finance Department with the validation of the Bank's Risk Management Department, which verifies the consistency of the methods applied and the results obtained.

If necessary, the Finance Department can propose fair value levels for individual instruments and the use of a figure other than the transaction price if it thinks that the latter is not consistent with market values, submitting the results to the Risk Management Department.

A.4.3 Fair value hierarchy

In order to increase the consistency and comparability of the fair value calculation, IFRS 13 establishes a hierarchy according to the inputs used for the various measurement techniques. The hierarchy favours the use of prices quoted in active markets relating to identical assets or liabilities with respect to the use of inputs not directly observable on the market.

In detail:

- Level 1: the fair value is directly observable on active markets to which the entity has access at the fair value measurement date for identical or comparable assets/liabilities.
- Level 2: the fair value is determined internally on the basis of inputs directly observable on the market.
- Level 3: the fair value is determined internally on the basis of unobservable inputs.

A.4.4 Other information

The Bank does not have any of the situations discussed in IFRS 13 paragraphs 51, 93 letter (i) and 96.

Information of a quantitative nature

A.4.5 Fair value hierarchy

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

Assets/Liabilities at fair value	31/12/2023				31/12/2022			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
1. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
a) financial assets held for trading	-	-	-	-	-	-	-	-
b) financial assets at fair value	-	-	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	-	-	-	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Hedging derivatives	-	-	6.249	6,249	-	-	16,259	16,259
4. Property, plant and equipment	-	-	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**6.249**	**6,249**	**-**	**-**	**16,259**	**16,259**
1. Financial liabilities held for trading	-	-	-	-	-	-	-	-
2. Financial liabilities at fair value	-	-	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Key:

L1= Level 1

L2= Level 2

L3= Level 3

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

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets at fair value	Of which: c) other financial assets mandatorily at fair value				
1. Opening balance	-	-	-	-	-	**16,259**	-	-
2. Increases	-	-	-	-	-	**10,010**	-	-
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Profits attributed to:	-	-	-	-	-	10,010	-	-
2.2.1 statement of profit or loss	-	-	-	-	-	-	-	-
-of which: Capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	X	X	X	-	-	10,010	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Reimbursement	-	-	-	-	-	-	-	-
3.3 Losses attributed to:	-	-	-	-	-	-	-	-
3.3.1 Statement of profit or loss	-	-	-	-	-	-	-	-
- of which: Capital losses	-	-	-	-	-	-	-	-
3.3.2 Equity	X	X	X	-	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	-	**6,249**	-	-

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

Assets/liabilities not at fair value or 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	8,233,233	456,090		8,576,810	6,478,437	471,391	-	6,825,515
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
TOTAL	**8,233,233**	**456,090**		**8,576,810**	**6,478,437**	**471,391**	**-**	**6,825,515**
1. Financial liabilities at amortised cost	8,103,559	-	-	8,120,540	6,376,854	-	-	6,377,258
2. Liabilities associated with non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
TOTAL B	**8,103,559**	**-**	**-**	**8,120,540**	**6,376,854**	**-**	**-**	**6,377,258**

PART B

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1 Cash and cash equivalents: breakdown

	31/12/2023	31/12/2022
a) Cash	-	1
b) Current accounts and sight deposits with Central Banks	29,134	42,336
c) Current accounts and sight deposits with Banks	3,179	5,920
Total	**32,313**	**48,257**

The balance at 31 December 2023, Euro 32.3 million, is mainly attributable to the cash on deposit with the Bank of Italy, as well as the cash on sight current accounts with other credit institutions.

SECTION 4 - FINANCIAL ASSETS AT AMORTISED COST - ITEM 40

4.1 Financial assets at amortised cost: breakdown by sector of loans and receivables with

Type of transaction/Amounts	31/12/2023						31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3
A. Loans and receivables with central banks	**44,496**	-	-	-	-	**44,496**	**39,098**	-	-	-	-	**39,098**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	44,496	-	-	X	X	X	39,098	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with Banks	**66,119**	-	-	-	-	**66,119**	**28,376**	-	-	-	-	**28,376**
1. Loans	66,119	-	-	-	-	**66,119**	28,376	-	-	-	-	**28,376**
1.1. Current accounts	58,070	-	-	X	X	X	18,148	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Other loans:	8,049	-	-	X	X	X	10,229	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	8,049	-	-	X	X	X	10,229	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**110,615**	**-**	**-**	**-**	**-**	**110,615**	**67,474**	**-**	**-**	**-**	**-**	**67,474**

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

4.2 Financial assets at amortised cost: breakdown by product of loans receivables with customers

Type of transaction/Amounts	TOTAL 31/12/2023						TOTAL 31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3
Loans	**7,023,758**	**628,540**	**208**	**-**	**-**	**8,466,195**	**5,557,068**	**354,796**	**164**	**-**	**-**	**6,286,650**
1.1. Current accounts	1	-	-	X	X	X	1	80	-	X	X	X
1.2. Reverse repurchase agreements				X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	6,273,758	614,010	83	X	X	X	4,874,330	342,785	57	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	496,343	13,073	125	X	X	X	617,346	11,931	107	X	X	X
1.5. Financial leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	247,594	1,357	-	X	X	X	64,360	-	-	X	X	X
1.7. Other loans	6,062	100	-	X	X	X	1,031	-	-	X	X	X
Debt securities	**470,112**	**-**	**-**	**456,090**	**-**	**-**	**498,935**	**-**	**-**	**471,391**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	470,112	-	-	456,090	-	-	498,935	-	-	471,391	-	-
Total	**7,493,870**	**628,540**	**208**	**456,090**	**-**	**8,466,195**	**6,056,003**	**354,796**	**164**	**471,391**	**-**	**6,286,650**

The increase in the item is mainly attributable to the growth supported by loans to Small and Medium Enterprises (SMEs), which recorded a total disbursement of more than Euro 2.7 billion during the year.

Item 1.6 Factoring refers to the purchase without recourse of VAT credits, an activity that was launched in 2022, and to factoring transactions with and without recourse. This latest type of operation began in the first few months of 2023.

4.3 Financial assets at amortised cost: breakdown by debtors/issuers of receivables due from customers

Type of transaction/Amounts	TOTAL 31/12/2023			TOTAL 31/12/2022		
	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	Stages 1 and 2	Stage 3	Impaired (acquired or originated)
1. Debt securities	**470,112**	-	-	**498,935**	-	
a) Public administration agencies	470,112	-	-	498,935	-	
b) Other finance companies	-	-	-	-	-	
of which: insurance companies	-	-	-	-	-	
c) Non-financial companies	-	-	-	-	-	
2. Loans to:	**7,023,758**	**628,540**	**208**	**5,557,067**	**354,796**	**165**
a) Public administration agencies	183,475	416	-	72,453	605	-
b) Other finance companies	28,031	2,733	-	9,953	3,003	-
of which: insurance companies	1,281	2,440	-	1	2,616	-
c) Non-financial companies	6,280,347	603,992	-	4,826,488	337,363	-
d) Households	531,905	21,399	208	648,173	13,825	165
Total	**7,493,870**	**628,540**	**208**	**6,056,002**	**354,796**	**165**

4.4 Financial assets at amortised cost: gross amount and overall impairment adjustments

Items/Amounts	Gross amount					Overall impairment adjustments				Total write-offs (*)
	Stage1		Stage 2	Stage 3	Impaired (acquired or originated)	Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)	
		of which: low credit-risk instruments								
Debt securities	470,256	470,256	-	-	-	(144)	-	-	-	-
Loans	5,620,248	-	1,535,887	720,077	230	(8,719)	(13,044)	(91,536)	(22)	-
Total 31/12/2023	**6,090,504**	**470,256**	**1,535,887**	**720,077**	**230**	**(8,863)**	**(13,044)**	**(91,536)**	**(22)**	**-**
Total 31/12/2022	**5,319,100**	**499.142**	**818,153**	**396,344**	**180**	**(6,012)**	**(7,764)**	**(41,548)**	**(16)**	**-**

(*) Amount to be shown for disclosure purposes.

4.4a Loans at amortised cost subject to Covid-19 support measures: gross amount and overall impairment adjustments

Items/Amounts	Gross amount					Overall impairment adjustments				Overall partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Impaired (acquired or originated)	Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)	
		of which: low credit-risk instruments								
1. Loans subject to forbearance in compliance with the Guidelines	-		-	-	-	-	-	-	-	
2. Loans subject to current moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	104	-	-	-	(21)	-	-
4. New loans	2,595,026	-	609,675	267,580		(3,164)	(5,635)	(21,879)	-	-
31/12/2022	**2,595,026**	**-**	**609,675**	**267,684**		**(3,164)**	**(5,635)**	**(21,900)**	**-**	**-**
31/12/2021	**2,610,174**	**-**	**255,728**	**51,850**	**67**	**(3,691)**	**(3,168)**	**(6,353)**	**(2)**	**-**

The following is the quantitative information required by the update of Circular 262/2005 on Covid-19 disclosures.

STATUS	STAGE	Gross exposures	Impairment losses	Net exposures
Performing loans:	1	1,375,363	1,756	1.373.607
	2	928,156	7,113	921.043
Past due	3	102,144	3,670	98.474
UTP	3	122,710	14,135	108.575
Bad loans	3	222,769	30,704	192.065
TOTAL		**2,751,142**	**57,378**	**2,693,764**

SECTION 5 – HEDGING DERIVATIVES – ITEM 50

5.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

	31/12/2023				31/12/2022			
	Nominal value	Fair value			Nominal value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	**116,082**	-	-	**6,249**	**204,117**	-	-	**16,259**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	116,082	-	-	6,249	204,117	-	-	16,259
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
TOTAL	**116,082**	-	-	**6,249**	**204,117**	-	-	**16,259**

Financial derivatives refer to a swap contract entered into by Progetto Quinto S.r.l. to swap the floating rate of the Senior note with a fixed rate in order to hedge the interest rate risk. The reduction in the fair value of the instrument of approximately Euro 10 million compared with the previous year is mainly attributable to the gradual decrease in the amount of the underlying (the "Progetto Quinto" senior note) on the one hand and, on the other, to the evolution of the expected interest rate curve at the end of 2023 compared with what was expected at the end of 2022.

5.2 Hedging derivatives: breakdown by hedged portfolio and by type of hedge

TRANSACTIONS/HEDGE TYPE	FAIR VALUE							FINANCIAL FLOWS		FOREIGN INVESTMENTS
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and stock indexes	currencies and gold	credit	commodities	other				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	-	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	116,082	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES	-	-	-	-	-	-	-	**116,082**	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The amount of Euro 116,082 thousand refers to the residual amount of the hedging derivative relating to the Senior notes issued by Progetto Quinto S.r.l.

SECTION 9 – PROPERTY, PLANT AND EQUIPMENT – ITEM 90

9.1 Property, plant and equipment for use in the business: breakdown of assets carried at cost

ASSETS/AMOUNTS	31/12/2023	31/12/2022
1. Assets owned	**561**	**588**
a) land	-	-
b) buildings	-	-
c) furniture	190	263
d) electronic systems	320	304
e) other	51	21
2. Assets acquired under finance leases	**4,406**	**5,730**
a) land	-	-
b) buildings	4,144	5,523
c) furniture	-	-
d) electronic systems	-	-
e) other	262	207
TOTAL	**4,967**	**6,318**
of which: obtained through the enforcement of guarantees received	-	-

9.6a Property, plant, and equipment for use in the business: changes during the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**-**	**-**	**1,333**	**860**	**361**	**2,554**
A.1 Total net impairment	-	-	(1,070)	(556)	(340)	(1,966)
A.2 Net opening balance	-	-	**263**	**304**	**21**	**588**
B. Increases	**-**	**-**	**18**	**133**	**42**	**193**
B.1 Purchases	-	-	18	133	42	193
B.2 Leasehold improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held for investment purposes	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**-**	**(91)**	**(117)**	**(13)**	**(221)**
C.1 Sales	-	-	-	(2)	-	(2)
C.2 Depreciation	-	-	(71)	(93)	(13)	(177)
C.3 Impairment adjustments booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Negative changes in fair value booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant, and equipment held for investment purposes	-	-	-	-	-	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	(20)	(22)	-	(42)
D. Net closing balance	**-**	**-**	**190**	**320**	**50**	**561**
D.1 Total net adjustments	-	-	(1,142)	(650)	(353)	(2,144)
D.2 Gross closing balance	-	-	1,332	970	403	2,704
E. Measurement at cost	**-**	**-**	**190**	**320**	**50**	**561**

9.6b Property, plant, and equipment for use in the business: annual changes in the rights of use acquired under leases.

	LAND	BUILDINGS	FURNITURE	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	-	**7,901**	-	-	**505**	**8,406**
A.1 Total net impairment	-	(2,378)	-	-	(298)	(2,676)
A.2 Net opening balance	-	**5,523**	-	-	**207**	**5,730**
B. Increases	-	-	-	-	**226**	**226**
B.1 Purchases	-	-	-	-	226	226
B.2 Leasehold improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held for investment purposes	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases:	-	**(1,379)**	-	-	**(171)**	**(1,550)**
C.1 Sales	-	(62)	-	-	(6)	(68)
C.2 Depreciation	-	(1,317)	-	-	(165)	(1,482)
C.3 Impairment adjustments booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Negative changes in fair value booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant, and equipment held for investment purposes	-	-	-	-	-	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	-	**4,144**	-	-	**262**	**4,406**
D.1 Total net adjustments	-	(3,607)	-	-	(440)	(4,047)
D.2 Gross closing balance	-	7,751	-	-	702	8,453
E. Measurement at cost	-	**4,144**	-	-	**262**	**4,406**

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 Intangible assets: breakdown by type of assets

ASSETS/AMOUNTS	31/12/2023		31/12/2022	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	**2,502**	-	**2,688**	-
A.2.1 Assets carried at cost:	2,502		2,688	
a) Internally generated intangible assets	2,502	-	2,688	-
b) Other assets	-	-	-	-
TOTAL	2,502	-	2,688	-

10.2 Intangible assets: changes during the year

	Goodwill	Other internally generated intangible assets		Other intangible assets: other		TOTAL
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross opening balance	**-**	**-**	**-**	**2,688**	**-**	**2,688**
A.1 Total net impairment	-	-	-	-	-	-
A.2 Net opening balance	**-**	**-**	**-**	**2,688**	**-**	**2,688**
B. Increases	**-**	**-**	**-**	**1,252**	**-**	**1,252**
B.1 Purchases	-	-	-	1,252	-	1,252
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive valuation at fair value:	-	-	-	-	-	-
a) equity	X	-	-	-	-	-
b) profit or loss	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**-**	**-**	**(1,438)**	**-**	**(1,438)**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	(1,438)	-	(1,438)
a) Amortisation	X	-	-	(1,438)	-	(1,438)
b) Impairment	-	-	-	-	-	-
to equity	X	-	-	-	-	-
to profit or loss	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
to equity	X	-	-	-	-	-
to profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**2,502**	**-**	**2,502**
D.1 Total net adjustments	-	-	-	-	-	-
E. Gross closing balance	**-**	**-**	**-**	**2,502**	**-**	**2,502**
F. Measurement at cost	-	-	-	2,502	-	2,502

The investments in 2023 mainly concerned development of the Bank's proprietary software and its optimisation, also with a view to the launch of new factoring products during the first few months of the year.

SECTION 11 – TAX ASSETS AND TAX LIABILITIES – ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

11.1 Deferred tax assets: breakdown

	31/12/2023	31/12/2022
A. Gross deferred tax assets	**4,617**	**5,310**
A1. Loans	758	758
A2. Other financial instruments	-	-
A3. Goodwill	23	23
A4. Deferred charges	-	-
A5. Property, plant, and equipment	-	-
A6. Provisions for risks and charges	2,194	3,259
A7. Entertainment expenses	-	-
A8. Staff costs	1,642	1,270
A9. Tax losses	-	-
A10. Unused tax credits to be deducted	-	-
A11. Other	-	-
B. Offsetting with deferred tax liabilities	**-**	**-**
C. Net deferred tax assets	**4,617**	**5,311**

The deferred tax assets recognised at 31 December 2023 refer for Euro 3.8 million to temporary differences and for Euro 0.8 million to the deductibility of impairment adjustments losses on loans and receivables recorded in previous years, relating to the portions not yet deducted following Law 214/2011. Personnel expenses include tax assets linked to the variable component of remuneration which is estimated at the end of the year.

11.2 Deferred tax liabilities: breakdown

	31/12/2023	31/12/2022
A. Gross deferred tax liabilities	**-**	**-**
A2. Other financial instruments	2,066	5,377
A11. Other	-	-
B. Offsetting with deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**2,066**	**5,377**

Deferred tax liabilities refer exclusively to deferred taxes on the fair value of the hedging derivative subscribed by Progetto Quinto S.r.l.

11.3 Change in deferred tax assets (with contra-entry to profit or loss)

	31/12/2023	31/12/2022
1. Opening balance	**5,310**	**3,901**
2. Increases	**1,531**	**3,440**
2.1 Deferred tax assets recognised during the period	1,531	3,440
a) related to previous periods		-
b) due to changes in accounting policies		-
c) recoveries		-
d) other	1,531	3,440
2.2 New taxes or increases in tax rates		-
2.3 Other increases		-
3. Decreases	**(2,373)**	**(2,031)**
3.1 Deferred tax assets cancelled during the period	(2,373)	(2,031)
a) reversals	-	(768)
b) written off as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	(2,373)	(1,263)
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credit under Law 214/2011	-	-
b) other	-	-
4. Closing balance	**4,468**	**5,310**

11.4 Changes in deferred tax assets under Law 214/2011

	31/12/2023	31/12/2022
1. Opening balance	**781**	**781**
2. Increases	**-**	**-**
3. Decreases	**-**	**-**
3.1 Reversals	-	-
3.2 Transformations into tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**781**	**781**

11.6 Changes in deferred tax assets (contra-entry to equity)

	2023	2022
1. Opening balance	-	-
2. Increases	**149**	-
2.1 Deferred tax assets recognised during the period	149	-
a) related to previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	**149**	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred tax assets cancelled during the period	-	-
a) reversals	-	-
b) written off as now considered unrecoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**149**	-

11.7 Changes in deferred taxes (contra entry to equity)

	31/12/2023	31/12/2022
1. Opening balance	5,377	363
2. Increases	-	363
2.1 Deferred taxes recognised during the period	-	-
a) related to previous periods	-	-
b) due to changes in accounting policies	-	-
c) recoveries	-	-
d) other	-	5,014
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(3,311)**	-
3.1 Deferred tax assets cancelled during the period	-	-
a) reversals	-	-
b) written off as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	(3,311)	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credit under Law 214/2011	-	-
b) other	-	-
4. Closing balance	**2,066**	**5,377**

11.8 Other Information

Current tax assets

	31/12/2023	31/12/2022
A. Gross current tax assets	**26,506**	**5,417**
A1. IRES advances	21,431	2,190
A2. IRAP advances	5,047	3,199
A3. Other credits and withholdings	28	28
B. Offsetting against current tax liabilities	-	-
C. Net current tax assets	**26,506**	**5,417**

The sub-item "Other credits and withholdings" includes tax credits awaiting reimbursement.

Current tax liabilities

	31/12/2023	31/12/2022
B. Current tax liabilities	**(34,040)**	**(26,495)**
B1. Payables for IRES	(27,754)	(21,448)
B2. Payables for IRAP	(6,286)	(5,047)
B. Current tax liabilities	**(34,040)**	**(26,495)**

SECTION 13 – OTHER ASSETS – ITEM 130

13.1 Other assets: breakdown

	31/12/2023	31/12/2022
- Items in progress	189,813	124,473
- Tax receivables from the Italian and other tax authorities	25,005	15,908
- Prepayments not attributable to a particular item	6,590	4,275
- Other	1,687	739
- Leasehold improvements	464	532
Total	**223,559**	**145,927**

Items in progress mainly include the balance of some transitional accounts pending settlement for the processing of bank transfers, Sepa direct debits and salary-backed loans; in particular, Euro 177.8 million of which relate to corporate loan instalments in December which were received in the first few days of January 2024.

Tax assets include, inter alia, advance payments of stamp duty for Euro 11.6 million, advance payments of withholding taxes on interest from deposit accounts for Euro 7.2 million and advance payments of the substitute tax on medium/long term loans for Euro 6.1 million.

Prepayments refer to costs incurred financially during the year but which, in whole or in part, pertain to subsequent periods.

LIABILITIES AND EQUITY

SECTION 1 – FINANCIAL LIABILITIES AT AMORTISED COST - ITEM 10

1.1 Financial liabilities at amortised cost: breakdown by sector of payables due to banks

Type of securities/Amounts	31/12/2023				31/12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	**135,816**	X	X	X	**632,750**	**X**	**X**	**X**
2. Due to banks	**991,824**	X	X	X	**131,835**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	-	X	X	X	-	X	X	X
2.2 Term deposits	12,315	X	X	X	-	X	X	X
2.3 Loans	979,510	X	X	X	131,835	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	979,510	X	X	X	131,835	X	X	X
2.4 Liabilities for commitment to repurchase own capital instruments		X	X	X	-	X	X	X
2.5 Lease liabilities		X	X	X	-	X	X	X
2.6 Other liabilities		X	X	X	-	X	X	X
TOTAL	**1,127,640**	**-**	**-**	**1,127,121**	**764,585**	**-**	**-**	**764,585**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item Due to central banks represents the book value of the TLTRO III loans obtained from the ECB. Note that the Bank repaid PELTRO lines of credit for a total of Euro 350 million during the first half of 2023.

The item Loans - Other refers to the financing transactions with underlying junior securities of the Progetto Quinto S.r.l. securitisations and senior securities of Progetto PMI 3 S.r.l. securitisations, as well as loans issued by Progetto PMI 5 S.r.l. for Euro 438 million and Progetto PMI 6 S.r.l. for Euro 402 million.

1.2 Financial liabilities at amortised cost: breakdown by sector of payables due to customers

Type of securities/Amounts	31/12/2023				31/12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and sight deposits	330,841	X	X	X	52,300	X	X	X
2. Term deposits	5,005,192	X	X	X	4,316,644	X	X	X
3. Loans	69,305	X	X	X	55,047	X	X	X
3.1 Repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	69,305	X	X	X	55,047	X	X	X
4. Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
5. Payables for leasing	5,204	X	X	X	6,177	X	X	X
6. Other liabilities	176	X	X	X	1,230	X	X	X
TOTAL	**5,410,718**	**-**	**-**	**5,410,718**	**4,431,398**	**-**	**-**	**4,431,398**

The growth in the bank's customer deposits was largely driven by new collection volumes through deposits both in Italy and abroad, also through the use of digital platforms for marketing them.

As regards the fair value of amounts due to customers, given their technical form and relatively short-term maturity, it is reasonable to assume that their fair value does not deviate significantly from their carrying amount.

1.3 Financial liabilities at amortised cost: breakdown by sector of securities in issue

Type of securities/Amounts	31/12/2023				31/12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**1,565,200**	-	-	**1,582,701**	**1,180,870**	-	-	**1,180,380**
1. Bonds	1,565,200	-	-	1,582,701	1,180,870	-	-	1,180,380
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,565,200	-	-	1,582,701	1,180,870	-	-	1,180,380
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**1,565,200**	**-**	**-**	**1,582,701**	**1,180,870**	**-**	**-**	**1,180,380**

Other bonds consist of the senior tranche of ABS securities issued by Progetto Quinto S.r.l., Progetto PMI S.r.l., Progetto PMI 2 S.r.l., Progetto PMI 3 S.r.l. and Progetto PMI 4 S.r.l.

The Progetto Quinto S.r.l. securities were placed on the capital market, while the others are held by the relevant initial subscribers, with the exception of Progetto PMI 3 S.r.l. for which the bank, at the time of issue, also purchased a tranche of Euro 150 million of Senior securities which have not been placed on the market.

1.6 Lease Liabilities

ASSETS/AMOUNTS	31/12/2023	31/12/2022
Finance lease liabilities:	**5,204**	**6,177**
a) land	-	-
b) buildings	4,933	5,964
c) furniture	-	-
d) electronic systems	-	-
e) other	271	213
TOTAL	**5,204**	**6,177**

SECTION 6 – TAX LIABILITIES – ITEM 60

See section 11 of Assets.

SECTION 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

Items/Element	31/12/2023	31/12/2022
Various tax items	32,964	21,884
Items in progress	34,754	16,615
Other	20,948	20,363
Amounts due to social security institutions	1,552	1,240
Other amounts due to the staff	759	349
Accrued liabilities and deferred income not attributable to a particular item	488	-
Third-party effects - difference between transferor account and portfolio account	177	83
TOTAL	**91,642**	**60,534**

Various tax items mainly refer to stamp duties to be paid of Euro 7.8 million, withholding taxes for interest on deposit accounts of Euro 17.1 million and substitute tax as per Presidential Decree 601 of Euro 6.5 million.

The change in items in progress mainly includes accounts for bank transfers to be sent, which were settled in the business days immediately after the end of the year for Euro 18 million and collections to be settled on customer accounts for Euro 14.6 million.

The other items include the balance of invoices to be received for Euro 7.2 million, trade payables for Euro 6.3 million, commissions to be paid to SACE for Euro 2.5 million and Euro 2.4 million for early instalment collection commissions relating to the salary-backed loan portfolio originated by the Bank.

SECTION 9 – POST-EMPLOYMENT BENEFITS – ITEM 90

9.1 Post-employment benefits: changes during the year

Items/Elements	31/12/2023	31/12/2022
A. Opening balance	**953**	**766**
B. Increases	**920**	**277**
B.1 Provisions for the period	507	277
B.2 Other changes	413	-
C. Decreases	**(59)**	**(90)**
C.1 Indemnities paid	(59)	(26)
C.2 Other changes	-	(64)
D. Closing balance	**1,814**	**953**
Total	**1,814**	**953**

9.2 Other Information

Under paragraph 135 of IAS 19, the demographic assumptions, the financial assumptions and the sensitivity analysis of the defined-benefit obligation (post-employment benefits) are shown below in order to provide details on how the present value of the obligation was estimated, as well the changes that would take place in the event of different demographic or financial scenarios.

DEMOGRAPHIC ASSUMPTIONS

1. The probabilities of mortality were inferred from the Italian population, split by age and gender as measured by ISTAT in 2000 and reduced by 25%;
2. The probabilities of a member of staff becoming disabled and having to leave the Bank as a result are taken from the invalidity tables currently used in reinsurance practice, split by age and gender;
3. For the probability of stopping work due to resignations and layoffs, annual frequencies were estimated, based on internal data, over an observation period from 2009 to 2023 and set at 5.86% per year;
4. The probability of a request for an advance has been estimated on the basis of internal data and set at 0.93% per year, with an average advance of 80%;
5. For the years remaining until the retirement of the average employee, the period when the first of the retirement requirements valid for the Mandatory General Insurance would be reached was taken as a point of reference.

FINANCIAL ASSUMPTIONS

The macroeconomic scenario used for the assessment is the following:

1. Rate of increase in pay 9.31%
2. Discount rate 2.385%

As regards the inflation assumption, reference was made to the "2023 Economic and Financial Document - Update" resolved by the Council of Ministers on 27 September 2023, which provides for an annual base rate of 5.6% for 2023, 2.3% for 2024, 2% for 2025 and 2.1% for 2026. Based on this update, a flat annual rate of 2.1% was assumed from 2027.

The substitute tax in the new measure established by the 2015 Stability Law (art. 44, paragraph 3, Law no. 190 of 23 December 2014) applies to revaluations of post-employment benefits starting from 1 January 2015.

With reference to the discount rate adopted in all the assessments of post-employment benefits and seniority bonuses, reference was made to the term structure of interest rates "bootstrapped" from the swap rate curve recorded at 29/12/2023 (Source: Il Sole 24 Ore) and set with respect to liabilities with an average residual duration of 25 years.

SENSITIVITY ANALYSIS

DBO - Interest Rate Sensitivities		**DBO -Turn-over Rate Sensitivities**	
Down (-0.25%)	1,959	Down (-0.5%)	1,864
Best	1,814	Best	1,814
Up (+0.28%)	1,685	Up (+0.5%)	1,769
DBO - Mortality Rate Sensitivities		**DBO – Annual Income Growth Rate Sensitivities**	
Down (-0.025%)	1,816	Down (-0.5%)	1,751
Best	1,814	Best	1,814
Up (+0.025%)	1,812	Up (+0.5%)	1,882

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

Items/Elements	31/12/2023	31/12/2022
1. Provisions for credit risk related to commitments and financial guarantees given	30	11
2. Provisions for other commitments and other guarantees given	-	-
3. Post-retirement benefit obligations	-	-
4. Other provisions for risks and charges	**11,023**	**13,596**
4.1 legal and tax disputes	92	131
4.2 staff costs	4,387	3,815
4.3 other	6,544	9,650
Total	**11,053**	**13,607**

"Other provisions for risks and charges" amount to Euro 11.1 million and mainly refer to:

- Euro 4.3 million to the risk provision relating to the variable component of payroll to be paid to staff. The amount has been estimated according to the limits set by the "Remuneration and Incentive Policies". The amounts actually awarded will be defined, at the end of the performance management process, by the end of the first quarter of 2024, taking into account the actual results achieved by individual employees in compliance with the Supervisory Authority's instructions in this matter. The cost related to the staff variable remuneration is included in the statement of profit or loss under the item 190 a) Personnel expenses.
- Euro 5 million to the residual provision (of which Euro 0,1 million provided in 2023) for potential disputes and future charges, for which it is probable that there will be a cost for the Bank, related to the Constitutional Court's sentence in the "Lexitor" case and linked for the Bank to the effects of the salary/pension-backed loans.
- Euro 1.1 million for the estimated agents' termination indemnities, calculated on an actuarial basis.

10.2 Provisions for risks and charges: changes during the year

	Provisions for other commitments and other guarantees given	Post-retirement benefit obligations	Other provisions for risks and charges	TOTAL
A. Opening balance	**11**	**-**	**13,596**	**13,607**
B. Increases	**19**		**4,499**	**4,518**
B1. Provision for the period	19		4,499	4,518
B2. Changes due to the passage of time	-	-	-	-
B3. Changes due to changes in the discount rate	-	-	-	-
B4. Other changes	-	-	-	-
C. Decreases		**-**	**(7,072)**	**(7,072)**
C1. Use during the year		-	(6,336)	(6,336)
C2. Changes due to changes in the discount rate	-	-	**-**	-
C3. Other changes	-	-	(736)	(736)
D. Closing balance	**30**		**11,023**	**11,053**

10.3. Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired loans	Total
Commitments to disburse funds	6	24	-	-	30
Financial guarantees given	-	-	-	-	-
TOTAL	**6**	24	**-**	**-**	**30**

SECTION 13 – EQUITY – ITEMS 120, 130, 140, 150, 160, 170 AND 180

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

Items/Amounts	31/12/2023				31/12/2022			
	Par value per share	Par value of fully paid-up shares	Par value of shares not fully paid up		Par value per share	Par value of fully paid-up shares	Par value of shares not fully paid up	
			Paid	Unpaid			Paid	Unpaid
Ordinary shares	-	10,404	-	-	-	10,404	-	-
Preference shares	-	-	-	-	-	-	-	-
Savings shares	-	-	-	-	-	-	-	-
Total	**-**	**10,404**	**-**	**-**	**-**	**10,404**	**-**	**-**

13.2 Share capital – number of shares: changes during the year

Items/Type	Ordinary	Other
A. Shares in issue at the beginning of the period	**1,887,029,460**	**-**
- fully paid	1,887,029,460	-
- not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	**1,887,029,460**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for payment:	-	-
- business combinations	-	-
- on conversion of bonds	-	-
- on exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.2 Business transfers	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**1,887,029,460**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares in issue at the end of the period	1,887,029,460	-
- fully paid	1,887,029,460	-
- not fully paid	-	-

13.3 Share capital – Other information

13.4 Income-related reserves: other information

Items/Amounts	31/12/2023	31/12/2022	Possible use
Item 110. Valuation reserves	**3,790**	**10,754**	**-**
- Financial assets at FV through other comprehensive income	-	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(392)	(128)	(*)
- Cash flow hedge	4,182	10,882	(*)
Item 140. Reserves	**149,541**	**97,557**	**-**
- retained earnings	63,882	11,898	-
a) legal reserve	3,080	3,080	B
b) statutory reserve	-		
c) other reserves - retained earnings	60,802	8,818	ABC
- other reserves for IAS/IFRS	(4,550)	(4,550)	-
- unrestricted	-	-	-
- restricted	(4,550)	(4,550)	-
- payments towards future increases in capital	90,092	90,092	AB
- other	117	117	AB
Item 150. Share premium reserve	**54,048**	**54,048**	**-**

Key

A: Increase in share capital

B: Loss coverage

C: Distribution to shareholders

(*) The reserve follows the limits on distribution provided for in article 6 of Legislative Decree 38/2005

SECTION 14 - NON-CONTROLLING INTERESTS - ITEM 190

14.1 Breakdown of item 210 "Equity pertaining to non-controlling interests"

Items/Amounts	31/12/2023	31/12/2022
Equity of Progetto Quinto Securitisation S.r.l.	10	10
Equity of Progetto SME S.r.l.	10	10
Equity of Progetto SME 2 S.r.l.	10	10
Equity of Progetto SME 3 S.r.l.	10	-
Equity of Progetto SME 4 S.r.l.	10	-
Equity of Progetto SME 5 S.r.l.	10	-
Equity of Progetto SME 6 S.r.l.	10	-
Total	**70**	**30**

This caption comprises the amounts of equity of the securitisation vehicles Progetto Quinto S.r.l., Progetto PMI S.r.l., Progetto PMI 2 S.r.l. and the four new vehicles Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l., relating to the securitisations completed by the Bank during 2023.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				31/12/2023	31/12/2022
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired loans		
Commitments to disburse funds	**1,720**	**599**	**-**	**-**	**2,319**	**2,394**
a) Central Banks	-	-	-	-	-	-
b) Public administration agencies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other finance companies	-	-	-	-	-	-
e) Non-financial companies	1,710	599	-	-	2,309	2,377
f) Households	10	-	-	-	10	17
Financial guarantees given	**5**	**-**	**-**	**-**	**5**	**5**
a) Central Banks	-	-	-	-	-	-
b) Public administration agencies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other finance companies	-	-	-	-	-	-
e) Non-financial companies	5	-	-	-	5	5
f) Households	-	-	-	-	-	-

3. Assets created as collateral for own liabilities and commitments

PORTFOLIOS	31/12/2023	31/12/2022
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortised cost	585,652	878,287
4. Property, plant and equipment	-	-
of which: fixed assets that constitute inventories	-	-

The amount of Euro 585.7 million shown in the table refers for Euro 229.6 million to loans guaranteeing refinancing operations with the ECB, for Euro 237.4 million to securities guaranteeing loans with a primary banking institution, and for Euro 118.7 million to mortgages to guarantee loans from Cassa Depositi e Prestiti (CDP).

5. Administration and dealing on behalf of third parties

Type of services	31/12/2023
1. Execution of orders on behalf of customers	**-**
a) Purchases	-
1. settled	-
2. not settled	-
b) Sales	-
1. settled	-
2. not settled	-
2. Individual portfolio management	**-**
3. Custody and administration of securities	
a) third-party securities on deposit: related to role of custodian bank (excluding portfolio management schemes)	-
1. securities issued by the bank preparing the financial statements	-
2. other securities	-
b) third party securities on deposit (excluding portfolio management): other	33
1. securities issued by the bank preparing the financial statements	33
2. other securities	-
c) third-party securities on deposit with third parties	33
d) own securities on deposit with third parties	1,651,178
4. Other transactions	**-**

PART C

INFORMATION ON THE STATEMENT OF PROFIT OR LOSS

SECTION 1 – INTEREST - ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	31/12/2023	31/12/2022
1. Financial assets at fair value through profit or loss:	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-
3. Financial assets at amortised cost:	**8,770**	**473,533**	**3**	**482,306**	**236,125**
3.1 Loans and receivables with banks	-	5,851	3	5,854	1,517
3.2 Loans and receivables with customers	8,770	467,682	-	476,452	234,608
4. Hedging derivatives	-	-	-	-	-
5. Other assets	-	-	-	-	-
6. Financial liabilities	-	-	-	-	-
Total	**8,770**	**473,533**	**3**	**482,306**	**236,125**
of which: interest income on impaired assets	**-**	**11,852**	**3**	**11,855**	**6,907**
of which: interest income on finance leases	-	-	-	-	-

1.3 Interest expense and similar charges: breakdown

Line items/Technical forms	Financial Liabilities	Securities	Other transactions	31/12/2023	31/12/2022
1. Financial liabilities at amortised cost	**(160,378)**	**(67,565)**	**-**	**(227,943)**	**(55,539)**
1.1 Due to Central Banks	(10,300)	-	-	(10,300)	(1,580)
1.2 Due to banks	(6,278)	-	-	(6,278)	(2,077)
1.3 Due to customers	(143,801)	-	-	(143,801)	(45,580)
1.4 Securities in issue	-	(67,565)	-	(67,565)	(6,302)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	-	-	-	-	-
5. Hedging derivatives	**-**	**-**	**5,724**	**5,724**	**342**
6. Financial assets	-	-	-	-	-
TOTAL	**(160,378)**	**(67,565)**	**5,724**	**(222,219)**	**(55,197)**
of which: interest expense on lease liabilities	**(112)**	-	-	**(112)**	**(131)**

1.5 Differentials relating to hedging transactions

ITEMS	31/12/2023	31/12/2022
A. Positive differentials relating to hedging transactions:	5,724	342
B. Negative differentials relating to hedging transactions:	-	-
C. Balance (A-B)	**5,724**	**342**

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

1.1 Fee and commission income: breakdown

TYPE OF SERVICES/FIGURES	31/12/2023	31/12/2022
a) Financial instruments	-	-
1. Securities placement		
1.1 With firm hiring and/or on the basis of an irrevocable commitment.	-	-
1.2 Without irrevocable commitment.		
2. Activities of receiving and transmitting orders and executing orders on behalf of customers		
2.1 Reception and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of customers.		
3. Other fees associated with activities related to financial instruments		
- of which: proprietary trading	-	-
- of which: management of individual portfolios		
b) Corporate Finance	-	-
1. Consulting on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory services	-	-
d) Clearing and settlement	-	-
e) Collective portfolio management		
f) Custody and administration	-	-
1. Custodian bank	-	-
2. Other fees related to the custody and administration activity	-	-
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary activity	-	-
i) Payment services	**155**	**109**
1. Current accounts	-	1
2. Credit cards	-	-
3. Debit cards and other payment cards	1	-
4. Bank transfers and other payment orders	3	-
5. Other commissions related to payment services	151	108
j) Distribution of third-party services	**52**	**107**
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	52	106
k) Structured finance	-	-
l) Servicing for securitisations	**17**	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	-	-
of which: credit derivatives	-	-
o) Financing operations	**4,352**	**4,411**
of which: for factoring operations	1,511	-
p) Currency trading	-	-
q) Commodities	-	-
r) Other commission income	**481**	**209**
of which: for management of multilateral trading systems	-	-
Total	**5,057**	**4,836**

Fee and commission income, Euro 5.1 million (Euro 4.8 million in 2022), is mainly attributable to the early repayment of loans to SMEs and Salary-backed loans for a total of Euro 2.1 million, commissions received for the factoring activity of Euro 1.5 million, and the up-front commissions on salary-backed loans of Euro 0.4 million.

2.2 Fee and commission expense: breakdown

TYPE OF SERVICES/FIGURES	31/12/2023	31/12/2022
a) Financial instruments	-	-
of which: trading in financial instruments	-	-
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Custody and administration	(88)	(41)
d) Collection and payment services	(35)	(36)
of which: credit cards, debit cards and other payment cards		-
e) Servicing for securitisations		(2)
f) Commitments to receive funds		-
g) Financial guarantees received	(230)	(81)
of which: credit derivatives		-
h) Door-to-door offer of financial instruments, products and services		-
i) Currency trading		-
j) Other commission expense	(10,940)	(5,465)
Total	**(11,293)**	**(5,625)**

The increase in foreign and Italian funding during the year, also through partnerships with distribution platforms, resulted in an overall increase in the related commissions. This aggregate of Euro 11.3 million (Euro 5.6 million in 2022) is mainly represented by intermediation fees on funding products paid to Italian and foreign intermediaries for Euro 8.6 million (Euro 4.7 million in 2022), commissions due to the network of agents and brokers not included in the amortised cost for Euro 0.7 million (Euro 0.1 million in 2022), the latter represented for Euro 0.3 million by commissions relating to the promotion of the new product, factoring with and without recourse, and Euro 0.2 million by commissions paid for guarantees received on VAT credits.

SECTION 8 - NET IMPAIRMENT LOSSES - ITEM 130

8.1 Net impairment losses on financial assets at amortised cost: breakdown

TRANSACTIONS/INCOME ELEMENTS	IMPAIRMENT LOSSES (1)						IMPAIRMENT GAINS (2)				31/12/2023	31/12/2022
	Stage 1	Stage 2	Stage 3		Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks	**(10)**	**-**	**-**	**-**	**-**	**-**	**64**	**-**	**-**	**-**	**54**	**(59)**
- Loans	(10)	-	-	-	-	-	64	-	-	-	**54**	**(59)**
- Debt securities	-	-	-	-	-	-	-	-	-	-		**-**
B. Loans and receivables with customers	**(2,893)**	**(5,307)**	**(1,184)**	**(56,607)**	**-**	**-**	**63**	**27**	**2,058**	**-**	**(63,843)**	**(33,760)**
- Loans	(2,893)	(5,307)	(1,184)	(56,607)	-	-	-	27	2,058	-	**(63,906)**	**(34,006)**
- Debt securities	-	-	-	-	-	-	63	-	-	-	**63**	**246**
Total	**(2,903)**	**(5,307)**	**(1,184)**	**(56,607)**	**-**	**-**	**127**	**27**	**2,058**	**-**	**(63,789)**	**(33,819)**

Net impairment losses come to a total of Euro 63.8 million (versus Euro 33.8 million in 2022). With regard to financial assets at amortised cost, this item includes net impairment losses on performing loans of Euro 8.1 million, net impairment losses on non-performing loans of Euro 55.7 million (being the net impairment losses of Euro 57,8 million and Euro 2.1 million of impairment gains). These adjustments refer almost entirely to the portfolio of loans guaranteed by MCC and SACE granted to SMEs in Italy. The increase in this aggregate compared with last year is mainly attributable to higher stocks and the ageing of the portfolio at the end of the year, as well as the effect of the macroeconomic scenario of interest rates and energy costs which had impacts on the Bank's target customers represented by SMEs.

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Personnel Expenses: breakdown

Type of expense/Category	31/12/2023	31/12/2022
1) Employees	**(22,112)**	**(17,443)**
a) wages and salaries	(15,711)	(12,625)
b) social contributions	(3,745)	(3,236)
c) employee severance indemnities	(546)	(390)
d) pension costs	-	-
e) provision for employee severance indemnities	(513)	(277)
f) provision for post-retirement benefit obligations:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) payments to external supplementary pension funds:	(328)	(199)
- defined-contribution	-	-
- defined-benefit	(328)	(199)
h) share-based payments	-	-
i) other employee's benefits	(1,269)	(716)
2) Other staff in service	(42)	(73)
3) Directors and statutory auditors	(1,832)	(1,432)
4) Staff in retirement	-	-
5) Recovery of costs for employees in secondment to other companies	-	-
6) Reimbursement of costs for third-party employees seconded to the Company	-	-
Total	**(23,986)**	**(18,948)**

Item "1) letter i) - Other employee's benefits" mainly refers to insurance policies in favour of employees for Euro 481 thousand, training courses for Euro 138 thousand and various welfare bonuses for Euro 386 thousand.

12.2 Average number of employees, by level

	31/12/2023	31/12/2022
Employees:	230	187
a) Managers	17	16
b) Executives	86	67
c) Other employees	127	104
Other staff	4	7

12.5 Other administrative expenses: breakdown

Type of expense/Amounts	31/12/2023	31/12/2022
a) IT expenses	**(19,406)**	**(13,239)**
- system assistance and software rental	(5,398)	(6,029)
- machine and hardware fees	(390)	(285)
- electronic processing	(13,618)	(6,925)
b) expenses for rents and rental fees	**(381)**	**(332)**
- buildings	(234)	(199)
- machines	(147)	(133)
c) maintenance of furniture and buildings	**(284)**	**(212)**
d) purchase of non-professional goods and services	**(881)**	**(794)**
- stationery and printed matter	(10)	(15)
- postal and telephone and data transmission	(210)	(234)
- electricity, water and heating	(251)	(168)
- transport	(182)	(165)
- office cleaning	(135)	(82)
- general expenses	(93)	(130)
e) expenses for professional services	**(12,836)**	**(8,723)**
- legal and notary services	(1,133)	(1,039)
- searches and information	(1,804)	(1,502)
- sundry services and consulting	(9,899)	(6,182)
f) insurance premiums	**(325)**	**(274)**
g) advertising and representation expenses	**(1,916)**	**(1,938)**
h) indirect taxes and duties (stamp, register and others)	**(14,409)**	**(12,851)**
i) other	**(13,854)**	**(9,534)**
- sundry charities and donations	(135)	(37)
- membership fees and union contributions	(10,782)	(7,686)
- other	(2,937)	(1,770)
Total	**(64,292)**	**(47,897)**

Other administrative expenses amount to Euro 64.2 million from Euro 47.9 million in 2022. The increase in expenses is a direct consequence of the growth in size of the Bank and the volumes of disbursements recorded in 2023, which led to an increase in all variable costs and, to a certain extent, also in fixed costs. It should also be noted that the Bank has increased its technological and IT investments with the aim of continuing the organic development path which is based on the enhancement of the current operating systems, and which have also contributed to the launch of the factoring product which took place in the first quarter of 2023.

IT expenses, equal to Euro 19.4 million (Euro 13.2 million in 2022) have increased as a result of costs linked to the growth in size of the Bank and related expenses arising from the maintenance of the technological infrastructure. In addition, the development activities carried out on the Bank's proprietary software and associated with new products, as well as refinements on existing products, resulted in Euro 3,8 million of additional costs compared with the same period of the previous year.

Expenses for professional services equal to Euro 12.8 million (Euro 8.7 million in 2022) include non-recurring expenses relating to the activities needed for the Bank's listing project for an amount equal to Euro 2.8 million.

Indirect taxes equal to Euro 14.4 million (Euro 12.9 million in 2022) include stamp duty of Euro 7.9 million, an increase of Euro 1.5 million compared with 2022 as a result of the increased volumes of deposits recorded during the year as mentioned in the directors' report. The rest of this aggregate is in fact represented by the substitute tax on loans equal to Euro 6.5 million, in line with the same figure in 2022.

The other expenses of Euro 13.9 million (Euro 9.5 million in 2022) include, among others, the costs relating to the Interbank Deposit Protection Fund (FITD) and the Single Resolution Fund (SRF) for a total of Euro 10.5 million, approximately Euro 3 million more than last year. In particular, the contributions paid to the FITD (both the ordinary and extraordinary components) amount to Euro 8.8 million (Euro 6.6 million in 2022) and for the SRF Euro 1.6 million (Euro 0.9 million in 2022).

SECTION 13 – NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES – ITEM 200

13.1 Net accruals for credit risk on loan commitments and financial guarantees given: breakdown

Type of expense/Amounts	31/12/2023	31/12/2022
Net accruals for credit risk on loan commitments and financial guarantees given: breakdown		
- provisions for the period:	-	-
a) stages 1 and 2	-	-
b) stage 3	-	-
Re-allocation to the statement of profit or loss:		
a) stages 1 and 2	(18)	13
b) stage 3	-	-
TOTAL	**(18)**	**13**

13.3 Net accruals to other provisions for risks and charges: breakdown

Type of expense/Amounts	31/12/2023	31/12/2022
Allocations to provisions for risks and charges:		
Legal disputes	-	(12)
Other risks and charges	(399)	(6,683)
Breakdown of re-allocation to profit or loss of provisions for risks and charges		
Legal disputes	450	-
Other risks and charges	-	-
TOTAL	**51**	**(6,695)**

Net releases to provisions for risks and charges came to around Euro 33 thousand compared with net accruals of Euro 6.7 thousand at the end of 2022. In 2023, there were accruals of Euro 0.2 million related to the agent' termination indemnities, non-recurring commissions, to be paid to the commercial network of Euro 0.1 million and Euro 0.1 million related new provisions for Lexitor case. These provisions were more than offset by the release of a provision of Euro 0.4 million linked to the closure of a dispute during the year.

SECTION 14 – DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT - ITEM 210

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

Asset/income component	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a+b)-(c+d)
A. Property and equipment				
1 Operating assets	(1,659)	-	-	(1,659)
- owned	(177)	-	-	(177)
- rights of use acquired with leases	(1,482)	-	-	(1,482)
2 investment property				
- owned	-	-	-	-
- rights of use acquired with leases	-	-	-	-
3 Closing balance	-	-	-	-
TOTAL	**(1,659)**			**(1,659)**

SECTION 15 – AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS – ITEM 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

Asset/Income component	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Intangible assets	-	-	-	-
of which: software	(1,438)	-	-	(1,438)
A.1 Owned	(1,438)	-	-	(1,438)
- Generated internally	-	-	-	-
- other	(1,438)	-	-	(1,438)
A.2 Rights of use acquired with leases	-	-	-	-
TOTAL	**(1,438)**			**(1,438)**

SECTION 16 – OTHER OPERATING INCOME, NET - ITEM 230

16.1 Other operating charges: breakdown

Items/Amounts	31/12/2023	31/12/2022
Depreciation of leasehold improvements	(123)	(122)
Loss for the sale of property, plant and equipment	-	-
Sundry other charges	(33)	(113)
TOTAL	**(156)**	**(235)**

16.2 Other operating income: breakdown

Items/Amounts	31/12/2023	31/12/2022
Recovery of taxes and duties	7,995	6,745
Recovery of other expenses	1	-
Gains on sale of property, plant and equipment	5	-
Sundry other income	216	18
TOTAL	**8,217**	**6,763**

Recovery of taxes and duties mainly includes the recovery of the substitute tax as per Presidential Decree 601 on medium/long-term loans of Euro 6.5 million.

SECTION 21 – INCOME TAXES – ITEM 300

21.1 Income Taxes: breakdown

	Income components/Amounts	31/12/2023	31/12/2022
1.	Current tax (-)	(34,041)	(26,495)
2.	Changes in current tax from previous years (+/ -)	20	(2)
3.	Reduction in current tax for the period (+)		-
3.bis	Reduction in current tax for the period for tax credits as per Law 214/2011 (+)		-
4.	Change in deferred tax assets (+/-)	(842)	1,410
5.	Change in deferred tax liabilities (+/-)		-
6.	Tax for the period (-) (-1+/-2+3+/-4+/-5)	(34,863)	(25,087)

21.2 Reconciliation between theoretical tax charge and effective tax charge

IRES	Tax base	IRES	%
Theoretical IRES tax burden	**106,746**	**29,355**	**27.50%**
Increases	5,742		
Decreases	(8,306)		
Use of prior year losses	-		
ACE (tax deduction for reinvested profits)	(3,384)		
Surplus ACE brought forward	-		
Effective IRES tax burden	**100,798**	**27,719**	**25.97%**

IRAP	Tax base	IRAP	%
Theoretical IRAP tax burden	**106,746**	**5,946**	**5.57%**
Higher IRAP tax base	22,529		
Increases	7,395		
Decreases	(3,500)		
Other deductions	(20,323)		
Effective IRAP tax burden	**112,847**	**6,286**	**5.89%**

The higher IRAP tax base is attributable to the difference between total income and the pre-tax profit for the year. "Other deductions" mainly include subsidies relating to the tax wedge.

SECTION 24 – OTHER INFORMATION

Banca Progetto S.p.A. is not part of any banking group. It is therefore not necessary to report in this section the summary statements required by article 2497 bis of the Italian Civil Code.

PART D

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)

	Items	31/12/2023	31/12/2022
10.	Profit (loss) for the year	71,918	51,984
	Other comprehensive income (expense) not reclassified to profit or loss	(264)	64
70.	Defined-benefit plans	(264)	64
	Other comprehensive income (expense) reclassified to profit or loss	(6,701)	10,146
140.	Cash flow hedges	(6,701)	10,146
220.	Total other comprehensive income (expense)	(6,965)	10,210
230.	Comprehensive income (item 10+220)	64,953	62,194

PART E

INFORMATION ON RISKS AND HEDGING POLICIES

Risk governance

Banca Progetto S.p.A. has drawn up specific internal regulations and delegated powers for the corporate governance mechanisms in order to formalise the tasks and responsibilities of the corporate bodies and functions involved in risk management and control.

The strategic guidelines and risk management policies are resolved by the relevant bodies, taking into account the Bank's operations and associated risk profile and providing for their periodic review in order to ensure their effectiveness over time.

The Bank has adopted an internal control system based on three levels, in line with the current legal and regulatory provisions. This model envisages the following types of control:

1. First level: line controls which aim to ensure the correct execution of operations and which, as far as possible, are incorporated into IT procedures; they are carried out by the same operating and business structures;
2. Second level: risk and compliance controls which aim to ensure, among other things:
   1. correct implementation of the risk management process;
   2. compliance with the operating limits assigned to the various functions;
   3. compliance by the Bank's operations with the regulations, including self-regulation.

   The functions in charge of these controls are separate from those in charge of production and contribute to the definition of risk governance policies and the risk management process.
3. Third level: internal audit controls aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control and information systems, with a frequency set in relation to the nature and intensity of the risks.

The internal control system is periodically subject to supervision and adaptation in relation to the evolution of the Bank's operations and the situation in general.

In this context, the Bank has identified a Head of the Risk Management Function, who reports to the Chief Executive Officer.

The Risk Management Function looks after the preparation and application of the methods and tools for identifying, measuring and controlling risks, in implementation of the policies defined by the competent bodies and supervises their monitoring.

This function constantly controls risk exposure and monitors capital absorption and the current and future adequacy of Own Funds to meet capital requirements, providing the Supervisory Bodies with the information required by current legislation. The same function is called upon to promote a risk culture at all levels of the Bank.

As part of its "Credit policies for businesses", the Bank has defined and, with the help of Prometeia, a consultancy company, it updates every six months its "Guidelines for the definition of sector credit guidelines". The objective is to provide information on the Bank's strategic credit positioning guidelines with a view to managing overall risk and ensuring sustainable development of the business and customer relations.

In relation to the macroeconomic context that emerged in March 2022 in light of the war in Ukraine, Prometeia was asked to carry out an in-depth study of the Bank's business portfolio and an analysis of the potential impact of the conflict between Russia and Ukraine on individual sectors (at ATECO level) that could potentially be involved.

A materiality assessment of the Bank's portfolio was then carried out, identifying the micro-sectors that could be impacted directly or indirectly by the war, sectors which by their nature could potentially be vulnerable, characterised by a high or limited energy-intensive impact, giving some credit strategy guidelines for them.

Although the portfolio was marginally exposed to those micro-sectors directly or indirectly affected by the conflict, to ensure greater prudence in terms of "Expected credit losses", the lifetime PD curve used to calculate provisioning for these micro-sectors was increased by an adjustment factor. This corrective will be subject to periodic review for as long as these macroeconomic conditions persist.

SECTION 1 - CREDIT RISK

INFORMATION OF A QUALITATIVE NATURE

1. General aspects

The objectives and strategies of the Bank's lending activity are aimed at:

1. selecting individual counterparties by analysing their ability to honour commitments contractually undertaken, so as to contain credit risk;
2. diversifying credit risk, identifying the Bank's natural operating area in loans of limited amount, as well as limiting the concentration of exposures to groups of customers, groups of companies or individual business sectors;
3. checking the performance of individual positions both with the IT procedure and with a systematic monitoring of balances that look irregular.

With reference to the prudential supervisory regulations, the Bank has adopted the standardised approach; for this purpose it has management tools for estimating and monitoring capital absorption and processes for uploading guarantees to the specific procedures for use in credit risk mitigation techniques.

Furthermore, with reference to relationships with so-called "Large Exposures", we can confirm that the maximum regulatory threshold was not exceeded at 31 December 2023.

2. Credit risk management policies

2.1 Organisational aspects

In carrying on its business, the Bank is exposed to the risk that loans and receivables, of whatever origin, may not be honoured by third-party debtors, with the result that the consolidated financial statements will include losses when they are written off, in whole or in part, or provisions to reflect the estimated realisable amount of the loans and when they are likely to be collected.

The potential causes of default lie mainly in the counterparty's lack of financial resources (lack of liquidity, insolvency, etc.) and to a marginal extent in reasons independent of the counterparty's financial condition, such as country risk or operational risk.

2.2 Management, measurement and control systems

The credit disbursement process is structured on various levels of decision-making autonomy, distributed between the Credit Function, the Credit Committee, the Qualified Credit

Committee and the Board of Directors on the basis of the amount and risk category of the various types of loan.

The investigation, resolution and revision of credit lines are regulated by a procedure in which various people take part according to their role; these phases are supported and controlled by the procedure that, at all times, makes it possible for all the functions responsible for credit management to verify the positions entrusted to borrowers. During the preliminary investigation, the assessment, both current and prospective, of requests and revisions of credit lines is structured on several levels based on the entity and on technical and objective data, as well as on an in-depth analysis of the specific economic-financial situation of the counterparty and its guarantors.

The definition of methods for monitoring credit risk performance has the objective of activating a systematic control of the positions and is supported by the tools made available by the IT procedures.

As regards line controls (first level), they are carried out by the Credit Function.

Controls over risk management (second level) are carried out with a view to measuring and monitoring the risk associated with credit exposures, both individual and of the group, also by verifying compliance with the limits assigned to the various operational functions, in terms of forbearance, adequacy of classifications and credit loss adjustments. This to ensure that the classification of the exposures is correct and representative of the underlying degree of risk (also by checking the methodologies used to identify any anomalies) and that there is a correct valuation of the inputs to the assessment process.

Furthermore, the use of management tools for estimating and monitoring capital absorption makes it possible to carry out a periodic analysis of it and a control of the level of "eligibility" of the guarantees received.

The analysis of the Bank's credit risk is periodically submitted to the Bank's corporate bodies, based on the results of the management instruments being used.

2.3 Methods of measuring expected losses

Please read the chapter entitled "Part A - Accounting policies", paragraph "A2 - Main items in the consolidated financial statements", on the impairment of financial assets.

This section sets out the general criteria of the evaluation and measurement models of financial instruments with particular reference to the aspects relating to the application of IFRS 9. It should be noted that no substantial changes have been made to the calculation process in relation to the succession of socio-economic events that took place in 2023.

Assessment of significant increase in credit risk (SICR)

The general criteria adopted to intercept those loans that present a significant increase in credit risk (identified with transfers between stages 1 and 2) are outlined below:

- deterioration of at least two rating classes between the current assessment and the equivalent amount recorded on the date of origination of the financial instrument; from December 2022, a more stringent rule has been implemented with the aim of intercepting in stage 2 not only the positions whose rating has deteriorated by at least two notches, but also those positions whose current rating has deteriorated by at least one notch starting from "CCC" or worse; it also applies to those positions which were unrated during the disbursement phase, but which have a current rating of "CC" or worse, or a percentage increase of at least 15% of the current PD "Through The Cycle" compared with the equivalent figure at origin, even with the same rating (this assessment is always provided for in the case of a current rating of "CCC" or worse);
- the presence of an amount past due for at least 30 days;
- the possible presence of forborne measures. It should be noted that, in relation to the current macroeconomic context, with reference to the COVID emergency, the positions in the portfolio that currently benefit from the following decrees "ABI Imprese in ripresa 2.0" (ABI Moratoriums) or "Decree-Law 18 of 17 March 2020 – article 56. C.2 letter C" ("Cura Italia Decree"), for which the counting of days past due has been frozen, are assessed as positions in "performing" status and allocated to Stage 1[3]. However, at the end of this support measure, the count of the days of any defaults restarts from the number of days existing at the time the measure was granted; the position will then be analysed according to its credit status observed at the time of its evaluation;
- obvious economic/financial difficulties, also found during the periodic review of credit lines or on-site verification for monitoring purposes;
- cases in which, in relation to specific situations of emerging risk relating to specific portfolios segmented by geographical area, production sector, specific watch-lists, or events of a corporate nature (e.g. prejudicial), specific assessments are required (so-called "SICR[4] overlays") that supplement the standard criteria applied by the Bank;
- external information filed in the Central Credit Register, also in light of what was found for the other reporting institutions in relation to the type of loan (short/medium/long term)

[3] For these cases, it is also reasonable to evaluate the possibility of transferring them prudently to Stage 2 in the event that a non-performing report in the "Central Credit Register" is observed or prejudicial news is received from sources outside the Bank.
[4] Significant Increase in Credit Risk.

Measurement of expected credit losses

As part of the model for measuring expected credit losses adopted by the Bank, in line with the provisions of the IFRS 9 framework, the Bank uses risk parameters, such as PD/LGD[5] including forward-looking information for PD. In particular, we have developed a "PD" curve (12 months and lifetime) corrected according to macroeconomic projections (e.g., GDP, inflation rate, unemployment rate)[6] in relation to the Italian economy in the three-year period 2023-2024-2025 in correspondence with both a "base" and an "adverse" scenario. Some relevant aspects are outlined below:

1. Compared with 2022, the "base" scenario envisages an evolution in GDP in Italy of 0.7 percentage points for 2023, 0.6 percentage points in 2024 and 0.9 in 2025, with a slight contraction in the unemployment rate of approximately 7.8 points, confirming stability also for the next two-year period 2024-2025 (7.7 and 7.8 percentage points respectively), an increase in consumer prices of 5 percentage points in 2023, declining to 2 points in 2025;
2. The "adverse" scenario, on the other hand, envisages a lower recovery in GDP in Italy of 0.2 percentage points for 2023 and of 0 and 0.3 percentage points for 2024 and 2025, respectively, an increase in the unemployment rate by 8.2 percentage points in 2024, rising to 9 percentage points in 2025, a slight increase in consumer prices of 5.60 percentage points in 2023, falling to 2.4 percentage points in 2025.

In this regard, in order to ensure more conservative results in terms of expected credit losses, the said PD curve was prudently weighted, giving more weight to the "adverse" macroeconomic scenario to the detriment of the "base" one (80% vs 20%); moreover, the curve was differentiated and diversified for the main commodity macro-sectors, attributable to 13 sub-sectors into which the composition of the bank portfolio is divided in order to better intercept the average portfolio risk.

Furthermore, in relation to continuation of the war since March 2022, Prometeia was asked to carry out an in-depth study of Banca Progetto's SME portfolio and an analysis of the potential impact of the conflict between Russia and Ukraine on individual sectors (at ATECO code level) that could potentially be affected. As part of this analysis, a "synthetic indicator" of risk relating to the impact factors deriving from the conflict was developed, considering both the increase in energy and raw material costs and the pressure on revenues via their propensity to export to Russia, Ukraine and Belarus and the share of such exports. By evaluating both the synthetic indicator and the economic potential, based on the prospects/riskiness of the product sectors and territories, we identified those sectors that would most likely be more sensitive/susceptible to the conflict. In the first instance, following the analysis carried out in June 2022, and subsequently integrated in September 2022, the following sectors were identified:

[5] For the LGD parameter, a regulatory parameter of 45% is used, possibly mitigated by the presence of state public guarantees.
[6] Macroeconomic scenarios provided by Prometeia in June 2023.

a. Energy and chemical products;
b. Metalworking;
c. Production of textiles, leather and footwear;
d. Hotel services;
e. Catering;
f. Agro-food supply chain;
g. Transport and communications.

From a prudential perspective, for the sectors mentioned above, the PD curve used for provisioning was increased by a corrective factor, the so-called "MOC (Margin of Conservatism) adjustment".

The corrective factor was identified by comparing the output of the lifetime PD curve obtained through the basic and prospective adverse scenarios provided by Prometeia, as mentioned above, and the same curve calibrated through the adverse scenario provided in the EBA 2023 stress tests[7]. Furthermore, the factor was differentiated for two macro-groups of sectors, divided on the basis of the economic potential estimated when defining credit policies[8]. The sectors considered to have "Low" and "Medium-Low" potential, therefore considered more risky (hotels, catering, chemical products and transport), will have a more penalizing factor (14%), vice versa, the sectors with "High" and Medium-High” potential (such as agri-food, textiles, metals) which present a lower risk profile, will have a less severe factor (9%).

Lastly, as regards the LGD parameter, in relation to the standard approach adopted, as per regulatory indications, the value is set at 45%, which is in turn mitigated if there is a government guarantee (Fondo Centrale di Garanzia, SACE).

As far as salary-backed loans are concerned, as for the corporate segment, the PD curve has been adjusted in the face of the macroeconomic scenario that emerged for the Italian economy in the three-year period 2023-2025, however the final impact in this case is almost negligible given the predominantly public/quasi-state nature of the product.

In this case, the less severe weighting for the adverse scenario of 40% was chosen to the detriment of the baseline of 60%.

The LGD parameter was declined through a grid of percentage values in relation to the credit status by ATC payer/final customer/insurance and the number of past due days observed contract by contract. As at 31.12.2023, the outstanding portfolio stock was approximately Euro 508.5 million, of which approximately Euro 14.9 million in a non-performing state, in line

---

[7] The prospective macroeconomic scenarios are those referring to Italy for "Real GDP adverse growth", "HICP adverse growth" and "Unemployment adverse rate" available at the following link: https://www.eba.europa.eu/eba-launches-2023-eu-wide-stress-test-0.

[8] As part of its "Credit policies for businesses", the Bank has defined and, with the help of Prometeia, a consultancy company, it updates every twelve months its "Guidelines for the definition of sector credit guidelines - Businesses". The objective is to provide information on the Bank's strategic credit positioning guidelines with a view to managing overall risk and ensuring sustainable development of the business and customer relations. The Guidelines are designed to provide information on the strategy that the Bank intends to follow on individual product sectors in line with the risk/return objectives set out in the strategic plan, integrating ESG factors, and giving an indication for each sector that presents the best growth opportunities compared with the parameters being used. Based on the ATECO codes, the Bank has mapped 13 product sectors, which in turn have been allocated into four levels of economic potential (high, medium-high, medium-low and low), based on prospective sector and territorial trends in terms of turnover growth, financial sustainability indices, the sector's level of resilience to the COVID crisis, the costs of the green transition and PNRR opportunities.

with December last year

2.4 Credit risk mitigation techniques

In accordance with the objectives and credit policies defined by the relevant bodies, the credit risk mitigation technique most used by the Bank is based on the different types of secured and unsecured, financial and non-financial guarantees.

In particular, escalation mechanisms are provided for in terms of decision-making autonomy of the competent bodies for the purpose of granting credit lines based on the level of creditworthiness of the customers and on the type of guarantee received.

Receiving guarantees for the credit lines that are granted is one of the main objectives of the Bank's credit policies.

Most of the Bank's medium and long-term exposures are assisted by a state guarantee (Fondo di Garanzia or SACE) or by a mortgage guarantee.

3. Impaired credit exposures

3.1 Management strategies and policies

The Bank is organised with regulatory/IT structures and procedures for credit management, classification and control.

In compliance with the IFRS, the presence of objective elements of impairment is checked at each reporting date on each instrument or group of financial instruments.

The positions that show irregular trends are classified on the basis of Circular no. 262 of 22 December 2005 and subsequent updates "Bank financial statements: schedules and rules of compilation", in different risk categories:

1. bad loans: exposures to subjects in a state of insolvency or in substantially comparable situations;
2. unlikely to pay: credit exposures, other than bad loans, for which the Bank considers it unlikely that the debtor will fulfil all of its credit obligations (both principal and interest), unless the Bank has recourse to actions such as the enforcement of guarantees;
3. past due exposures: exposures, other than those classified as bad or unlikely to pay, which at the reporting date have been past due and/or overdrawn for more than 90 days and exceed a certain level of materiality;
4. forborne exposures: forborne exposures can be divided into:

- forborne non-performing exposures. These exposures may be part of bad loans, unlikely to pay or past due exposures; so they do not form a separate category of impaired assets;
- other forborne exposures, which are called forborne performing exposures.

In order to handle as quickly as possible any problems resulting from deterioration of the risk on individual positions, monitoring is carried out on the counterparties that present signs of internal and systemic deterioration. The position evaluation methodology follows an analytical approach, depending on the intensity of the analysis and the results that emerge from the continuous monitoring process.

3.2 Write-off

A write-off is when there is no more hope of recovering the asset, so it is written off, i.e. derecognised. It can occur before legal action for recovery of the asset has ended and does not imply that the Bank is waiving its legal right to recover the loan.

3.3 Purchased or originated credit-impaired financial assets

If a credit exposure is impaired at the time of initial recognition, it is considered as "Purchased Originated Credit-Impaired - POCI". POCI financial assets are conventionally classified in Stage 3.

4. Financial assets subject to commercial renegotiations and exposures subject to forbearance

Please refer to the previous paragraph "3.1 Management strategies and policies".

4.1 - Facilities granted in response to the Covid-19 pandemic

4.2.1– Banca Progetto Initiatives

The government measures launched in the "Aid" Decree and subsequent amendments, due to the emergency caused by the ongoing war between Russia and Ukraine, were applied throughout 2023 in the form of loan guarantees as part of the State Aid Temporary Measures in support of the economy.

Consequently, for the entire year, the Bank continued to operate with target customer companies through the disbursement of medium and long-term loans supported by government guarantees issued by the Central Guarantee Fund - MCC and by SACE, in accordance with the provisions of the Aid Decree and subsequent amendments.

The degree of coverage of the government guarantees continued to fully adhere to the needs of SMEs in Italy, making it possible to continue financing them without any interruption, improving the risk/return ratio and the cost of risk of the portfolio. The Bank has continued to strengthen its operational and commercial structures, with positive effects of consolidating its presence on the market.

Loans Guaranteed by SACE - "Garanzia Supportitalia"

The SupportItalia Guarantee was an extraordinary tool put in place by SACE to support Italian companies hit by the effects of the Russian-Ukrainian crisis.

Thanks to the "Aid Decree" and subsequent amendments and within the limits of the Euro 200 billions of State guarantees already allocated by the "Liquidity Decree", SACE supported the system by issuing guarantees on preferential terms, counter-guaranteed by the State, on the loans provided by the financing entities to help companies find the liquidity needed to deal with the negative effects of the Russian-Ukrainian crisis, thereby ensuring that business activities could continue.

Government guarantees on loans granted by banks were issued until 31/12/2023 and allowed companies to obtain financing quickly, ensuring continuity in their operations.

From a regulatory point of view, the limit on the amount of financing that could be obtained was the greater of:

- 15% of the total average annual turnover in Italy of the last three years as shown in the financial statements
- 50% of the costs incurred for energy sources in the 12 months preceding the request for financing.

With exclusive reference to beneficiary companies falling within the category of "energy-intensive companies" pursuant to art. 17, paragraph 1, letter a), first sub paragraph, of Directive 2003/96/EC, the above limit can be raised to cover the liquidity needs for the twelve months following the date of the loan request for SMEs, or for the following six months for beneficiary companies other than SMEs, in any case within a maximum guaranteed amount of not more than Euro 25 million.

If the company started up in business after 31 December 2019, reference is made to the average total annual turnover of the financial years actually concluded.

New loans have been eligible for guarantees if they are to obtain liquidity to support personnel expenses, costs for the rent or lease of business units, capital investment (excluding company acquisitions), working capital and liquidity needs relating to obligations to provide collateral for trading activities on the energy market if the beneficiary produces, distributes or sells electricity or gas, exclusively for production plants and entrepreneurial activities located in Italy.

To be eligible for the SACE guarantee, the loans had to have the following characteristics (among other things):

- a total duration of not more than 8 years
- instalment loans: with a grace period of up to 36 months, Italian repayment plan with a constant amount of principal or a French plan with constant instalments, the latter only in the case of a fixed interest rate, monthly, quarterly, half-yearly or annual instalments, single disbursement to a dedicated current account of the company making the request.

The percentage of loans covered by the SACE guarantee could reach a maximum of 90%. The counterparties who could request it were represented by any type of company, regardless of size, sector of activity (credit companies are excluded) and legal form, with head office in Italy.

4.2.2 – Other loans guaranteed by the Guarantee Fund for SMEs pursuant to Law 662/96

With the "Aid Decree" and subsequent amendments together with the application of point 2.2 of the Temporary Crisis Framework, requests by SMEs for guarantees from the Central Guarantee Fund managed by Medio Credito Centrale were able to obtain a coverage equal to:

- 80% guarantees in favour of the types of businesses and financial operations to which the rating model is not applied (start-ups, innovative start-ups and certified incubators, microcredit, low value loans);
- 80% guarantee on financial transactions involving capital investment;
- 80% guarantee on financial transactions not involving capital investment for businesses in bands 3, 4 and 5 of the Fund's valuation model;
- 60% guarantee on financial transactions not involving capital investment for businesses in bands 1 and 2 of the Fund's valuation model;
- 90% guarantee on loans aimed at achieving energy efficiency objectives or diversification of energy production or consumption as envisaged by the Temporary Crisis Framework.

The maximum amount that can be guaranteed is Euro 5 million per beneficiary.

4.3 Impact of the various initiatives carried out on credit disbursement and monitoring processes.

The Bank has strengthened the organisational structures, processes and systems supporting the preliminary investigation and credit disbursement phase, also modulating credit policies in relation to the economic situation. The use of the guarantee instruments introduced by the emergency legislation, as well as that resulting from the return to post-pandemic situations, allowed the Bank to enhance its business model, increasing its ability to support the SME segment, while maintaining control over the risk profile.

From an operating point of view, in order to detect signs of deterioration and take appropriate measures promptly, also in terms of classification and related provisions, the Bank has strengthened the internal structures dedicated to portfolio management, credit monitoring and recovery. This includes activating specialised external partners, in order to have an element of external support to ensure operational efficiency, speed of recovery and variability of certain elements of cost and scalability. The Bank maintains control of the process with a central governance and operational guidance unit.

The overall activation of these actions allows the Bank to act promptly in terms of classification of positions and provisioning, as well as to provide updated and timely information to the Competent Bodies on emerging risk profiles.

SECTION 1– CONSOLIDATED ACCOUNTING RISK

QUANTITATIVE INFORMATION

1. CREDIT QUALITY

A.1 IMPAIRED AND UNIMPAIRED CREDIT EXPOSURES: BALANCE, ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHICAL BREAKDOWN

A.1.1 Breakdown of credit exposures *by portfolio and credit quality (balance sheet figures)*

Portfolio/Quality	Bad loans	Unlikely to pay exposures	Impaired past due exposures	Other impaired exposure	Unimpaired exposures	Total
1. Financial assets at amortised cost	286,808	175,082	166,744	299,048	7,305,551	8,233,233
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	-	-
5. Financial assets being sold	-	-	-	-	-	-
31/12/2023	**286,808**	**175,082**	**166,744**	**299,048**	**7,305,551**	**8,233,233**
31/12/2022	**59,300**	**141,868**	**153,697**	**205,989**	**5,917,583**	**6,478,437**

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

Portfolio/Quality	Impaired assets				Unimpaired assets			Total (Net exposure)
	Gross exposure	Total impairment adjustments	Net exposure	Total partial write-offs (*)	Gross exposure	Total impairment adjustments	Net exposure	
1. Financial assets at amortised cost	720,191	(91,557)	628,634	-	7,626,507	(21,909)	7,604,598	8,233,232
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	-	-
5. Financial assets being sold	-	-	-	-	-	-	-	-
31/12/2023	**720,191**	**(91,557)**	**628,634**	-	**7,626,507**	**(21,909)**	**7,604,598**	**8,233,232**
31/12/2022	**396,427**	**(41,562)**	**354,865**	-	**6,137,349**	**(13,777)**	**6,123,572**	**6,478,437**

** Amount to be shown for disclosure purposes*

Portfolio/Quality	Assets with evidently poor credit quality		Other assets
	Capital losses	Net exposure	Net exposure
1 Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	6,249
31/12/2023	-	-	**6,249**
31/12/2022	-	-	**16,259**

SECTION 2 - RISKS OF THE PRUDENTIAL CONSOLIDATION

1. Credit Risk

INFORMATION OF A QUALITATIVE NATURE

The qualitative information is to be considered identical to that relating to Section 1 - Risks of the Accounting Consolidation, as the companies included in the scope of consolidation are the same.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND UNIMPAIRED CREDIT EXPOSURES: BALANCE, ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHICAL BREAKDOWN

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

Portfolios/stages of risk	Stage 1			Stage 2			Stage 3			Impaired (acquired or originated)		
	From 1 day to 30 days	From 30 to 90 days	Over 90 days	From 1 day to 30 days	From 30 to 90 days	Over 90 days	From 1 day to 30 days	From 30 to 90 days	Over 90 days	From 1 day to 30 days	From 30 to 90 days	Over 90 days
1. Financial assets at amortised cost	47,152	-	-	8,356	224,018	30,068	4,013	37,496	553,661	-	-	10
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets being sold	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2023	**47,152**	**-**	**-**	**8,356**	**224,018**	**30,068**	**4,013**	**37,496**	**553,661**	**-**	**-**	**10**
31/12/2022	**57,041**	**-**	**-**	**1,863**	**162,253**	**19,035**	**1,858**	**23,573**	**293,339**	**-**	**61**	**-**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: changes in total impairment adjustments and total provisions

Causes/stages of risk	Overall impairment adjustments																							Total provisions for commitments to disburse funds and financial guarantees given			Total
	Assets falling within stage 1						Assets falling within stage 2						Assets falling within stage 3						impaired financial assets, purchased or originated								
	Sight deposits 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 being sold	of which: individual adjustments	of which: collective adjustments	Sight deposits 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 being sold	of which: individual adjustments	of which: collective adjustments	Sight deposits 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 being sold	of which: individual adjustments	of which: collective adjustments	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets being sold	of which: individual adjustments	of which: collective adjustments	Stage 1	Stage 2	Stage 3	
Opening overall adjustments	85	6,011	-	-	-	6,011	-	7,764	-	-	-	7,764	-	41,548	-	-	41,548	-	16	-	-	15	1	8	3	-	55,435
Increases in financial assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X		-	-	-
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net adjustments for credit risk (+/-)	(76)	2,852	-	-	-	2,852	-	5,280	-	-	-	5,280	-	55,671	-	-	55,671	-	6	-	-	6	-	(3)	22	-	63,751
Contract changes without eliminations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,682)	-	-	(5,682)	-	-	-	-	-	-	-	-	-	(5,682)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing overall adjustments	**9**	**8,863**	**-**	**-**	**-**	**8,863**	**-**	**13,044**	**-**	**-**	**-**	**13,044**	**-**	**91,537**	**-**	**-**	**91,537**	**-**	**22**	**-**	**-**	**21**	**1**	**5**	**25**	**-**	**113,504**
Recoveries on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	(73)	-	-	(73)	-	-	-	-	-	-	-	-	-	(73)
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	129	-	-	129	-	-	-	-	-	-	-	-	-	129

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between various stages of credit risk (gross and nominal amounts)

Portfolios/stages of risk	Gross/nominal amount					
	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	1,077,498	90,553	145,076	7,347	239,189	3,051
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being sold	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	20	-	13	-	750	-
31/12/2023	**1,077,518**	**90,553**	**145,089**	**7,347**	**239,939**	**3,051**
31/12/2022	**631,051**	**96,395**	**47,751**	**1,077**	**279,053**	**6,932**

For the Covid-19 disclosures as per the latest update of Circular 262/2005, please refer to what is indicated at the foot of table 4.4 in part B of this report.

A.1.4 Prudential consolidation - On and off-balance sheet credit exposures to banks: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure					Total impairment adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
A. CASH EXPOSURES												
A.1 SIGHT	**32,323**	**32,323**	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**-**	**-**	**32,313**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Unimpaired	32,323	32,323	-	X	-	(10)	(10)	-	X	-	32,313	-
A.2 OTHER	**110,648**	**110,648**	**-**	**-**	**-**	**(33)**	**(33)**	**-**	**-**	**-**	**110,615**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Unimpaired past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other unimpaired exposures	110,648	110,648	-	X	-	(33)	(33)	-	X	-	110,615	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total A	**142,971**	**142,971**	**-**	**-**	**-**	**(43)**	**(43))**	**-**	**-**	**-**	**142,928**	**--**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Unimpaired	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**142,971**	**142,971**	**-**	**-**	**-**	**(43)**	**(43)**	**-**	**-**	**-**	**142,928**	**-**

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure					Total impairment adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
A. On-balance sheet credit exposures												
a) Bad loans	345,708	X	-	345,698	10	58,900	X	-	58,890	10	286,808	-
- of which: forborne exposures	32,909	X	-	32,909	-	5,518	X	-	5,518	-	27,391	-
b) Unlikely to pay	199,692	X	-	199,691	1	24,610	X	-	24,609	1	175,082	-
- of which: forborne exposures	35,560	X	-	35,560	-	3,427	X	-	3,427	-	32,133	-
c) Impaired past due exposures	174,791	X	-	174,688	103	8,047	X	-	8,037	10	166,744	-
- of which: forborne exposures	64,764	X	-	64,764	-	2,211	X	-	2,211	-	62,553	-
d) Unimpaired past due exposures	301,225	12,223	289,002	X	-	2,177	85	2,092	X	-	299,048	-
- of which: forborne exposures	58,584	-	58,584	X	-	689	-	689	X	-	57,895	-
e) Other unimpaired exposures	7,214,633	5,967,632	1,246,885	X	116	19,697	8,744	10,952	X	1	7,194,936	-
- of which: forborne exposures	336,650	-	336,350	X	-	2,686	-	2,686	X	-	333,964	-
Total A	**8,236,049**	**5,979,855**	**1,535,887**	**720,077**	**230**	**113,431**	**8,829**	**13,044**	**91,536**	**22**	**8,122,618**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Unimpaired	2,324	1,726	598	X		30	6	24	X	-	2,294	-
TOTAL B	**2,324**	**1,726**	**598**	**-**	**-**	**30**	**6**	**24**	**-**	**-**	**2,294**	**-**
TOTAL A+B	**8,238,373**	**5,981,581**	**1,536,485**	**720,077**	**230**	**113,461**	**8,835**	**13,068**	**91,536**	**22**	**8,124,912**	**-**

(*) Amount to be shown for disclosure purposes

For the Covid-19 disclosures as per the latest update of Circular 262/2005, please refer to what is indicated at the foot of table 4.4 in part B of this report.

A.1.7 Prudential consolidation - On-balance sheet exposures to customers: trend in gross impaired exposures

Description/Category	Bad loans	Unlikely to pay exposure	Impaired past due exposures
A. Opening gross exposure	**72,146**	**161,495**	**162,786**
- of which: exposures sold but not eliminated	-	1,524	15,432
B. Increases	**322,237**	**294,044**	**336,299**
B.1 transfer from unimpaired exposures	6,405	59,809	322,619
B.2 transfer from impaired financial assets, purchased or originated	-	-	153
B.3 transfers from other categories of impaired exposures	311,287	222,665	2,074
B.4 contractual changes without eliminations	-	-	-
B.5 other increases	4,545	11,570	11,453
C. Decreases	**(48,675)**	**(255,847)**	**(324,294)**
C.1 transfer to unimpaired exposures	-	(593)	(15,208)
C.2 write-off	(6,079)	-	-
C.3 collections	(4,574)	(9,077)	(16,054)
C.4 realised on sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other categories of impaired exposures	(1,455)	(245,236)	(289,335)
C.7 contractual changes without eliminations	-	-	(36)
C.8 other decreases	(36,567)	(941)	(3,661)
D. Closing gross exposure	**345,708**	**199,692**	**174,791**
- of which: exposures sold but not eliminated	26,883	53,800	54,473

A.1.7 bis Prudential consolidation - On-balance sheet credit exposures to customers: trend in gross impaired exposures subject to forbearance, broken down by credit quality

Description/Category	Impaired forborne exposures	Forborne exposures: unimpaired
A. Opening gross exposure	**32,632**	**82,555**
- of which: exposures sold but not eliminated	1,433	1,853
B. Increases	**129,281**	**406,626**
B.1 transfers from unimpaired exposures not subject to forbearance	11,286	394,478
B.2 transfer from unimpaired forborne exposures	53,030	-
B.3 transfer from impaired forborne exposures	-	3,651
B.4 transfers from impaired exposures not subject to forbearance	60,159	190
B.5 other increases	4,806	8,307
C. Decreases	**(28,680)**	**(93,947)**
C.1 transfers to unimpaired exposures not subject to forbearance	-	(15,320)
C.2 transfer to unimpaired forborne exposures	(3,651)	-
C.3 transfer to impaired forborne exposures	-	(53,031)
C.4 write-offs	(239)	-
C.5 collections	(2,849)	(20,593)
C.6 realised on sale	-	-
C.7 losses on sale	-	-
C.8 other decreases	(21,941)	(5,003)
D. Closing gross exposure	**133,233**	**395,234**
- of which: exposures sold but not eliminated	20,182	152,261

A.1.9 Prudential consolidation - Impaired on-balance sheet exposures to customers: trend in overall impairment adjustments

Description/Category	Bad loans		Unlikely to pay exposure		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total impairment adjustments	**12,846**	**695**	**19,627**	**822**	**9,089**	**507**
- of which: exposures sold but not eliminated	-	-	220	-	1,002	43
B. Increases	**52,679**	**5,090**	**19,806**	**3,444**	**7,088**	**2,264**
B.1 adjustments to impaired assets, purchased or originated	-	-	1	-	5	-
B.2 other impairment adjustments	32,448	4,203	19,095	3,165	7,083	1,867
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	20,231	887	710	83	-	-
B.5 contractual changes without eliminations	-	-	-	-	-	-
B.6 other increases	-	-	-	196	-	397
C. Decreases	**(6,625)**	**(267)**	**(14,823)**	**(839)**	**(8,130)**	**(560)**
C.1 recoveries on valuation	(41)	(28)	(103)	(10)	(1,784)	(241)
C.2 recoveries on collection	(902)	-	(36)	-	(89)	-
C.3 gains on sale	-	-	-	-	-	-
C.4 write-offs	(5,681)	(239)	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	(14,684)	(806)	(6,257)	(264)
C.6 contractual changes without eliminations	-	-	-	-	-	-
C.7 other decreases	-	-	-	(23)	-	(55)
D. Closing total impairment adjustments	**58,900**	**5,518**	**24,610**	**3,427**	**8,047**	**2,211**
- of which: exposures sold but not eliminated	4,493	79	6,273	533	2,598	592

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external rating class (gross figures)

EXPOSURES	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets at amortised cost	**-**	**-**	**471,589**	**1,483**	**-**	**-**	**7,873,626**	**8,346,698**
- Stage 1	-	-	471,498	1,441	-	-	5,617,565	**6,090,504**
- Stage 2	-	-	-	-	-	-	1,535,887	**1,535,887**
- Stage 3	-	-	91	42	-	-	719,944	**720,077**
- Impaired (acquired or originated)	-	-	-	-	-	-	230	**230**
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired (acquired or originated)	-	-	-	-	-	-	-	-
C. Financial assets being sold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired (acquired or originated)	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**471,589**	**1,483**	**-**	**-**	**7,873,626**	**8,346,698**
D. Commitments to disburse funds and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**2,324**	**2,324**
- Stage 1	-	-	-	-	-	-	1,726	**1,726**
- Stage 2	-	-	-	-	-	-	598	**598**
- Stage 3	-	-	-	-	-	-	-	-
- Impaired (acquired or originated)	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**-**	**-**	**-**	**-**	**2,324**	**2,324**
Total (A + B + C + D)	**-**	**-**	**471,589**	**1,483**	**-**	**-**	**7,875,950**	**8,349,022**

A.3 BREAKDOWN OF GUARANTEED CREDIT EXPOSURES BY TYPE OF GUARANTEE

A.3.2 Prudential consolidation - Guaranteed on- and off-balance sheet exposures to customers

	Gross exposure	Net exposure	Secured guarantees (1)				Unsecured guarantees (2)									TOTAL (1) + (2)
							Credit derivatives					Endorsement credits				
							Credit-linked notes (CLN)	Other derivatives								
			Mortgages on buildings	Loans on lease of buildings	Securities	Other secured guarantees		Central counterparties	Banks	Other finance companies	Others	Public administration agencies	Banks	Other finance companies	Others	
1. Guaranteed cash credit exposures:	7,497,148	7,386,470	94,253	-	-	521,664	-	-	-	-	-	5,558,349	-	2,553	622,550	**6,799,369**
1.1 totally guaranteed	4,396,297	4,335,281	94,253	-	-	521,664	-	-	-	-	-	3,109,240	-	2,553	607,571	**4,335,281**
- of which: impaired	397,265	347,868	795	-	-	12,965	-	-	-	-	-	269,565	-	284	64,258	**347,868**
1.2 partially guaranteed	3,100,851	3,051,189	-	-	-	-	-	-	-	-	-	2,449,109	-	-	14,979	**2,464,088**
- of which: impaired	317,635	277,358	-	-	-	-	-	-	-	-	-	219,547	-	-	14,979	**234,526**
2. Guaranteed off-balance sheet credit exposures:	2,278	2,249	-	-	-	-	-	-	-	-	-	1,802	-	-	384	**2,186**
1.1 totally guaranteed	1,893	1,872	-	-	-	-	-	-	-	-	-	1,488	-	-	384	**1,872**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	385	377	-	-	-	-	-	-	-	-	-	314	-	-	-	**314**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

Exposures/counterparties	Public administration agencies		Finance companies		Finance companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet exposures	**654,004**	**(284)**	**30,764**	**(278)**	**3,721**	**(89)**	**6,884,339**	**(106,710)**	**553,511**	**(6,160)**
A.1 Bad loans	-	-	290	(32)	-	-	282,356	(56,467)	4,163	(2,401)
- of which: forborne exposures	-	-	-	-	-	-	27,391	(5,494)	-	(24)
A.2 Unlikely to pay	250	(3)	1,833	(22)	1,833	(22)	163,899	(22,149)	9,100	(2,436)
- of which: forborne exposures	-	-	-	-	-	-	31,856	(3,403)	277	(24)
A.3 Impaired past due exposures	166	(17)	610	(46)	607	(45)	157,738	(7,293)	8,230	(691)
- of which: forborne exposures	-	-	-	-	-	-	62,162	(2,187)	392	(24)
A.4 Unimpaired exposures	653,588	(264)	28,031	(178)	1,281	(22)	6,280,346	(20,801)	532,018	(632)
- of which: forborne exposures	-	-	168	(5)	-	-	390,827	(3,337)	864	(33)
Total (A)	**654,004**	**(284)**	**30,764**	**(278)**	**3,721**	**(89)**	**6,884,339**	**(106,710)**	**553,511**	**(6,160)**
B. "Off-balance sheet" exposures	-	-	-	-	-	-	**2,284**	**(30)**	**10**	-
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	-	-	-	-	-	-	2,284	(30)	10	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**2,284**	**(30)**	**10**	**-**
TOTAL A+B 31/12/2023	**654,004**	**(284)**	**30,764**	**(278)**	**3,721**	**(89)**	**6,886,623**	**(106,740)**	**553,521**	**(6,160)**
TOTAL A+B 31/12/2022	**571,994**	**(383)**	**12,956**	**(342)**	**2,617**	**(210)**	**5,166,221**	**(50,585)**	**662,180**	**(4,028)**

B.2 Prudential consolidation - Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments
A. On-balance sheet exposures	**8,118,741**	**(113,099)**	**3,121**	**(331)**	**189**	**-**	**197**	**(2)**	**370**	**-**
A.1 Bad loans	285,404	(58,588)	1,404	(312)	-	-	-	-	-	-
A.2 Unlikely to pay	175,082	(24,610)	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	166,745	(8,047)	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	7,491,510	(21,854)	1,717	(19)	189	-	197	(2)	370	-
TOTAL	**8,118,741**	**(113,099)**	**3,121**	**(331)**	**189**	**-**	**197**	**(2)**	**370**	**-**
B. Off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	2,294	(30)	-	-	-	-	-	-	-	-
TOTAL	**2,294**	**(30)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2023	**8,121,035**	**3,121**	**(331)**	**189**	**-**	**197**	**(2)**	**370**	**-**	**(3)**
31/12/2022	**6,412,047**	**700**	**-**	**127**	**-**	**191**	**(2)**	**286**	**(3)**	**(1)**

B.3 Prudential consolidation - Geographical distribution of on- and off-balance sheet credit exposures to banks (carrying amount)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments
A. On-balance sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Unimpaired exposures	142,928	(43)	-	-	-	-	-	-	-	-
Total A	**142,928**	**(43)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2023	**142,928**	**(43)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2022	**115,731**	**(97)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

Items/Amounts	31/12/2023	31/12/2022
Number of positions	6	8
Exposure	3,711,650	4,058,087
Weighted value	48,801	15,817

The number of positions classified as "large exposures" has increased by two positions compared with 2022, also as a result of increasing own funds, as explained in detail in the directors’ report and in Part F of the notes. In no case has the maximum regulatory threshold been exceeded. The counterparties of these exposures are mainly Government Guarantee Funds, the Treasury and a bank. For further information on Own Funds and Capital Ratios, see section F.

C. SECURITISATIONS

INFORMATION OF A QUALITATIVE NATURE

Progetto Quinto transaction

The structure of the transaction involves the purchase of loan portfolios deriving from salary-backed loans, originating directly from the Bank.

The transaction, structured in co-arrangement between the Bank and BNP Paribas, envisages a contract in two different stages:

1. **Warehousing**, with a period of "accumulation" of the portfolio. The transaction was completed in August 2019 with the issue by Progetto Quinto S.r.l., formerly Vidal S.r.l. of two classes of "Variable Funding Notes" securities: senior securities for a nominal amount of Euro 500 million and junior notes for a nominal amount of Euro 120 million. On the issue date, the Bank fully subscribed the issued junior securities for Euro 25.2 million. The structure of the transaction envisaged an initial assignment of salary-backed loans for Euro 154.4 million and an accumulation period (the so-called "Ramp-up"), which ends with the "Take-out" (as defined below), during which the Bank has the right to assign further exposures up to a ceiling of Euro 500 million). During the Ramp-up Period, the Bank completed the subscription of the junior notes for Euro 60 million while a "conduit" financed by BNP Paribas subscribed the senior notes for Euro 315 million.
2. **Take-out**: on 6 May 2021 (the "Take-out" date) the SPV issued the new "definitive" asset-backed securities (the "Definitive Notes" or, separately, the "Senior Definitive Notes" and the "Junior Definitive Notes") with the following characteristics:

Series	ISIN	Common Code	Issued Amount
Class A	IT0005442006	233605352	316,500,000
Class J	IT0005442014	n/a	53,071,000

The Senior tranche was rated Aa3 (sf) / AA (low) (sf) respectively by Moody's Investor Service and DBRS and was admitted to trading on the professional segment (ExtraMOT PRO) of the multilateral trading facility "ExtraMOT" managed by Borsa Italiana S.p.A. The repayment structure of the Senior Definitive Notes is of the amortising type starting from the first payment date.

The transaction obtained the "STS" status, an acronym used, in the context of the European regulation on securitisations, for "Simple, Transparent and Standardized" transactions.

These quality criteria have also been analysed by Prime Collateralised Securities (PCS) as a third-party verifier.

The transaction, structured in co-arrangement by Banca Progetto and by BNP Paribas, which also acted as Lead Manager and swap counterparty, was placed at par on the institutional investor market.

The value of the loan portfolio underlying the operation at 31 December 2023 is approximately Euro 163.3 million, while the nominal value of the senior and junior notes amounts to Euro 116.1 million and Euro 53.1 million respectively.

The Bank was appointed by Progetto Quinto S.r.l. to act as servicer for the securitisation.

The vehicle Progetto Quinto S.r.l. took out an interest rate swap (IRS) contract to exchange the variable cash flows of the senior notes into fixed cash flows in order to hedge against the interest rate risk on the transaction.

Operation Progetto PMI

The first operation, structured in co-arrangement by Banca Progetto and BNP Paribas, was finalised in June 2022 through the vehicle Progetto PMI S.r.l.

The securities were issued as "variable funding notes" in two classes: a senior one for Euro 500 million, subscribed by a “conduit” led by BNP Paribas, and a junior one, fully subscribed by the Bank, for Euro 131 million.

On 8 June 2022, the SPV issued the ABS securities with the following characteristics:

Series	ISIN	Common Code	Issued Amount	Drawn Amount
Class A	IT0005497026	n/a	750,000,000	500,000,000
Class J	IT0005497034	n/a	250,000,000	131,270,123

The Bank also had the right, as part of the overall structure of the operation, to assign further loans to the vehicle within a revolving period that would end in December 2023. On 18 December 2023, the revolving period was extended until December 2024 through an amendment to the contractual documentation.

The portfolio involved in the operation, amounting to Euro 625 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund.

The senior tranche is unrated and is not listed on any regulated market.

The structure of the operation provides for a revolving period up to the end of 2024; subsequently the repayment structure of the senior notes is of the amortising type.

The value of the loan portfolio underlying the operation at 31 December 2023 is approximately Euro 673.5 million, while the nominal value of the senior and junior notes amounts to Euro 500 million and Euro 131.3 million respectively.

The Bank was appointed by Progetto PMI S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 2

The second securitisation, with Intesa Sanpaolo as arranger, was finalised at the beginning of December 2022 through the vehicle Progetto PMI 2 S.r.l.

The notes were issued in two classes: a senior one for Euro 500 million, subscribed by a “conduit” led by the arranger Intesa Sanpaolo (IMI Corporate & Investment Banking Division) and a junior one, fully subscribed by the Bank, for Euro 170 million.

The portfolio involved in the operation, equal to Euro 666.7 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund.

The senior tranche is unrated and is not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2023 is approximately Euro 504.2 million, while the nominal value of the senior and junior notes amounts to Euro 317.1 million and Euro 170 million respectively.

On 2 December 2022, the SPV issued the ABS securities with the characteristics shown below:

Series	ISIN	Common Code	Issued Amount
Class A	IT0005522203	256438909	500,000,000
Class J	IT0005522211	256438950	170,033,000

The Bank was appointed by Progetto PMI 2 S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 3

The first operation during 2023, structured in co-arrangement by Banca Progetto and Société Générale was finalised in June 2023 through the vehicle Progetto PMI 3 S.r.l.

The notes were issued in two classes: a senior one for Euro 400 million, of which Euro 250 million subscribed by a “conduit” led by the arranger Société Générale and Euro 150 million acquired by the Bank, and a junior one, fully subscribed by the Bank, for approximately Euro 177 million.

The portfolio involved in the operation, equal to Euro 571.5 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund.

The operation obtained "STS" status, an acronym used in European securitisation regulations for transactions that are "Simple, Transparent and Standardised". These quality criteria have also been analysed by Prime Collateralised Securities (PCS) as a third party verifier. The senior tranche is unrated and is not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2023 is approximately Euro 465.9 million, while the nominal value of the senior and junior notes amounts to Euro 323.5 million and Euro 177.2 million respectively.

The Bank was appointed by Progetto PMI 3 S.r.l. to act as servicer for the securitisation.

On 27 April 2023, the SPV issued the ABS securities with the characteristics shown below:

Series	ISIN	Common Code	Issued Amount
Class A	IT0005543977	n/a	400,000,000
Class J	IT0005543985	n/a	177,213,000

Operation Progetto PMI 4

The second securitisation carried out during the year, with Intesa Sanpaolo as arranger, was finalised on 13 June 2023 through the vehicle Progetto PMI 4 S.r.l.

The notes were issued in two classes: a senior one for Euro 500 million, subscribed by a “conduit” led by the arranger Intesa Sanpaolo, and a junior one, fully subscribed by the Bank, for approximately Euro 170 million.

The portfolio involved in the operation, equal to Euro 666.7 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund.

The senior tranche is unrated and is not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2023 is approximately Euro 604.2 million, while the nominal value of the senior and junior notes amounts to Euro 427.3 million and Euro 170.1 million respectively.

The Bank was appointed by Progetto PMI 4 S.r.l. to act as servicer for the securitisation.

On 13 June 2023, the SPV issued the ABS securities with the characteristics shown below:

Series	ISIN	Common Code	Issued Amount
Class A	IT0005549313	263740483	500,000,000
Class B	IT0005549321	263739680	170,069,000

Operation Progetto PMI 5

The third securitisation carried out during the year, with J.P. Morgan as arranger, was finalised on 7 August 2023 through the SPV Progetto PMI 5 S.r.l.

The proposed structure involved the disbursement, by JP Morgan Chase Bank, NA, of a loan to the SPV of Euro 500 million and the subscription by the Bank of the junior securities for an amount equal to Euro 225.4 million.

The portfolio involved in the operation, equal to Euro 725.4 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund and SACE equal to 82.7%.

The loan is unrated and the repayment structure is amortising, starting from the first payment date.

The value of the loan portfolio underlying the transaction at 31 December 2023 is equal to approximately Euro 664.8 million, the nominal value of the loan stands at Euro 437.4 million and the nominal value of the junior notes amounts to Euro 225.4 million.

The Bank was appointed by Progetto PMI 5 S.r.l. to act as servicer for the securitisation.

On 7 August 2023, the SPV subscribed the loan and issued junior notes with the following characteristics:

Series	ISIN	Common Code	Issued Amount
Senior Facility	n/a	n/a	500,000,000
Class B	IT0005557142	n/a	225,415,000

Operation Progetto PMI 6

The fourth securitisation carried out during the year, with Citibank as arranger, was finalised on 29 November 2023 through the SPV Progetto PMI 6 S.r.l.

The proposed structure involved the disbursement by Citibank of a loan, without a rating, to the SPV of Euro 400 million and the subscription by the Bank of the junior securities for Euro 104 million.

The Bank also has the right, as part of the overall structure of the operation, to assign further loans to the vehicle within a revolving period that will end in December 2025.

The portfolio involved in the operation, equal to Euro 500 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund.

After the end of the revolving period, the loan will follow an amortising repayment profile.

The value of the loan portfolio underlying the transaction as of 31 December 2023 is equal to approximately Euro 490 million, the nominal value of the loan stands at Euro 400 million and the nominal value of the junior notes amounts to Euro 104 million.

The Bank was appointed by Progetto PMI 6 S.r.l. to act as servicer for the securitisation.

On 29 November 2023, the SPV subscribed the loan and issued junior notes with the following characteristics:

Series	ISIN	Common Code	Issued Amount
Senior Facility	n/a	n/a	400,000,000
Class B	IT0005572133	n/a	104,107,000

QUANTITATIVE INFORMATION

C.1 Exposures deriving from the main "own" securitisations broken down by type of securitised asset and types of exposure

TYPE OF SECURITISED ASSETS/ EXPOSURES	On-balance sheet exposures						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Net adjustments for impairment	Carrying amount	Net adjustments for impairment	Carrying amount	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment
C. Not eliminated from the financial statements	**121,311**	-	-	-	**1,031,178**	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary-backed loans	-	-	-	-	53,071	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC guarantee	-	-	-	-	131,270	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC guarantee	-	-	-	-	170,033	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by SACE guarantee	121,311	-	-	-	177,213	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC guarantee	-	-	-	-	170,069	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC and SACE guarantee	-	-	-	-	225,415	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC guarantee	-	-	-	-	104,107	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 Vehicle company for the securitisation

Securitisation name/ vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Loans and receivables	Debt securities	Other	Senior	Mezzanine	Junior
Progetto Quinto S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	163,280	-	-	116,082	-	53,071
Progetto PMI S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	673,539	-	-	500,000	-	131,270
Progetto PMI 2 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	504,243	-	-	317,100	-	170,033
Progetto PMI 3 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	465,896	-	-	323,495	-	177,213
Progetto PMI 4 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	604,238	-	-	427,334	-	170,069
Progetto PMI 5 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	664,845	-	-	437,423	-	225,415
Progetto PMI 6 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	490,036	-	-	400,000	-	104,107

C.5 Servicer activities– own securitisations: collections of securitised loans and repayments of securities issued by the securitisation vehicle company

Vehicle company	Securitised assets (end of period figure)		Collection of loans made in the year		% share of securities redeemed (end of period figure)					
					senior		mezzanine		junior	
	Impaired	Unimpaired	Impaired	Unimpaired	impaired assets	unimpaired assets	impaired assets	unimpaired assets	impaired assets	unimpaired assets
Progetto Quinto S.r.l.	3,420	159,860	4,885	90,635	-	63.32%	-	-	-	-
Progetto PMI S.r.l.	73,753	599,787	6,881	225,804	-	0%	-	-	-	-
Progetto PMI 2 S.r.l.	30,967	473,276	1,596	179,791	-	36.58%	-	-	-	-
Progetto PMI 3 S.r.l.	-	465,896	-	127,404	-	19.13%	-	-	-	-
Progetto PMI 4 S.r.l.	12,892	591,346	15	99,326	-	14.53%	-	-	-	-
Progetto PMI 5 S.r.l.	11,263	653,581	-	97,097	-	12.52%	-	-	-	-
Progetto PMI 6 S.r.l.	-	490,036	-	17,390	-	0%	-	-	-	-

C.6 Prudential consolidation – Consolidated securitisation vehicle company

Names	Type of assets	Credit quality	Securities issued	Nominal value
Progetto Quinto S.r.l.	Salary/pension-backed loans	Performing loans	Senior notes	116,082
Progetto Quinto S.r.l.	Salary/pension-backed loans	Performing loans	Junior notes	53,071
Progetto PMI S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Senior notes	500,000
Progetto PMI S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Junior notes	131,270
Progetto PMI 2 S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Senior notes	317,100
Progetto PMI 2 S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Junior notes	170,033
Progetto PMI 3 S.r.l.	Loans to SMEs backed by SACE guarantee	Performing loans	Senior notes	323,495
Progetto PMI 3 S.r.l.	Loans to SMEs backed by SACE guarantee	Performing loans	Junior notes	177,213
Progetto PMI 4 S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Senior notes	427,334
Progetto PMI 4 S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Junior notes	170,069
Progetto PMI 5 S.r.l.	Loans to SMEs backed by MCC and SACE guarantee	Performing loans	Senior loan	437,423
Progetto PMI 5 S.r.l.	Loans to SMEs backed by MCC and SACE guarantee	Performing loans	Junior notes	225,415
Progetto PMI 6 S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Senior loan	400,000
Progetto PMI 6 S.r.l.	Loans to SMEs backed by MCC guarantee	Performing loans	Junior notes	104,107

D. SALES OF FINANCIAL ASSETS

QUANTITATIVE INFORMATION

The Bank holds financial assets sold and not derecognised which relate to salary-backed loans sold as part of the securitisation called “Progetto Quinto” (formerly “Vidal”) and to mortgage loans sold as part of the six securitisations called “Progetto PMI”, “Progetto PMI 2”, “Progetto PMI 3”, “Progetto PMI 4”, “Progetto PMI 5” and “Progetto PMI 6”.

D.1. Prudential consolidation – Financial assets sold in full and associated financial liabilities: carrying amounts

The assets sold and not derecognised did not include the salary-backed loans subject to securitisation and the PMI mortgages also subject to securitisation as they were not actually sold, given that the SPVs Progetto Quinto S.r.l., Progetto PMI S.r.l., Progetto PMI 2 S.r.l., Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l. are included in the scope of consolidation of these consolidated financial statements.

D.3 Prudential consolidation - Sales of financial assets with liabilities that have recourse exclusively to the assets sold and not fully derecogniesd: fair value

As already discussed, given that the SPVs Progetto Quinto S.r.l., Progetto PMI, Progetto PMI 2 S.r.l Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l. and Progetto PMI 6 S.r.l. fall within the scope of consolidation of these consolidated financial statements, there are no assets that have been sold and not derecognised.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

No changes were made to the credit risk measurement models during 2023; to this end, the Bank uses the standardised approach for calculating the RWA of each exposure and, consequently, for estimating the Own Funds absorbed by this type of risk.

Management tools are used to estimate and monitor capital absorption with reference to credit, counterparty and concentration risk, with the classification of exposures among the classes of analysis envisaged in the Supervisory regulations' standardised approach.

SECTION 1.2 - MARKET RISKS

Market risk is the risk that the value or cash flows of a financial instrument change due to changes in market factors. Market risk includes interest rate risk, currency risk and other price risks.

During 2023, Banca Progetto did not hold any financial instruments in its trading portfolio.

1.2.1 INTEREST RATE RISK AND PRICE RISK - TRADING BOOK FOR SUPERVISORY PURPOSES

INFORMATION OF A QUALITATIVE NATURE

A. General aspects

During 2023 Banca Progetto S.p.A. did not hold any financial instruments in its trading portfolio.

B. Interest rate risk and price risk management processes and measurement methods

Not applicable.

QUANTITATIVE INFORMATION

1. Trading book for supervisory purposes: distribution of financial assets and liabilities and financial derivatives by residual duration (repricing date)

During 2023 Banca Progetto S.p.A. did not hold any financial instruments in its trading portfolio.

3. Trading book for supervisory purposes: internal models and other methodologies for sensitivity analysis.

Not applicable.

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, interest rate risk and price risk management processes and measurement methods

The interest rate risk relating to the banking book concerns the losses that a bank could suffer as a result of an unfavourable trend in market rates and the non-coincidence of the expiry and repricing dates (repricing risk) and the different trend in the reference rates of the assets and liabilities (basis risk).

It is measured using ALM techniques designed to estimate the impacts on the formation of net interest income and on the present value of assets and liabilities due to changes in interest rates.

The items involved are those for which there is no trading intent, i.e. those relating to services rendered to customers and strategic investments.

Interest rate risk is one of the so-called "second pillar" risks. In the ICAAP Report sent to the Supervisory Body, in accordance with Circular no. 285, Title III, Chapter 1, Annex C, interest rate risk was specifically measured in terms of capital absorption.

To this end, the Bank uses the methodology envisaged by the prudential regulations which provides for carrying out an interest rate sensitivity analysis through a shock determined on the basis of the changes in interest rates recorded in a 6-year observation period, alternatively considering the 1st percentile (downside) or the 99th (upside).

The methodology used entails:

- classification of assets and liabilities in 19 time bands, fixed rate assets and liabilities are classified on the basis of their residual life, floating rate assets and liabilities are classified in the various time bands on the basis of the interest rate renegotiation date;
- within each band, the asset and liability positions are multiplied by the weighting factors, obtained as the sum of a hypothetical change in rates and an approximation of the modified duration relating to the individual bands. For the purpose of calculating the weighted net exposure by band, for each band, the weighted exposure of the asset positions is offset against that of the liability positions.
- sum of the weighted exposures of the various time bands: the weighted exposures of the various bands are added together, obtaining a total weighted exposure that approximates the change in the present value of the items exposed to this type of risk in the event of the assumed rate shock.

QUANTITATIVE INFORMATION

1. Banking book: distribution of financial assets and liabilities by residual duration (repricing date)

Currency - Euro

type/residual duration	sight	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	over 10 years	unspecified duration
1. On-balance sheet assets	5,877,650	489,291	315,694	304,479	1,195,689	91,477	33	-
1.1. Debt securities	-	-	151,939	-	318,173	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- others	-	-	151,939	-	318,173	-	-	-
1.2 Loans to banks	98,199	44,496	-	-	-	-	-	-
1.3 Loans to customers	5,799,451	435,795	163,755	304,479	877,516	91,477	33	-
- current accounts	1	-	-	-	-	-	-	-
- other loans	5,779,450	435,795	163,755	304,479	877,516	91,477	33	-
- with early repayment option	5,520,067	308,825	110,838	194,721	876,146	91,477	33	-
- other	259,383	126,970	52,917	109,758	1,370	-	-	-
2. On-balance sheet liabilities	474,909	4,544,643	631,385	1,463,388	989,218	15	-	-
2.1 Payables due to customers	334,902	2,127,651	619,070	1,339,862	989,218	15	-	-
- current accounts	334,564	1,140,780	110,532	301,043	362,578	15	-	-
- other deposits	339	986,870	508,539	1,038,819	626,640	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	339	986,870	508,539	1,038,819	626,640	-	-	-
2.1. Payables due to banks	140,007	851,792	12,315	123,527	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	140,007	581,792	12,315	123,527	-	-	-	-
2.3. Debt securities	-	1,565,200	-	-	-	-	-	-
- with early repayment option	-	1,565,200	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	122,872	7,019	14,214	87,743	-	-	-
3.1 With underlying security	-	122,872	7,019	14,214	87,743	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	122,872	7,019	14,214	87,743			
+ Long positions	-	6,948	7,019	14,214	87,743	-	-	-
+ Short positions	-	115,924	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	2,324	-	-	-	-	-	-	-
+ Short positions	2,324	-	-	-	-	-	-	-

2. Banking book – internal models and other methods of sensitivity analysis

At 31 December 2023, applying this methodology, which provides for carrying out an interest rate sensitivity analysis through a shock determined on the basis of the changes in interest rates recorded in a 6-year observation period, alternatively considering the 1st percentile (downside) or the 99th (upside), shows an absorption of capital of Euro 4.9 million for interest rate risk.

1.2.3 EXCHANGE RATE RISK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, exchange rate risk management processes and measurement methods

The Bank does not hold significant exposures in currencies other than the Euro.

B. Exchange risk hedging

The Bank has no open positions.

1.3.2 ACCOUNTING HEDGES

INFORMATION OF A QUALITATIVE NATURE

The securitisation vehicle Progetto Quinto S.r.l. has taken out a derivative to hedge the interest rate risk (a plain vanilla IRS), which aims to transform the floating rate of the senior note into a fixed rate, thereby aligning the rates and maturities of the assets and liabilities. The structure of the securitisation envisages that the vehicle always has a notional value of the derivative equal to the notional value of the senior note issued. Consequently, the hedging ratio is structurally 1 to 1 throughout the duration of the operation, regardless of the early repayments of the loans, which have an impact on the speed of amortisation of the senior note. The counterparty with which the vehicle has subscribed the derivative is BNP Paribas.

The positive fair value amounts to Euro 6.2 million at 31 December 2023 and the related notional value is Euro 116.1 million.

A. HEDGING DERIVATIVES

A.1 Hedging derivatives: end-of-period notional values

Underlying Assets/ TYPES 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 securities and interest rates	**-**	**116,082**	**-**	**-**	-	**204,117**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	116,082	-	-	-	204,117	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. equities and stock indexes	**-**	**-**	**-**	**-**	-	**-**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	-	**-**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	-	-	-	**-**	-	-
5. Other underlyings	**-**	**-**	-	-	-	**-**	-	-
TOTAL	**-**	**116,082**	**-**	**-**	-	**204,117**	-	**-**

A.2 Hedging derivatives: positive and negative gross fair value – breakdown by products

TYPES 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. Positive fair value	-	**6,249**	-	-	-	**16,259**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	6,249	-	-	-	16,259	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
2. Negative fair value	**-**	**-**	**-**	**-**	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	- -	- -	-	-	-	-
Total	-	6,249	-	-	-	**16,259**	-	-

A.3 OTC hedging derivatives: notional values, positive and negative gross fair value by counterparty

Underlying Assets	Central counterparties	Banks	Other finance companies	Others
Contracts not covered by netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4. Other	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	-	116,082	-	-
- positive fair value	-	6,249	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5. Other	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging derivatives: notional values

UNDERLYING / RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Over 5 years	TOTAL
A.1 Financial derivatives on debt securities and interest rates	-	116,082	-	**116,082**
A.2 Financial derivatives on equities and stock indexes	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
TOTAL 31/12/2023	**-**	**116,082**	**-**	**116,082**
TOTAL 31/12/2022	**-**	**204,117**	**-**	**204,117**

D. HEDGING INSTRUMENTS

D.2 Hedging of financial flows and foreign investments

		Change in the value used to recognise the ineffectiveness of the hedge	Hedging reserves	Termination of hedging: residual value of hedging reserves
A. HEDGING OF FINANCIAL FLOWS				
1. Assets		-	**6,249**	-
1.1. Debt securities and interest rates		-	6,249	-
1.2 Equities and stock indices		-	-	-
1.3 Currencies and gold		-	-	-
1.4 Loans and receivables		-	-	-
1.5. Other		-	-	-
2. Liabilities		-	-	-
1.1 Debt securities and interest rates		-	-	-
1.2 Currencies and gold		-	-	-
1.3 Other		-	-	-
Total (A)	**31/12/2023**		**6,249**	
Total (A)	**31/12/2022**		**16,259**	
B. HEDGING OF FOREIGN INVESTMENTS		-	-	-
TOTAL (A+B)	**31/12/2023**	-	**6,249**	**-**
TOTAL (A+B)	**31/12/2022**	-	**16,259**	**-**

E. EFFECTS OF HEDGING TRANSACTIONS ON EQUITY

E.1. Reconciliation of equity components

	Cash flow hedging reserve				
	Debt securities and interest rates	Equities and stock indexes	Currencies and gold	Loans and receivables	Other secured guarantees
Opening balance	**-**	-	-	-	-
Changes in fair value (effective portion)	6,249	-	-	-	-
Transfers to profit or loss	-	-	-	-	-
- of which: future transactions no longer expected	-	-	-	-	-
Other changes	-	-	-	-	-
- of which: transfers to the initial carrying amount of the hedged instruments	-	-	-	-	-
Closing balance	**6,249**	**-**	**-**	**-**	**-**

SECTION 1.4 - LIQUIDITY RISK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is the possibility that the Bank will not be able to meet its payment commitments due to an inability to raise funds (funding liquidity risk) or an inability to sell assets on the market to meet the liquidity imbalance (market liquidity risk). Liquidity risk also concerns the inability to find adequate new financial resources, in terms of amount and cost, with respect to operational needs/opportunities, which forces the Bank to slow down or stop the development of its business, or incur excessive funding costs to meet its commitments, with significant negative impacts on its margins. The Bank's main sources of finance are its equity, deposits from retail corporate and financial customers, as well as forms of collateralised deposits with central or institutional counterparties.

In any case, the Bank is constantly engaged in developing its financial resources in a harmonious way, in terms of both size and costs.

The Bank has adopted a specific liquidity risk management policy, as well as a Contingency Funding Plan that establishes the objectives and explains the processes and intervention strategies to be implemented in emergency conditions:

- Liquidity risk management policy

  This document, which was approved by the Board of Directors in June 2021, lays down the guidelines for managing liquidity risk during ordinary operations in terms of governance structure, measurement tools and risk management, monitoring and control methods.

- Contingency Funding and Liquidity Plan

  This document, approved by the Board of Directors in June 2023, lays down the guidelines for managing liquidity risk during phases of tension or liquidity crisis in terms of governance structure, definition of early warnings and states of tension/crisis and the processes to be activated (escalation and recovery option process).

- Liquidity indicators

  The new harmonised legislation for banks and investment firms contained in Regulation (EU) no. 575/2013 (CRR), as updated to the present day, has introduced the following liquidity indicators:

  - Liquidity Coverage Ratio (LCR): short-term liquidity coverage indicator which aims at obliging banks to accumulate sufficient high-quality, easily marketable assets, in order to cope with a scenario of major funding stress for a period of thirty days. At 31 December 2023, it was 459%.
  - Net Stable Funding Ratio (NSFR): long-term structural indicator which is measured with the intention of signalling the existence of any imbalances

between the Bank's liquid assets and liabilities. At 31 December 2023, it was 114.5%.

The liquidity requirements are therefore well above 100%, so above the theoretical target indicated in the period by the Basel 3 regulation. The NSFR value is also higher than the regulatory threshold of 100%.

A. INFORMATION OF A QUANTITATIVE NATURE

1. Time distribution of financial assets and liabilities by contractual residual duration

Currency: Euro

Items/time bands	sight	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	over 5 years	unspecified maturity
Cash assets	**251,053**	**11,668**	**3,301**	**158,023**	**425,497**	**552,629**	**1,447,972**	**4,609,688**	**1,146,705**	**44,509**
A.1 Government securities	-	-	-	-	338	3,981	150,338	320,000	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 U.C.I.T.S.	-	-	-	-	-	-	-	-	-	-
A.4 Loans	251,053	11,668	3,301	158,023	425,159	548,648	1,297,634	4,289,688	1,146,705	44,509
- Banks	98,228	-	-	-	-	-	-	-	-	44,509
- Customers	152,825	11,668	3,301	158,023	425,159	548,648	1,297,634	4,289,688	1,146,705	-
Cash liabilities	**334,907**	**93,602**	**150,522**	**269,428**	**1,778,210**	**785,347**	**1,676,122**	**2,731,820**	**58,525**	**-**
B.1 Deposits and Current accounts	334,544	93,602	132,820	234,028	1,709,038	678,769	1,460,441	1,594,067	58,525	-
- Banks	-	-	-	-	36,908	52,626	82,759	621,189	-	-
- Customers	335,544	93,602	132,820	234,028	1,672,130	626,143	1,377,682	972,878	58,525	-
B.2 Debt securities	-	-	17,699	35,397	57,093	106,192	214,917	1,133,899	-	-
B.3 Other liabilities	363	-	4	3	76	386	764	3,854	-	-
Off-balance sheet transactions	**(2,319)**	**-**	**-**		**-**	**-**	**-**	**2,108**	**208**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital			-	-	-	-	-	-	-	-
- Long positions	-	-	770	1,539	4,639	7,019	14,214	87,743	-	-
- Short positions	-	-	770	1,539	4,639	7,019	14,214	87,743	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	(2,319)	-	-	3	-	-	-	2,108	208	-
- Long positions	-	-	-	3	-	-	-	2,108	208	-
- Short positions	(2,319)	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

SECTION 1.5 - OPERATIONAL RISK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, operational risk management processes and measurement methods

Starting from 30 June 2016, Banca Progetto S.p.A. has adopted the basic method for calculating the own funds requirement for operational risk in compliance with the indications provided by the prudential supervisory regulations.

Therefore, starting from the report at 30 June 2016, the individual own funds requirement for the operational risk of Banca Progetto is calculated with the basic approach.

The definition chosen by Banca Progetto identifies operational risk as the "*risk of losses resulting from the inadequacy or malfunction of processes, human resources and internal systems, or from external events, including legal risk*".

This management system, the main objectives of which are to contain operating losses and improve critical internal processes, involves the following activities:

- detection of subjective qualitative estimates (Risk Self-Assessment);
- calculation of requirement and assessment of exposure to operational risk.

In particular, identifying internal operating losses and carrying out the Risk Self-Assessment allow the Bank to highlight the most critical areas for which specific mitigation measures are proposed, especially increasing first level controls.

INFORMATION OF A QUANTITATIVE NATURE

During 2023, operational loss events were recorded by the Bank linked to the reimbursement requests received following the Constitutional Court's ruling of December 2022 regarding full applicability of the 'Lexitor Ruling'. Against this background, 1,260 requests were recorded for an amount of Euro 1 million. The reimbursement was paid through the use of a specific risk provision set aside the previous year.

PART F

INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – EQUITY

A. INFORMATION OF A QUALITATIVE NATURE

Capital represents the first safeguard against the risks associated with the banking business in general. An adequate level of capitalisation makes it possible to express the entrepreneurial vocation with the necessary margins of autonomy and at the same time to preserve banks' stability. Capital is also the main point of reference for the Supervisory Body's assessment of banks' stability. The most important control tools for risk management are based on it; the size of capital is also linked to operations in various sectors.

The Basel 3 framework concerning own funds has introduced various new elements compared with the previous prudential regulations, providing in particular: a recomposition of the banks' capital in favour of ordinary shares and retained earnings (so-called "common equity"), in order to increase its quality; the adoption of more stringent criteria for the computability of other capital instruments (innovative capital instruments and subordinated liabilities); greater harmonisation of the elements to be deducted (with reference to certain categories of deferred tax assets and significant investments in banking, financial and insurance companies); only partial inclusion of non-controlling interests in common equity.

The new rules on own funds are being gradually introduced, given that a transitional period is envisaged. The rules added to the Capital Requirements Regulation (CRR) after the introduction of IFRS 9, in particular those on credit loss adjustments made at the time of FTA, provide for a phase-in period up to 2022 for the static regime, whereas those for the dynamic regime envisage a phase-in period up to 2024 (following the recent update of the CRR).

In the determination of own funds, reference is made to the specific regulation according to which it is made up of the sum of a series of elements (positive and negative) which, in relation to the asset quality assigned to each of them, can enter the calculation of Class 1 (both in Common Equity Tier 1 and in Additional Tier 1 Capital) or Tier 2, albeit with some limitations. The positive elements that make up own funds must be fully available to the banks, so that they can be used without limitation to cover corporate risks and losses. These elements are shown net of any tax charges. The capital base is made up of Tier 1 capital, which in turn consists of Common Equity Tier 1 - CET 1) and Additional Tier 1 capital - AT 1 to which the Tier 2 Capital - T2 is added, net of deductions.

B. INFORMATION OF A QUANTITATIVE NATURE

B.1 Consolidated book equity: breakdown

Items/Amounts	31/12/2023	31/12/2022
1. Share capital	**10,404**	**10,404**
2. Share premium reserve	**54,048**	**54,048**
3. Reserves	**149,541**	**97,557**
- retained earnings	63,882	11,898
a) legal reserve	3,080	3,080
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	60,802	8,818
- other	85,659	85,659
4. Equity instruments		**-**
5. (Treasury shares)		**-**
6. Valuation reserves	**3,790**	**10,754**
Equities at fair value through other comprehensive income	-	-
Hedging of equities at fair value through other comprehensive income	-	-
Financial assets (other than equities) at fair value through other comprehensive income	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Hedging of foreign investments	-	-
Hedging of financial flows	4,182	10,882
Hedging instruments [elements not designated]		-
Exchange differences		-
Non-current assets and disposal groups held for sale		-
Financial liabilities at fair value through profit or loss (changes in own creditworthiness)		-
		-
Actuarial gains (losses) on defined-benefit pension plans	(392)	(128)
Share of valuation reserves relating to investments carried at equity		-
Special revaluation laws		**-**
7. Profit (loss) for the year	**71,918**	**51,984**
TOTAL	**289,701**	**224,747**

B.4. Valuation reserves relating to defined benefit plans: annual changes

	31/12/2023	31/12/2022
1. Opening balance	**(128)**	**(192)**
2. Positive changes	**149**	**-**
2.1 Increases	-	-
2.2 Other changes	149	-
3. Negative changes	**(413)**	**64**
3.1 Decreases	(413)	64
3.2 Other changes	-	-
4. Closing balance	**392**	**(128)**

SECTION 2 - CONSOLIDATED OWN FUNDS AND CAPITAL RATIOS

A. INFORMATION OF A QUALITATIVE NATURE

Own funds are the Supervisory Body's main point of reference for checking the stability of banks, setting minimum capital adequacy requirements.

Own funds act as the reference framework for prudential supervision, as financial resources capable of absorbing potential losses from banks' exposure to the typical risks of their business.

The provisions on prudential supervision are aimed at harmonising the criteria for calculating own funds with the application of the IAS/IFRS. In particular, they define the so-called "prudential filters" which serve to protect the quality of own funds and reduce the potential volatility caused by the IFRS.

1. Common Equity Tier 1 - CET1

Tier 1 Capital is made up of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

The most important form of Tier 1 is Common Equity, consisting of equity instruments, income-related reserves, valuation reserves, other reserves, computable non-controlling interests, as well as deductions.

There are also some filters, consisting of regulatory adjustments to the carrying amount of the (positive or negative) elements of Tier 1 capital. The legislation also provides for a series of deductions from Common Equity Tier 1 capital, such as deferred tax assets (DTA).

2. Additional Tier 1 capital – AT1

Like CET1, AT1 capital must also be able to absorb losses in going concern conditions. It has to comply with a number of important criteria, including subordination to the bank's other creditors, including depositors and subordinated creditors, the lack of an obligation to distribute dividends and perpetual duration. Equity instruments other than ordinary shares (which are included in Common Equity) and which comply with the regulatory requirements for inclusion at this level of own funds are generally included in this component.

3. Tier 2 capital – T2

T2 Capital contains the tools able to absorb losses in compliance with the regulatory instructions contained in Articles 48 and 52 of the Directive of the European Parliament and Council no. 2014/59/EU which specifically concerns the order in which the resolution authority must proceed with the reduction and/or conversion of the bonds of an institution in financial difficulty.

B. INFORMATION OF A QUANTITATIVE NATURE

	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) capital prior to the application of prudential filters	289,703	224,748
of which: CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)		
C. CET1 prior to the deductions and impact of the transitional provisions (A +/- B)	289,703	224,748
D. Deductions from CET1	2,502	2,688
E. Transitional provisions - Impact on CET1 (+/-)	2,181	4,033
F. Total CET1 (C - D +/- E)	289,381	226,093
G. AT1 prior to deductions and impact of the transitional provisions		
of which: AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional provisions - Impact on AT1 (+/-)		
L. Total AT1) (G - H +/- I)		
M. T2 prior to deductions and impact of the transitional provisions		
of which: T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional provisions - Impact on T2 (+/-)		
P. Total T2 (M - N +/- O)		
Q. Total consolidated own funds (F + L + P)	289,381	226,093

The elements to be deducted from CET1 are attributable to intangible assets of Euro 2.5 million. The impact of the transitory regime - positive for Euro 2.2 million - is attributable to the effects of IFRS 9 on credit loss adjustments (the legislation provides for a transitory phase-in mechanism that expires in 2022 for the static regime and 2024 for the dynamic regime). As a consequence of the above, own funds at the end of 2023 amount to Euro 289.4 million. (Euro 287.2 million fully phased).

CAPITAL ADEQUACY

A. INFORMATION OF A QUALITATIVE NATURE

The following regulatory basic levels apply to banks: 4.5% for Common Equity Tier 1, 6.0% for Tier 1 and 8.0% for Total Capital. In addition to these basic ratios, additional buffers set at a systemic level (including the capital conservation buffer and the countercyclical buffer) or at the individual institution level may apply.

B. INFORMATION OF A QUANTITATIVE NATURE

Items/amounts	Unweighted amounts (*)		Weighted/required amounts	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. RISK ASSETS				
A.1 Credit and counterparty risk	8,533,213	6,703,974	1,319,256	1,103,569
1. Standardised approach	8,533,213	6,703,974	1,319,256	1,103,569
2. Internal ratings-based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. MINIMUM CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			105,541	88,285
B.2 Credit valuation adjustment risk			-	-
B.3 Regulatory risk			-	-
B.4 Market risk			-	-
1. Standardised approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			27,839	16,925
1. Basic approach			27,839	16,925
2. Standardised approach			-	-
3. Advanced approach			-	-
B.6 Other calculation items			-	-
B.7 Total prudential requirements			133,380	105,210
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**1,667,245**	**1,315,132**
C.2 Common Equity Tier 1 capital/Risk weighted assets (CET1 capital ratio)			**17.36%**	**17.19%**
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**17.36%**	**17.19%**
C.4 Tier 1 and 2 capital/risk-weighted assets (Total capital ratio)			**17.36%**	**17.19%**

(*) The "unweighted amounts" correspond to the credit equivalent: amount of exposure that takes into account prudential filters, risk mitigation techniques and credit conversion factors.

The provision of own funds for an amount of Euro 289.4 million includes the profit for the year of Euro 71.9 million. Weighted assets of Euro 1,667.2 million derive almost exclusively from the credit risk on loans to companies backed by central guarantee funds and on salary-backed loans.

The growth in RWA of approximately Euro 350 million during 2023 compared with the previous year is consequent to:

- the increase in credit risk for a total of approximately Euro 215 million, by virtue of the growth in net exposures towards SMEs of Euro 1.7 billion (government guarantees represent approximately 82% of the overall SME loan portfolio, mitigating the capital absorption for credit risk);
- the increase in operational risk of Euro 136 million driven by the sustained growth in the total income (the relevant indicator is calculated using standard methodology by the bank).

The CET1 capital ratio comes to 17.36% (17.19% at the end of 2022), while the fully loaded ratio is 17.23%.

PART G

BUSINESS COMBINATIONS

No extraordinary business combinations were carried out concerning companies or business units during 2023.

PART H

RELATED-PARTY TRANSACTIONS

The purpose of the rules on related-party transactions is to control the risk that the proximity of certain subjects (so-called "related parties") to the decision-making centres of the Bank could compromise the objectivity and impartiality of decision-making, with possible distortions in the process of allocation of resources, in the Bank's exposure to risks that are not adequately measured or monitored, as well as potential damage to the Bank and its stakeholders.

In particular, paragraph 9 of IAS 24 defines the concept of related party as follows:

i) a person or close family member of that person is related to an entity that prepares financial statements if that person:

   a) has joint control or control of the entity that prepares the financial statements;

   b) has a significant influence on the entity that prepares the financial statements; or

   c) is part of the key management personnel of the entity that prepares the financial statements or its parent.

ii) an entity is related to an entity that prepares financial statements if any of the following conditions apply:

   a) the entity and the entity that prepares the financial statements belong to the same group (which means that each parent, subsidiary or group company is related to the others);

   b) an entity is an associate or a joint venture of the other entity (or an associate or joint venture belonging to a group to which the other entity belongs);

   c) both entities are joint ventures of the same third party;

   d) the entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   e) the entity is represented by a defined benefit plan subsequent to the end of the employment relationship for the employees of the entity that prepares the financial statements or an entity related to it. If the entity that prepares the financial statements is itself such a plan, the employers who sponsor it are also related to the entity that prepares the financial statements;

   f) the entity is controlled or jointly controlled by a person identified in point a); or

   g) a person identified in point i) a), has significant influence over the entity or is part of the key management personnel of the entity (or its parent).

In addition, the Bank has adopted a specific internal procedure for carrying out transactions with related parties in implementation of the regulation of the Bank of Italy (circular 285/2013)).

The Board of Directors approved the regulation on "management of conflicts of interest and related-party transactions", most recently updated on 28 March 2023 and available on the Bank's website at www.bancaprogetto.it (the "Policy").

1. Information on remuneration paid to Key Management.

The total amount of remuneration and other benefits and incentives for the year paid to directors, auditors and other key management personnel is equal to Euro 3,454 thousand. As required by the new IAS 24 paragraph 17, further information is provided regarding the following categories:

Category	Amount
a) short-term benefits for employees	2,319
b) post-employment benefits for employees	-
d) share based remuneration to employees	-
e) remuneration paid to members of the Board of Directors	1,013
f) remuneration paid to members of the Board of Statutory Auditors	122

2. Information on related-party transactions

2.1 Other related parties

Euro/thousand	Loans and receivables with customers	Intangible assets	Due to customers	Costs	Income
Other related parties	11,371	288	357	516	668

At 31/12/2023 there were a number of transactions with related parties relating to SME loans for Euro 11.3 million, intangible assets for Euro 0.3 million and liabilities for deposits of Euro 0.4 million. Costs refer to IT and marketing expenses, amortisation of intangible assets and interest expense, while revenue is made up entirely of interest income on loans.

PART L

SEGMENT REPORTING

BANCA PROGETTO'S RESULTS BY BUSINESS SEGMENT AT 31 DECEMBER 2023

Based on Commission Regulation (EU) no. 1358/2007, companies that applied IAS/IFRS had to adopt IFRS 8 "Operating segments" instead of IAS 14 "Segment reporting", starting from the first annual financial statements closed after 1 January 2009. IFRS 8 establishes that the operating segments subject to financial reporting must be identified on the basis of the internal reports that are seen by the Chief Operating Decision Maker to assess the performance of the various sectors and to allocate resources to them. This marked a substantial difference compared with the approach of IAS 14 based on "risks and benefits", which required splitting the figures into homogeneous sectors according to the risks and sources of profitability.

On the basis of the current reporting system prepared by the management accounting department, the information by operating segments is split taking into account:

- The salary-backed loans segment which includes lending to customers (private sector employees, public sector employees and pensioners) to be repaid by assigning a fifth of their salary or pension, including post-employment benefits, delegating payment to the employer and the salary-backed loans portfolio related to former SPVs.
- The SME loans segment, which refers to medium-long term loans to support the growth of small and medium-sized enterprises, with the prevalent use of the Central Guarantee Fund (MCC) or the SACE guarantee, as well as the purchase without recourse of VAT credits and the factoring launched in the first half of 2023.
- Treasury activities which include the management of financial resources and the proprietary portfolio, as well as funding costs, which also involves recharging them to the various products based on internal transfer rates (ITR) as a result of the review of the internal model which was completed at the beginning of the current year.
- The Corporate Centre which includes operating costs to support the Bank's businesses and all activities not allocated to salary-backed loans, SME financing and treasury, as well as Instant lending to private individuals and the run-off of residual loans of the former Banca Popolare Lecchese.

Secondary disclosure by geographical segment has been omitted as not significant: customers are essentially concentrated in the domestic market.

REPORTS BY BUSINESS SEGMENTS –

Statement of profit or loss account figures a at 31.12.2023 (Euro/thousand)

Items	SME Loans*	Salary-backed loans***	Treasury	Corporate Centre and Mortgages of the former Banca Lecchese **	Total
Net interest income	191,266	8,541	60,027	253	260,087
Net fees and commissions	1,146	899	(8,281)	-	(6,236)
Other revenue	-	-	-	-	-
Total income	192,412	9,440	51,746	253	253,851
Net adjustments for impairment losses	(63,427)	(4)	63	(421)	(63,789)
Net profit (loss) from financial activities	128,985	9,436	51,809	(168)	190,062
Personnel expense	(8,097)	(1,253)	(901)	(13,735)	(23,986)
Other expenses	(9,087)	(2,674)	(9,965)	(37,568)	(59,295)
Profit/(Loss) before taxes	111,801	5,509	40,943	(51,472)	106,781

REPORTS BY BUSINESS SEGMENTS

Statement of financial position figures at 31.12.2023 (Euro/thousand)

Items	SME loans*	Salary-backed loans***	Treasury	Corporate Centre and Mortgages of the former Banca Lecchese **	Total
Cash and loans receivables with banks	-	-	142,928	-	142,928
Loans Receivables with customers	7,129,132	511,260	474,901	7,326	8,122,618
Due to banks	839,503	-	288,137	-	1,127,640
Due to customers	4,839,197	396,491	167,704	7,326	5,410,718
Securities in issue	1,450,431	114,769	-	-	1,565,200

* Includes purchase without recourse of VAT credits and factoring
** Includes instant lending to private individuals
*** Includes Salary-backed loans portfolio related to former SPVs

PART M

INFORMATION ON LEASES

SECTION 1 - LESSEE

This part provides the information required by IFRS 16 which is not present in the other parts of the financial statements. The Bank only acts as a lessee.

QUALITATIVE INFORMATION

The Bank essentially has lease contracts outstanding for property and cars.

At 31/12/2023 there are 40 lease contracts, of which 5 relating to property, for total right-of-use assets of Euro 4.4 million.

These contracts have a term of more than 12 months and typically present renewal and extinction options that can be exercised by the lessor and lessee according to the rules of law or specific contractual provisions. They do not include the purchase option at the end of the lease or significant restoration costs for the Bank. The total term of the lease is the same as the contractual duration.

Contracts referring to other leases relate to cars. These are long-term rental contracts referring to the Bank's fleet of cars made available to employees (for business and private use) or to departments of the bank. Generally these contracts have a four-year duration, with monthly payments and no renewal option. They do not include an option to purchase the asset. The contract can be extended according to the needs of the car fleet; a penalty may be due in the event of early termination.

Leases other than those relating to property and cars are of an insignificant amount.

The Bank makes use of the exemptions permitted by IFRS 16 for short-term leases (i.e. with a duration of less than or equal to 12 months) or for leasing assets of modest value (i.e. of a value of less than or equal to Euro 5,000).

QUANTITATIVE INFORMATION

Part B - Notes - Assets gives information on the right-of-use assets (Table 8.1 - Property and equipment for business use: breakdown of the assets measured at cost) and Part B - Liabilities shows the lease liabilities (Table 1.1 - Financial liabilities measured at amortised cost: breakdown of due to banks, Table 1.2 - Financial liabilities at amortised cost: breakdown of due to customers and Table 1.6 - Lease liabilities). In particular, the right-of-use assets amount to Euro 4.4 million, of which Euro 4.1 million relating to leased properties.

Part C of the notes contains information on the interest expense on lease liabilities and other charges associated with the right-of-use assets. Please refer to the specific sections for further details.

The following table divides depreciation of the right-of-use assets into the various categories, in line with the presentation of property and equipment.

Assets/Income components	31/12/2023
Depreciation of the rights of use acquired with leases:	
a) land	-
b) buildings	1,317
c) furniture	-
d) electronic systems	-
e) other	165
Total	**1,482**

ATTACHMENT 1

FEES PAID TO THE AUDITORS

Attachment 1 - Fees paid to the auditors

As required by art. 149 - duodecies of the Issuers Regulation (Disclosure of fees) and Assirevi Research Document no. 118 (Disclosure of audit fees and fees for services other than auditing), a table containing the fees for the year must be presented as an attachment to the financial statements of the company that awarded the audit engagement, for the services provided to the company by the following entities:

a) by the audit firm, for the provision of auditing services;
b) by the audit firm, for the provision of services other than auditing, broken down between attestation services for the purpose of issuing an attestation and other services distinguished by type;
c) by entities belonging to the same network as the audit firm, for the provision of services, broken down by type.

The following table indicates the fees for 2023 paid by Banca Progetto S.p.A. to KPMG S.p.A., without considering the expenses and VAT.

Type of services	Entity that provided the service	Recipient	Fees (thousands of Euro)
Audit	KPMG S.p.A.	Banca Progetto S.p.A.., Progetto Quinto S.r.l., Progetto PMI S.r.l., Progetto PMI 2 S.r.l., Progetto PMI 3 S.r.l., Progetto PMI 4 S.r.l., Progetto PMI 5 S.r.l., Progetto PMI 6 S.r.l.	481
Certification services	KPMG S.p.A.	Banca Progetto S.p.A.	170
Other services	KPMG ADVISORY S.p.A.	Banca Progetto S.p.A.	95

Audit services related to Banca Progetto S.p.A. include:

- audit of the annual and consolidated financial statements;
- audit (full and/or limited) of interim financial reports;
- attestation of tax and National Guarantee Fund declarations.

Certification services include:

- agreed-upon procedures (ISRS 4400) performed in the context of securitization transactions;
- agreed-upon procedures (ISRS 4400) performed on the management control system as required by Borsa Italiana regulations;
- issuance of comfort letters on financial and KPI ESG;
- review (ISAE 3000) of the sustainability report.

Other services include support in assessment activities on the management control system model and project office.

ATTACHMENT 2

PUBLIC DISCLOSURE, STATE BY STATE

Attachment 2 - Public disclosure, state by state

Figures as of 31 December 2023

The following information is published as required by letters a) to f) of Attachment A of Part One, Title III, Chapter 2 of the Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent updates.

a) Name of the companies established and nature of the business
Banca Progetto S.p.A. (also the "Bank")
Pursuant to art. 4 of the Articles of Association, the Bank has as its object the taking of savings deposits and the granting of credit in its various forms and can carry out, in compliance with the provisions in force, and, where necessary, obtaining the necessary authorisations, all banking and financial transactions and services, as well as any other type of transaction related to its business or in any case connected to the achieving its corporate purpose.

b) Turnover
The Bank's 2023 turnover, i.e. its total income (item 120 of the statement of profit or loss), came to Euro 253,367,855.

c) Number of employees on a full-time equivalent basis
At 31 December 2023, the Bank had 204.12 employees on a full-time equivalent basis, i.e. the ratio between the total number of hours worked by all employees, excluding overtime, and the annual total contractually envisaged for an employee hired on a full-time basis.

d) Profit before tax
Th 2023 profit before taxes of the Bank, referred to in item 260 of the statement of profit and loss, is equal to Euro 106,746,455.

e) Income taxes The Bank's taxes, referred to in item 270 of the statement of profit or loss, are negative for Euro 34,828,000 in 2023.

f) Profit for the year
At 31 December 2023, the Bank's profit for 2023, as per item 300 in the statement of profit or loss, is Euro 71,918,455.

g) Public grants received
During 2023, Banca Progetto S.p.A. received 136 reimbursements through enforcement of guarantees previously issued in favour of companies financed by the Central Guarantee Fund for SMEs and medium companies for a total of Euro 42,802 thousand.

REPORT OF THE INDIPENDENT AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Independent auditors' report

To the shareholders of
Banca Progetto S.p.A.

Opinion

We have audited the consolidated financial statements of Banca Progetto S.p.A. (the "Bank") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and the explanatory notes thereto, which include material information on accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Banca Progetto S.p.A. and its subsidiaries as at 31 December 2023 and of their consolidated financial performance and its consolidated 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. 136/15.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

KPMG

Banca Progetto S.p.A. and its subsidiaries
Independent auditors' report
31 December 2023

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

Notes to the consolidated financial statements "Part A - Accounting policies": section A.2. "Main items in the consolidated financial statements"

Notes to the consolidated financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost - Item 40"

Notes to the consolidated financial statements "Part C - Information on the statement of profit or loss": section 8.1 "Net impairment losses on financial assets at amortised cost: breakdown"

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

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is the Bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €7.7 billion at 31 December 2023, accounting for 89.7% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €63.8 million. For classification purposes, the Bank's directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement and/or acquisition. To this end, they consider both internal information about the performance of exposures and external information about the reference sector and borrowers' overall exposure to Banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the Bank's directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which Banca Progetto S.p.A. and its subsidiaries' customers operate. The complexity of the directors' estimation process has increased as a result of the geopolitical uncertainties caused by the Israeli-Palestinian conflict and the conflict in Ukraine in 2023. These uncertainties have severely worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and, therefore, on monetary policies, leading central banks to raise interest rates in the main economies. This required the	Our audit procedures included: • gaining an understanding of the Bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging) and sample-based test of their classification; • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation caused by the Israeli-Palestinian conflict and the conflict in Ukraine. We carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; • analysing the significant changes in the loan and receivable categories and in the related impairment

directors to revisit the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	rates compared to the previous years' figures and discussing the results with the relevant internal departments; • assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost, also considering the increased disclosure requirements.

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

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

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

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Banca Progetto S.p.A. and its subsidiaries' financial reporting process.

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

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

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Banca Progetto S.p.A. and its subsidiaries' internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Banca Progetto S.p.A. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Banca Progetto S.p.A. and its subsidiaries to cease to continue as a going concern;
- evaluate 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;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Banca Progetto S.p.A. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

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

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

On 27 April 2018, the Bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2018 to 31 December 2026.

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

KPMG

Banca Progetto S.p.A. and its subsidiaries
Independent auditors' report
31 December 2023

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

Milan, 29 February 2024

KPMG S.p.A.

Alberto Andreini
Director of Audit

REPORT OF THE BOARD OF STATUTORY AUDITORS

Banca Progetto S.p.A.

Registered office in Via Bocchetto 6, Milan, Italy

REPORT OF THE BOARD OF STATUTORY AUDITORS

ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

DRAWN UP PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of Banca Progetto S.p.A.

Introduction

This report provides the legal disclosures on the results of the supervisory activity pursuant to art. 2403 of the Civil Code and on the specific checks carried out on the financial statements for the year ended 31 December 2023, approved by the Board of Directors at the meeting on 12 February 2024, as well as on the consolidated financial statements at the same date.

The task of auditing the accounts was assigned to KPMG S.p.A. (KPMG), effective from 2018 until 31 December 2026.

This report was approved collectively and in good time for its filing at the Company's headquarters in the 15 days prior to the date of the first calling of the shareholders' meeting to approve the financial statements.

The format of this report is based on the provisions of the law and Rule no. 7.1. of the *"Rules of conduct of the board of statutory auditors - Principles of conduct of the board of statutory auditors of unlisted companies"*, issued by the National Council of Chartered Accountants and Accounting Experts (NCCAAE) and in force since 20 December 2023.

Introduction

The most important events that characterised 2023 for the Bank include: a) on 21 July 2023, pursuant to the resolution adopted by the Board of Directors on 13 June 2023, the shareholders' meeting, approved, among other things, presentation of the application for admission of the Bank's ordinary shares to the Italian Stock Exchange for listing on the Euronext Milan market. As a result, certain resolutions were approved, some conditional on the shares' admission to trading, such as the proposals to adopt a new version of the articles of association and to increase the share capital on a cash basis. This project is still in progress; b) on 6 September 2023 the shareholders' meeting decided that the Board of Directors would consist of 9 members and appointed Massimo Capuano as Chairman of the Board of

Directors. Paolo Fiorentino was confirmed as the Bank's CEO; c) during the year the Bank completed four securitisations with underlying portfolios of loans disbursed by the Bank to Italian SMEs backed by the Guarantee Fund and/or by SACE.

Maurizio Parni has announced his resignation as statutory auditor from the date on which the Bank's shares start trading on the Euronext Milan: his resignation is due to the new regulatory framework that will apply to the Bank from the listing date. It imposes particularly stringent limits on the number of positions that can be held by members of the Board of Statutory Auditors and he would not be able to comply with them. The resignation also concerns the position of Chairman of the Supervisory Body, which is currently held by Maurizio Parni.

Having said this by way of introduction, with this report we explain the supervisory and control activity that we carried out during the year ended 31 December 2023, as required by art. 2429 second paragraph of the Italian Civil Code. We also make observations, within the scope of our responsibilities, on the financial statements and on the proposal for the allocation of the Bank's net profit at 31 December 2023 as formulated by the Board of Directors.

Supervisory activity performed

We met 27 times during the year to 31 December 2023. We also attended all meetings of the Board of Directors during the period, during which information was obtained on the trend of operations, as well as on the more significant transactions carried out by the Bank. During 2023, these meetings were held in compliance with the statutory, legislative and regulatory provisions governing their functioning. As a result, we can reassure you that the resolutions adopted at these meetings complied with the law and the articles of association, were not manifestly imprudent, risky or in potential conflict of interest or such as to compromise the integrity of the company's assets. Following the appointment of new members of the Board of Directors, we also took part in the induction sessions organised for them, which were dedicated to the functions and activities of the Bank; these sessions that are still underway.

During the year, we monitored compliance with the law, regulations and the articles of association in compliance with the principles of correct administration. This activity was based on the principles of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts, also complying with the provisions issued by the competent Supervisory Authority.

In compliance with these regulations, the Board verified that each of its members met the requirements of professionalism and integrity and that none of the causes of ineligibility, incompatibility and forfeiture envisaged by current legislation applied to any of them, with a view to guaranteeing the independence of the statutory auditor, in addition to ensuring that there were no impediments under the rules on interlocking appointments. We also followed up the self-assessment process with the help of Management Search (a consultancy firm that is supporting the Bank in the self-assessment process of the Board of Directors). It did not come up with any critical issues or areas for operational or behavioural improvement worthy of mention.

In carrying out our activities, we met periodically with the heads of the Bank's internal control functions (Internal Audit, Risk, Corporate Legal and Compliance) and with the head of the Finance Department. We examined the documents provided to us and carried out our own analyses and assessments, summarised in the minutes, which did not lead to the emergence of any elements that might cast doubt on compliance with the law, the articles of association and the principles of correct administration.

We expressed the opinions required of us by law and by our role; in particular, we expressed our opinion in favour of (i) the emolument for the office of Chief Executive Officer awarded to Paolo Fiorentino, (ii) the remuneration awarded to the Internal Auditor, (iii) the fees for the permitted activities other than auditing carried out by the KPMG network; iv) the appointment of the Head of AML and SOS delegate; v) the appointment of the Manager in Charge; vi) the regulations provided for in art. 2441 para. 6 of the Italian Civil Code.

We acknowledge that no complaints were filed pursuant to art. 2408 of the Civil Code during 2023.

The organisational, administrative and accounting structure of the Bank has continued to adapt to the current nature and dimensions reached by the activity, as well as to the need to pursue its corporate purpose, strategic objectives and operational requirements.

During our activities, we received the opinions drawn up by the Independent Directors in relation to the Related Party transaction "Figure 11" and the proposed increase in capital reserved for the majority shareholder BPL Holdco S.à r.l. with exclusion of the option right. We also took part in the related discussions of the Independent Directors, concluding that we did not have any observations to make in this regard.

Relations with the independent auditors

During the year, we exchanged information with the KPMG audit team useful to carry out the respective work.

As part of the mutual exchange of data and information, the auditors did not report any acts or facts that might be considered reprehensible. They also reassured us that there were no significant aspects regarding the bookkeeping and the correct reporting of all transactions.

Today we received KPMG's audit report as required by articles 14 of Legislative Decree 27 January 2010 39 and 10 of Regulation (EU) 537/2014, which was issued without highlighting any matters. On the same date, the independent auditors also issued their "Additional Report for the Internal Control and Audit Committee" referring to 2023 and the annual confirmation of independence drawn up on the basis of European Regulation no. 537/2014 pursuant to art. 11 and art. 6, paragraph 2), letter a).

Supervision of the financial statements

We have examined the separate and consolidated financial statements of Banca Progetto S.p.A. at 31 December 2023 as approved by the Board of Directors and delivered to us together with the documents that make them up within the terms of the law.

Given that the audit of the financial statements for legal purposes was not delegated to us, we supervised their general layout, their overall compliance with the law as regards its format and structure and, in this regard, we have no particular observations to make.

The separate and consolidated financial statements have been drawn up on the basis of IAS/IFRS. There were no events that required any of the derogations permitted by law.

The Explanatory Notes contain the declaration of compliance with the international accounting standards applied and indicate the main accounting policies adopted by the Bank, as well as supporting information for items in the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Net Equity and Cash Flow Statement.

The accounting policies and methods, as expressed in the accompanying documents and, in particular, in the Explanatory Notes to the financial statements, appear to be correct and adequate.

The Directors' Report explains the main events that characterised operations and the result for 2023 with an analysis of the financial situation, fixed assets, transactions with related parties and the outlook for operations. The document complies with current law and adequate information has been provided on the methods for measuring and managing risks, in particular, credit risk and operational risk.

As regards the extent to which the financial statements agree with the facts and information of which we became aware during the performance of our duties, we have no observations worthy of mention in this report.

As regards capital adequacy, it should be noted that the CET1 Capital Ratio, the Tier 1 Capital Ratio and the Total Capital Ratio stood at 17.23% at 31 December 2023 (16.74% at 31 December 2022). These capital adequacy ratios are higher than the minimum requirements set by the Bank of Italy. Please refer to the paragraph of the financial statements relating to capital adequacy for further details on this matter.

The financial statements show a profit for the year of Euro 71,918 thousand.

***

Shareholders,

Given the above matters and taking into account the results of the work performed by the independent auditors as explained in their report on the financial statements, to which the Shareholders' Meeting is invited to refer, we do not find any impediments nor do we have any observations or proposals to make with regard to your approval of these financial statements. In consideration of the amount involved and the general capital situation of the Bank, we agree with the Directors' proposal (i) to allocate part of the profit for the year to a non-distributable reserve for Euro 8,358 thousand in application of Legislative Decree no. 104/2023 regarding the treatment of the extraordinary tax on extra profits and (ii) to carry forward as retained earnings the residual portion of the profit for the year of Euro 63,560 thousand.

Milan, 29 February 2024

Marco Reboa

Laura Braga

Maurizio Parni

Registered Office and General Management in Milan
via Bocchetto 6, 20123 Milan