2023

Financial Statement

cherry bank

A Bank, a Project made of

People for People.

CHERRY BANK S.P.A.

Registered office in Padua, Via San Marco 11
Share Capital Euro 49,597,778 fully paid-up
Padua Companies Register, Tax Code and VAT No. 04147080289
ABI 03365
Bank Register No. 5682
Member of Fondo Interbancario di Tutela dei Depositi (Interbank Fund for Deposit Protection)
Member of Fondo Nazionale di Garanzia (National Guarantee Fund)

Officers

BOARD OF DIRECTORS

Giuseppe Benini Chair

Gabriele Piccolo Deputy Chair

Giovanni Bossi CEO

Stefano Aldrovandi Director

Giacomo Bugna Director

Elisa Cavezzali Director

Francesca Maderna Director

Marina Vienna Director

BOARD OF STATUTORY AUDITORS

Piero De Bei Chair
Giovanna Ciriotto Standing Auditor
Carlo Regoliosi Standing Auditor
Filippo Fornasiero Alternate Auditor
Valentina Martina Alternate Auditor

INDEPENDENT AUDITORS

EY S.p.A.

LETTER FROM THE CHAIR

GIUSEPPE BENINI

Shareholders,

At the close of Cherry Bank's second financial year under this name, the strategy implemented by the Bank to manage change is increasingly evident.

I did not use the word "react" but "manage". Because at Cherry Bank, change is not seen as an exogenous factor, attributable to others, to which we are called upon to adapt in a reactive manner.

Change must be "managed" in the same way as any other element of business management. It is both the underlying engine and the ultimate goal, rooted in our DNA.

In a socio-economic context of ever-changing consumption and a recently unfavourable economic situation, the key to remaining competitive lies in the ability to respond proactively and quickly to customer needs. In other words, in the ability to be present in their daily lives, with simple, effective and concrete services that support them in the challenges they too are called upon to face, be they large or small.

At Cherry Bank, we have realised how important it is to adapt to such a changing market in a short time, and we have responded to this imperative by also embracing external growth.

The mergers with Banco delle Tre Venezie first, and then with Banca Popolare Valconca, allowed us to quickly obtain new skills, services, and professionalism, and to expand our activities in territories where – alone – it would have been particularly costly and risky to enter.

Thanks to the integration with Institutions with strong territorial roots – albeit different from each other – and while expanding, we believe we are even more able to keep faith with our long-standing mission: to offer households, individuals, businesses and entrepreneurs customised and innovative financial solutions, generating shared value for the local ecosystem in which we operate.

Proximity to community and territory also means acquiring a renewed awareness of our role in ensuring a better future.

This is another facet of the term "change" that is strategic for us: to be leading players, not mere spectators, in the process of social, climate and governance transition.

This commitment is reflected in the way we can and want to direct resources to do conscious business, to stimulate in companies, entrepreneurs and households strategies and investments that are more efficient and effective in terms of technology and, at the same time, more suitable in terms of guarding against the many risks that can arise in the pursuit of sustainability.

The creation of shared value thus represents a fundamental compass, guiding us in the implementation of our strategies and in the pursuit of the ambitious goals we continuously set ourselves.

We hope, therefore, that these objectives will make each of you, as we are, proud to be part of this Project called Cherry Bank.

Giuseppe Benini
Chair of Cherry Bank

LETTER FROM THE CEO

GIOVANNI BOSSI

Shareholders,

The year 2023 further confirmed our willingness to evolve, grow and extend our activities. This growth takes place from different perspectives: the services we offer, the geographies in which we are present, our resources and, last but not least, our assets and shareholders.

As of 30 December 2023, in fact, Banca Popolare Valconca has been integrated into Cherry Bank, in a Project that originated from attentively listening to the needs and aspirations of a reality with an unexpressed potential too significant not to be supported and nurtured.

Since then, our promise of growth has been extended to even more shareholders, representing a challenge – and a commitment – fully in line with our DNA.

The integration of Banca Valconca has breathed new life into our multi-year development plan that makes the creation of shared value for the entire ecosystem its guiding thread.
And this shared value we are bringing rests on solid foundations: on fast, high-quality, highly specialised services, and above all tailored to the needs of individuals, households, businesses and entrepreneurs. So that they are not simply the answer to a financial need, but are concrete tools that can make a difference.

However, making a difference in the socio-economic context in which we find ourselves is increasingly challenging.

One challenge – in particular – is the pervasiveness with which digitalisation has radically transformed the way people access services, communicate, inform and entertain themselves.
This trend represents an extraordinary opportunity for Cherry Bank to offer services that are truly aligned to the needs of users, seeking a competitive advantage in the market, and – at the same time – to act with awareness and commitment with regard to sustainability and the positive impact that, as a Bank, we can concretely bring to the society in which we live.

We are also aware that digital should not replace the physical branch network, but rather should go alongside it: from our perspective, digital does not create distance, but is an enabler that allows us to be even closer to customers in their daily lives and their needs, preventing the relationship with them from being reduced to impromptu contact occasions, but increasingly becoming a dialogue that develops through different contact points.

We must also remember that the personal relationship with the Bank makes a difference at times when individuals and companies may need support in making choices for which individual details may be of crucial importance. Some services can certainly be enjoyed independently, but financial advice, and thus trust in the Bank, are the indispensable pillar of our business. And this trust is grounded in personal relationships. It is with this in mind that we are increasingly convinced that branches are a value for our Bank, for the territory and for the entire community, in contrast to the "banking desertification" that we have been witnessing in recent years. This phenomenon – with more than 800 branches disappearing in Italy in 2023 alone – raises serious concerns for social and economic cohesion, affecting in particular the most fragile groups and the non-digitalised, primarily the elderly.

Consistent with this purpose, the Retail Business Unit was created to coordinate the network of 17 physical branches from Banca Valconca operating in the Romagna area and in the province of Pesaro, whose presence and organisation was preserved to ensure continuity in customer relations and to enhance the strong link with the territory.

Looking at our activities, during this year, we further consolidated our tax credit business with Cherry Credit, a digital platform for our corporate customers.

We continued to play an important role vis-à-vis households, whom we supported in obtaining ready liquidity for the renovation and efficiency upgrading of their homes by intermediating tax credits worth more than Euro 1.6 billion.

We have also further consolidated the online current account offering launched last year, which allows individuals and households to deposit their savings, benefiting from advantageous rates. In this respect, the year 2023 saw the achievement of excellent results: as at 31 December, some 11,600 current accounts were active, with a total balance of about Euro 557 million at that date. Since this is a recently launched service, we expect further growth in penetration, in terms of number of account holders and deposits, in the months to come.

With regard to the other business areas already present in Cherry Bank, we further strengthened our presence and our role in the Wealth Management market, thanks primarily to the expansion of the private banker network, with the expectation of reaching a hundred resources soon. The increase in the workforce will also be reflected in the geographical aspect, with a consolidation of our presence in the areas already covered (e.g. Centre-North) and an extension into new high-potential territories.

In its first year of activity, the Special Situations area affirmed its role as a financial partner, to support restructuring and relaunching processes of SMEs with articulated interventions to respond with specific solutions to the pressures arising from inflationary tensions in input prices. The reinforcement of the team ensures the constant monitoring of this specific segment.

We also continue our commitment to households and businesses that have had difficulty in repaying their debts, assisting them in finding the most suitable and effective solutions to honour their financial commitments, thus returning to a situation of financial health that can provide a solid basis for future development.

Lastly, we have strengthened the Bank's offering in the more traditional area of business and entrepreneur support. Our widespread presence in the territory in which we operate, extended thanks to the integration of the Banca Valconca commercial network, has allowed us to develop targeted and concrete solutions, capable of supporting corporate customers in the challenges dictated by an increasingly complex and evolving competitive scenario.

The results achieved in 2023 were also possible thanks to the substantial increase in the Bank's workforce, which saw growth both in terms of quantity and with respect to the variety of skills and professionalism included.

We are working on the new Strategic Plan 2024-2026. After the integration of Banca Valconca, it is necessary to review the forecasts and formalise the guidelines of our work. We have always been accustomed to planning, realising, comparing the results obtained with expectations, and to allocating our resources (human, technological, capital, liquidity) accordingly in order to make them work in the best interests of all stakeholders.
The new Plan, as always, will focus on controlling regulatory capital; controlling liquidity; controlling risk-adjusted profitability. These are three pillars, the simultaneous reading of which allows us to best guide the Bank even in very dynamic scenarios such as those we expect to face. We will not miss it.

We therefore look forward with confidence to the future of the Bank, which will certainly be larger in terms of equity and financially sustainable, and we will continue to be an aggregator in the market with the aim of implementing a new business model that will allow us to offer an even broader range of financial services, providing quality and tailor-made solutions for every need, in order to create long-term value for all customers and stakeholders.

It is a commitment that is renewed daily and lives on in the work of all of us, in our passion and dedication, knowing that we can make – united – a difference.

Today and tomorrow.

Giovanni Bossi
CEO of Cherry Bank

Published in the Official Journal of the Italian Republic No. 37 of 28.03.2024

The shareholders of Cherry Bank S.p.A. are called to the Ordinary Shareholders' Meeting to be held on 29 April 2024 at 10:00 a.m., in a single call, at the Best Western Plus Net Tower Hotel – Padua, Via San Marco 11/A, to discuss and resolve on the following

Agenda:

1. Financial Statements at 31 December 2023:
   1.1 Approval of the Financial Statements at 31 December 2023,
   1.2 Allocation of the result for the year;
2. Remuneration and Incentive Policies:
   2.1 Disclosure on the implementation of the Remuneration and Incentive Policies adopted in the financial year 2023,
   2.2 Approval of the Remuneration and Incentive Policy for the year 2024.
   Related and consequent resolutions;
3. Appointment of the Board of Directors pursuant to Article 2364 of the Italian Civil Code after determining, pursuant to Article 16.3 of the Articles of Association, the term of office;
4. Appointment of the Board of Statutory Auditors and its Chair for the financial years 2024-2025-2026, pursuant to Article 2364 of the Italian Civil Code;
5. Determination of the remuneration of the Board of Directors and Board of Statutory Auditors pursuant to Article 2364 of the Italian Civil Code.

The related documentation, required by law, will be filed at the Bank's registered office in Padua, Via San Marco 11, and published on the institutional website www.cherrybank.it in the specific section reserved to Shareholders, available for inspection by those who wish to view it, in the 15 (fifteen) days prior to the date of the Shareholders' Meeting. The Shareholders' Secretariat and the Bank's Branches are available to provide shareholders with the credentials to access the aforementioned reserved section.

In view of the renewal of corporate offices, with reference to the details and procedures for submitting candidate lists, please refer to the following documents: i) "Disclosure to Shareholders on the terms and procedures for submitting candidate lists for the Board of Directors and the Board of Statutory Auditors"; ii) "Document on the optimal qualitative-quantitative composition of the Board of Directors"; iii) "Document on the optimal qualitative-quantitative composition of the Board of Statutory Auditors", published on the Bank's website.

Pursuant to Article 10.3 of the current Articles of Association, voting by correspondence is not permitted.
Please also note that pursuant to Article 11.1 of the current Articles of Association, shareholders who are registered in the Shareholders' Register at least 5 (five) days prior to the date set for the Shareholders' Meeting may attend the Meeting.

Shareholders who are entitled to vote but are unable to attend the Meeting may participate by appointing a proxy using the proxy form also available on the Bank's website. Representation may not be conferred to members of the Boards of Directors, auditing bodies or employees of the Bank, to the companies controlled thereby or to members of these companies' Boards of Directors, auditing bodies or employees.

Padua, 25 March 2024

Chair of the Board of Directors
Giuseppe Benini

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INTRODUCTORY NOTES

The figures for the 2023 financial year were affected by the **merger by integration of Banca Popolare Valconca S.p.A. in A.S. (under Extraordinary Administration) into Cherry Bank** materialised at the end of December 2023.

The merger, which entailed a strong organisational commitment and an equally intense project approach, represents a major milestone for the growth of Cherry Bank, which had already emerged from a first merger between Cherry 106 and Banco delle Tre Venezie finalised at the end of 2021. It is also as a result of the merger of Banca Popolare Valconca that **the size of the Bank has now changed radically,** going from around one billion in total assets to around 3.2 billion; with shareholders' equity also more than tripling to 165 million in a single year, thanks also to the net result for the year, which came to 79 million and includes the accounting effect of the merger; resources went from 237 to 466 at 31 December 2023.
The rapid growth that has taken place poses opportunities and risks that must be taken into account: the Board of Directors and all corporate functions are involved in enhancing the former and monitoring the latter, in the clear evidence that conscious risk-taking is a cornerstone of a bank's business. However, it is clear that the discontinuity generated by the merger is the most characteristic element of these Financial Statements and – above all – its comparison with the results of the previous year is particularly complex. Below, for the purpose of a better reading of the events that occurred, the events of the financial year will be highlighted with this discontinuity in mind.

Account should be taken of the following events that led to the merger:

- - an **expression of interest** was submitted to the Commissioners on 14 February 2023, followed by the launch of a competitive procedure by the Commission management;
- - following a due diligence phase on the Bank's evidence, a **binding offer** was submitted to the Commissioners on 30 March 2023, which was accepted;
- - after the negotiations that took place in April, on 1 June, the **Framework Agreement** was signed in order to regulate the merger by incorporation of Banca Popolare Valconca S.p.A. in A. S. (under Extraordinary Administration) into Cherry Bank;
- - on 30 June 2023, **the merger plan** was filed at the offices of the Banks participating in the merger together with the relevant balance sheets;
- - during the month of July, the **authorising request** was drafted for the Bank of Italy's approval of the proposed transaction, which was authorised on 17 October 2023;
- - on 25 and 27 November 2023, respectively, the **Extraordinary Meetings** of Banca Popolare di Valconca and Cherry Bank Shareholders were held, which resolved in favour of the merger by incorporation of the two entities;
- - on 19 December 2023, the **deed of merger** was signed by which the transaction was finalised with effect from 30 December 2023.

The merger by incorporation of Banca Popolare Valconca S.p.A. in A. S. (under Extraordinary Administration) into Cherry Bank took place through the **assignment to BPV shareholders of shares equal to 10% of the total shares** after the capital increase carried out to service the merger. In preparation for the transaction, Cherry Bank increased only the number of shares – to be delivered to Cherry Bank shareholders prior to the merger – to align **the exchange ratio of one Cherry Bank share for each Banca Popolare Valconca share** existing prior to the merger, in order to simplify the transaction as much as possible.

As mentioned above, the comparison with the previous financial year's figures for 2022 is therefore uneven, as the **Balance Sheet balances** also include the recognition at fair value of the assets and liabilities referred to the merged Banca Popolare Valconca. In particular, in these Financial Statements the effects deriving from the **Purchase Price Allocation** ("PPA") process have been recognised, which involves the allocation of the price, recognising the assets acquired, the liabilities assumed and the contingent liabilities, referring to the acquired Banca Popolare Valconca, at the relative fair values at the acquisition date.

Cherry Bank's **Income Statement** for the financial year 2023 only includes the results of Cherry Bank's contribution, except for the recognition of the following extraordinary items:

- the item "Net impairment of assets measured at amortised cost" includes Euro 3.4 million for the effect of the impairment on performing loans from Banca Popolare Valconca, recorded at their fair value at the date of the business combination;
- "Other administrative expenses" include acquisition and integration costs for Euro 1 million;
- the item "Other operating expenses/income" includes the gain on bargain purchase in the amount of Euro 50.1 million, and the penalty in the amount of Euro 4.1 million resulting from Cherry Bank's withdrawal, after the date of the business combination, from the services of the acquired company's info provider.

In order to facilitate a homogeneous comparison, **a normalised Income Statement** for 2023 has been prepared, which is shown below, in which the **extraordinary effects** described above and recognised as a result of the business combination **were sterilised**.

(amounts in thousands of Euro)

RECLASSIFIED PRO-FORMA INCOME STATEMENT *	31/12/2023 (a)	STERILISATION BUSINESS COMBINATION EFFECTS (b)	31/12/2023 NORMALISED (C)=(a)+(b)
Interest and similar income	53,529	-	53,529
Interest and similar expense	(28,531)	-	(28,531)
Interest margin	**24,998**	**-**	**24,998**
Commission income	22,180	-	22,180
Commission expenses	(11,343)	-	(11,343)
Net commissions	**10,837**	**-**	**10,837**
Dividends and similar income	-	-	-
Net trading result	63,694	-	63,694
Gains (Losses) on disposal or repurchase of	(1,354)	-	(1,354)
a) financial assets measured at amortised cost	(2,003)	-	(2,003)
b) financial assets measured at FVTOCI	649	-	649
Net result from other financial assets and liabilities measured at FVTPL	(184)	-	(184)
b) other financial assets obligatorily measured at FV	(184)	-	(184)
Intermediation margin	**97,991**	**-**	**97,991**
Net impairment/reversal of impairment of:	(6,700)	3,445	(3,255)
a) financial assets measured at amortised cost	(6,740)	3,445[1]	(3,295)
b) financial assets measured at fair value through other comprehensive income	40	-	40
Gains (Losses) from contractual changes without derecognition	-		-
Net result from financial operations	**91,291**	**3,445**	**94,736**
Administrative expenses	(61,913)	951	(60,962)
a) personnel expenses	(26,161)	-	(26,161)
b) other administrative expenses	(35,752)	951[2]	(34,801)
Net allocations to provisions for risks and charges	(47)	-	(47)
Net impairment/reversal of impairment of tangible assets	(1,433)	-	(1,433)
Net impairment/reversal of impairment of intangible assets	(877)	-	(877)
Other operating expenses/income	47,188	(46,017)[3]	1,171
Operating costs	**(17,082)**	**(45,066)**	**(62,148)**
Gains (Losses) on investments	13,775	-	13,775
Gains (Losses) on disposal of investments	36	-	36
Gains (Losses) on continuing operations, gross of taxes	**88,020**	**(41,621)**	**46,399**
Income taxes for the year on continuing operations	(8,524)	(2,892)	(11,416)
Profit (Loss) for the year	**79,496**	**(44,513)**	**34,983**

* Net impairment/reversal of impairment of receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

[1] Included in the item "Net impairment of assets measured at amortised cost" is Euro 3.4 million for the effect of the re-recognition of impairment on performing loans recorded at their fair value on the date of the business combination.

[2] "Other administrative expenses" include the acquisition and integration costs for Euro 1 million.

[3] Included in "Other operating expenses/income" are the gain on bargain purchase for Euro 50.1 million and CSE withdrawal penalty for Euro 4.1 million.

Legend:

(a) Income Statement at 31 December 2023 of Cherry Bank as presented in the Financial Statements

(b) Sterilisation of the extraordinary effects of the business combination described above

HIGHLIGHTS AND KPIS

HIGHLIGHTS

(amounts in thousands of Euro)

KEY BALANCE SHEET FIGURES	31/12/2023	31/12/2022	Changes	
			Absolute	%
Financial assets measured at fair value	122,020	169,466	(47,446)	(28.0%)
Receivables from banks	16,460	6,219	10,241	164.7%
Receivables from customers	2,065,021	709,194	1,355,827	191.2%
Other assets measured at fair value	670,409		670,409	n.a.
Total assets	**3,234,548**	**1,088,331**	**2,416,217**	**197.2%**
Payables to banks	491,670	317,176	169,070	52.4%
Payables to customers	2,504,715	670,119	1,840,020	276.8%
Shareholders' Equity	**165,050**	**54,275**	**110,775**	**204.1%**

(amounts in thousands of Euro)

MAIN RECLASSIFIED INCOME STATEMENT FIGURES [1]	2023	2022	Changes	
			Absolute	%
Intermediation margin	97,991	54,156	43,835	80.9%
Net impairment/reversal of impairment for credit risk	(6,700)	(3,934)	(2,766)	70.3%
Net result from financial operations	**91,291**	**50,222**	**41,069**	**81.8%**
Operating costs	(17,082)	(37,618)	20,536	(54.6%)
Gross profit	88,020	12,616	75,404	597.7%
Net profit	**79,496**	**10,921**	**68,575**	**627.9%**

[1] Net impairment/reversal of impairment of receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

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KPIS

MAIN RECLASSIFIED INDICATORS [1]	31/12/2023	31/12/2022	Change
Profitability ratios			
ROE (Return on Equity) [2]	72.49%	22.18%	50.31%
Cost/income	17.43%	69.46%	(52.03%)
Cost of risk	(0.65%)	(0.82%)	0.17%
Normalised profitability ratios [2]			
ROE (Return on Equity)	*45.56%*	*22.18%*	*23.38%*
Cost/income	*63.42%*	*69.46%*	*(6.04%)*
Cost of risk	*(0.66%)*	*(0.82%)*	*0.16%*
Capital ratios			
RWA	890,630	369,054	521,576
CET1	15.03%	14.34%	0.69%
TCR	16.15%	14.34%	1.81%
Pro-forma risk ratios [3]			
Net non-performing loans/net loans	1.83%	4.76%	(2.93%)
Coverage ratio non-performing loans	58.19%	53.18%	5.01%
Coverage ratio NPE	41.55%	43.65%	(2.10%)
Gross NPE ratio	8.41%	14.30%	(5.89%)
Net NPE ratio	5.14%	8.67%	(3.53%)
Liquidity ratios			
NSFR	141.12%	137.62%	3.50%
LCR	511.47%	171.38%	340.09%

[1] Net impairment/reversal of impairment of receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.
[2] The normalised indicators were calculated by sterilising the effects of the business combination with Banca Popolare Valconca.
[3] The gross amount and the value adjustments of the impaired assets acquired as a result of the business combination operations are presented in continuity with the Financial Statements of the merged companies, while also including in the value adjustments the differential arising as a result of the PPA.

MACROECONOMIC SCENARIO

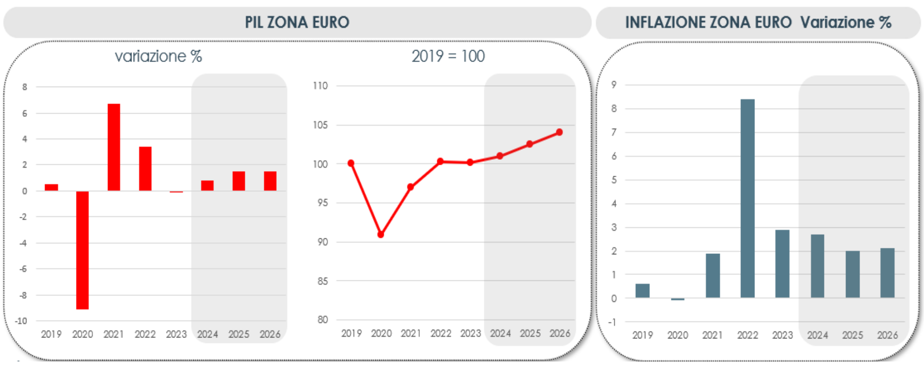
The economic and financial context in which the Bank operates is characterised by a high degree of uncertainty, which is reflected in the current and prospective situation of economic operators, both public and private.
The most recent OECD estimates foreshadow a slowdown in global GDP by 2024 as a result of restrictive monetary policies and worsening consumer and business confidence. In the Euro Area, GDP growth was essentially nil in all major countries, including Italy, where estimated output growth is 0.7% in 2023.
In December, core inflation decreased for the fifth consecutive month to 3.4%. The Eurosystem estimates that disinflation will continue in 2024.

At their last respective meetings, the major Central Banks kept their official rates unchanged while signalling that, with inflationary pressures still sustained, the orientation of monetary policy could remain restrictive for a long time. The market is already expecting rates to fall from mid-2024 onwards. Market expectations, however, appear particularly optimistic to many observers.

Since the second quarter of 2023, the global economy has been slowing down. High interest rates, the deceleration of economic activity in China, particularly in the real estate sector, and geopolitical tensions, due to the protracted war in Ukraine and further exacerbated by the recent conflict in the Middle East, weigh on growth prospects for 2024. The fall in energy commodity prices came to a halt in August also as a result of the OPEC countries' production cuts on crude oil. More recently, gas prices have resumed their descent to new lows with a non-marginal deflationary effect that becomes even more significant for Italy, which has lower inflation indicators than other European countries.

Low growth prospects, weak financing demand and geopolitical instability are the main risk factors for Italian financial stability.

In December, core inflation decreased for the fifth consecutive month to 3.4%. The Eurosystem estimates that disinflation will continue in 2024.

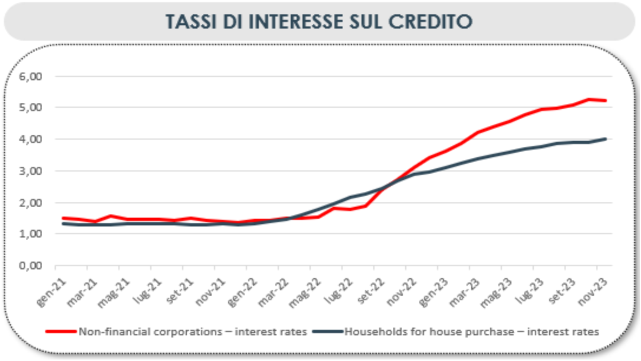


MARKET CONTEXT

The main indicators of the health of the Italian banking system remain positive overall. The main risks for the banking system continue to depend on the weak growth prospects and the evolving international geopolitical situation.

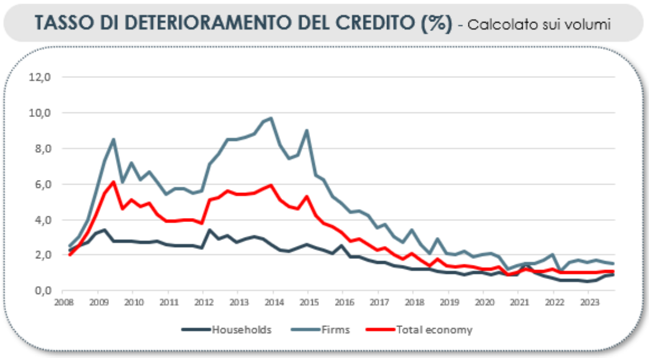
Profitability in 2023 is up year-on-year, supported by strong growth in interest margin and a reduction in loan impairments.

Monetary policy step change leads to an increase in credit interest rates



The trend in indicators anticipating deterioration does not show any particular signs of worsening credit quality; however, the effects of rising interest rates and the less favourable macroeconomic framework, which have not yet fully unfolded, could affect the future repayment capacity of borrowers with a significant share of variable-rate loans. The impact of the progressive reduction of public guarantees on the emergence of credit anomalies will have to be assessed.

The trend in indicators anticipating deterioration does not show any particular signs of worsening credit quality



OUR CORE BUSINESSES

Below is a description of the Bank's main core businesses.

As a result of the integration of Banca Popolare Valconca, the Bank will adopt a new Strategic Plan to be approved in the first half of 2024, within which a number of new Business Units will also be identified in order to better express the Bank's new operational and organisational structure.

RELATIONSHIP BANK

Cherry Bank, through its core business Relationship Bank provides credit services to companies, financing their growth with both short- and medium- to long-term solutions. The Bank, with a strong territorial presence historically rooted in the Veneto region, also caters for businesses throughout the country, taking advantage of flexibility and new technologies that have made the need for proximity to the customer a thing of the past, with an approach strongly focused on developing customer relations.

Companies with available funds are provided with sight or time-restricted deposit instruments to take advantage of positive returns.

The BU's strategy is to increase penetration levels on the target customer base of companies, especially SMEs, by leveraging an offer of tailor-made solutions and rapid decision-making processes, also through the possible implementation of strategies to expand its presence in contiguous territories.

The Bank maintains a high level of attention to credit controls, promoting an analytical approach to individual files through an accurate assessment of the creditworthiness of potential counterparties carried out by highly qualified professionals with in-depth knowledge of the customers served. In particular, the evaluation activity is entrusted to specialised organisational units separate from the development components and articulated in relation to the specificity of the products offered and the nature of the counterparty. The assessment units are also responsible for updating the creditworthiness assessment of entrusted counterparties at renewal and review, the frequency of which (at least annually) is defined primarily in relation to the type of product offered as well as the riskiness of the counterparty and the amount of the exposure.

This is followed by a careful monitoring activity, aimed at intercepting certain negative events (trigger events) at an early stage, which could represent signs of deterioration of positions.

Customer management activities are constantly monitored, also on the basis of reports resulting from monitoring activities. These activities are carried out by the branches supported, where appropriate, by the relevant management structures.
In addition to the above, the Bank is also active in indirect funding, offering investment solutions such as proprietary trading, order execution on behalf of customers, placement, order receipt and transmission and investment advice.

NPL INVESTMENT & MANAGEMENT

NPL Investment & Management (hereinafter also NPL I&M) is the Bank's Business Unit dedicated to the acquisition and management of non-performing loan portfolios (hereinafter also NPL).

Purchasing business

The investment target is represented by non-performing portfolios of unsecured original nature by both credit institutions and financial intermediaries as part of their lending or normal banking operations. Cherry Bank is active in both the primary and secondary/tertiary markets.
Given the complexity of the portfolios being acquired, a key role is played by the due diligence of the portfolios, which consists of information enrichment on the income and asset holdings of debtors and guarantors, analysis of documentation, generally on a sample of files made available by the transferors, and estimation of expected cash flows on individual positions, distinguishing them according to whether they are to be channelled for judicial or extrajudicial recovery.
Both in the due diligence phase and in the on-boarding phase, we also make use of analyses performed by fintech operators, which are able to return structured information on debtors/guarantors in "real time".

On-boarding business

After the purchase, the phase of collecting information preparatory to recovery begins. This activity enriches and completes the information provided by the transferor and is functional both to recovery activities and to the correct fulfilment of the reporting obligations to which the Bank is subject. The activity is initiated after the transfer contract has been finalised and consists of the four sub-phases described below:

- **Activity of importing the data provided by the transferor**: this process is initiated downstream of the finalisation of the transfer contract by Cherry Bank and is functional to the reporting fulfilments to which the company is obliged and to provide the starting point for all on-boarding-related activities. The activity consists of the massive import of the database provided by the transferor into Cherry Bank's management system. The data are essentially related to the master data contained in the portfolio and the relationships transferred.
- **Document acquisition activity**: this is the activity of material acquisition of the various files in order to make available to the company all the documents contained therein (e.g. contracts, account statements, letters of forfeiture of benefit of the term, general conditions) functional to the management of relations.
- **Information enrichment activities**: starting from the enrichment activities already carried out during due diligence, the activity on the master data involved is completed, making the information set as up-to-date as possible by using the data obtained in the data import and document acquisition phases. The correct and complete performance of this activity enables the correct identification of the type of management to be undertaken.
- **Sending communications**: represents the point of contact between assignment and management. It allows the debtor to be informed of the transfer and the data acquired to be further verified. Notifications shall be made by registered letter with return receipt or by such other means that will enable the sender to be notified of receipt by the addressee.

The above activities may also be carried out in parallel with each other. The document acquisition and information enrichment activities can take the form of a true data remediation activity if the

document digitalisation and database structure provided by the transferor do not conform to Cherry Bank's management and administrative requirements.
During on-boarding, credits remain valued at acquisition cost, pending the obtaining of the information necessary to estimate future cash flows in line with the most suitable recovery method for the characteristics of each file.

Management

Once the on-boarding phase is over, the file management phase begins in the different modes of recovery, judicial and extrajudicial.
Cherry Bank's **operating strategy** for management is based on maximising and speeding up collections, through rapid and structured judicial and extrajudicial interventions on debtors in order to reduce recovery times. The architecture of the organisational unit proposed for this activity provides for an internal command point and the outsourcing of credit management and recovery activities to specialised market operators, with whom industrial and economic interests have been aligned.
The operating perimeter consists of the most referenced recovery companies under Article 115 TULPS and leading law firms specialising in debt collection. The internal structure governs the outsourced activities and information flows are exchanged on the Bank's management platform, which the partner structures have access to in order to view and update files.
The expected growth of the loan portfolio will entail a consistent expansion of partnerships with recovery companies and the organic growth of the subsidiary **Cherry Legal**, a company between lawyers, to improve the timeliness of legalisation of files.

Resale

Cherry Bank has adopted, until the end of the financial year 2022, a business model geared towards the purchase of non-performing loans, their transformation into "re-performing" loans (Assignment Order of one-fifth of salary/pension – ODA or paying plans), and their subsequent resale on the market.
"Re-performing" loans are defined as those loans on which the debtor has signed a repayment plan and is making regular payments, or those loans on which court action is pending to obtain a salary/pension garnishment, or a real estate execution with a high possibility of obtaining significant cash flows.

Market developments and the general macroeconomic context, as well as the quality of the positions managed (lower, as they were more derived from purchases on the secondary/tertiary market), suggested that preference should be given to credit recovery through out-of-court settlement agreements, rather than to recovery deferred over time and obtainable by cultivating legal actions.
These different strategies, of purchase and recovery, resulted in fewer "re-performing" positions being placed on the market than expected. Sales therefore remain mainly limited to "queues" that are no longer suitable for processing in the Bank's typical manner.
It therefore appears that the Bank's previously identified business model based on cash flow management as well as portfolio sales is no longer consistent.
Therefore, as of January 2023, the Bank has identified a new business model that is based instead on the mere management of cash flows from recovery activities; as a result of the current activity,

portfolio sales are reserved a marginal and residual role that does not justify considering the sale as an integral part of the Bank's business model.

Accounting model

Until 2022, Cherry Bank's business model remained a Hold to Collect and Sell ("HTC&S") model, as the operating strategy was to realise cash flows through both collection and sale.
For this business model, credits are measured at amortised cost with the effects of changes in fair value recognised in equity at each reporting date, and therefore included in the Statement of Other Comprehensive Income ("FVTOCI").

Following the decision by the Board of Directors of the Bank, on 31 January 2023, to change the business model for the NPL Investment & Management Business Unit in relation to NPL, i.e., to adopt a Hold to Collect business model instead of Hold to Collect and Sell, the Bank proceeded to recognise the NPL portfolios acquired already at 31.12.2022 but which, at the date of the decision, had not yet passed the on-boarding phase, under Financial assets measured at amortised cost.

Please refer to as more fully described in the "Accounting Policies" section of the Notes to the Financial Statements regarding the classification, recognition and measurement of NPL.

GREEN EVOLUTION MANAGEMENT

The Green Evolution Management segment deals with the development of projects for the purchase and resale of tax credits to qualified counterparties, as well as the development of projects related to the green economy.
With regard to operations on Tax Credits, Cherry Bank has three types of products, described below.

- **SuperB**: Cherry Bank, in partnership with Banco BPM (hereafter also "BBPM") and Teamsystem, created the fintech platform "SuperB" for BBPM customers, dedicated to the purchase of tax credits from Ecobonus, Superbonus and Sismabonus. Banco BPM – which already has the tools to finance its customers in the process of accruing tax credits for real estate redevelopment – is promoting the tax credit purchase product on behalf of Cherry Bank to its customers. The agreement with Banco BPM, which was signed on 3 November 2020 with the former Cherry 106, provides for a commitment by the bank to repurchase the tax credits from Cherry Bank in order to be able to use them in autonomous offsetting with the tax authorities. The purchase and sale of these credits is finalised digitally on the IT platform, the functionalities of which are made available to Banco BPM's customers and which allows the exchange of documents between the customer and Cherry Bank. The differential between the transfer price of the tax credits to BBPM and the purchase price is classified as commission income, representing the remuneration for the fronting activity carried out by Cherry Bank, while the fee for the use of the platform based on the volumes transacted is classified as commission expenses.
- **Cherry Credit**: direct operations on tax credits carried out by Cherry Bank through a dedicated platform for such operations launched as of June 2021 (former Cherry 106); Cherry directly acquires tax credits from Companies and/or General Contractors operating in the construction sector that require fast turnaround times and an end-to-end service for the mobilisation of tax credits. The credits acquired from the Companies/General

Contractors by Cherry are then resold to leading credit/insurance institutions or to corporate entities of high standing, on the basis of agreements stipulated that provide for mutual commitments and within the limits of the pre-determined amounts. Contracts entered into may provide for the resale of all annuities en bloc or for the resale of individual annuities along certain time windows agreed upon by the parties.

The activity described above is flanked, where the Bank deems it appropriate due to the timing or characteristics of the credits, by the purchase of credits to be used in offsetting with its tax capacity.

MAIN BALANCE SHEET AGGREGATES

(amounts in thousands of Euro)

KEY BALANCE SHEET FIGURES	31/12/2023	31/12/2022	Change	
			Absolute	%
Cash and cash equivalents	105,747	32,669	73,078	223.7%
Financial assets measured at FVTOCI	122,020	169,466	(47,446)	(28.0%)
Receivables from banks	16,460	6,219	10,241	164.7%
Receivables from customers	2,065,021	709,194	1,355,827	191.2%
Tangible and intangible assets	48,184	13,617	34,567	253.9%
Other asset items	877,116	157,166	719,950	458.1%
Total assets	**3,234,548**	**1,088,331**	**2,146,217**	**197.2%**
Payables to banks	491,670	322,600	169,070	52.4%
Payables to customers	2,504,715	664,695	1,840,020	276.8%
Other liability items	73,113	46,761	26,352	56.4%
Shareholders' Equity	165,050	54,275	110,775	204.1%
Total liabilities and shareholders' equity	**3,234,548**	**1,088,331**	**2,146,217**	**197.2%**

CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents includes current accounts and sight deposits with banks and Central Banks (excluding compulsory reserve) for Euro 105.7 million (of which Euro 50.6 million deriving from Banca Popolare Valconca), compared to Euro 32.7 million at the end of the previous financial year, and mainly refers to active deposits with Central Banks for Euro 35.2 million and to cash on hand held on interbank accounts (reciprocal or ordinary) for Euro 64 million used by the Bank for ordinary operations.

FINANCIAL ASSETS MEASURED AT FVTOCI

Financial assets measured at fair value through other comprehensive income of Euro 122.0 million (-28.0%) include:

- Securities owned mainly referred to Government Securities in the amount of Euro 72.3 million compared to Euro 127.9 million at the end of 2022, of which Euro 29.6 million came from Banca Popolare Valconca. The related valuation reserve, before the tax effect, was essentially in balance at year-end compared to negative Euro 0.9 million at the end of 2022.
- Capital securities amounting to Euro 16 million referred to minority interests representing capital investments mainly in service companies supporting the banking activities acquired through the merger of Banca Popolare Valconca.
- NPL of Euro 33.7 million, compared to Euro 41.5 million at the end of the previous financial year, referring to mainly retail unsecured positions, acquired both on the primary market and on the secondary and tertiary markets, with a greater prevalence in the latter. The related valuation reserve before tax effect was a positive Euro 1.8 million at year-end, compared to Euro 2.6 million at 31 December 2022.

  It should be noted that on 31 January 2023, the Board of Directors of the Bank resolved on a change of business model for the NPL Investment & Management Business Unit in relation to NPL, i.e., to adopt a Hold to Collect business model instead of Hold to Collect and Sell; therefore, the Bank proceeded to recognise under Financial assets measured at amortised cost the NPL portfolios acquired subsequently during the year but which, at the date of the decision, had not yet passed the on-boarding phase.

RECEIVABLES FROM BANKS

Receivables from banks amounted to Euro 16.5 million at 31 December 2023, compared to Euro 6.2 million at 31 December 2022 (+164.7%), and consisted of Euro 15.8 million for the compulsory reserve (Euro 5.5 million at the end of 2022) and the remainder for deposits with other credit institutions.

RECEIVABLES FROM CUSTOMERS

(amounts in thousands of Euro)

Technical forms	31/12/2023	31/12/2022	Change	
			Absolute	%
Current accounts	83,408	41,868	41,540	99.2%
Mortgages	750,222	325,835	424,387	130.2%
Other transactions	137,800	69,586	68,214	98.0%
Debt securities	1,007,760	209,857	797,903	380.2%
Total book value	**1,979,190**	**647,146**	**1,332,044**	**205.8%**
Impaired assets	85,831	62,048	23,783	38.3%
Total loans to customers	**2,065,021**	**709,194**	**1,355,827**	**191.2%**

Receivables from customers at the end of the year totalled Euro 2,065.0 million, of which Euro 664.2 million related to the contribution of Banca Valconca, compared to Euro 709.2 million at the end of the previous financial year (+191.2%).

The item includes securities amounting to Euro 1,007.8 million, mainly referring to Italian Government Securities, up from Euro 209.8 million at the end of the previous year, of which Euro 136.8 million deriving from the merger of Banca Valconca recognised at their fair value at the date of the business combination. The significant increase in the own securities portfolio was dictated by the need to effectively invest the surplus liquidity generated as a result of the funding campaign undertaken by the Bank, an initiative that supported investment actions and improved the Bank's liquidity profile.

Net loans originated to customers rose from Euro 478.8 million at 31 December 2022 to Euro 1,024.3 million at 31 December 2023 (+113.9%), of which Euro 527.4 million contributed by Banca Popolare Valconca, of which about one-third related to retail transactions.

The item also includes impaired loans acquired for Euro 32.9 million, of which Euro 31.4 million relating to NPL and Euro 1.5 million acquired with the integration of Banca Popolare Valconca, compared to Euro 20.5 million from the previous financial year; the Bank, following the decision to proceed with a change of business model for the NPL Investment & Management Business Unit, from Hold to Collect and Sell to Hold to Collect, proceeded to record the NPL portfolios under the item Financial assets measured at amortised cost acquired after the date of the decision or which had not yet passed the on-boarding phase at that date.

Below is a breakdown of credit quality referring only to loans originated, including those arising from the acquired Banca Valconca.

(amounts in thousands of Euro)

NET RECEIVABLES FROM COMPANIES	31/12/2023	31/12/2022	Change	
			Absolute	%
Net non-performing	18,728	22,773	(4,045)	(17.8%)
Net probable defaults	32,946	18,050	14,896	82.5%
Net impaired past due exposures	985	707	278	39.3%
Total net impaired assets (stage 3)	**52,659**	**41,530**	**11,129**	**26.8%**
Net performing loans (stages 1 and 2)	971,690	437,289	534,401	122.2%
Total net receivables from companies	**1,024,349**	**478,819**	**545,530**	**113.9%**

Net impaired assets stood at Euro 52.7 million at the end of the year, of which Euro 24.3 million deriving from Banca Popolare Valconca, compared to Euro 41.5 million at the end of 2022.
The merger of Banca Valconca resulted in a further improvement of the NPE ratio: the gross NPE ratio went from 9.3% to 5.6%, while the net NPE ratio went from 8.7% to 5.1%.

(amounts in thousands of Euro)

CREDIT QUALITY	NON-PERFORMING	PROBABLE DEFAULTS	PAST DUE EXPOSURES	TOTAL IMPAIRED (stage 3)	PERFORMING (stages 1 and 2)	TOTAL
SITUATION AT 31.12.2023						
Gross amount	22,393	35,141	1,098	**58,632**	981,260	**1,039,892**
Impairment	(3,665)	(2,195)	(113)	**(5,973)**	(9,571)	**(15,544)**
Net amount	18,728	32,946	985	**52,659**	971,689	**1,024,348**
Coverage ratio	*16.4%*	*6.2%*	*10.3%*	***10.2%***	*1.0%*	***1.5%***
Gross ratio	*2.2%*	*3.4%*	*0.1%*	***5.6%***	*94.4%*	***100.0%***
Net ratio	*1.8%*	*3.2%*	*0.1%*	***5.1%***	*94.9%*	***100.0%***
SITUATION AT 31.12.2022						
Gross amount	24,895	19,732	768	**45,396**	441,601	**486,997**
Impairment	(2,122)	(1,682)	(61)	**(3,866)**	(4,312)	**(8,178)**
Net amount	22,773	18,050	707	**41,530**	437,289	**478,819**
Coverage ratio	8.5%	8.5%	7.9%	**8.5%**	1.0%	**1.7%**
Gross ratio	5.1%	4.1%	0.2%	**9.3%**	90.7%	**100.0%**
Net ratio	4.8%	3.8%	0.1%	**8.7%**	91.3%	**100.0%**

In order to provide a more meaningful representation, the same table was drawn up showing the gross amount and the value adjustments of the impaired assets acquired following the business combination operations, in continuity with the financial statements of the merged entities, although including the differential that emerged following the PPA among the value adjustments.

(amounts in thousands of Euro)

CREDIT QUALITY PRO-FORMA	NON-PERFORMING	PROBABLE DEFAULTS	PAST DUE EXPOSURES	TOTAL IMPAIRED (stage 3)	PERFORMING (stages 1 and 2)	TOTAL
SITUATION AT 31.12.2023						
Gross amount	44,795	44,200	1,098	**90,093**	982,632	**1,072,725**
Impairment	(26,067)	(11,254)	(113)	**(37,434)**	(10,942)	**(48,376)**
Net amount	18,728	32,946	985	**52,659**	971,690	**1,024,349**
Coverage ratio	*58.2%*	*25.5%*	*10.3%*	***41.6%***	*1.1%*	***4.5%***
Gross ratio	*4.2%*	*4.1%*	*0.1%*	***8.4%***	*91.6%*	***100.0%***
Net ratio	*1.8%*	*3.2%*	*0.1%*	***5.1%***	*94.9%*	***100.0%***
SITUATION AT 31.12.2022						
Gross amount	48,639	24,290	768	**73,697**	441,601	**515,298**
Impairment	(25,866)	(6,240)	(61)	**(32,167)**	(4,312)	**(36,479)**
Net amount	22,773	18,050	707	**41,530**	437,289	**478,819**
Coverage ratio	*53.2%*	*25.7%*	*7.9%*	***43.6%***	*1.0%*	***7.1%***
Gross ratio	*9.4%*	*4.7%*	*0.1%*	***14.3%***	*85.7%*	***100.0%***
Net ratio	*4.8%*	*3.8%*	*0.1%*	***8.7%***	*91.3%*	***100.0%***

The derisking initiatives undertaken by the Bank during 2023 led to a marked improvement in the gross NPE ratio from 14.3% at the end of 2022 to 8.4% at 31 December 2023.
The coverage of impaired assets, also as a result of the business combination, remained substantially stable. In particular, Probable defaults include fully secured positions (mortgage and State guarantees) amounting to Euro 9.2 million gross, and net of these positions the coverage stands at 32%.

TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets at the end of 2023 totalled Euro 48.2 million, compared to Euro 13.6 million at the end of the previous year. The increase is mainly attributable to the contribution from Banca Valconca.

OTHER ASSET ITEMS

Other asset items increased from Euro 157.2 million at the end of 2022 to Euro 877.1 million at 31 December 2023, and include the following items: Financial assets measured at fair value through profit or loss of Euro 34.4 million compared to Euro 1.7 million in the previous year – the increase is mainly attributable to alternative investment funds arising from the acquired Banca Valconca; Tax assets of Euro 32.3 million compared to Euro 7.3 million at the end of 2022, mainly referring to deferred tax assets; Other assets of Euro 810.4 million compared to Euro 147.3 million at the end of 2022. This item, at 31 December 2023, consisted mainly of the following items:

- Euro 716.4 million tax credits in portfolio of which:
    - Euro 670.4 million acquired as part of the Cherry transaction Credits held for resale and subject to fair value measurement;
    - Euro 46.0 million tax credits in compensation;
- Euro 11.0 million receivables from transferee banks related to some tax credit resale finalised

at the end of 2023 and not yet collected.

PAYABLES TO BANKS

Payables to banks amounted to Euro 491.7 million at 31 December 2023, compared to Euro 322.6 million at the end of the previous year (+52.4%), and mainly consist of:

- Euro 218.6 million TLTROIII tranches subscribed by the Bank compared to Euro 222.2 million at the end of 2022; the figure, from 2023, also includes the tranches subscribed by Banca Popolare Valconca for Euro 51.3 million;
- Euro 230.0 million in short-term loans with the Bank of Italy;
- Euro 30.4 million in repurchase agreements with other credit institutions, the latter mainly in support of tax credit transactions.

PAYABLES TO CUSTOMERS

(amounts in thousands of Euro)

Customer funding	31/12/2023	31/12/2022	Change	
			Absolute	%
Current accounts and sight deposits	972,684	457,620	515,064	112.6%
Current accounts and term deposits	1,525,302	199,824	1,325,478	663.3%
Other loans	6,729	7,251	(522)	(7.2%)
Total payables to customers	**2,504,715**	**664,695**	**1,840,020**	**276.8%**

Customer funding amounted to Euro 2,504.7 million at 31 December 2023 compared to Euro 664.7 million at the end of the previous year. The significant increase can be attributed, on the one hand, to the contribution from Banca Popolare Valconca amounting to Euro 603.8 million and, on the other, to the funding campaign launched by the Bank through online channels (Italy and Germany), which raised a total of Euro 1,115.4 million; this initiative made it possible to support investment actions and improve the Bank's liquidity profile.

Indirect funding from customers

(amounts in thousands of Euro)

Indirect funding: breakdown	31/12/2023	%	31/12/2022	%	Change %
Administered indirect funding	244,274	41.0%	14,164	22.8%	1,624.6%
Managed indirect funding	351,195	59.0%	47,890	77.2%	633.3%
of which Mutual Funds	245,130	41.2%	*42,259*	68.1%	480.1%
of which Third-party Asset Management	12,924	2.2%	-	-	n.a.
of which Life Insurance	93,141	15.6%	*5,631*	9.1%	1,554.1%
Total indirect funding	**595,469**	**100.0%**	**62,054**	**100.0%**	**859.6%**

Total indirect funding increased sharply compared to the previous year, both as a result of the combination with Banca Popolare Valconca, and thanks to the development action undertaken by the Bank in the second half of the year.

CAPITAL AND CAPITAL RATIOS

Shareholders' Equity

(amounts in thousands of Euro)

Shareholders' Equity	31/12/2023	31/12/2022	Change	
			Absolute	%
Share capital	49,598	44,638	4,960	11.1%
Capital instruments	10,000	-	10,000	n.a.
Share premiums	716	716	-	-
Reserves	15,736	(3,204)	18,940	(591.1%)
Valuation reserves	9,504	1,204	8,300	689.4%
- Securities	*9*	*(587)*	*596*	*(101.5%)*
- NPL	*1,195*	*1,772*	*(577)*	*(32.6%)*
- Properties	*8,277*	*-*	*8,277*	*n.a.*
- TFR	*23*	*19*	*4*	*21.1%*
Profit for the year	79,496	10,921	68,575	627.9%
Total Shareholders' Equity	**165,050**	**54,275**	**110,775**	**204.1%**

Shareholders' Equity at the end of the financial year amounted to Euro 165.0 million, an increase of 204.1% compared to the previous year. The significant change is due to the following main factors:

- Increase in Share capital of Euro 5.0 million and in Reserves of Euro 16.3 million as a result of the merger by incorporation of Banca Popolare Valconca;
- Issue of an AT1 perpetual bond for Euro 10.0 million;
- Profit for the year amounted to Euro 79.5 million, of which Euro 50.1 million related to the Gain on bargain purchase recorded as a result of the Purchase Price Allocation process.

The Exchange reserve was then reallocated in order to replenish reserves within Cherry Bank with specific allocation or distributability requirements.

In view of the necessary path to strengthen the Bank's capital and the capital levels achieved, the Board of Directors deems it appropriate, also for the financial year 2023, to propose the preservation of the profit for the benefit of the Bank's assets.

The table below shows the detail of changes in Shareholders' Equity in the year 2023 described above compared to the previous year.

(amounts in thousands of Euro)

Changes in Shareholders' Equity	31/12/2023	31/12/2022
Opening balance	**54,275**	**44,193**
Increases:	**111,352**	**10,921**
Capital increase	4,960	-
Issuance of capital instruments (AT1)	10,000	-
Exchange reserve	16,296	-
Securities valuation reserve	596	-
TFR valuation reserve	4	-
Profit for the year	79,496	10,921
Decreases:	**(577)**	**(839)**
Securities valuation reserve	-	(839)
NPL valuation reserve	(577)	-
Closing balance	**165,050**	**54,275**

Capital and Solvency Ratios

(amounts in thousands of Euro)

Capital and Solvency Ratios	31/12/2023	31/12/2022	Change	
			Absolute	%
Common Equity Tier 1 (CET1) net of adjustments	133,859	52,914	80,946	153.0%
Additional Equity Tier 1 (AT1) net of adjustments	10,000	-	10,000	n.a.
Tier 1 capital (Tier 1)	143,859	52,914	90,945	171.9%
Total Capital	**143,859**	**52,914**	**90,946**	**171.9%**
Total risk-weighted assets	**890,630**	**369,054**	**521,576**	**141.3%**
CET 1 Ratio	15.03%	14.34%	-	0.69%
Tier 1 Ratio	16.15%	14.34%	-	1.81%
Total Capital Ratio	**16.15%**	**14.34%**	**-**	**1.81%**

(amounts in thousands of Euro)

Risk-Weighted Assets	31/12/2023	31/12/2022	Change	
			Absolute	%
Risk-Weighted Assets:				
- for credit and counterparty risk	720,674	317,399	403,276	127.1%
- for regulatory and market risk	19,536	-	19,536	n.a.
- for operational risk	150,334	51,656	98,678	191.0%
- other specific risks	85	-	85	n.a.
Total Risk-Weighted Assets	**890,630**	**369,054**	**521,576**	**141.3%**

For comparison with the results achieved, the table below shows the capitalisation targets that the Bank of Italy, following the Supervisory Review and Evaluation Process (SREP), required Cherry Bank to adopt for 2023:

SREP thresholds	Regulatory minimum		SREP threshold with Buffer * OCR	SREP threshold with Capital Guidance	31/12/2023
	Threshold	with Add-on			
CET 1 capital ratio	4.50%	6.00%	8.50%	9.50%	15.03%
Tier 1 capital ratio	6.00%	8.00%	10.50%	11.50%	16.15%
Total capital ratio	**8.00%**	**10.70%**	**13.20%**	**14.20%**	**16.15%**

(*) regulatory minimum including capital conservation buffer of 2.50%

MAIN ECONOMIC RESULTS

The Income Statement of Cherry Bank at 31 December 2023 does not include the results of Banca Popolare Valconca since the merger took effect on 30 December 2023. However, some extraordinary items related to the business combination were recognised, namely:

- the item "Net impairment of assets measured at amortised cost" includes Euro 3.4 million for the effect of the impairment on performing loans from Banca Popolare Valconca, recorded at their fair value at the date of the business combination;
- "Other administrative expenses" include acquisition and integration costs of the two entities in the amount of Euro 1 million;
- the item "Other operating expenses/income" includes the gain on bargain purchase in the amount of Euro 50.1 million, and the penalty in the amount of Euro 4.1 million resulting from Cherry Bank's withdrawal, after the date of the acquisition, from the services of the acquired company's info provider.

In addition, the item "Taxes and fees" includes the benefit from the utilisation of part of the DTA of the merged bank.

FORMATION OF THE RECLASSIFIED INTERMEDIATION MARGIN [1]

(amounts in thousands of Euro)

Formation of the Reclassified intermediation margin [1]	2023	2022	Change	
			Absolute	%
Interest margin	24,998	21,970	3,028	13.8%
Net commissions	10,837	9,380	1,457	15.5%
Net trading result	63,694	22,229	41,465	186.5%
Gain/Loss on disposal of financial assets	(1,354)	695	(2,049)	(294.8%)
Other intermediation margin components	(184)	(118)	(66)	55.9%
Intermediation margin	**97,991**	**54,156**	**43,835**	**80.9%**

[1] Net impairment/reversal of impairment of receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance

The **Reclassified intermediation margin** amounted to Euro 98.0 million at 31 December 2023, compared to Euro 54.2 million in the previous year (+80.9%). The increase is mainly driven by the interest margin due to the opening of the banking spread, as well as the contribution from the Net trading result mainly related to the Tax Credits business.

In detail, the **Interest margin** went from Euro 22.0 million at 31 December 2022 to Euro 25.0 million at 31 December 2023, an increase of 13.8%. The dynamics in 2023 were marked, on the one hand, by the trend in reference interest rates, which rose by about 200 bps in 2023, and, on the other hand, by the significant increase in customer funding, especially on digital channels (Italy and Germany) to support the Bank's investment actions.

Net commissions also showed a positive change, rising from Euro 9.4 million in 2022 to Euro 10.8 million in 2023 (+15.5%); the increase is mainly attributable to the business of the Relationship Bank BU.

The **Net trading result** at the end of 2023 amounted to Euro 63.7 million compared to Euro 22.2 million in the corresponding period of the previous year. This item mainly refers to the contribution from Cherry Credit's trading in tax credits.

The **Gain/Loss on disposal of financial assets** amounted to a loss of Euro 1.4 million at the end of 2023, compared to a gain of Euro 0.7 million at 31 December 2022. The net loss on disposal in 2023 refers for Euro 2.6 million to losses on disposal of originated impaired assets (compared to a gain of Euro 0.2 million in 2022), for Euro 0.5 million to gains on disposal of NPL portfolios (unchanged from 2022) and finally for Euro 0.7 million to gains on disposal of securities (not present in 2022).

FORMATION OF THE NET RESULT FROM FINANCIAL OPERATIONS RECLASSIFIED

(amounts in thousands of Euro)

Formation of the Net result from financial operations reclassified [1]	2023	2022	Change	
			Absolute	Absolute
Intermediation margin	**97,991**	**54,156**	**43,835**	**80.9%**
Net impairment/reversal of impairment for credit risk	(6,700)	(3,934)	(2,766)	70.3%
Net result from financial operations	**91,291**	**50,222**	**41,069**	**81.8%**

[1] Net impairment/reversal of impairment of receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

The **Net result from financial operations** for the year 2023 amounted to Euro 91.3 million, an increase of 81.8% compared to the previous year.

The **Net impairment for credit risk** amounted to Euro 6.7 million in 2023, compared to Euro 3.9 million in the previous year (+70.3%). The increase substantially refers to the recognition of Euro 3.4 million of impairment on performing loans recognised in the Financial Statements following the merger with Banca Popolare Valconca. Net of this item, net impairment for credit risk would amount to Euro 3.3 million, down 17.1% year-on-year.

FORMATION OF PROFIT FOR THE YEAR

(amounts in thousands of Euro)

Formation of Profit for the year	2023	2022	Change	
			Absolute	%
Net result from financial operations	**91,291**	**50,222**	**41,069**	**81.8%**
Personnel expenses	(26,161)	(17,049)	(9,112)	53.4%
Other administrative expenses	(35,752)	(20,094)	(15,658)	77.9%
Net allocations to provisions for risks and charges	(47)	320	(367)	(114.7%)
Net impairment/reversal of impairment of tangible and intangible assets	(2,310)	(1,742)	(568)	32.6%
Other operating expenses/income	47,188	947	46,241	4,882.9%
Operating costs	**(17,082)**	**(37,618)**	**20,536**	**(54.6%)**
Gains (Losses) on disposal of investments or shareholdings	13,811	12	13,799	114,991.7%
Gross profit	**88,020**	**12,616**	**75,404**	**597.7%**
Income taxes	(8,523)	(1,695)	(6,828)	402.8%
Profit (Loss) for the year	**79,496**	**10,921**	**68,575**	**627.9%**

Operating costs amounted to Euro 17.1 million at the end of 2023, compared to Euro 37.6 million in the previous year; however, the 2023 figure was affected by the recognition of certain extraordinary items as a result of the business combination with Banca Popolare Valconca, such as the gain on bargain purchase in the amount of Euro 50.1 million, the penalty in the amount of Euro 4.1 million arising from the withdrawal, exercised by Cherry Bank after the date of the business combination, from the services of the info provider of the acquired company, as well as acquisition and integration costs in the amount of Euro 1.0 million. Net of these items, operating costs amounted to Euro 62.1 million, an increase of 65.2%.

In detail, **Personnel expenses** went from Euro 17.0 million in 2022 to Euro 26.2 million in 2023 (+53.4%), as a result of the important growth in resources (315 – only Cherry Bank perimeter – at 31 December 2023, compared to 237 at 31 December 2022, +32.9%).

Other administrative expenses went from Euro 20.1 million at 31 December 2022 to Euro 35.8 million at 31 December 2023 (+77.9%). It should be noted that the item also includes costs directly related to business volumes, including costs related to the checks carried out on tax credits acquired for trading purposes for Euro 9.9 million compared to Euro 2.9 million in 2022, as well as due diligence and on-boarding costs related to NPL for Euro 3.0 million compared to Euro 1.4 million in 2022. In addition, the item includes Euro 1.0 million in costs incurred for the acquisition and integration of Banca Popolare Valconca.

Net impairment of tangible and intangible assets amounted to Euro 2.3 million in 2023 compared to Euro 1.7 million in 2022 (+32.6%), and mainly relates to the amortisation of rights of use of buildings and vehicles as well as the amortisation of proprietary software.

Other operating expenses/income amounted to net income of Euro 47.2 million at 31 December 2023, compared to Euro 0.9 million at the end of the same period of the previous year; net of the extraordinary items described above, the item amounted to Euro 1.1 million in 2023, and mainly relates to charge-backs of expenses with customers included in Other administrative expenses.

Gross profit for 2023 thus came to Euro 88.0 million, compared to Euro 12.6 million in 2022.

Net profit for the year came to Euro 79.5 million, compared to Euro 10.9 million in the previous year. Net of the extraordinary items arising from the business combination with Banca Popolare Valconca described above, Net profit for the year would amount to Euro 34.9 million.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties to which the Bank is exposed, in view of its activities as well as its balance sheet and financial situation, are described in more detail in Part A and Part E of the Notes to the Financial Statements.
In this Report on Operations, in the paragraphs on the Macroeconomic scenario and the Market context, a description is also provided of the current context, which is marked, in particular, by the continuation of the armed conflict between Russia and Ukraine and by the recent conflict that broke out in Israel. The situation of uncertainty and the related risks are therefore difficult to estimate; however, on the basis of the information currently available, the Bank does not consider there to be any particular critical elements for the Bank's economic-financial equilibrium.

SIGNIFICANT EVENTS DURING THE YEAR

AUTHORISATION TO PROVIDE PORTFOLIO MANAGEMENT SERVICE

On 9 February 2023, the European Central Bank authorised Cherry Bank to provide the portfolio management service referred to in Art. 1, paragraph 5, letter d) of Legislative Decree No. 58/1998. At the same time, the Bank of Italy authorised the opening of a new branch in Ferrara where Cherry Bank provides funding, advisory and investment services.

2023-2025 STRATEGIC PLAN

On 14 February 2023, the Board of Directors, after assessment by the Board of Statutory Auditors, approved the 2023-2025 Strategic Plan, a document that identifies the main strategic guidelines of the Bank as a whole, broken down by each individual Business Unit, with a focus on controlling regulatory capital and containing the NPE ratio in line with the average of less significant institutions. The Plan introduces three new Business Units: Wealth Management, which deals with the asset management of private individuals by providing customised investment strategies; Special Situation dedicated to restoring the financial equilibrium of companies in a reversible crisis situation in order to resume a path of growth and value creation; Alternative Investment specialising in the management of certain non-traditional asset classes for institutional and professional customers.

INTEGRATION OPERATION OF BANCA POPOLARE VALCONCA S.P.A. IN A.S. (UNDER EXTRAORDINARY ADMINISTRATION)

Following the favourable resolutions of the Extraordinary Shareholders' Meetings of Banca Popolare di Valconca S.p.A. in Amministrazione Straordinaria (under Extraordinary Administration) and Cherry Bank, held on 25 and 27 November 2023 respectively, on 19 December 2023, the merger deed was signed, whereby the merger by incorporation of the two entities was finalised, effective as of 30 December 2023.
As a result of the exchange ratio agreed upon in the merger plan approved by the aforementioned Shareholders' Meetings, for every 1 ordinary share of Banca Popolare Valconca held, 1 newly issued ordinary share of Cherry Bank with no indication of par value was assigned in exchange.
At 30 December 2023, Cherry Bank's share capital amounted to Euro 49,597,778 – of which 10% was held by the former shareholders of Banca Popolare Valconca – divided into 105,752,055 ordinary shares.

DISPOSAL OF CHERRY SRL AND ACQUISITION OF CHERRY TRADEMARKS

On 20 December 2023, the sale of Cherry Bank's entire stake in the share capital of Cherry S.r.l. was finalised.
As part of the transaction, the acquisition of Cherry S.r.l.'s trademarks and domain names constituting Cherry Bank's brand identity was also finalised.

ISSUE OF AT1 PERPETUAL BOND

By resolution of the Board of Directors of 27 November 2023, the Bank approved, pursuant to Articles 2410 et seq. of the Italian Civil Code and Articles 12 and 12-*ter* of Legislative Decree No. 385 of 1 September 1993, the issue of an Additional Tier 1 bond. The instrument, called "Cherry Bank Additional Tier 1 Perpetual Bond", for a total amount of Euro 10 million, consisting of up to 50 bonds with a nominal value of Euro 200,000 each, dematerialised at Euronext Securities Milan, in a non-fractional, bearer denomination, was issued and placed in private placement on 19 December 2023.

WITHDRAWAL FROM THE IT SERVICES OF BANCA POPOLARE VALCONCA

In view of the completion of the merger by incorporation of Banca Popolare Valconca S.p.A. in Amministrazione Straordinaria (under Extraordinary Administration) into Cherry Bank, and in consideration of the fact that the merging Bank uses the information system and IT services of another outsourcer, the right was exercised of withdrawal from the corporate relationship in CSE Consorzio Servizi Bancari Soc. Cons. a r.l. (CSE) and the existing contracts with the outsourcer and with CSE Consulting S.r.l. for the provision of IT services, effective as of 27 May 2024, the date scheduled for the IT migration of data to the information system already in use at Cherry Bank.

SIGNIFICANT EVENTS AFTER YEAR-END

TAKING ON ROLE OF ISSUER OF FINANCIAL INSTRUMENTS DISTRIBUTED TO THE PUBLIC IN A SIGNIFICANT MEASURE

Pursuant to Article 2325-*ter* of the Italian Civil Code, as introduced by the Capital Bill (Law No. 21 of 5 March 2024), following the finalised merger by incorporation of Banca Popolare Valconca S.p.A. in Amministrazione Straordinaria (under Extraordinary Administration) into Cherry Bank S.p.A., an operation whose legal effects took place on 30 December 2023, Cherry Bank S.p.A. took on the role of "*issuer of financial instruments distributed to the public in a significant measure*".
It is noted that Cherry Bank S.p.A. had already notified the market and Consob of the taking on of such role, also pursuant to Article 116 of the Consolidated Law on Finance (TUF), an Article later repealed by Law No. 21 of 5 March 2024, and the regulatory provisions.

BUSINESS OUTLOOK

The forecasts developed by the main macroeconomic analysis institutes indicate a still moderately growing GDP for Italy in 2024; the same evolution is also expected for Europe, although not uniformly among the member countries.
The external context still suffers from multiple factors of uncertainty, even if some aspects are calmer than in the recent past. The cost of raw materials is gradually settling down. Oil is still expensive. However, natural gas, also as a result of actions implemented in particular in Italy, has prices that are substantially compatible with an orderly development of the real economy. The evolution of the Russia-Ukraine conflict also seems to generate manageable impacts on the energy front. More worrying is the effect of structural changes in the supply chain of the global economy. A possible gradual disengagement of the international supply system – also as a result of disruptions due to local clashes that affect them – could lead to the relocation of certain productions to more neighbouring areas with supply chain facilitation; however, at the same time with an increase in prices and an investment requirement on the one hand desirable, but on the other hand, not without financial consequences that have yet to be assessed.
The response to inflationary scenarios induced mainly by supply-side constraints was swift and vigorous on the part of the ECB.
The lag that characterises the effect of an increase in market interest rates with respect to expectations of inflation contraction is well known; this makes it particularly complex for monetary authorities to manage the dynamics of price changes, which are, moreover, already falling and are expected to normalise towards the 2% target during 2024 in the EU and are already below this limit in Italy. Current expectations are for the start of a phase of reduction of monetary policy rates, from the current levels of 4% for deposits and 4.5% for refinancing operations. Markets discount a reduction of more than 100 basis points by the end of 2024; indications from statements by members of the monetary authority seem to point to a less rapid slowdown, also to account for possible reversals in the trend of price changes.
The fall in monetary policy rates, which is not expected until the second half of the year at the earliest, is not expected to significantly affect the financial margin for more traditional banking business. The very good margins observed in 2023 are likely to be largely confirmed in 2024, in the substantial absence of a rapid transmission of monetary policy to current account deposits, which are an important source of funding for the business of operators. Relatively high rates will contribute to contain the price of impaired loan portfolios in which the Bank is interested and make lending to

companies, including those in turnaround, more selective, facilitating the Bank's presence. The dynamics in rates also led to a marked reduction in the prices of tax credits (introduced by Decreto Rilancio [Relaunch Decree]), which are expected to continue to be an element of the Bank's actions in 2024.
In general, in a context of overall low credit risk, the economic situation of households and businesses will continue to be affected by the dynamics of interest rates and GDP: after the first signs of difficulties, the economy will continue to struggle with high rates and reduced growth. The improvement on the inflation front will alleviate these effects.
The Bank's actions, during 2024, will be characterised: by careful management of regulatory capital, already reported today largely above the indications that the Bank was invited to maintain by the Supervisory Authorities following the outcome of the latest SREP process communicated in February 2023 and awaiting the next indications; by maintaining liquidity levels adequate for the Bank's strategies, reducing concentration and preferring more stable funding; by attention to the profitability of loans, adjusted for risk. Particular attention will be paid to the control of credit quality, which is still affected by the dynamics of the legacy portfolio but is markedly improving.
The Board of Directors is planning to approve the new 2024-2026 Strategic Plan by the end of the first half of 2024, which concretises the lines outlined above and evolves from the previous 2023-2025 Plan because it involves the effects of the integration of Banca Popolare Valconca, which was merged with effect from 30 December 2023. Thus, the stand-alone perspective of the previous Plan is no longer valid.
Against this backdrop, the expectations for the current financial year are positive; the awareness of the need to strengthen the Bank's regulatory capital and, in general, the Bank's perimeter precludes the distribution of dividends until complete visibility of completion of this strengthening; nevertheless, the vigorous growth and development are elements that are hoped to be welcomed.

OTHER INFORMATION

SHAREHOLDERS STRUCTURE

At 31 December 2023, the Bank's share capital amounted to Euro 49,597,778 divided into 105,752,055 shares with no nominal value, held by 4,965 shareholders.
The Bank's main shareholders are listed below, with an indication of their relative share in the capital, with voting rights at 31 December 2023.

Shareholder	No. of Shares	Share Capital (%)
Bossi Giovanni	46,347,697	43.83%
Maderna Francesca	9,161,970	8.66%
Veniero Investments Limited	8,706,419	8.23%
HPT Sinergy S.r.l.	3,646,248	3.45%
Other Shareholders	37,889,721	35.83%
Total	**105,752,055**	**100.00%**

TRANSACTIONS ON TREASURY SHARES

The Bank has not held and does not hold in its portfolio, directly or indirectly, any of its own units or treasury shares, or units or shares in parent companies.

CORPORATE GOVERNANCE

Within the three alternative systems of governance, the Bank has chosen and confirmed over time the traditional one, i.e. ordinary, system with the Board of Directors performing the strategic supervision function, the CEO performing the management function and the Board of Statutory Auditors performing the control function.

The Board of Directors and the Board of Statutory Auditors are appointed by the Shareholders' Meeting. Among the Bodies, the Control, Risk and Sustainability Committee (which performs support functions to the Body with strategy supervision function in the area of risks and the internal control system), as well as the Supervisory and Control Body pursuant to Legislative Decree No. 231/2001, were established.

As part of the internal control system, the Bank identifies the following functions within the levels provided for by the supervisory regulations in force:

- First-level or line controls, aimed at ensuring the proper conduct of operations, carried out by the production facilities themselves or incorporated into procedures, performed as part of back office activities;
- Second-level controls, carried out by the Risk Management Function and the Compliance and Anti-Money Laundering Function;
- Third-level controls, carried out by the Internal Audit Function.

The heads of the second and third-level control functions are placed directly under the Board of Directors. They have direct access to the Board of Statutory Auditors and communicate with it without restriction or intermediation.

TRANSACTIONS WITH RELATED PARTIES

Please refer to Part H of the Notes to the Financial Statements for information on transactions conducted with related parties during the year.

ATYPICAL OR UNUSUAL TRANSACTIONS

No atypical or unusual transactions took place during the year.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank did not carry out any research and development activities during the year.

PROPOSAL FOR ALLOCATION OF THE YEAR'S RESULT

Shareholders,

We submit for your approval the 2023 Financial Statements of Cherry Bank S.p.A. and the related proposed allocation of the profit for the year.

It is noted that Article 26 of Decree-Law No. 104 of 10 August 2023, converted with amendments into Law No. 136 of 9 October 2023, provided for an extraordinary tax calculated on the increase in interest margin for the year 2023 for banks referred to in Article 1 of the Consolidated Law on Banking and Credit (Legislative Decree No. 385 of 1 September 1993). The rule provides that the tax is to be determined by applying a rate of 40% on the amount of the interest margin included in item 30 of the Income Statement prepared in accordance with the formats of the bank financial statements approved by the Bank of Italy relating to the financial year preceding the one in progress on 1 January 2024 (2023 for parties with a tax period coinciding with the calendar year) that exceeds the same margin by at least 10% in the financial year prior to the one in progress on 1 January 2022 (2021 for parties with a tax period coinciding with the calendar year). The amount of the extraordinary tax may not exceed a portion equal to 0.26% of the total amount of the risk exposure determined in accordance with paragraphs 3 and 4 of Article 92 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 16 June 2013, with reference to the closing date of the financial year prior to the one in progress on 1 January 2023. The extraordinary tax must be paid by the end of the sixth month following the end of the financial year preceding the one in progress on 1 January 2024 and is not deductible for income tax and regional business tax purposes.
The same rule provides that, in lieu of the payment as determined above, banks may allocate, at the time of approval of the financial statements for the financial year prior to the one in progress on 1 January 2024, to a non-distributable reserve identified for this purpose, an amount not less than 2.5 times the tax calculated as described above. The rule also provides that, if the reserve is used for the distribution of profits, the tax provided for by the aforementioned Decree-Law, increased by an amount equal to the interest rate on deposits with the European Central Bank, must be paid within 30 days of the approval of the relevant resolution.
For Cherry Bank, the amount of the aforementioned extraordinary tax amounted to Euro 831,306. This amount was determined on the basis of the increase in the interest margin, as the charge calculated in this way is less than 0.26% of the risk exposure on an individual basis, determined in accordance with paragraphs 3 and 4 of Article 92 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, with reference to the closing date of 2022. Bearing in mind that the rule requires, in lieu of payment, the establishment of a reserve "not less than two and a half times the tax calculated pursuant to this Article", with a view to strengthening the company's assets, we propose that the amount of Euro 2,398,851 be allocated to a specific reserve (an amount prudentially assumed to be 2.5 times 0.26% of the risk exposure on an individual basis as of 31/12/2022 [Euro 959,540 x 2.5]).
It is also noted that, in accordance with what has been clarified by the Revenue Agency (Circular No. 4/E/2024 § 4), the acquiring company takes over the right to the suspension of payment and the related instrumental obligation to reconstitute in full the reserve pursuant to paragraph *5-bis* previously established by the merged company. Consequently, the Bank, in the presence of a sufficient merger surplus, used this surplus to replenish the reserve pursuant to Article 26 of Decree-Law No. 104/2023 recorded in the extraordinary administration financial statements for Euro 3,228,159.

Furthermore, in view of the necessary path to strengthen the Bank's capital and the capital levels achieved, the Board of Directors proposes, also for 2023, the preservation of profit for the benefit of the Bank's assets.

We propose to allocate the Net profit for the year of Euro 79,496,397 as follows:

- to Legal reserve pursuant to Art. 2430 of the Italian Civil Code for Euro 3,974,820;
- to Reserve pursuant to Article 26, paragraph 5-*bis* of Decree-Law No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023 for Euro 2,398,851;
- Unavailable reserve pursuant to Article 6, paragraph 2 of Legislative Decree No. 38 of 28 February 2005 for Euro 34,647,472;
- to Extraordinary reserve for the residual.

Padua, 25 March 2024

For the Board of Directors

The Chief Executive Officer
Giovanni Bossi

Statements

BALANCE SHEET

(amounts in Euro units)

ASSET ITEMS	31/12/2023	31/12/2022
10. Cash and cash equivalents	105,746,542	32,669,285
20. Financial assets measured at fair value through profit or loss	34,351,291	1,653,174
a) financial assets held for trading	169,358	356,278
c) other financial assets obligatorily measured at FV	34,181,933	1,296,896
30. Financial assets measured at fair value through other comprehensive income	122,019,623	169,466,096
40. Financial assets measured at amortised cost	2,081,481,382	715,412,741
a) receivables from banks	16,459,946	6,218,802
b) receivables from customers	2,065,021,436	709,193,939
70. Investments	100	1,000,100
80. Tangible assets	37,918,767	11,206,354
90. Intangible assets	10,265,458	2,410,317
of which goodwill	-	-
100. Tax assets	32,344,829	7,259,902
a) current	2,271,231	1,696,281
b) deferred tax assets	30,073,598	5,563,621
120. Other assets	810,419,594	147,252,614
TOTAL ASSETS	**3,234,547,586**	**1,088,330,583**

(amounts in Euro units)

LIABILITY AND EQUITY ITEMS	31/12/2023	31/12/2022
10. Financial liabilities measured at amortised cost	2,996,414,466	987,294,736
a) payables to banks	491,669,551	322.599710
b) payables to customers	2,504,714,640	664,695,026
c) securities issued	30,275	-
20. Financial liabilities held for trading	44,163	290,744
60. Tax liabilities	7,352,774	3,324,001
a) current	1,521,673	1,007,222
b) deferred	5,831,101	2,316,779
80. Other liabilities	62,905,204	42,424,292
90. Employee severance indemnity (TFR)	426,634	350,354
100. Provisions for risks and charges	2,354,339	371,392
a) commitments and guarantees given	1,088,586	363,392
c) other provisions	1,265,753	8,000
110. Valuation reserves	9,503,586	1,204,337
130. Capital instruments	10,000,000	
140. Reserves	15,736,239	(3,204,335)
150. Share premiums	716,006	716,006
160. Capital	49,597,778	44,638,000
180. Profit (Loss) for the year	79,496,397	10,921,056
TOTAL LIABILITIES AND EQUITY	**3,234,547,586**	**1,088,330,583**

INCOME STATEMENT

(amounts in Euro units)

	31/12/2023	31/12/2022
10. Interest and similar income	45,508,182	21,962,363
20. Interest and similar expense	(28,531,323)	(4,425,225)
30. Interest margin	**16,976,859**	**17,537,138**
40. Commission income	22,180,708	16,418,160
50. Commission expenses	(11,343,234)	(7,038,507)
60. Net commissions	**10,837,474**	**9,379,653**
70. Dividends and similar income	-	764
80. Net trading result	63,693,618	22,229,140
100. Gains (Losses) on disposal or repurchase of	(1,354,045)	695,236
a) financial assets measured at amortised cost	(2,002,735)	184,552
b) financial assets measured at fair value through other comprehensive income	648,690	510,684
110. Net result of other financial assets and liabilities measured at fair value through profit or loss	(184,088)	(118,731)
b) other financial assets obligatorily measured at FV	(184,088)	(118,731)
120. Intermediation margin	**89,969,818**	**49,723,200**
130. Net impairment/reversal of impairment of:	1,321,008	498,353
a) financial assets measured at amortised cost	2,334,230	(3,976,468)
b) financial assets measured at fair value through other comprehensive income	(1,013,222)	4,474,821
150. Net result from financial operations	**91,290,826**	**50,221,553**
160. Administrative expenses	(61,913,098)	(37,143,234)
a) personnel expenses	(26,160,603)	(17,049,078)
b) other administrative expenses	(35,752,495)	(20,094,156)
170. Net allocations to provisions for risks and charges	(46,680)	320,283
180. Net impairment/reversal of impairment of tangible assets	(1,432,977)	(1,105,262)
190. Net impairment/reversal of impairment of intangible assets	(877,084)	(636,703)
200. Other operating expenses/income	47,187,868	947,292
210. Operating costs	**(17,081,971)**	**(37,617,624)**
220. Gains (Losses) on investments	13,775,370	-
250. Gains (Losses) on disposal of investments	35,670	12,279
260. Gains (Losses) on continuing operations, gross of taxes	**88,019,895**	**12,616,208**
270. Income taxes for the year on continuing operations	(8,523,498)	(1,695,152)
280. Gains (Losses) on continuing operations net of taxes	**79,496,397**	**10,921,056**
300. Profit (Loss) for the year	**79,496,397**	**10,921,056**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(amounts in Euro units)

	31/12/2023	31/12/2022
10. Profit (Loss) for the year	**79,496,397**	**10,921,056**
Other income components net of taxes, without reversal to the income statement	3,904	53,897
70. Defined benefit plans	3,904	53,897
Other income components net of taxes, with reversal to the income statement	**18,474**	**(892,950)**
140. Financial assets (other than capital securities) measured at fair value through other comprehensive income	18,474	(892,950)
170. Total other income components net of taxes	**22,378**	**(839,053)**
180. Other comprehensive income (items 10+170)	**79,518,775**	**10,082,003**

STATEMENT OF CHANGES IN EQUITY AT 31.12.2023

(amounts in Euro units)

Items	Balance at 31.12.2022	Change opening balance	Balance at 1.1.2023	Allocation of previous year result		Changes in reserves	Changes in the year							Shareholders' Equity at 31.12.2023
							Equity transactions						Other comprehensive income 2023	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraord. distribution Dividends	Changes in capital instruments	Derivatives on treasury shares	Stock options		
Share capital	**44,638,000**	**-**	**44,638,000**	**-**	**-**	**-**	**4,959,778**	**-**	**-**	**-**	**-**	**-**	**-**	**49,597,778**
a) ordinary shares	*44,638,000*	-	*44,638,000*	-	-	-	*4,959,778*	-	-	-	-	-	-	***49,597,778***
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium	716,006	-	716,006	-	-	-	-	-	-	-	-	-	-	**716,006**
Reserves:	**(3,204,335)**	**-**	**(3,204,335)**	**10,921,056**	**-**	**8,019,518**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,736,239**
a) of profits	*(3,204,335)*	-	*(3,204,335)*	*10,921,056*	-	-	-	-	-	-	-	-	-	***7,716,721***
b) other reserves	-	-	-	-	-	8,019,518	-	-	-	-	-	-	-	***8,019,518***
Valuation reserves	1,204,337	-	1,204,337	-	-	8,276,871	-	-	-	-	-	-	22,378	**9,503,586**
Capital instruments	-	-	-	-	-	-	-	-	-	10,000,000	-	-	-	**10,000,000**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (Loss) for the year	10,921,056	-	10,921,056	(10,921,056)	-	-	-	-	-	-	-	-	79,496,397	**79,496,397**
Shareholders' Equity	**54,275,064**	**-**	**54,275,064**	**-**	**-**	**16,296,389**	**4,959,778**	**-**	**-**	**10,000,000**	**-**	**-**	**79,518,775**	**165,050,006**

STATEMENT OF CHANGES IN EQUITY AT 31.12.2022

(amounts in Euro units)

Items	Balance at 31.12.2021	Change opening balance	Balance at 1.1.2021	Allocation of period result		Changes in reserves	Changes in the year							Shareholders' Equity at 31.12.2022
							Equity transactions							
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraord. distribution Dividends	Changes in capital instruments	Derivatives on treasury shares	Stock options	Other comprehensive income 31.12.2022	
Share capital	44,638,000	-	44,638,000	-	-	-	-	-	-	-	-	-	-	**44,638,000**
a) ordinary shares	44,638,000	-	44,638,000	-	-	-	-	-	-	-	-	-	-	**44,638,000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium	716,006	-	716,006	-	-	-	-	-	-	-	-	-	-	**716,006**
Reserves:	**(14,948,752)**		**(14,948,752)**	**11,744,417**	**-**	-	-	-	-	-	-	-	-	**(3,204,335)**
a) of profits	(14,948,752)	-	(14,948,752)	11,744,417		-	-	-	-	-	-	-	-	**(3,204,335)**
b) other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves	2,043,390		2,043,390	-	-	-	-	-	-	-	-	-	(839,053)	**1,204,337**
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (Loss) for the year	11,744,417	-	11,744,417	(11,744,417)	-	-	-	-	-	-	-		10,921,056	**10,921,056**
Shareholders' Equity	**44,193,061**	**-**	**44,193,061**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**10,082,003**	**54,275,064**

CASH FLOW STATEMENT (INDIRECT METHOD)

(amounts in Euro units)

	31/12/2023	31/12/2022
1. Operations	**56,877,900**	**11,805,279**
- profit (loss) for the period (+/-)	79,496,397	10,921,056
- gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	1,448,935	270,522
- gains/losses on hedging activities (-/+)	-	-
- net impairment/reversal of impairment for credit risk (+/-)	(1,539,213)	123,961
- net impairment/reversal of impairment for tangible and intangible assets (+/-)	2,310,061	(1,741,965)
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	(46,680)	320,283
- net premiums not collected (-)	-	-
- other insurance income/charges not collected (-/+)	-	-
- unpaid taxes, duties and tax credits (+/-)	(23,995,526)	1,000,039
- net impairment/reversal of impairment of discontinued operations, net of tax effect (-/+)	-	-
- other adjustments (+/-)	(796,074)	911,383
2. Liquidity generated/absorbed by financial assets	**(2,003,158,366)**	**(73,519,906)**
- financial assets held for trading	(1,446,103)	(745,531)
- financial assets designated at fair value	-	-
- other assets obligatorily measured at FV	(32,700,949)	(163,320)
- financial assets measured at FV through other comprehensive income	56,758,944	73,666,535
- financial assets measured at amortised cost:	(1,365,542,650)	(42,855,519)
- other assets	(660,227,608)	(103,422,071)
3. Liquidity generated/absorbed by financial liabilities	**2,031,459,968**	**69,870,609**
- liabilities measured at amortised cost:	2,009,119,730	43,977,555
- financial liabilities held for trading	(246,581)	226,906
- financial liabilities designated at fair value	-	-
- other liabilities	22,586,819	25,666,148
Net liquidity generated/absorbed by operations	**85,179,502**	**8,155,982**
B. INVESTMENTS		
1. Liquidity generated by	**15,111,102**	**2,074**
- sales of investments	14,775,370	-
- dividends collected on investments	-	-
- sales/redemptions of financial assets held to maturity	-	-
- sales of tangible assets	335,733	2,074
- sales of intangible assets	-	-
- sales of Business Units	-	-
2. Liquidity absorbed by	**(37,213,348)**	**(1,101,584)**
- purchases of investments	-	-
- purchases of tangible assets	(28,481,123)	(630,015)
- purchases of intangible assets	(8,732,225)	(471,569)
- purchases of Business Units		
Net liquidity generated/absorbed by investments	**(35,877,615)**	**(1,099,510)**
C. FINANCING		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	10,000,000	-
- convertendo bond issues	-	-
- dividend distribution and other purposes	-	-
Net liquidity generated/absorbed by financing	**10,000,000**	**-**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**73,077,257**	**7,056,472**
Financial Statement items	**31/12/2023**	**31/12/2022**
Cash and cash equivalents at the beginning of the year	**32,669,285**	**25,612,813**
Total net liquidity generated/absorbed during the year	**73,077,257**	**7,056,472**
Cash and cash equivalents at the end of the year	**105,746,542**	**32,669,285**

Notes to the Financial Statements

PART A – ACCOUNTING POLICIES

A 1 – GENERAL PART

Section 1. Declaration of compliance with international accounting standards

The Financial Statements at 31 December 2023 of Cherry Bank, a joint-stock company, pursuant to Art. 4 of Legislative Decree No. 38 of 28 February 2005, are prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as set forth in EU Regulation No. 1606 of 19 July 2002.
The accounting standards adopted for the preparation of the 2023 Financial Statements are those in force at 31 December 2023 (including SIC and IFRIC interpretative documents).

The criteria for the classification, recognition, measurement and derecognition of assets and liabilities, as well as for the recognition of revenues and expenses, remained unchanged from the 2022 Financial Statements.

Cherry Bank's Financial Statements are audited by EY S.p.A. in execution of the resolution of the Shareholders' Meeting of 28 April 2022, which awarded this company a nine-year mandate for the financial years 2022 to 2030 inclusive.

The Bank has also adopted certain new accounting standards or amendments to accounting standards effective from 1 January 2023, as detailed in the table below, which did not have a material impact on the figures reported in these Financial Statements.

Document title	Date of approval	Entry into force	EU Regulation
IFRS 17 – Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	19/11/2021	01/01/2023	No. 2036/2021
IAS1 – Presentation of Financial Statements; IAS 8 – Accounting Policies, Changes in Accounting Estimates	02/03/2022	01/01/2023	No. 357/2022
IAS 12 – Income tax; IFRS 1 – First-time Adoptions IFRS	11/08/2022	01/01/2023	No. 1392/2022
IFRS 17 – Insurance Contracts	08/09/2022	01/01/2023	No. 1491/2022

The table below, on the other hand, shows the new international accounting standards and amendments to accounting standards already in force, with the relevant Endorsement Regulations by the European Commission, whose compulsory application will start on 1 January 2024 and in respect of which Cherry Bank has not made use of early application.

Document title	Date of approval	Entry into force	EU Regulation
IFRS 16 – Amendments to IFRS 16 – Leases – Lease liabilities in a sale and leaseback transaction	20/11/2023	01/01/2024	No. 2579/2023
IAS 1 – Amendments to IAS 1 – Presentation of Financial Statements – Classification of liabilities as current or non-current and Non-current liabilities with clauses	20/12/2023	01/01/2024	No. 2822/2023

The following table shows new international accounting standards or amendments to existing accounting standards that have not yet been endorsed by the European Commission.

Document title	Date of publication
IAS 21 – Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	15/08/2023
IAS 7 – Amendments to IAS 7 – Statement of Cash Flows: Supplier Finance Arrangements	25/05/2023
IFRS 7 – Amendments to IFRS 7 – Financial Instruments: Disclosures: Supplier Finance Arrangements	25/05/2023

The Bank considers the impact of the introduction of the above to be insignificant.

Section 2. General drafting principles

These Financial Statements comprise the Balance Sheet, the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Notes to the Financial Statements and the related comparative information. They are also accompanied by a Report on Operations during the year.
The Financial Statements are drawn up in Euro units, with the exception of the tables in the Notes to the Financial Statements, which are drawn up in thousands of Euro, except where otherwise indicated.

The Financial Statements have been drawn up with the application of the general principles of IAS 1, also referring to the IASB "Framework for the preparation and presentation of Financial Statements", with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.

They are prepared in accordance with the provisions set forth in Circular No. 262 of 22 December 2005 "Banks' Financial Statements: formats and compilation rules" published in Official Journal No. 11 of 14 January 2006 and subsequent additions and updates. The eighth update, issued on 17 November 2022, is currently in force. The Circular contains the administrative provisions issued by the Bank of Italy pursuant to Article 43 of Legislative Decree No. 136/15, which regulate, in accordance with IAS/IFRS, the format of the Financial Statements and Notes. Intermediaries are required to provide the information required by IAS/IFRS not referred to in these provisions in the Notes to the Financial Statements, in compliance with those standards.

Offsets between assets and liabilities and between expenses and revenues are only made if required or permitted by a standard or an interpretation thereof.

The classification criteria used for the Financial Statements items are the same as those used in the previous financial year.

The extraordinary event of merger by incorporation characterises these Financial Statements, making comparison with the results of the previous year particularly complex. Please refer to the Report on Operations for a better understanding of the events that led to the discontinuity from the previous financial year.

Content of statements

Balance Sheet and Income Statement
The Balance Sheet and Income Statement consist of items and sub-items. Non-valued items for the current and previous years are not shown in the tables.
In the Income Statement, revenues are indicated without a sign while costs are enclosed in round brackets.

Statements of Changes in Equity
The Statement of Changes in Equity reflects the provisions of Bank of Italy Circular No. 262/2005 and shows the composition of and changes in Equity items during the financial year covered by the Financial Statements and the previous year.

Cash Flow Statement
The Cash Flow Statement for the reporting year was prepared using the indirect method and shows the net liquidity generated by operations, investments and financing.
In the table, flows generated during the year are indicated without a sign, while those absorbed are enclosed in round brackets.

Statement of Other Comprehensive Income
The Statement of Other Comprehensive Income shows the profit/loss for the year and the changes in assets recognised during the year against valuation reserves.

Notes to the Financial Statements
The Notes to the Financial Statements include the information required by international accounting standards and Bank of Italy Circular No. 262 issued on 22 December 2005 and subsequent updates applicable to the preparation of these Financial Statements.
Each part of the Notes is divided into sections, each illustrating a single aspect of company operations.
The sections contain both qualitative and quantitative information.
Quantitative information usually consists of items and tables. Sections and tables that have no amounts or are not applicable to the business reality are not presented.
For each disclosure in Parts A, B, C, D, reference should be made to the corresponding items in the Balance Sheet, Income Statement, Other Comprehensive Income, Statement of Changes in Equity

and Cash Flow Statement.

Section 3. Events after the reporting date

No significant events occurred in the period between the end of the financial year and the date on which the Financial Statements were drawn up that were not taken into account for the purposes of drawing them up.

Please refer to the specific information in the Report on Operations on events occurring after the end of the financial year and up to the date of approval of these Financial Statements.

Section 4. Other aspects

Use of estimates and assumptions in preparing the Financial Statements

The preparation of Financial Statements, in accordance with the IFRS framework, requires the use of estimates and assumptions that may affect the amounts reported in the Balance Sheet and Income Statement, as well as the disclosure of contingent assets and liabilities in the Financial Statements.

Estimates and related assumptions are based on the use of any available information and/or factors deemed reasonable for that purpose at the time of preparation of these Financial Statements.

The following are the components in which the use of estimates and assumptions is substantially inherent in the determination of Financial Statement values:

- the quantification of impairment of loans and other financial assets;
- the use of internal valuation models to record the fair value of financial instruments not listed in active markets;
- the use of internal valuation models for fair value recognition of tax credits held for trading;
- estimates and assumptions on the recoverability of tax assets;
- the quantification of the employee severance indemnity fund and provisions for risks and charges.

By their nature, the estimates and assumptions used may vary from period to period and, therefore, it is possible that the values recorded in the Financial Statements may differ significantly in the future from those currently estimated. Any change in the estimate is applied prospectively and thus has an impact on the Income Statement of the year in which the change occurs and, possibly, on that of future years.

The following valuation methods were adopted as part of the Purchase Price Allocation (PPA) process, whereby the assets acquired, liabilities assumed and contingent liabilities of the merged Banca Popolare Valconca were recognised at their fair value at the acquisition date:

- the Bank has identified "Client Relationship" intangible assets; the fair value was estimated using the Multiperiod Excess Earnings Method. This method consists of discounting future operating income flows attributable to these assets, deducting the remuneration of other assets, tangible and intangible, that contribute to the generation of these flows;
- valuation of real estate based on estimates made by independent appraisers with appropriate and recognised professional qualifications, who supported management in

determining the market value of the real estate units as the fair value of the assets. The most frequently applied valuation method was "synthetic-comparative", i.e., based on a comparison with similar properties, with known prices deduced from publications, specialised magazines and market surveys carried out in the area, as well as values derived from Market Indicators. The characteristic unit value was determined through the use of appropriate correction or differentiation coefficients, which express the degree of deviation, greater or lesser, of the real estate unit under consideration compared to the virtual one. Alternatively, other evaluation methods were applied, such as: Discount Cash Flow, Direct Capitalisation, Cost Approach;

- valuation of performing loans carried out by applying the Discounted Cash Flow method to cash flows measured net of lifetime expected losses and other instrument management costs and discounted using a market rate determined by applying the Weighted Average Cost of Capital (WACC) criterion for which:
  - the weights of the debt and equity components were estimated based on two methodologies: (i) based on the debt-equity ratio derived from the financial statements of a panel of Italian banks and (ii) based on the capital absorption of the portfolio under assessment and the capital requirements of the same panel of banks;
  - cost of capital (Ke) was estimated on the basis of the Capital Asset Pricing Model, considering market parameters on a panel of listed Italian banks;
  - the cost of debt (Kd) was determined based on the yield of a sample of covered bonds issued by the same panel of banks;
- valuation of non-performing loans performed by applying the Discounted Cash Flow method to the analytical cash flows expected, through internal workout, on individual positions discounted by applying a discount rate representing the expected market return for a comparable portfolio.

Business model changes

Changes in the business model are deemed to be related to a decision of the company's top management as an effect resulting from internal or external changes that are significant to the company's business and must be demonstrable to third parties. The change of target must be effective before the date of reclassification.
In certain rare circumstances, financial assets must be reclassified from the "amortised cost" category to the "fair value through other comprehensive income" or "fair value through profit or loss" categories.
According to IFRS 9, reclassification of all affected financial assets is only required in rare cases, following material and documentable changes, especially when and only when the entity changes its business model for managing financial assets (IFRS 9 – B4.4.1).
The reclassification should be applied prospectively from the "reclassification date" thus defined: "*First day of the first financial year after*[1] *the change in business model that resulted in the reclassification of financial assets*".

With regard to third-party NPL, from 2023 Cherry Bank's business model is a Hold to Collect model. Cherry Bank's new acquisition strategy, also reflected in the new 23-25 Business Plan, shows a greater focus on the secondary/tertiary markets, with low asset quality and significantly lower prices than in

the primary market, leading to a preference for debt recovery through out-of-court settlement agreements, rather than a deferred recovery over time resulting from the initiation and prosecution of court actions.
Therefore, it is no longer tenable to state that the Bank's business model involves cash flow management as well as the sale of portfolios. The new business model is based instead on the mere management of cash flows from recovery activities; as a result of the current activity, portfolio sales are reserved a marginal and residual role that does not justify considering the sale as an integral part of the Bank's business model.
On 31 January 2023, the Board of Directors of the Bank resolved to change the business model for the NPL Investment & Management Business Unit in relation to NPL, i.e., to adopt a Hold to Collect business model instead of Hold to Collect and Sell, and the Bank therefore proceeded, already in the past financial year 2022, to recognise the NPL portfolios acquired in 2022 but which, at the date of the decision, had not yet passed the on-boarding stage, under Financial assets measured at amortised cost.

Business continuity

These Financial Statements have been prepared on the assumption that the company is a going concern.
In assessing this assumption, the Directors have (i) conducted a thorough analysis of the elements underlying the assessment of Cherry Bank S.p.A.'s ability to continue to operate as a going concern, taking into account all available information on the future – which is relative to at least, but not limited to, twelve months after the closing date of the financial year as required by the reference accounting standards (IAS 1 par. 25,26) –, and (ii) considered the provisions of the joint coordination table between the Bank of Italy, Consob and Isvap regarding the application of IAS/IFRSs, in document No. 2 of 6 February 2009 "Information to be provided in financial reports on the going concern assumption, financial risks, impairment testing of assets and uncertainties in the use of estimates", as well as in the subsequent document No. 4 of 4 March 2010, which requires the Directors to make particularly accurate assessments of the existence of the going concern assumption.
The results achieved as at 31 December 2023 confirm the Bank's ability to quickly achieve its objectives even in a rapidly changing market context.
The current macroeconomic context is still marked by geopolitical tensions, due to the protracted war in Ukraine and further aggravated by the recent conflict in the Middle East, which weigh on growth prospects for 2024, even if some aspects have calmed compared to the recent past. The response to the mainly supply-side constraint-induced inflation scenarios has been swift and vigorous on the part of the ECB, to the extent that the price change is already receding and is expected to normalise towards the 2% target in 2024. Current expectations are for the start of a phase of monetary policy rate cuts in the second half of the year.

In view of the above, the Directors have prepared the Financial Statements at 31 December 2023 on a going concern basis.

A 2 – PART RELATED TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This chapter sets out the accounting standards adopted for the preparation of the Financial Statements as at 31 December 2023. The presentation of the accounting standards adopted by Cherry Bank is made with reference to the recognition, classification, measurement and derecognition of the various asset and liability items. For each of the above steps, a description of their economic effects is also given, where relevant.

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

Recognition criteria

Initial recognition of financial assets is by settlement date for debt and capital securities and by subscription date for derivative contracts. Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value without considering transaction costs or income directly attributable to the instrument.

Classification criteria

Financial assets other than those classified as financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are classified in this category.

This item, in particular, includes:

- Financial assets held for trading, mainly consisting of debt and capital securities and the positive value of derivative contracts held for trading purposes;
- Financial assets designated at fair value, i.e., financial assets so defined at the time of their recognition and where the conditions exist. An entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if, and only if, it thereby eliminates or significantly reduces a measurement inconsistency;
- Financial assets obligatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are:
  - Debt instruments, securities and loans that do not have cash flows consisting solely of the repayment of principal and interest payments on the amount of principal to be repaid (so-called “SPPI Test” not passed);
  - Debt instruments, securities and loans whose business model is neither “Held to Collect” (whose objective is the holding of assets for the purpose of collecting contractual cash flows) nor “Held to Collect and Sell” (whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets);
  - UCITS units;
  - Equity instruments for which no designation at fair value through other comprehensive income was opted for upon initial recognition.

Derivatives also include those embedded in complex financial contracts, where the host contract is not a financial asset falling within the scope of IFRS 9, which have been subject to separate recognition if:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- embedded instruments, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are not measured at fair value with the related changes recognised in the Income Statement.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is calculated based on its fair value at the date of reclassification and this date is considered as the initial recognition date for the allocation to the different credit risk stages (stage allocation) for impairment purposes.

Measurement criteria

After initial recognition, financial assets held for trading are measured at fair value. The effects of applying this measurement criterion are attributed to the Income Statement.
Market prices are used to determine the fair value of financial instruments listed in an active market. In the absence of an active market, reference is made to commonly used estimation/valuation models, which take into account all the risk factors of the instruments: realisation value determined by reference to listed securities with similar characteristics, discounted cash flow calculations, option pricing models, values of recent comparable transactions, the solvency of the debtor and the debtor's country risk.
Capital securities and derivative instruments involving capital securities, for which fair value cannot be reliably determined according to the above guidelines, are held at cost and adjusted for impairment losses.

Derecognition criteria

Financial assets held for trading are derecognised when the sale has resulted in the transfer of substantially all the risks and benefits associated with the assets. When, on the other hand, they are retained to a significant extent, the assets continue to be recognised in the Financial Statements, even if in legal terms the ownership has been transferred. Retaining even partial control of the transferred assets implies retaining them in the Financial Statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, sold financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

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

Recognition criteria

The initial recognition of the financial asset takes place on the disbursement date in the case of loans, and on the settlement date for debt and capital securities.
Upon initial recognition, assets are recognised at fair value, which normally corresponds to the consideration paid, including transaction costs or income directly attributable to the instrument itself.
With regard to NPL, upon acquisition, these loans are recognised by allocating the price of the acquired portfolio to the individual credits comprising it, through the following activities:

- accounting recognition of individual credits at a value equal to the contractual price;
- upon completion of the verification of the documentation proving the existence and collectability of the credit, the positions without probative documentation or prescribed are written off and the remaining credits are assigned fair value;
- finally, following the sending of the notice of sale to the debtor, the credit is ready for the first processing for its recovery.

Newly acquired NPL are then valued at the purchase price until the completion of the above document verification, at the end of which these loans enter the useful stages of credit recovery.

Classification criteria

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved both by collecting the contractually agreed cash flows and by selling them (Business Model "Held to Collect and Sell");
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid (so-called "SPPI Test" passed).

Also included in this item are equity instruments, not held for trading purposes, for which the option to designate them at fair value through other comprehensive income was exercised upon initial recognition.
Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.
In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through other comprehensive income into one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the case of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is deducted from the fair value of the financial asset at the date of reclassification. In the case of reclassification to the fair value category through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from Shareholders' Equity to Profit (Loss) for the year.

Measurement criteria

Subsequent to initial recognition, assets classified at fair value through other comprehensive income, other than equity securities, are measured at fair value with the impact of the application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, while other gains or losses arising from a change in fair value are recognised in a specific Equity reserve until the financial asset is derecognised.
Upon total or partial disposal, the cumulative gain or loss in the valuation reserve is reversed, in whole or in part, to the Income Statement.

Equity instruments for which a choice has been made to classify them in this category are measured at fair value and the amounts recognised with a balancing entry in Equity (Statement of Other Comprehensive Income) are not to be subsequently transferred to the Income Statement, even if they are sold. The only component referring to the capital securities in question that is recorded in the Income Statement is represented by the related dividends.
Fair value is determined on the basis of the criteria already illustrated for Financial assets measured at fair value through profit or loss.
For capital securities included in this category, which are not listed in an active market, the cost criterion is used as an estimate of fair value only on a residual basis and limited to a few circumstances, i.e. in the event of non-applicability of all the valuation methods referred to above, or in the presence of a wide range of possible fair value measurements, within which cost represents the most significant estimate.
At the end of each annual or interim reporting period, financial assets measured at fair value through other comprehensive income, represented by both debt securities and loans, are subject to the test for significant increase in credit risk (impairment) required by IFRS 9, with the consequent recognition of a value adjustment in the Income Statement to cover expected losses.
Capital securities, on the other hand, are not subject to the impairment process.
With particular reference to NPL, i.e. financial assets considered impaired at the time of initial recognition, qualified as "Purchased or Originated Credit Impaired Assets" (POCI), at the date of initial measurement at amortised cost, an effective credit-adjusted interest rate is calculated (the so-called "credit-adjusted effective interest rate – CEIR"), for the identification of which it is necessary to include in the cash flow estimates the expected losses over the entire residual life of the financial instrument ("Expected Credit Loss – ECL – lifetime").
Specifically, once the credits purchased, upon completion of the document verification, enter into the recovery process, the valuation at amortised cost begins, using the credit-adjusted effective interest rate method, determined on the basis of the price paid, any transaction costs, cash flows and expected recovery times estimated on the basis of historical experience recorded or on the basis of analytical forecasts made by the managers in consideration of legal actions taken for recovery.
The originally calculated effective interest rate is maintained unchanged over time.
At the end of each period, the expected cash flows for each position are re-estimated; if events occur (higher or lower realised or expected cash receipts compared to forecasts and/or change in recovery times) that cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost for the period), this change is recorded under Impairment/Reversal of impairment for credit risk. Please refer to what is explained in more detail under "Other information" with reference to "Purchased or Originated Credit Impaired Assets".

At the end of the reporting period, these credits are finally measured at fair value, recognising the gains or losses arising from the change in fair value in a specific Equity reserve with reversal to the Income Statement upon derecognition.

For the manner in which fair value is determined, please refer to the criteria illustrated in "Information on fair value" below.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised when the sale has resulted in the transfer of substantially all the risks and benefits associated with the assets. The risks and benefits relating to the transferred assets, if retained to a material extent, continue to be recognised in the Financial Statements, even if legally the ownership of the assets had actually been transferred.

In the event that the substantial transfer of risks and benefits cannot be ascertained, financial assets are derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the Financial Statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.

Finally, sold financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Recognition criteria

The initial recognition of financial asset takes place on the settlement date in the case of debt securities and on the disbursement date in the case of loans. Upon initial recognition, assets are recognised at fair value, including transaction costs or income directly attributable to the instrument itself.
In particular, as far as loans are concerned, the disbursement date normally coincides with the contract signature date. If this is not the case, a commitment to disburse funds is entered into when the contract is signed and closes on the date of disbursement. The loan is recognised on the basis of its fair value, which is equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual credit and determinable from the origin of the transaction, even if settled at a later date. Costs which, although having the above-mentioned characteristics, are reimbursed by the debtor counterparty or fall under normal internal administrative costs are excluded.
Repurchase agreements that entail the obligation for a future resale/repurchase are recognised in the Financial Statements as funding or lending transactions. Specifically, the amount received for the sale of an asset under an agreement to repurchase it at a future date is recognised as a debt, while the amount paid for the purchase of an asset under an agreement to resell it at a future date is recognised as a loan.

Classification criteria

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:
- the financial asset is held in accordance with a business model whose objective is achieved through the collection of contractually agreed cash flows ("Hold to Collect" business model), and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid (so-called "SPPI Test" passed).

More specifically, the following are recognised under this item:
- loans to banks in the various technical forms that meet the requirements set out in the previous paragraph;
- loans to customers in the various technical forms that meet the requirements set out in the previous paragraph;
- repurchase agreements;
- debt securities that meet the requirements set out in the previous paragraph.

Also included in this category are operating receivables related to the provision of financial activities and services as defined by the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (e.g. distribution of financial products and servicing activities).
Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at amortised cost into one of the other two categories provided by IFRS 9 (Financial assets measured at fair value through

other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains or losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the Income Statement in the case of reclassification to Financial assets measured at fair value through profit or loss, and in Equity, in the valuation reserve, in the case of reclassification to Financial assets at fair value through other comprehensive income.

Measurement criteria

After initial recognition, these financial assets are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the Financial Statements at an amount equal to its initial recognition value less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset), and adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income attributable to the financial asset. This method of accounting, using a financial logic, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets – valued at historical cost – whose short duration makes negligible the effect of applying the discounting logic, for those without a defined maturity date and for revocable receivables.

The measurement criteria are closely linked to the inclusion of the instruments under review in one of the three stages (credit risk stages) provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets and the remaining (stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, the impairment referring to this type of asset are recognised in the Income Statement:

- at the time of initial recognition, in an amount equal to the expected twelve-month loss;
- at the time of the subsequent valuation of the asset, where the credit risk has not significantly increased since initial recognition, in relation to changes in the amount of expected loss adjustments over the following twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has significantly increased since initial recognition, in connection with the recognition of impairment for expected losses over the entire residual contractual life of the asset;
- at the time of the subsequent valuation of the asset, where – after there has been a significant increase in credit risk with respect to initial recognition – the "materiality" of this increase has subsequently ceased to exist, in connection with the adjustment of cumulative impairment to reflect the change from an expected loss over the entire residual life of the instrument ("lifetime") to one at twelve months.

The financial assets in question, if performing, are subjected to a valuation, aimed at defining the impairment to be recognised in the Financial Statements, at the level of the individual loan relationship (or "tranche" of security), according to the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment,

the amount of the loss is measured as the difference between the carrying amount of the asset (classified as "impaired", like all other relationships with the same counterparty) and the present value of estimated future cash flows, discounted at the original effective interest rate.
The amount of the loss, to be recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, attributed analytically to each position.
Impaired assets include financial instruments that have been assigned the status of:

- Non-performing: these are formally impaired loans, i.e. exposures to borrowers that are unable to meet their payment obligations, even if their insolvency has not been established by a court of law, or in equivalent conditions.
- Probable defaults ("unlikely to pay"): represent on- and off-balance sheet exposures, for which the conditions for classification of the debtor as non-performing do not apply, and for which there is an improbability assessment that, in the absence of actions such as enforcement of collateral, the debtor is able to fully meet its credit obligations (principal and/or interest). This assessment is carried out independently of the presence of any amount (or instalment) past due and unpaid. The classification as probable defaults is not necessarily linked to the explicit presence of anomalies (non-reimbursement) but is indeed linked to the existence of elements indicative of a situation of risk of debtor default.
- Past due and/or overdrawn impaired loans: represent on-balance sheet exposures, other than those classified as non-performing or probable defaults, which, at the reporting date, are past due or overdrawn for more than 90 days. Past due and/or overdrawn impaired loans can be determined by reference, alternatively, to the individual debtor or to the individual transaction.

The expected cash flows take into account the expected recovery times and the presumed realisable value of any guarantees.
The original effective rate of each asset remains unchanged over time even if there has been a restructuring of the relationship resulting in a change in the contractual rate and even if the relationship becomes, in practice, non-interest bearing.
If the reasons for the impairment no longer exist following an event occurring after the impairment loss was recognized, the impairment loss is reversed and the reversal is recognized in the Income Statement. The reversal may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.
Reversals of impairment losses associated with the passage of time are recognised under item "10. Interest and similar income".
In some cases, during the life of the financial assets under review and, in particular, the loans, the original contractual terms are subject to subsequent modification at the will of the parties to the contract.
When, during the life of an instrument, the contractual terms are changed, it is necessary to determine whether the original asset should continue to be recognised in the Financial Statements or whether, on the contrary, the original instrument should be derecognised and a new financial instrument should be recognised.
In general, changes in a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantiality" of the change must be made considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analyses, that the changes introduced substantially alter the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (also of a quantitative nature) will have to be carried out in order to appreciate the effects of the same and to ascertain whether or not it is necessary to proceed with the derecognition of the asset and

the recognition of a new financial instrument.
The (qualitative-quantitative) analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will therefore have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty: the former, aimed at "retaining" the customer, involve a debtor who is not in a situation of financial difficulty. This includes all renegotiation transactions that are aimed at adjusting the onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, which relates to aspects related to the onerousness of the debt, with a consequent economic benefit for the debtor. As a general rule, it is considered that whenever the Bank renegotiates in order to avoid losing its customer, such renegotiation should be regarded as substantial because, if it were not carried out, the customer would be able to obtain financing from another intermediary and the Bank would suffer a decrease in expected future revenues; the latter (forbearance measures) are aimed at preventing the counterparty from incurring a situation of financial difficulty. The underlying risks and benefits, after modification, are normally not substantially transferred and, consequently, the accounting presentation that provides the most relevant information for the reader of the Financial Statements (subject to what will be discussed below on the subject of objective elements) is that made through "modification accounting" – which implies the recognition in the Income Statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate – and not through derecognition;
- the presence of specific objective elements ("triggers") affecting the characteristics and/or contractual flows of the financial instrument (such as, by way of example only, a change of currency or a change in the type of risk to which one is exposed, when correlated to equity and commodity parameters), which are deemed to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

With particular reference to NPL, i.e. financial assets considered impaired at the time of initial recognition, qualified as "Purchased or Originated Credit Impaired Assets" (POCI), at the date of initial measurement at amortised cost, an effective credit-adjusted interest rate is calculated (the so-called "credit-adjusted effective interest rate – CEIR"), for the identification of which it is necessary to include in the cash flow estimates the expected losses over the entire residual life of the financial instrument ("Expected Credit Loss – ECL – lifetime").
Specifically, once the credits purchased, upon completion of the document verification, enter into the recovery process, the valuation at amortised cost begins, using the credit-adjusted effective interest rate method, determined on the basis of the price paid, any transaction costs, cash flows and expected recovery times estimated on the basis of historical experience recorded or on the basis of analytical forecasts made by the managers in consideration of legal actions taken for recovery.
The originally calculated effective interest rate is maintained unchanged over time.
At the end of each period, the expected cash flows for each position are re-estimated; if events occur (higher or lower realised or expected cash receipts compared to forecasts and/or change in recovery times) that cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost for the period), this change is recorded under Impairment/Reversal of impairment for credit risk.
In essence, the measurement criteria are the same as for portfolios classified as Assets measured

at fair value through other comprehensive income net of fair value measurement.
Please refer to what is explained in more detail under "Other information" with reference to "Purchased or Originated Credit Impaired Assets".

Derecognition criteria

Financial assets are derecognised when the sale has resulted in the transfer of substantially all the risks and benefits associated with the assets. When the risks and benefits of the transferred assets are retained to a material extent, they continue to be recognised in the Financial Statements, even if legally the ownership of the relationships has been effectively transferred.
In the event that the substantial transfer of risks and benefits cannot be ascertained, financial assets are derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the Financial Statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, sold financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

INVESTMENTS

Recognition criteria

Investments are recorded on the settlement date. On initial recognition, equity interests are accounted for at cost, including costs or income directly attributable to the transaction.

Classification criteria

This item includes interests held in subsidiaries, associates and jointly controlled companies. Companies in which the Bank holds at least 20% of the voting rights are considered associates, i.e. subject to significant influence.

Measurement criteria

Subsequent to initial recognition, investments subject to joint control or significant influence are accounted for using the equity method.
At each reporting date or interim report date, any objective evidence that the investment is impaired is ascertained.
These investments fall within the scope of IAS 36 with regard to impairment testing. In particular, they must be tested whenever there are objective indicators of impairment and at least once a year, at the time of preparing the Financial Statements.
If the test shows that the recovery value of the investment is lower than its book value, the difference is recognised in the Income Statement under item 220 "Gains (Losses) on investments". This item also includes any future reversals, where the reasons for previous write-downs have ceased to exist.

Derecognition criteria

Investments are derecognised when they are sold with the substantial transfer of all risks and benefits of ownership. The result of the sale of investments is recorded in the Income Statement under item "220 Gains (Losses) on investments". The same applies to investments not previously classified under item 140 "Non-current assets and groups of assets held for sale"; in this case, the result of the sale is recorded under item "280 Gain (Loss) from discontinued operations net of taxes".

Criteria for recognising income components

Said criteria can be seen from the exposition illustrated in the preceding paragraphs.
Dividends are recognised within item 70 "Dividends and similar income" of the Income Statement, when the right to receive payment arises.

TANGIBLE ASSETS

Recognition criteria

Tangible assets include land, group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.
Tangible assets are recognised at cost, which comprises the purchase price of the asset and costs directly attributable to the asset's acquisition and operation.
Extraordinary maintenance costs entailing an increase in future economic benefits are recorded as an increase in the value of the assets involved, while the other ordinary maintenance costs are recorded in the Income Statement.
"Tangible assets" also include assets used under finance leases entered into as lessee, for which the company has assumed substantially all the risks and benefits of ownership. Fixed assets subject to finance leases as lessee are initially recognised at the lower of fair value and the present value of the minimum lease payments; this value is subsequently subject to depreciation.

Classification criteria

The item includes:

- Assets for functional use owned;
- Assets for functional use acquired under leasing;
- Assets held for investment purposes;
- Assets held for investment purposes acquired under lease.

A distinction must be made between assets for functional use and assets held for investment purposes.

Assets for functional use
"Assets for functional use" are defined as tangible assets held to be used for the purpose of carrying out the company's business and whose use is assumed over a period of time longer than the financial year.
Assets for functional use include properties leased to Employees.

Assets held for investment purposes
"Assets held for investment purposes" are defined as properties held for the purpose of earning rentals or for capital appreciation. Consequently, a property investment differs from an asset held for the owner's use in that it gives rise to financial flows that are widely different from other assets held by the Bank.
Tangible assets (for functional use and held for investment purposes) also include those recorded following finance lease contracts, although the legal ownership of the same remains with the lessor company. Also included are rights of use acquired under operating leases (as lessee), if these rights relate to assets that can be classified as tangible assets.

Measurement criteria

Subsequent to initial recognition, tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. The depreciable amount, which is equal to cost less residual value (i.e. the expected amount that would normally be obtained from disposal, less expected costs of disposal, if the asset was already in the condition, including age, expected at the end of its useful life), is allocated systematically over the useful life of the tangible asset using the straight-line method as the depreciation method. The useful life, which is subject to periodic revision in order to detect any estimates that differ significantly from the previous ones, is defined as:

- the period of time over which an asset is expected to be usable by the company or,
- the quantity of products or similar units that the company expects to obtain from the use of the asset.

In view of the circumstance that tangible assets may be composed of components with different useful lives, land, whether stand-alone or included in the value of the building, is not subject to depreciation as it is a fixed asset with indefinite useful life. The separation of the value attributable to the land from the overall value of the property takes place, for all buildings, in proportion to the percentage of ownership. Buildings, on the other hand, are depreciated according to the criteria set out.
Works of art are not subject to depreciation as their value generally increases with the passage of time.
Depreciation of an asset begins when the asset is available for use and ceases when the asset is derecognised. Accordingly, depreciation does not cease when the asset becomes idle or is no longer in use or is held for disposal, unless the asset is fully depreciated.

Leased tangible assets

The commencement of the lease term is the date from which the lessee is authorised to exercise its right to use the leased asset and thus corresponds to the date of initial recognition of the lease.

At the commencement of the lease term, the lessee recognises leases as assets (right of use) and liabilities (finance lease debt). The initial value of the right of use is equal to the initial recognition value of the lease liability (see item 11 "Financial liabilities measured at amortised cost"), adjusted for any initial direct costs incurred by the lessee.

In adopting IFRS 16, the Bank decided to take advantage of the exemption granted by IFRS 16:5(a) in respect of short-term leases (lease term of less than 12 months) and the exemption granted by IFRS 16:5(b) in respect of leases for which the underlying asset is a low-value asset, i.e. for those cases where the underlying assets of the lease do not exceed a value of Euro 5,000 when new (mainly computers, telephones and tablets, printers and other electronic devices). For these contracts, the introduction of IFRS 16 did not result in the recognition of the right of use and the related financial liability, but the lease payments continue to be recognised in the Income Statement on a straight-line basis over the term of the respective contracts, in continuity with the previous method of accounting.

After the commencement date, the right-of-use asset is measured using the cost model, i.e. net of accumulated depreciation (recognised in each year under item 180 "Net impairment/reversals of impairment of tangible assets) and accumulated impairment losses, and adjusted for any restatement of the lease liability.

The periodic payments made in connection with the contract are divided between financial costs (interest portion of the lease payment), recorded under item 20 of the Income Statement "Interest and similar expense", and the principal portion, recorded as a reduction of the related financial liability for leasing recorded as a liability in the Balance Sheet.

Derecognition criteria

A tangible asset is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from the disposal or withdrawal of the tangible asset, equal to the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the Income Statement under item 250 "Gains (Losses) on disposal of investments".

Criteria for recognising income components

The Income Statement is affected by depreciation rates according to the predefined useful life for each category.

The useful life of assets is reviewed at each reporting date and, if expectations differ significantly from previous estimates, the planned depreciation schedule is amended.

INTANGIBLE ASSETS

Recognition criteria

The asset, shown under Balance Sheet item 90 "Intangible assets", is recognised at cost and any expenditure subsequent to initial recognition is capitalised only if it is capable of generating future

economic benefits and only if such expenditure can be reliably determined and allocated to the asset.
The cost of an intangible asset includes:

- the purchase price including any taxes and duties on non-recoverable purchases after deducting trade discounts and rebates;
- any direct costs for preparing the asset for use.

Classification criteria

An intangible asset is defined as a non-monetary, identifiable asset that lacks physical substance and is used in the conduct of the company's business.
The asset is identifiable when it:

- is severable, i.e. capable of being separated or unbundled and sold, transferred, licensed, leased or exchanged;
- arises from contractual or other legal rights regardless of whether those rights are transferable or severable from other rights and obligations.

The asset is characterised by the fact that it is controlled by the enterprise as a result of past events and on the assumption that economic benefits will flow to the enterprise through its use. An enterprise is in control of an asset if it has the power to enjoy the future economic benefits from the resource in question and can, moreover, limit access to those benefits by third parties.
Future economic benefits arising from an intangible asset may include income from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the enterprise.
An intangible asset is recognised as such if, and only if:

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

The probability of future economic benefits occurring is assessed using reasonable and supportable assumptions that represent the best estimate of the set of economic conditions that will exist over the useful life of the asset.
The degree of probability associated with the flow of economic benefits attributable to the use of the asset is assessed on the basis of the sources of information available at the time of initial recognition, giving greater weight to external sources of information.
Cherry Bank S.p.A. classifies the following as intangible assets: goodwill and third-party software costs with long-term utility. In contrast, intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset, based on the option provided for in IFRS 16, paragraph 4.

Intangible assets with definite useful life
An asset with definite useful life is one for which it is possible to estimate the time limit within which the related economic benefits are expected to be generated.

Intangible assets with indefinite useful life
An asset with indefinite useful life is one for which it is not possible to estimate a foreseeable limit to the period during which the asset is expected to generate economic benefits for the company.

The attribution of an asset's indefinite useful life does not result from having already planned future expenditures that will restore the asset's standard level of performance over time, thereby extending its useful life.

Measurement criteria and income components

Subsequent to initial recognition, intangible assets with definite useful life are recognised at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a systematic basis over the best estimate of the useful life of the fixed asset (see definition included in the paragraph on "Tangible assets") using the straight-line method.
The amortisation process begins when the asset is available for use and ceases on the date the asset is derecognised.
Intangible assets with indefinite useful life (i.e., goodwill) are recognised at cost less any impairment losses periodically identified as a result of impairment testing conducted to verify the adequacy of the asset's carrying value. Consequently, no amortisation is calculated for these assets.
No intangible assets arising from research (or from the research phase of an internal project) are recognised.

Derecognition criteria

The asset is derecognised if there are indications that it may be impaired or when future economic benefits are no longer expected.

CURRENT AND DEFERRED TAXATION

Recognition criteria

The provision for income taxes is determined on the basis of a prudent forecast of the current tax expense, deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated on temporary differences between the book value of assets and liabilities in the Financial Statements and their value for tax purposes.
Deferred tax assets are recognised to the extent that there is a reasonable certainty of their recovery in the presence of future taxable income, while deferred tax liabilities are recognised to the extent that it is believed that the conditions for their taxation will arise in future years.

The rates used, separately for each type of tax, are those in force for the periods of reversal of temporary differences and without time limits.
Deferred taxation is recognised with reference to:

- revaluation reserves of real estate in suspense for tax purposes, portion calculated on the portion of revaluation of real estate not used by the company;
- revaluation reserves referring to movable assets;
- valuation reserve of the "securities held for sale" portfolio;
- valuation reserve for NPL portfolios measured at fair value;
- actuarial valuation reserve of the TFR provision.

Classification criteria

Tax assets and liabilities are shown in the Balance Sheet separately from other assets and liabilities. Deferred tax assets and liabilities are distinguished from current tax assets and liabilities.

Measurement criteria

Deferred tax assets and liabilities are measured at year-end in relation to the probability of recovery, changes in tax laws and rates, and are not discounted.

Derecognition criteria

Assets and liabilities are derecognised when there are no valid reasons for the existence of credit and debit relationships with the tax authorities.
At the end of the financial year, the provision for deferred taxes and "Current tax assets" are adjusted in connection with the reversal to the Income Statement of taxes that have become current during the year.

Criteria for recognising income components

Current taxes accrued during the year, deferred tax assets and liabilities arising during the year, and changes in the previous year's balances, are recorded in the Income Statement; they are instead allocated to Equity, when they are allocated to Equity reserves. Taxes related to discontinued operations are deducted directly from the relevant Income Statement items.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges for commitments and guarantees given

The sub-item of provisions for risks and charges under review includes provisions for credit risk recognised against commitments to disburse funds and guarantees given that fall within the scope of application of the impairment rules under IFRS 9.
For these cases, the same methods of allocation among the three stages of credit risk and calculation of the expected loss shown with reference to financial assets measured at amortised cost or fair value through other comprehensive income are adopted in principle.

Other provisions

Other provisions for risks and charges consist of provisions relating to legal obligations of a contractual or non-contractual nature or to litigation, including tax litigation, arising from a past event, for which it is probable that economic resources will be disbursed to fulfil the obligations, provided a reliable estimate of the amount can be made.
Specifically, other provisions for risks and charges consist of liabilities recognised when:

- there is a present obligation (legal or implicit) as a result of a past event;
- it is likely that disbursement of resources capable of producing economic benefits will be necessary to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

If all these conditions are not met, no liability is recognised.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the obligation and reflects the risks and uncertainties surrounding the facts and circumstances under consideration.
Where the effect of the time deferral in incurring the obligation is significant, the amount of the provision is determined as the present value of the best estimate of the cost to settle the obligation. In this case, a discount rate is used to reflect current market valuations.
Provisions are periodically reviewed and, if necessary, adjusted to reflect the best current estimate. When, following the review, the incurrence of the charge becomes unlikely, the provision is reversed.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Recognition criteria

These financial liabilities are first recognised on the date the contract is entered into, which normally corresponds to the date on which the sums collected are received or the debt securities are issued. Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, plus any additional costs/income directly attributable to the individual financing or issuance transaction. Internal administrative costs are excluded.

Classification criteria

Payables to banks, Payables to customers, and Securities issued include the various forms of interbank and customer financing and funding through certificates of deposit and bonds in issue, net, therefore, of any amounts repurchased.
Payables to banks and customers also include operating debts arising from the provision of financial services.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.
An exception to this are short-term liabilities, for which the time factor is insignificant, which therefore remain recognised at the amount collected and whose costs, if any, are allocated to the Income Statement on a straight-line basis over the contractual term of the liability.

Derecognition criteria

Financial liabilities are derecognised when they are due or settled. Derecognition takes place even if previously issued bonds are repurchased.
The difference between the book value of the liability and the amount paid to acquire it is recorded in the Income Statement.
The placing of own securities on the market after repurchase is regarded as a new issue with registration at the new placement price.

FINANCIAL LIABILITIES HELD FOR TRADING

The item includes the negative value of trading derivative contracts measured at fair value.

Recognition criteria

Upon initial recognition, financial liabilities held for trading are recognised at their fair value.

Classification criteria

Financial liabilities held for trading refer to derivative contracts that are not recognised as hedging instruments.

Measurement criteria

Even after initial recognition, financial liabilities held for trading are measured at fair value at the end of the reporting period. Fair value is determined on the basis of the same criteria illustrated for financial assets held for trading.

Derecognition criteria

Financial liabilities are derecognised when they are settled or when the related obligation is fulfilled, cancelled or expired. The difference arising on derecognition is recorded in the Income Statement.

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Recognition criteria

These liabilities are recognised at the date of issue at their fair value less placement fees paid.

Classification criteria

This item includes financial liabilities, whatever their technical form, designated at fair value with a balancing entry in the Income Statement, in application of the so-called "fair value option" provided by IFRS9. The portion of own-issued debt securities not yet placed with third parties is to be excluded. The application of the Fair Value Option (FVO) extends to all financial assets and liabilities that, otherwise classified, would have given rise to a distortion in the presentation of the economic result.

Measurement criteria

Subsequent to recognition, liabilities are always measured at fair value; in particular, IFRS 9 requires that changes in fair value attributable to changes in creditworthiness are recognised in the Statement of Other Comprehensive Income (i.e. Shareholders' Equity), while the remaining changes in fair value are recognised in the Income Statement. The amounts recognised in the Statement of Other Comprehensive Income do not subsequently recur in the Income Statement.
In the absence of an active market, estimation methods and valuation models based on market data such as discounting of future cash flows and option pricing models are used.

Derecognition criteria

Financial liabilities are derecognised when they expire or are settled. Derecognition takes place even if previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid to buy it back is recognised in the Income Statement.

Criteria for recognising income components

The valuation results are recorded in the Income Statement under item 110 "Net result of financial assets/liabilities measured at fair value through profit or loss".

CURRENCY TRANSACTIONS

Recognition criteria

Transactions in foreign currencies are recorded on initial recognition, in the currency of account, by applying to the foreign currency the exchange rate in force on the date of the transaction.

Criteria for recognising income components

At each reporting date:

- monetary items in foreign currencies are converted using the closing rate;

- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction; non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value is determined.

Exchange differences arising from the settlement of monetary items or from the translation of monetary items at rates different from those at which they were translated at initial recognition during the financial year or in previous Financial Statements are recognised in the Income Statement in the year in which they arise, with the exception of exchange differences arising from a monetary item that forms part of a net investment in a foreign operation. Exchange differences arising from a monetary item that forms part of a net investment in a foreign operation of a reporting enterprise are recognised in the Income Statement of the reporting enterprise's individual Financial Statements or the individual Financial Statements of the foreign operation. In Financial Statements that include the foreign operation (e.g. Consolidated Financial Statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in a separate component of Equity and recognised in the Income Statements upon disposal of the net investment. When a gain or loss on a non-monetary item is recognised directly in Equity, any foreign exchange component of that gain or loss is recognised directly in Equity. Conversely, when a gain or loss on a non-monetary item is recognised in the Income Statement, each exchange component of that gain or loss is recognised in the Income Statement.

OTHER INFORMATION

Employee severance indemnity (TFR)

The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of benefits accrued by employees in exchange for their service in the current and prior years, and the discounting of these benefits in order to determine the present value of the Company's obligations.

The "severance indemnity" of employees is recognised on the basis of its actuarial value determined using the Projected Unit Credit Method as set forth in IAS 19.

Guarantees given and commitments

"Guarantees given" include all guarantees given by the Bank.

Guarantees of a "financial nature" are those granted to support transactions aimed at the acquisition of financial means; guarantees of a "commercial nature" are those granted to guarantee specific commercial transactions: they are indicated with reference to the ordering party, i.e. the party whose obligations are covered by the guarantee provided.

They are recorded at nominal value net of cash outflows and impairment, if any.

Commitments to disburse funds are irrevocable commitments of certain or uncertain use, which may give rise to credit risk (excluding commitments arising from the conclusion of derivative contracts): the carrying amount is net of amounts already disbursed and any impairment.

Irrevocable commitments for certain use include commitments to disburse funds whose use by the applicant is certain and definite: they are therefore binding contracts for both the grantor and the applicant. The aggregate includes, *inter alia*, purchases of securities not yet settled (the company accounts for securities by settlement date) and deposits and loans to be disbursed at a

predetermined future date.
Irrevocable commitments are of uncertain use when use by the applicant is optional; in this case, it is uncertain whether and to what extent the actual disbursement of funds will take place.
Underlying commitments to credit derivatives: protection sales are commitments arising from the sale of protection against credit risk.
They are recorded at nominal value net of disbursements and impairment, if any.

Revenue recognition

Revenues are recognised when they are received or, in any case, when it is probable that future benefits will be received; when they cannot be reliably estimated, revenues are measured to the extent that the related costs incurred are recoverable.
In particular:

- interest is recognised *pro rata temporis* on the basis of the contractual interest rate or the effective interest rate if the relevant assets have a contractual duration beyond the short term;
- dividends are recognised in the Income Statement when they are received;
- fees for service revenues are recognised, based on contractual agreements, in the period in which the services are rendered;
- proceeds from the sale of non-financial assets are recognised when the sale is completed, unless the Bank has retained most of the risks and benefits associated with the asset.

Purchased or Originated Credit Impaired (POCI) Assets

Purchased or Originated Credit Impaired (POCI) Assets are those exposures that are impaired at the date of purchase or at the date they are originated.
In this paragraph, purchases in the context of business combinations are excluded.

At the time of purchase, impaired loans are booked at the price paid and kept at the price paid until the end of the on-boarding phase, which generally lasts 6-9 months depending on the size and complexity of the portfolio. During this phase, all information about the debtors, their income and asset position, and the documentation proving the credit are collected. Once all the necessary information has been obtained, the purchased portfolio is released at amortised cost: this implies identifying for each file the expected cash flows determined according to the most suitable type of recovery (judicial, extrajudicial). The cash flows determined in this way are already appropriately adjusted for expected losses over the entire residual life of the credit ("Expected Credit Loss – ECL – lifetime").
The credit-adjusted effective interest rate ("CEIR") is then determined, i.e. that rate which equals the sum of the present value of the future cash flows of the portfolio's files, net of related recovery costs, to the portfolio's purchase price.
At each reporting date, the expected cash flows are restated to take into account the progress of management actions, any collections noted and any new useful information gathered. Positive or negative changes in the timing or amount of expected cash flows are recognised as reversals or impairment of loans, as required by IFRS 9 for Purchased or Originated Credit Impaired (POCI) Financial Assets.
In the case of a sale, the difference between the sales price and the amortised cost value at the time of the transaction is recognised in gains (losses) on the sale of loans.

Depending on the business model with which these assets are managed, POCI are classified as either Financial assets measured at fair value through other comprehensive income or Financial assets measured at amortised cost.

The attribution of the Hold to Collect and Sell (HTC&S) business model for POCI results in their valuation at amortised cost, and eventual impairment, and the recurring valuation at fair value with the effects of changes in fair value recognised in Equity and, therefore, included in the Statement of Other Comprehensive Income ("FVTOCI").
This business model is applied to portfolios purchased and released up to 31.01.2023, at which time a change in the business model was decided upon, identifying a Hold to Collect (HTC) business model for NPL portfolios released and purchased after 31.01.2023.

Tax credits acquired

Tax credits acquired are tax credits introduced by Decrees No. 18/2020 (so-called, Cura Italia [Cure Italy]) and No. 34/2020 (so-called, Rilancio [Relaunch]) for which the following are envisaged:

- the possibility of compensatory use over a limited period of time;
- transferability to third-party purchasers;
- non-refundability (by the tax authorities).

These tax credits do not represent tax assets, Government grants, intangible assets or financial assets under international accounting standards, and are therefore entered in the residual category of "Other assets".
However, as also indicated in the joint Bank of Italy/Consob/IVASS Document No. 9, the tax credits acquired are to be considered, from a substantial point of view, similar to a financial asset and, therefore, an accounting model based on IFRS9 is deemed the most appropriate approach to provide relevant and reliable information.

Tax credits are recorded at a value equal to the consideration paid to the transferor, under item "120. Other assets".
After initial recognition, tax credits, depending on the business model with which they are managed, will be measured at amortised cost, if held for compensation, or at fair value, if held for trading, with the effects of changes in fair value recognised in the Income Statement.

Tax credits acquired for compensation are measured at amortised cost using an effective interest rate determined at inception so that the discounted cash flows associated with the estimated future offsets over the expected life of the tax credit equal the purchase price of the tax credits; the economic effects thus determined are recognised under item "10. Interest and similar income".

Tax credits acquired with the intent to trade are measured at fair value through profit and loss (FVTPL) with the related economic effects recorded in item "80. Net trading result".
In its trading activities, the Bank purchases tax credits from Companies and/or General Contractors operating in the construction sector and enters into both forward and spot sale transactions with third parties. When measuring the fair value of tax credits, the cash flows arising from the instruments are considered, taking into account both proprietary time series and current market trends to determine the exit price as required by IFRS 13. The valuation model for such instruments, as required by IFRS 9 B5.1.2A, also takes into account changing factors (including time) that market participants would consider in pricing the asset.

Information pursuant to Article 1, paragraph 125 of Law No. 124 of 4 August 2017

Pursuant to Article 1, paragraph 125 of Law No. 124 of 4 August 2017, in compliance with the obligation of transparency, it is reported that subsidies, contributions, paid assignments and in any case economic advantages of any kind have been received from Public Administrations.
The Bank received the tax credit provided for in Article 57-*bis* of Decree-Law No. 50 of 24 April 2017, converted, with amendments, by Law No. 96 of 21 June 2017, as amended, amounting to Euro 27,870.

Impairment of financial instruments

At each reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment to determine whether there is any evidence that the carrying value of the assets is not fully recoverable. A similar analysis is also performed for commitments to disburse funds and for guarantees given that fall within the scope to be subject to impairment under IFRS 9.

Impairment losses on performing financial assets
For financial assets for which there is no evidence of impairment (non-impaired financial instruments), it is necessary to check whether there are any indicators that the credit risk of the individual transaction has significantly increased since initial recognition.
The standard, in fact, provides that, for the purposes of assessing creditworthiness, non-impaired financial assets must be allocated to two different Stages:

- Stage 1: for exposures that have not deteriorated in credit quality since the time of disbursement or purchase or that imply negligible credit risk at that time;
- Stage 2: for exposures whose original credit quality has deteriorated significantly and whose credit risk is not negligible, although they are not yet classified as impaired.

For the purposes of identifying any "significant deterioration" in credit quality since the date of initial recognition and the consequent need for classification in Stage 2, as well as speculatively, the prerequisites for returning to Stage 1 from Stage 2, the choice made provides, at each reporting date, for a comparison of the credit quality of the financial instrument at the time of valuation with that at the initial time of disbursement or purchase (Stage assignment).
The significant deterioration of creditworthiness with respect to the time of disbursement, in addition to being conditioned by macroeconomic parameters, is identified through the analysis of the following so-called "Staging" criteria:
Significant increase in credit risk:

- the change in the probability of default with respect to the time of initial recognition of the financial instrument. It is, therefore, an evaluation using a "relative" criterion, i.e. the change in the (CRS) rating;
- continuous overrunning of more than 30 days;
- presence of a Forborne credit.

As far as the former BPV is concerned, the Stage allocation rules will be aligned with those of the target following the migration to the target information system. However, in any case, they are in line with the criteria adopted by the merging company.

Some peculiar considerations also apply to the so-called "Staging" of securities. Unlike loans, in fact, for this type of exposure, buying and selling transactions subsequent to the first purchase made with reference to the same ISIN may routinely fall within the ordinary management of the positions (with the consequent need to identify a methodology to be adopted for the identification of sales and redemptions in order to determine the residual quantities of individual transactions to which to associate a credit quality/rating at origination to be compared with that of the reporting date). In this context, it was considered that the use of the "first-in-first-out" or "FIFO" methodology contributes to a more transparent portfolio management, also from the point of view of front-office operators, while at the same time allowing a continuous updating of the creditworthiness assessment on the basis of new purchases.

Once the allocation of exposures to different Stages of credit risk has been defined, the determination of expected losses (ECL) is made by applying the following parameters and calculations:

Stage 1

- the Probability of Default (PD), which expresses, dynamically over time, each customer's probability of moving from "non-impaired loan" to "impaired loan" status (past due, probable default or non-performing) within one year;
- the Loss Given Default (LGD) rates (i.e., the loss that, in the event of default, cannot be recovered, either judicially or extrajudicially, also taking into account the expenses incurred and the time required by the recovery attempt), to be applied to non-impaired loans, which result from the application of the consortia methodologies and adopted by the Bank;
- the lump-sum expected loss percentages for each credit line included in non-impaired loans are determined by multiplying the respective Probability of Default (PD) by the Loss Given Default (LGD);
- the sum of the expected losses relating to individual relationships, each of which is in turn obtained from the product of the relevant exposure and the relevant lump-sum percentage, quantifies the total amount of expected losses of the entire non-impaired loan portfolio.

Stage 2

For this category of credits, the assessment of the loss to be quantified in the Financial Statements will be determined by reference to the entire residual life of the individual loans and not by reference to the next twelve months as for the credit included in Stage 1.

The risk parameters (PD and LGD) will therefore refer to a time horizon differentiated according to the maturity of each individual exposure, and the multi-year expected loss will be the sum of all annual components from valuation date to maturity date.

Impairment losses on non-performing financial assets

Impaired loans (Stage 3) are subject to the following valuation methods:

- analytical-specific assessment for all exposures classified as non-performing;
- analytical-specific assessment for all exposures classified in the category of probable defaults (unlikely to pay – UTP);
- analytical-specific assessment for all exposures classified in the past due and/or overdrawn category.

The analytical-specific assessment is a valuation of individual positions based on a qualitative-quantitative analysis of the debtor's economic and financial situation, the riskiness of the credit relationship, any mitigating factors (guarantees) and made taking into account the financial effect of the estimated time required for recovery.

Methods of determining fair value

Fair value is defined as the price at which a purchase or sale of an asset or liability would occur in a regular transaction between market participants, under the conditions prevailing at the valuation date in the principal or most advantageous market (exit price), regardless of whether that price is observable directly or estimated using another valuation technique. Underlying the measurement of fair value is the presumption that the entity is a going concern, i.e. that it is in a fully operational situation and therefore does not intend to liquidate or significantly reduce its operations or undertake transactions on unfavourable terms. Fair value is therefore not the amount the entity would receive or pay in the event of forced transactions or sales below cost.

The valuation techniques used to measure fair value are applied uniformly and continuously over time.

Listed instruments
In the case of listed instruments in active markets, the fair value must be equal to the quotation price. A market is defined as active when the price of the financial instrument is readily and regularly provided by stock exchanges, intermediaries, dealers or info providers and when the price itself represents actual transactions in the instrument being valued.
The current definition of a regulated market does not always coincide with the notion of an "active market". An "official regulated market" functions properly if:

- there are rules, issued or approved by the Authorities of the market's country of origin, governing the conditions of operation, access, and those that a contract must satisfy in order to be effectively processed;
- there is a clearing mechanism that requires derivative contracts to be subject to daily margin calls, which provide adequate protection.

However, a regulated market does not guarantee the presence of "significant" prices if it is not representative of significant daily trading in terms of volume.
As a result, special procedures are put in place to identify active markets, i.e. those markets in which the prices of traded instruments represent the value at which market transactions actually take place.
These procedures are based on the analysis of the following factors:

- the number of contributors and the possible presence of dealers, brokers and market makers;
- the frequency with which the listed figure is periodically updated, and the deviation from the previous quotation;
- the existence of an acceptable difference between the bid and ask prices;
- the volume of trade dealt with.

In particular, the prices used for Financial Statements valuations are:

- the bid price in the case of held assets;

- the ask price in the case of liabilities to be issued;
- the mid market price in the case where the risk profiles offset each other (the difference between the bid and ask prices is determined by transaction costs alone).

When the same financial instrument is listed on several markets, the most advantageous quotation is taken.

Unlisted instruments
If there are no directly observable prices in active markets, it is necessary to resort to valuation techniques that optimise the contribution of available information, either on the basis of the comparative approach, which infers the fair value of an instrument from the prices observed in similar transactions in active markets, or on the basis of a modelling approach that, even in the absence of observable or comparable transactions, nevertheless allows a valuation to be made. The techniques used have the following characteristics:

- tend to maximise the use of market inputs and minimise internal estimates and assumptions;
- reflect the manner in which the market assigns a price to instruments;
- use inputs that represent market expectations and the risk-return ratio of the instrument being valued;
- incorporate all factors that market participants would consider when defining price;
- are consistent with commonly accepted methodologies;
- are subject to periodic verification and calibration in order to verify their ability to represent fair value in line with the prices at which transactions in the instrument being valued actually take place, thus ensuring the comparability, reliability and neutrality of the process of defining the values of financial instruments required by the regulations.

Fair value hierarchy

The fair value hierarchy, according to IFRS 13, must be applied to all financial instruments for which fair value measurement is recognised in the Balance Sheet.
IFRS 13 establishes a fair value hierarchy based on the degree of observability of the inputs of the valuation techniques adopted for the valuation of underlying assets/liabilities; in particular, the hierarchy consists of three levels.

Level 1: the valuation is the market price of the financial instrument being valued, obtained on the basis of quotations from an active market. An active market is considered to be such if quotation prices reflect normal market transactions, are regularly and readily available through stock exchanges, quotation services, intermediaries and if those prices represent actual and regular market transactions.

Level 2: the valuation is based on prices derived from market quotations of similar assets or through valuation techniques for which all significant factors – including credit and liquidity spreads – are derived from observable market data. This level implies reduced discretionary elements in the valuation as all the parameters used are taken from the market and the calculation methodologies allow for replication of quotations on active markets.

Level 3: valuations are made using different inputs, not all of which are derived directly from observable market parameters and, therefore, involve significant estimates and assumptions on the part of the valuer.

Cherry Bank S.p.A.'s criteria for assigning the hierarchical level of fair value to individual financial instruments in the proprietary portfolio are as follows:

Level 1: instruments that fulfil the following conditions:

- a quotation must be available;
- the quotation must refer exactly to the instrument being valued (not similar instruments);
- the quotation must be on an active market.

A market is considered active if the quotation prices reflect normal market transactions, are readily and regularly available and if the prices represent actual and regularly occurring market transactions based on a normal reference period.
The concept of active market is referable to the individual financial instrument; in fact, it does not necessarily coincide with the concept of a regulated market and may refer to organised trading circuits and multilateral trading facilities, even telematic ones, provided that the prices displayed on them are actually representative of trade.
A regulated or official market is generally considered an active market and the Bank considers as such:
all regulated markets;

- OTC electronic trading circuits (e.g. "Bloomberg") provided that the quotations provided actually represent the price at which a transaction would take place on the reference date. For this purpose, the following are considered:
- existence of a number of contributors with executable proposals of a given instrument;
- existence of a bid-ask spread, i.e. the difference between the price at which the intermediary quoting executable proposals undertakes to sell
- the financial instrument (ask price) and the price at which it undertakes to purchase them; percentage ownership with respect to the outstanding notional amount, determined as the ratio between the notional amount of the outstanding position on the individual instrument and the relevant total outstanding notional amount.

These conditions are verified from time to time by Risk Management, taking into account the characteristics of the instrument being valued and the market context.

Level 2 and Level 3: in the absence of quoted prices in an active market, the fair value measurement of a financial instrument is performed using valuation techniques maximising the use of inputs observable on the market.
The use of a valuation technique is intended to estimate 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, under current market conditions. In this case, the fair value measurement may be categorised in Level 2 or Level 3, according to what extent inputs to the pricing model are observable.

In the absence of observable prices in active markets for the financial asset or liability to be measured, the fair value of the financial instruments can be measured using the so-called "comparable approach" (Level 2), requiring valuation models based on market inputs.
In this case, the valuation is not based on the quotation prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quotation prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).
In the absence of quotation prices in an active market for a similar instrument, or should the characteristics of the instrument to be measured not allow to apply models using inputs observable in active markets, it is necessary to use valuation models assuming the use of inputs that are not directly observable in the market and, therefore, requiring to make estimates and assumptions (non observable input – Level 3). In these cases, the valuation of the financial instrument is conducted using a given calculation methodology that is based on specific assumptions regarding:

- the trend in future cash flows, possibly contingent on future events whose probability of occurring can be derived from historical experience or based on behavioural assumptions;
- the level of specific inputs not quoted in active markets: for the purposes of estimating them, information acquired from prices and spreads observed in the market shall have a higher priority.

If these are not available, entities shall use historical data about the specific underlying risk factor or specialist research on the matter (e.g. reports by ratings agencies or primary market players).
In the cases described, valuation adjustments are considered that take into account the risk premiums that traders consider when pricing instruments. Valuation adjustments, if not explicitly considered in the valuation model, may include:

- model adjustments: adjustments that take into account any deficiencies in the valuation models highlighted during calibration;
- liquidity adjustments: adjustments that take into account the bid-ask spread if the model calculates a mid price;
- credit risk adjustments: adjustments related to the counterparty or own credit risk;
- other risk adjustments: adjustments related to a risk premium "priced" in the market (e.g. relating to the complexity of valuation of an instrument).

Section A 4 "Information on fair value" describes the criteria for determining fair value for particular categories of instruments belonging to Level 2 and Level 3.

A 3 – INFORMATION ON TRANSFERS AMONG PORTFOLIOS OF FINANCIAL ASSETS

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

Type of financial instrument	Portfolio of provenance	Portfolio of destination	Date of reclassification	Reclassified book value	Interest income recorded in the year (pre-tax)
Debt securities	Financial assets measured at fair value	Financial assets measured at amortised cost	30.06.2022	123,483	//

	through other comprehensive income				

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

On 1 January 2022, following a change in the business model approved by the delegated bodies in December 2021, the Bank reclassified from the category Financial assets measured at fair value through other comprehensive income to the category Financial assets measured at amortised cost Government Securities for a total amount of Euro 121.9 million.
The change in business model took place as a result of the major extraordinary transaction that took place on 6 October 2021, through the merger by incorporation of Cherry 106 S.p.A. ("C106") into Banco delle Tre Venezie S.p.A. ("BTV"), which saw the entry of new shareholders into the Bank's share capital and a profound change in governance.
Following the integration, the new management initiated a review of the Bank's processes and policies, including the investment policy.

The change in business model concerned only fixed-rate Government Securities with maturity of more than 24 months, with a view to containing the impact of the volatility inherent in this type of security and consistent with the TLTRO's longer maturity, which requires securities to be pledged as collateral for the tranches subscribed. These securities are therefore intended to be held for the purpose of collecting principal and interest, as the Bank has no speculative strategies in holding these securities.
It should be noted that the amount of the gross reserve on these securities at the date of reclassification was negative for Euro 1.6 million.
At 31.12.2023, the fair value of the reclassified securities was Euro 113.9 million.

A 4 – INFORMATION ON FAIR VALUE

Qualitative information

Please refer to what has already been described in the paragraphs relating to the various accounting categories contained in part "A.1 General Part" and, in particular, in the paragraph "Methods of determining fair value" contained in part "A.2 Part related to the main items of the Financial Statements, 17 – Other information".

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

Receivables from banks and customers
Receivables from customers or receivables from banks that have been recognised under item 20.c "Financial assets measured at fair value: other financial assets obligatorily measured at fair value" are measured at fair value as a result of not passing the "SPPI Test". The approach used to determine the fair value rate is based on the "Weighted Average Cost of Capital" methodology; this technique is widely used in the financial sector and known in the literature by the acronym WACC.

NPL acquired from third parties
They are measured at fair value and recognised under item 30 "Financial assets measured at fair value through other comprehensive income".

The fair value is determined by discounting the recovery flows defined according to proprietary models, or analytically by the manager. Loans are clustered into three distinct segments according to the "quality" of the underlying, i.e. paying, with proceedings in progress, etc. The estimated cash flows already discount the possible future non-recovery, the net flows are therefore discounted at a periodically revised discount rate.

The discount rate is assimilated to the rate of return an investor would like to obtain, and can be broken down into the following components:

- Risk free;
- Country risk;
- Expected loss;
- Illiquidity premium of the asset in the market;
- Premium that discounts the volatility of recovery flows compared to their average value.

The methodology applied to define the discount rates of the above-mentioned clusters therefore relies on the recovery of this information where it is not already included in the estimate of expected cash flows (i.e. multi-year expected loss).

Tax credits acquired

The tax credits referred to in Decrees No. 18/2020 (so-called, Cura Italia [Cure Italy]) and No. 34/2020 (so-called, Rilancio [Relaunch]), acquired by the Bank with the intent to trade, are recognised under item 120 "Other assets" and are measured at fair value through profit and loss (FVTPL).

When measuring the fair value of tax credits, the cash flows arising from the instruments are considered, taking into account both proprietary time series and current market trends to determine the exit price as required by IFRS 13. The valuation model for such instruments, as required by IFRS 9 B5.1.2A, also takes into account changing factors (including time) that market participants would consider in pricing the asset.

Bonds

The inputs used for valuations are rate curves and prices of comparable transactions, if any.

Capital securities

The fair value of "equity investments" is determined with reference to prices resulting from external, independent appraisals or based on exchange prices derived from recent transactions; if the amount is insignificant, investments are maintained at cost, as are other capital securities.

Mutual investment funds

For "open-ended" mutual investment funds, in which unitholders have the right to request redemption of units at any time, and for hedge funds, fair value is determined on the basis of quotation prices provided by the respective Management Companies on dates consistent with the prices of the underlying financial instruments. In the case of listed "closed-ended" or private equity funds, fair value is usually determined using the latest published NAV.

Derivative instruments

The fair value of derivative instruments is determined through the use of different valuation models depending on the type of instrument:

- volatility estimation models were used to determine the fair value of options;
- the discounted cash flow method was used for the fair value of swaps.

The valuations thus determined were adjusted by the amounts corresponding to the counterparty's creditworthiness assessments (counterparty risk): this is the so-called "credit risk adjustment", calculated on the basis of the rating class of the counterparties and their expected loss.

Payables to banks and customers
Fair value is determined as the present value of the debt, based on the rate curves used as discount factors.

Financial liabilities held for trading
Financial instruments classified as financial liabilities held for trading are allocated to the different Levels according to the general allocation rules.

Tangible assets
The fair value of Buildings is determined with reference to market values resulting from external and independent appraisals.

A 4.2 Processes and sensitivity of evaluations

The unobservable inputs capable of influencing the valuation of the instruments classified in Level 3 are mainly represented by estimates and assumptions underlying the models used to measure investments in capital securities and UCITS units. Since this involves data from third party sources (e.g. fund NAV) or information specific to the entities being valued (e.g. company assets) for which it is not reasonable to predict alternative values, sensitivity analyses are not applied to these valuations. With regard to NPL assets acquired from third parties, sensitivity exercises are performed in order to assess the impact of changes in certain parameters, in particular the discount rates used to discount cash flows.

A 4.3 Fair value hierarchy

For the purposes of compiling information on transfers between different Levels of fair value, the criterion adopted for recognising the transfer is the balance existing at the beginning of the reporting period, compared with the end-of-period balance shown in tables A.4.5.1 or A.4.5.4.

A 4.4 Other information

At 31 December 2023, there was no information to be reported in accordance with IFRS 13, paragraphs 51, 93 sub (i) and 96, as there are no assets measured at fair value on a "highest and best use" basis, nor was the possibility of measuring fair value at the level of total portfolio exposures.

Quantitative information

A 4.5 FAIR VALUE HIERARCHY

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

(amounts in thousands of Euro)

Financial assets/liabilities measured at fair value	31/12/2023			31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	-	1	34,351	-	356	1,297
a) Financial assets held for trading	-	1	169	-	356	
b) Financial assets designated at fair value	-	-		-	-	
c) Other financial assets obligatorily measured at fair value	-	-	34,182	-	-	1,297
2. Financial assets measured at fair value through other comprehensive income	70,330	-	51,689	124,901	-	44,565
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	19,450	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total assets	**70,330**	**1**	**105,490**	**124,901**	**356**	**45,862**
1. Financial liabilities held for trading	-	44	-	-	291	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total liabilities	**-**	**44**	**-**	**-**	**291**	**-**

Changes in fair value Levels may only occur upon fulfilment of the requirements set out in paragraph A.4.3.

There are no transfers between Level 1 and Level 2.
Level 3 financial assets measured at fair value through other comprehensive income refer to UCITS units, Minibonds, NPL and investments.
Tangible assets measured at fair value – Level 3 relate to buildings acquired with the incorporation of Banca Popolare Valconca and recorded at their fair value as part of the Purchase Price Allocation (PPA) process.

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

(amounts in thousands of Euro)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: financial assets held for trading	of which: financial assets designated at fair value	of which: other financial assets obligatorily measured at fair value				
1. Opening balance	**1,297**	**-**	**-**	**1,297**	**44,565**	-	-	-
2. Increases	47,682	173	-	47,509	30,084	-	-	-
2.1 Purchases	47,682	173	-	47,509	23,686	-	-	-
2.2 Profits recognised in:	-	-	-	-	6,314	-	-	-
2.2.1 Income Statement	-	-	-	-	5,199	-	-	-
of which gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	-	-	-	1,116	-	-	-
2.3 Transfers from other Levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	83	-	19,450	-
3. Decreases	14,628	4	-	14,624	22,959	-	-	-
3.1 Sales	-	-	-	-	3,624	-	-	-
3.2 Repayments	.	-	-	-	8,676	-	-	-
3.3 Losses recognised in:	10,785	-	-	10,785	6,039	-	-	-
3.3.1 Income Statement	10,785	-	-	10,785	1,010	-	-	-
of which losses	*10,785*	-	-	*10,785*	-	-	-	-
3.3.2 Equity	-	-	-	-	5,029	-	-	-
3.4 Transfers to other Levels	-	-	-	-	-	-	-	-
3.5 Other decreases	3,483	4	-	3,839	4,620	-	-	-
4. Closing balance	**34,351**	**169**	-	**34,182**	**51,690**	**-**	**19,450**	**-**

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

There are no financial liabilities measured at fair value.

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

(amounts in thousands of Euro)

Financial assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2023				31/12/2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	2,081,481	670,409	-	1,114,86	715,413	185,031	-	**515.5312**
2. Tangible assets held for investment purposes	4,670	-	-	4,670	-	-	-	**-**
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	**-**
Total	2,086,151	670,409	-	1,119,539	715,413	185,031	-	**515,531**
1. Financial liabilities measured at amortised cost	2,996,414	-	-	2,988,640	987,295	-	-	**976,657**
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	**-**
Total	**2,996,414**	**-**	**-**	**2,988,640**	**987,295**	**-**	**-**	**976,657**

A.5 DISCLOSURE ON THE "DAY ONE PROFIT/LOSS"

The disclosure refers to paragraph 28 of IFRS 7, which requires evidence of the amount of the "day one profit or loss" to be recognised in the Income Statement at the end of the financial year, as well as a reconciliation to the opening balance.

A "day one profit or loss" is defined as the difference between the transaction price and the value obtained through the use of valuation techniques at the time a financial instrument is first recorded.

With regard to the fair value measurement of tax credits, the Bank considers that the purchase price does not represent the fair value of these assets at initial recognition because the market in which the transaction takes place is different from the principal (or more advantageous) market. Reference was made to IFRS 9B5.1.2A for the recognition in the Financial Statements, i.e. changes in factors (including time) were taken into account in determining the price of these assets.

The use of prudent valuation models, the processes for reviewing these models and their parameters, and value adjustments for model risk ensure that the amount recognised in the Income Statement does not arise from the use of unobservable valuation parameters. In particular, the quantification of value adjustments for model risk ensures that the portion of the fair value of the instruments in question that relates to the use of subjective parameters is not recognised in the Income Statement, but rather as an adjustment to the Balance Sheet value of these instruments. The presence of additional "day one profits" results in the recognition of a separate equity component subject to straight-line basis. The recognition of these quotas in the Income Statement therefore only takes place on the basis of the subsequent prevalence of objective parameters and, consequently, the disappearance of the aforementioned adjustments.

As of 1 January 2023, there were no credits that originated differences between purchase price and fair value at inception; at 31 December 2023, this difference amounted to Euro 1.1 million.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1. CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
a) Cash	6,469	-
b) Current accounts and Sight deposits with Central Banks	35,234	-
c) Current accounts and Sight deposits with Banks	64,043	32,669
Total	**105,746**	**32,669**

Section 2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.1 Financial assets held for trading: breakdown by type

Items/Values	31/12/2023			31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance sheet assets	-	-	168	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	168	-	-	-
2. Capital securities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	-	-	**168**	-	-	-
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	-	1	-	-	-	-
1.1 for trading	-	1	-	-	356	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Financial derivatives	-	-	-	-	-	-
1.1 for trading						
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
Total B	-	1	-	-	356	-
Total A+B	**-**	**1**	**168**	**-**	**356**	**-**

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

Items/Values	31/12/2023	31/12/2022
A. On-balance sheet assets		
1. Debt securities	168	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	168	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Capital securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	168	-
B. Derivative instruments	1	356
a) Central Counterparties	-	-
b) Other	1	356
Total B	1	356
Total A+B	169	356

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

(amounts in thousands of Euro)

Items/Values	31/12/2023			31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Capital securities	-	-	-	-	-	8
3. UCITS units	-	-	34,182	-	-	1,289
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	-	34,182	-	-	1,297

The financial assets obligatorily measured at fair value – Level 3 refer to the PMI Italia II Fund for Euro 1.1 million and to Alternative Investment Funds acquired with the incorporation of Banca Popolare Valconca for Euro 33.04 million and deriving from NPL disposals made by the latter.

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

(amounts in thousands of Euro)

Items/Values	31/12/2023	31/12/2022
1. Capital securities	-	8
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	8
2. Debt securities	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	34,182	1,289
4. Loans	-	-
c) Central Banks	-	-
d) Public Administrations	-	-
e) Banks	-	-
f) Other financial companies	-	-
g) of which: insurance companies	-	-
h) Non-financial companies	-	-
i) Households	-	-
Total	34,182	1,297

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

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

(amounts in thousands of Euro)

Items/Values	31/12/2023			31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities	70,330	-	1,987	124,901	-	2,998
1.1. Structured securities	-	-	83	-	-	406
1.2. Other debt securities	70,330	-	1,904	124,901	-	2,592
Capital securities	-	-	15,948	-	-	-
Loans	-	-	33,754	-	-	41,567
Total	70,330	-	51,689	124,901	-	44,565

Debt securities include Government Securities in the amount of Euro 69 million, Minibonds in the amount of Euro 2 million and ABS securities in the amount of Euro 1 million.

Level 3 capital securities refer to minority interests representing capital investments in the service companies supporting banking activities acquired through the merger by incorporation of Banca Popolare Valconca.

The main minority shares are in C.S.E. S.r.l. (11.25%) for Euro 11 million and in Arca Holding S.p.A. (0.62%) for Euro 4 million.

The item Loans includes acquired impaired loans arising from one of the Bank's core activities.

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

(amounts in thousands of Euro)

Items/Values	31/12/2023	31/12/2022
1. Debt securities	72,318	127,899
a) Central Banks	-	-
b) Public Administrations	68,902	124,901
c) Banks	-	-
d) Other financial companies	1,017	1,184
of which: insurance companies	-	-
d) Non-financial companies	2,399	1,814
2. Capital securities	15,948	-
a) Banks	446	-
b) Other issuers	15,502	-
- Other financial companies	4,264	-
of which: insurance companies	-	-
- Non-financial companies	-	-
- Other issuers	11,238	-
4. Loans	33,754	41,567
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	27	19
of which: insurance companies		
e) Non-financial companies	8,499	10,111
f) Households	25,228	31,437
Total	**122,020**	**169,466**

Debt securities are broken down as follows:

- the item Public Administrations includes Government Securities (CCT-BTP);
- the item Financial companies includes an ABS security;
- the item Non-financial companies includes five Minibonds.

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

Items/Values	Gross value					Total impairment				Total partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
		Of which instruments with low credit risk								
1. Debt securities	70,897	42,670	1,689	-	-	(7)	(261)	-	-	-
2. Loans	-	-	-	-	33,754	-	-	-	-	-
Total 31/12/2023	**70,897**	**42,670**	**1,689**	-	**33,754**	**(7)**	**(261)**	-	-	-
Total 31/12/2022	**127,972**	**127,972**	**-**	**-**	**41,567**	**(73)**	**-**	**-**	**-**	**-**

Purchased or Originated Credit Impaired Assets are presented net of total impairment because the expected cash flows also incorporate in the estimate the expected losses over the entire residual life of the financial instrument ("ECL lifetime").

Section 4 – FINANCIAL ASSETS MEASURED AT AMORISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of receivables from banks

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	TOTAL 31/12/2023						TOTAL 31/12/2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3
A. Receivables from Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables from banks	16,460	-	-	-	-	-	6,219	-	-	-	-	-
1. Loans	16,460	-	-	-	-	-	6,219	-	-	-	-	-
1.1 Current accounts and sight deposits	-	-	-	X	X	X		-	-	X	X	X
1.2. Term deposits	16,434	-	-	X	X	X	6,219	-	-	X	X	X
1.3. Other loans:	26	-	-	X	X	X	-	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	-	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	-	-	-	-	X	X	X
- Other	-	-	-	X	X	-	-	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**16,460**	**-**	**-**	**-**	**-**	**16,460**	**6,219**	**-**	**-**	**-**	**-**	**6,219**

Legend:

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

Receivables from banks include the Compulsory reserve for Euro 15.8 million as Cherry Bank is an indirect member.

4.2 Financial assets measured at amortised cost: breakdown by type of receivables from customers

(amounts in thousands of Euro)

TYPE OF TRANSACTION S/VALUES	31/12/2023						31/12/2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Purcha originated impaire d	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
Loans	**971,430**	**19,570**	**66,261**	-	-	**1,070,053**	437,288	18,578	43,470	-	-	**504.280**
1.1. Current accounts	83,408	9,373	4,221	-	-		41,868	3,468	1,994	-	-	
1.2. Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.3. Mortgages	750,222	7,414	35,050	-	-	-	325,835	11,089	20,958	-	-	-
1.4. Credit cards, personal loans and salary-backed loans	12,250	118	3,510	-	-	-	274	33	-	-	-	-
1.5. Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.6. Factoring	1,933	-	-	-	-	-	776	-	-	-	-	-
1.7. Other loans	123,617	2,665	23,480	-	-	-	68,535	3,989	20,518	-	-	-
Debt securities	**1,007,760**	-	-	**962,633**	-	**35,170**	209,857	-	-	185,031	-	**5,031**
1.1. Structured securities	4,954	-	-	-	-	5,041	4,930	-	-	-	-	**5,031**
1.2. Other debt securities	1,002,806	-	-	962,633	-	30,129	204,927	-	-	185,031	-	-
Total	**1,979,190**	**19,570**	**66,261**	**962,633**	-	**1,105,223**	**647,145**	**18,578**	**43,470**	**185,031**	-	**509,311**

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

The column "Purchased and/or originated impaired" shows the impaired assets in the Financial Statements at the time of the business combination of Banco delle Tre Venezie S.p.A. for Euro 9.9 million and of Banca Popolare Valconca for Euro 22.9 million, which are recorded, in accordance with the provisions of the accounting standard IFRS 9, at their fair value at the acquisition date, which already incorporates the effects deriving from the expected losses over the useful life of the assets. These assets belong to the so-called POCI ("Purchased or Originated Credit Impaired") category and therefore the coverage ratios are essentially zero.
Also included are the NPL portfolios classified in this item as of the change of business model resolved by the Board of Directors on 31.01.2023 for Euro 31.4 million and POCI originated for Euro 2 million.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of receivables from customers

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	31/12/2023			31/12/2022		
	First and second stage	Third stage	Of which: purchased or originated impaired assets	First and second stage	Third stage	Of which: purchased or originated impaired assets
1. Debt securities	**1,007,760**	-	-	**209,857**	-	-
a) Public Administrations	972,194	-	-	204,927	-	-
b) Other financial companies	35,566	-	-	4,930	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**971,429**	**19,570**	**66,261**	**437,288**	**18,578**	**43,470**
a) Public Administrations	338	-	-	-	-	-
b) Other financial companies	51,398	145	101	37,265	243	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	695,976	12,876	44,502	346,605	9,506	7,458
d) Households	223,717	6,549	21,658	53,417	8,829	36,012
Total	**1,979,189**	**19,570**	**66,261**	**647,145**	**18,578**	**43,470**

Debt securities include Government Securities for Euro 972 million, a Mini Bond for Euro 5 million and two ABS securities for Euro 31 million.

4.4 Financial assets measured at amortised cost: gross value and total impairment

(amounts in thousands of Euro)

	Gross value					Total impairment				Total partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
		Of which: Instruments with low credit risk								
Debt securities	1,008,104	871,319	-	-	-	(344)	-	-	-	-
Loans	842,849	4,945	154,619	24,995	68,160	(4,262)	(5,316)	(5,425)	(1,898)	-
Total 31/12/2023	**1,850,953**	**876,264**	**154,619**	**24,995**	**68,160**	**(4,606)**	**(5,316)**	**(5,425)**	**(1,898)**	-
Total 31/12/2022	**622,860**	**214,704**	**34,962**	**22,443**	**43,470**	**(3,049)**	**(1,409)**	**(3,865)**	-	-

[1] Impairment relating only to post-business combination positions and, therefore, not included in the POCI category
(*) Value to be reported for information purposes

Section 7 – INVESTMENTS – ITEM 70

At 31.12.2023, an insignificant equity investment was in place.

7.5 Investments: changes in the year

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
A. Opening balance	1,000	**1,000**
B. Increases	-	-
B.1 Purchases	-	-
of which: business combinations	-	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	-	-
C.1 Sales	1,000	-
C.2 Impairment	-	-
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Closing balance	-	**1,000**
E. Total revaluations	-	-
F. Total impairment	-	-

Section 8 – TANGIBLE ASSETS – ITEM 80

8.1 Tangible assets for functional use: breakdown of assets measured at cost

Assets for functional use are all fixed assets held to be used directly in the Bank's core business, while assets held for investment purposes are those that do not have the above-mentioned characteristics and are held with the aim of earning rental income and/or for long-term capital appreciation.

(amounts in thousands of Euro)

Assets/Values	31/12/2023	31/12/2022
1 Owned assets	**28,234**	7,583
a) land	5,021	2,000
b) buildings	21,131	4,328
c) furniture	976	396
d) electronic equipment	504	397
e) other	602	462
2 Rights of use acquired through leases	**5,015**	**3,623**
a) land	-	-
b) buildings	3,623	3,417
c) furniture	-	-
d) electronic equipment	497	-
e) other	895	206
Total A	**33,249**	**11,206**
of which: obtained through enforcement of guarantees received	**2,698**	**-**

As a result of the introduction of the accounting standard IFRS 16, which applies to "leases" understood as contracts that grant the lessee the right to use an identified asset for a specified period of time in return for a consideration, under item 2 are the rights of use recorded in connection with real estate leases in the amount of Euro 3.6 million, company car rental contracts for Euro 0.9 million and other asset leases for Euro 0.5 million.
The increase in fixed assets is mainly attributable to the merger with Banca Popolare Valconca, in addition to new purchases to support the development of the organisational structure.
With reference to the item Buildings for properties owned "entirely", the value of land was divided between the value of land and that of buildings.

In accordance with Article 10 of Law No. 72 of 19 March 1983, the Annexes provide information on the properties still in assets, for which monetary revaluations were carried out in the past.

8. 4 Tangible assets held for investment purposes: breakdown of assets measured at cost

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	31/12/2023				31/12/2022			
	Book value	Fair value L1	Fair value L2	Fair value L3	Book value	Fair value L1	Fair value L2	Fair value L3
1. Owned assets	**4,670**	-	-	4,670	-	-	-	-
a) land	-	-	-		-	-	-	-
b) buildings	4,670	-	-	4,670	-	-	-	-
2. Rights of use acquired through leasing	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	--	-	-	-
Total	**4,670**	-	-	**4,670**	-	-	-	-
of which: obtained through the enforcement of guarantees received	-	-	-	-		-	-	-

The item Buildings held for investment purposes is attributable to the merger with Banca Popolare Valconca.

8. 6 Tangible assets for functional use: changes in the year

(amounts in thousands of Euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**2,000**	**9,792**	**923**	**657**	**1,403**	**14,775**
A.1 Total net impairment	-	2,048	527	260	734	3,568
A.2 Net opening balances	**2,000**	**7,745**	**396**	**397**	**668**	**11,206**
B. Increases	**3,096**	**19,676**	**730**	**1,112**	**1,365**	**25,978**
B.1 Purchases	3,096	14,338	661	760	1,161	20,016
of which: business combinations	*2,286*	*12,450*	*515*	*571*	*304*	*15,555*
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment	-	-	-	-	-	-
B.7 Other changes	-	5,337	69	351	204	5,962
C. Decreases	**75**	**2,667**	**150**	**507**	**537**	**3,936**
C.1 Sales	75	162			-	237
C.2 Depreciation	-	2,501	150	507	504	3,662
C.3 Impairment recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	4	-	-	33	37
D. Net closing balance	**5,021**	**24,754**	**976**	**1,002**	**1,497**	**33,249**
D.1 Total net impairment		14,648	3,650	2,086	3,021	23,405
D.2 Gross closing balance	**5,021**	**39,402**	**4,626**	**3,088**	**4,518**	**56,654**
E. Valuation at cost	-	-	-	-	-	-

Other information on "Tangible assets"

The table below shows the useful life used in the calculation of depreciation for the various asset classes:

Category	IAS Dep. Months of useful life
Buildings	360
Alarm systems and television recording	40
Special communication equipment	48
Ordinary office furniture and equipment	100
Furniture and various equipment	80
Telephone and mobile phone systems	60
Electronic machines and data processing systems	60
Lifting equipment and means	160
Vehicles for mixed use by employees	48
Vehicles for mixed use by Directors	48

8. 7 Tangible assets held for investment purposes: changes in the year

(amounts in thousands of Euro)

	Total	
	Land	Buildings
A. Opening balance	-	-
B. Increases	-	3,437
B.1 Purchases	-	3,437
of which: business combinations	-	3,437
B.2 Capitalised improvement expenses	-	-
B.3 Positive changes in fair value	-	-
B.4 Reversals	-	-
B.5 Positive exchange rate differences	-	-
B.6 Reclassified from properties for functional use	-	-
B.7 Other changes	-	1,233
C. Decreases	-	-
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	-	-
C.4 Impairment	-	-
C.5 Negative exchange rate differences	-	-
C.6 Reclassified to:	-	-
a) tangible assets for functional use	-	-
b) non-current assets and groups of assets held for sale	-	-
C.7 Other changes	-	.
D. Closing balance	-	4,670
E. Valuation at fair value	-	-

Section 9 – INTANGIBLE ASSETS – ITEM 90

9.1 Intangible assets: breakdown by type of asset

(amounts in thousands of Euro)

ASSETS/VALUES	31/12/2023		31/12/2022	
	Defined duration	Indefinite duration	Defined duration	Indefinite duration
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	**10,265**	-	**2,410**	-
of which: software	2,062	-	2,183	-
A.2.1 Assets measured at cost	10,265	-	2,410	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	10,265	-	2,410	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**10,265**	-	**2,410**	-

Other intangible assets mainly consist of software expenses and software licences for application systems in use.
The increase is mainly attributable to the recognition of Euro 7,835 thousand of intangible assets referring to the merged Banca Popolare Valconca as part of the Purchase Price Allocation ("PPA") process.

9.2 Intangible assets: changes in the year

(amounts in thousands of Euro)

	Goodwill	Other internally generated intangible assets		Other intangible assets: Other		Total
		Definite duration	Indefinite duration	Definite duration	Indefinite duration	
A. Opening balance	-	-	-	3,545	-	**3,545**
A.1 Total net impairment	-	-	-	1,135	-	**1,135**
A.2 Net opening balances	-	-	-	2,410	-	**2,410**
B. Increases	-	-	-	**8,738**	-	**8,738**
B.1 Purchases	-	-	-	903	-	**903**
of which: business combinations	-	-	-	*7,835*	-	**7,835**
B.2 Increases in internal intangible assets	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- in income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	**883**	-	**883**
C.1 Sales	-	-	-		-	
C.2 Impairment	-	-	-	883	-	**883**
- Amortisation	-	-	-	883	-	**883**
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- in income statement	-	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes				-	-	-
D. Net closing balance	-	-	-	**10,265**	-	**10,265**
D.1 Total net impairment	-	-	-	2,023	-	**2,023**
E. Gross closing balance	-	-	-	**12,288**	-	**12,288**
F. Valuation at cost	-	-	-	-	-	-

Legend
DEF: definite duration
INDEF: indefinite duration

Amortisation of intangible assets is calculated at a rate of 20%, with the exception of the assets recognised with the incorporation of Banca Popolare Valconca as part of the Purchase Price Allocation ("PPA") process, which have an average useful life of 15 years.

Sub-item "F – Valuation at cost" is not reported because, as per Bank of Italy instructions, its compilation is only required for intangible assets measured at fair value.

Section 10 – TAX ASSETS AND TAX LIABILITIES – ASSETS ITEM 100 AND LIABILITIES ITEM 60

10.1 Deferred tax assets: breakdown

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Loan impairment	8,811	2,895
Tax loss	11,412	1,587
Negative Net Production value	119	0
A.C.E. – aid to economic growth	173	0
FTA loan impairment IFRS 9	7,301	732
Provisions for risks	935	2
Other	280	54
Financial assets FVOCI	1,043	293
Total	**30,074**	**5,563**

Deferred tax assets amounted to Euro 30.07 million compared to Euro 5.6 million in the previous financial year. The increase is mainly attributable to the DTA recognised following the merger by incorporation of Banca Popolare Valconca and in consideration of their recoverability based on the Combined Strategic Plan prepared by Cherry Bank.
Deferred tax assets on tax losses refer specifically to tax loss carry-forwards incurred by the merged company until the end of the extraordinary administration period.

10.2 Deferred tax liabilities: breakdown

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Default interest not collected	39	186
FITD intervention – Carige	0	3
Financial assets FVOCI	12	3
TFR IAS	0	8
Loans FVOCI (NPL) – Equity reserve	590	875
Loans FVOCI (NPL) – EC Reversals/Impairment	576	1,241
Properties	2,066	-
Intangibles	2,548	-
Total	**5,831**	**2,317**

Deferred tax liabilities amounted to Euro 5.8 million and include taxable temporary differences inherited from the merged Banca Popolare Valconca and those allocated as part of the Purchase Price Allocation ("PPA") process.

10.3. Changes in deferred tax assets (balancing entry in Income Statement)

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
1. Opening balance	**4,538**	**4,352**
2. Increases	**32,699**	**3,093**
2.1 Deferred tax assets recognised in the year	-	918
a) relating to previous years	-	918
b) due to changes in accounting criteria	-	-
c) reversals	-	-
d) other	-	-
e) business combinations	31,968	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	731	2,175
3. Decreases	**7,982**	**2,907**
3.1 Deferred tax assets derecognised in the year	7,807	584
a) reversals	7,807	584
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	175	2,323
a) transformation into tax credits pursuant to Law No. 214/2011		148
b) other	175	2,175
4. Closing balance	**29,255**	**4,538**

The portion of deferred tax assets arising from tax losses that can be carried forward to subsequent years amounted to Euro 11.4 million.

10.3.bis Changes in deferred tax assets under Law No. 214/2011

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
1. Opening balance	**2,826**	**3,403**
2. Increases	**8,873**	
3. Decreases	**2,888**	**577**
3.1 reversals	2,888	429
3.2 transformation into tax credits	-	**148**
a) resulting from losses of the year	-	
b) resulting from tax losses	-	148
3.3 Other decreases	-	**-**
4. Closing balance	**8,811**	**2,826**

Deferred tax assets pursuant to Law No. 214/2011 relate to value adjustments on receivable from customers not deducted for IRES and IRAP purposes in previous years. The item "Increases" refers to deferred tax assets of the merged Banca Popolare Valconca.

10.4 Changes in deferred tax liabilities (balancing entry in Income Statement)

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
1. Opening balance	**1,431**	**295**
2. Increases	**4,630**	**1,136**
2.1 Deferred tax liabilities recognised in the year	4,630	1,136
a) relating to previous years	-	899
b) due to changes in accounting criteria	-	-
c) other	-	237
e) business combinations	4,630	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**832**	-
3.1 Deferred tax liabilities derecognised in the year	832	-
a) reversals	832	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**5,229**	**1,431**

10.5 Changes in deferred tax assets (balancing entry in Equity)

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
1. Opening balance	**1,025**	**1,429**
2. Increases	**810**	-
2.1 Deferred tax assets recognised in the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
d) business combinations	810	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	
3. Decreases	**1,017**	**404**
3.1 Deferred tax assets derecognised in the year	285	293
a) reversals	285	293
b) write-downs for non-recoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	732	111
4. Closing balance	**818**	**1,025**

10.6 Changes in deferred tax liabilities (balancing entry in Equity)

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
1. Opening balance	**886**	**1,599**
2. Increases	-	-
2.1 Deferred tax liabilities recognised in the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
e) business combinations	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**284**	**713**
3.1 Deferred tax liabilities derecognised in the year	284	713
a) reversals	284	713
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**602**	**886**

10.7 Other information

Current tax assets

The breakdown of current tax assets is shown below:

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Withholding taxes	11	7
Tax Cred. – subsidised goods under Law No. 178/2020	71	63
Tax Cred. – advertising investments	28	-
Credits for converting DTA into tax credits under Law No. 214/2011	104	517
IRES additional credit	145	89
IRES credit	948	774
IRAP credit	964	246
Total current tax assets	**2,271**	**1,696**

Current tax liabilities

The breakdown of current tax liabilities is shown below:

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Provision for Current Taxes IRES + Add.	-	322
Provision for Current Taxes IRAP	1,522	685
Total current tax liabilities	**1,522**	**1,007**

Section 12 – OTHER ASSETS – ITEM 120

12.1 Other assets: breakdown

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Sundry debtors for commission income	2,645	912
Current account cheques drawn on other institutions	869	52
Receivables for invoices to be collected	61	198
Items in transit receivable	11,334	8,916
Third-party effects in portfolio	643	2,199
Receivables from tax authorities on behalf of third parties	1,710	1,104
Accrued assets	548	15
Deferred assets	6,878	1,788
Tax credits	716,431	24,192
Other items	69,301	107,876
Total	**810,420**	**147,253**

The most significant items are discussed below:

Items in transit receivable
This item mainly comprises transfers in process.

Third-party effects in portfolio
This item refers mainly to invoices and Ri.ba bank transfers subject to advances.

Tax Credits
This item includes the Tax Credits acquired as part of the Ecobonus operation of which:

- Euro 46 million – Tax Credits acquired and not yet offset, of which Euro 23.9 million acquired with the merger of Banca Popolare Valconca;
- Euro 670.4 million – Tax Credits acquired for resale and measured at fair value.

Other items
This item includes receivables from the special purpose vehicle related to the self-securitisation transaction acquired by Banca Popolare Valconca for Euro 35.9 million.

LIABILITIES

Section 1 – FINANCIAL LIABILITIES MEASURED AT AMORISED COST – ITEM 10

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

(amounts in thousands of Euro)

TYPE OF SECURITIES/VALUES	31/12/2023				31/12/2022			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Payables to Central Banks	**448,733**	**X**	**X**	**X**	**302,206**	**X**	**X**	**X**
2. Payables to banks	**42,937**	**X**	**X**	**X**	**14,970**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	8,388	X	X	X	-	X	X	X
2.2 Term deposits	-	X	X	X	-	X	X	X
2.3 Loans	34,549	X	X	X	**14,970**	X	X	X
2.3.1 Reverse repurchase agreements	30,443	X	X	X	14,970	X	X	X
2.3.2 Other	4,106	X	X	X	5,423	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**491,670**			**491,670**	**322,599**			**322,599**

Payables to Central Banks are represented by long-term refinancing operations (so-called TLTRO-III) for Euro 218.6 million and a short-term refinancing operation for Euro 230.1 million.
In the item Loans – Other at 31.12.22, the loan payable to the European Investment Fund in the amount of Euro 5.4 million was reclassified for consistency of comparison.

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

(amounts in thousands of Euro)

TYPE OF SECURITIES/VALUES	31/12/2023				31/12/2022			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1 Current accounts and sight deposits	1,123,007	X	X	X	457,620	X	X	X
2 Term deposits	1,374,978	X	X	X	199,824	X	X	X
3 Loans	940	X	X	X	8,936	X	X	X
3.1 Reverse repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	940	X	X	X	3,512	X	X	X
4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5 Lease payables	5,162	-	-	-	3,738	-	-	-
6 Other payables	627	X	X	X	-	X	X	X
Total	**2,504,714**			**2,504,714**	**664,695**			**664,695**

"Lease payables" include the residual balance at 31 December 2023 of the financial liability associated with the rights of use recognised as tangible assets in accordance with IFRS 16.
At 31.12.22, the loan payable to the European Investment Fund in the amount of Euro 5.4 million was reclassified under Loans – Other in receivables from banks for consistency of comparison.

1.3 Financial liabilities measured at amortised cost: breakdown of securities issued by category

TYPE OF SECURITIES/VALUES	31/12/2023				31/12/2022			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	-	-	-	-	-	-	-	-
1 Bonds	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-
2 Other securities	30	-	-	30-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	30	-	-	30	-	-	-	-
Total	**30**	**-**	**-**	**30**	**-**	**-**	**-**	**-**

1.6 Lease payables

Lease payables shown in table "1.2 Financial liabilities measured at amortised cost: breakdown by type of payables to customers" represent the present value of the residual payments related to leases falling within the scope of IFRS 16.

Lease payables of Euro 5.2 million relate for Euro 3.8 million to real estate lease contracts, for Euro 0.9 million to car rental contracts and for Euro 0.5 million to ATM, CICO, TCR and Cash Retail rental contracts.

Section 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	31/12/2023					31/12/2022				
	NV	FV			FV*	NV	FV			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL A										
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	-	-	44	-	-	-	-	291	-	
1.1 Held for trading	X	-	44	-	X	X	-	291	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL B	X	-	44	-	X	X	-	291	-	X
TOTAL A+B	X	-	44	-	X	X	-	291	-	-

The amount corresponds to the negative intrinsic value on currency commitments (swaps and forward exchange rates).

Section 6 – TAX LIABILITIES – ITEM 80

Please refer to Section 10 of the assets.

Section 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Amounts to be paid to the tax authorities on behalf of third parties	6,284	260
VAT payable	91	59
Amounts available for transfers to be executed	20,403	4,424
Payables to suppliers	9,478	2,704
Invoices to be received	11,244	2,601
Payments to social security institutions	1,901	277
Commission expense creditors	221	22
Accrued and deferred liabilities	3,964	1,740
Work in progress	3,450	13,965
Transferor account for third-party effects in portfolio	673	367
Other items	5,123	16,007
Total	**62,905**	**42,424**

Below is a commentary on the most significant items:

Amounts available for transfers to be executed and work in progress
This item mainly relates to transfers to be credited and in process relating to movements in the last few days of the financial year, of which Euro 9.6 million resulted from the merger with Banca Popolare Valconca.

Invoices to be received
This item contains the balancing entry for invoices payable allocated on an accrual basis.

Accrued and deferred liabilities
This item includes accrued and deferred liabilities that have not been allocated to a specific item.

Transferor account for third-party effects in portfolio
This item includes the balancing entry for third-party effects in portfolio, consisting mainly of Ri.ba bank transfers subject to advances.

Other items
This item includes security deposits in the amount of Euro 2.4 million for advance payments on contracts related to tax credits.

Section 9 – EMPLOYEE SEVERANCE INDEMNITY – ITEM 90

9.1 Employee severance indemnity: changes in the year

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
A. Opening balance	**350**	**338**
B. Increases	**116**	**105**
B.1 Provision for the year	116	105
B.2 Other increases	-	-
B.3 Business combinations	-	-
C. Decreases	**39**	**92**
C.1 Payments made	34	18
C.2 Other decreases	5	74
C.3 Business combinations	-	-
D. Closing balance	**427**	**350**
Total	**427**	**350**

9.2 Other information

The International Financial Reporting Interpretation Committee (IFRIC) of the IASB with regard to the Italian TFR has concluded that, in application of IAS 19, it must be calculated according to a methodology in which the amount of the liability for the benefits acquired must reflect the expected date of resignation and must be discounted.
In particular, this provision must take into account the amount already accrued at the reporting date, projecting it into the future to estimate the amount to be paid upon termination of employment. This sum is then discounted to take into account the time that will elapse before actual payment.

Section 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

(amounts in thousands of Euro)

ITEMS/VALUES	31/12/2023	31/12/2022
1. Provisions for credit risk relating to commitments and financial guarantees given	1,089	363
2. Provisions on other commitments and other guarantees given	-	-
3. Corporate retirement funds	-	-
4. Other provisions for risks and charges	1,265	8
4.1. Legal and tax disputes	1,218	-
4.2. Personnel expenses	-	-
4.3. Other	47	8
Total	**2,354**	**371**

Provisions for risks relating to commitments and guarantees of Euro 1.1 million consist of write-downs on endorsement credits and overdraft margins, while Provisions for risks – Other of Euro 47 thousand represent a provision on pending settlement proposals.
Provisions for legal and tax disputes are represented by pending lawsuits acquired with the merger of Banca Popolare Valconca.

10.2 Provisions for risks and charges: changes in the year

(amounts in thousands of Euro)

	Provisions on other commitments and other guarantees given	Retirement funds	Other provisions for risks and charges	Total
A. Opening balance	**363**	**-**	**8**	**371**
B. Increases	**743**	**-**	**2,682**	**3,425**
B.1. Provision for the year	-	-	47	47
B.2. Time-related changes	-	-	-	-
B.3. Variations due to changes in the discount rate	-	-	-	-
B.4. Other changes	-	-	-	-
B.5 Business combinations	743	-	2,635	3,378
C. Decreases	**17**	-	**1,425**	**1,442**
C.1. Use in the year	1	-	8	9
C.2. Variations due to changes in the discount rate	-	-	-	-
C.3. Other changes	-	-	-	-
C.4 Business combinations	16		1,417	1,433
D. Closing balance	**1,089**	**-**	**1,265**	**2,354**

10.3 Provisions for credit risk relating to commitments and financial guarantees given

(amounts in thousands of Euro)

	Provisions for credit risk relating to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Purchased or originated impaired	Total
Commitments to disburse funds	119	98	-	-	217
Financial guarantees given	199	283	390	-	872
TOTAL	318	381	390	-	1,089

Section 11 – REIMBURSABLE SHARES – ITEM 120

No shares of this kind are present.

Section 12 – COMPANY EQUITY – ITEMS 110, 130, 140, 150, 160, 170 and 180

12.1 "Capital" and "Treasury shares": breakdown

(amounts in thousands of Euro)

ITEMS/VALUES	31/12/2023	31/12/2022
1. Capital	49,598	44,638
TOTAL	49,598	44,638

The capital is fully subscribed and paid-up and consists of 105,752,055 ordinary shares.
The increase over the previous financial year refers to the capital increase carried out to service the merger by incorporation of Banca Popolare Valconca.
At the closing date of the financial year, the Bank had no treasury shares in its portfolio.

12.2 Capital – Number of shares – Changes in the year

ITEMS/TYPES	Ordinary	Other
A. Shares at the beginning of the year	**91,097,945**	-
- fully paid-up	91,097,945	-
- not fully paid-up		-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	-	-
B. Increases	**14,654,110**	**-**
B.1 New issues	-	-
- payment	-	-
- business combinations	10,575,207	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	-	-
- bonus issues	-	-
- employees	-	-
- Directors	-	-
- other	4,078,903	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Derecognition	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**105,752,055**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at the end of the year	105,752,055	-
- fully paid-up	105,752,055	-
- not fully paid-up	-	-

12.3 Capital: other information

The share capital is fully subscribed and paid-up and is represented by ordinary shares. All shares have the same rights.
There are no shares reserved for issue under options and sales contracts.

12.4 Profit reserves: other information

In the following table, as required by Article 2427, paragraph 7-*bis* of the Italian Civil Code, the items of Shareholders' Equity are analytically illustrated with an indication of their origin, possibility of utilisation and distributability.

(amounts in thousands of Euro)

NATURE/DESCRIPTION	Amount	Portion available for	
		Possibility of utilisation	Available portion
Capital	49,598	-	-
Share premiums	716	A/B/C(2)	-
Reserves			-
Legal reserve	1,697	A(1)/B	-
Statutory reserve	3,321	A/B/C	-
Retained earnings (losses)	891	-	-
Other	9,416	A/B/C	-
Extra profit reserve (Law No. 136/23, Art. 26-5 *bis*)	3,228	A/B/C(4)	
FTA reserve IFRS 9	(2,817)	A/B/C	-
Valuation reserves	9,504	(3)	-
Capital instruments	10,000		-
TOTAL	85,554		
Profit (Loss) for the year	79,496		
TOTAL SHAREHOLDERS' EQUITY	**165,050**		

(*) A=for capital increase; B=for loss coverage; C=for distribution to shareholders.
(1)The legal reserve may be used to increase capital (A) to the extent that it exceeds one-fifth of the capital.
(2)The share premium reserve may only be distributed to shareholders after the legal reserve has reached one-fifth of the share capital.
(3)The reserve is unavailable pursuant to Article 6 of Legislative Decree No. 38/2005.
(4)Reserve not distributable for tax purposes pursuant to Article 26 of Law No. 136/23.

The item "Share premium" represents the share premium paid at the time of subscription of the bond loan mandatorily convertible into shares of Euro 18.261 million (nominal value), ISIN IT000462293, whose conversion took place on 15.07.2013. The premium of Euro 0.790 million was reduced by Euro 0.074 million for expenses directly attributable to the placement of the loan.

The item Reserves includes the elements arising from the merger by incorporation of Banca Popolare Valconca for Euro 8.02 million.

The item Valuation reserves includes a property revaluation reserve arising from the merger by incorporation of Banca Popolare Valconca for Euro 8.277 million.

For the allocation of the profit for the year, please refer to the proposal formulated in the Report on Operations.
It is noted that, following the approval of the allocation of the profit for the year 2023, the Bank will set up a specific reserve pursuant to Article 26 of Legislative Decree No. 104/2023 in the amount of Euro 2,398.9 thousand. Moreover, following the merger transaction with Banca Popolare Valconca, Cherry Bank reconstituted the reserve pursuant to the aforementioned Article 26 recorded in the Financial Statements of the merged entity under Extraordinary Administration for Euro 3.2 million.

OTHER INFORMATION

1. Commitments and financial guarantees given (excluding those designated at fair value)

(amounts in thousands of Euro)

	Nominal value on commitments and financial guarantees given				31/12/2023	31/12/2022
	First stage	Second stage	Third stage	Purchased or originated impaired		
Commitments to disburse funds	**162,814**	**5,802**	1,130		**169,746**	**64,031**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	50,017	-	-	-	50,017	17
d) Other financial companies	968	-	-	-	968	1,083
e) Non-financial companies	108,202	5,642	1,125	-	114,969	60,913
f) Households	3,624	160	5	-	3,792	2,018
Financial guarantees given	**33,949**	**6,943**	**465**	**-**	**41,357**	**10,547**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	8,035	100	-	-	8,135	540
e) Non-financial companies	23,134	5,929	410	-	29,473	9,408
f) Households	2,780	914	55	-	3,749	600

2. Other commitments and other guarantees given

(amounts in thousands of Euro)

	Nominal value	
	31/12/2023	31/12/2022
Other guarantees given	**15,071**	**14,186**
of which: impaired	-	**-**
a) Central Banks	-	**-**
b) Public Administrations	-	**-**
c) Banks	556	**-**
d) Other financial companies	-	**-**
e) Non-financial companies	14,360	13,881
f) Households	155	305
Other commitments	**155,741**	
of which: impaired	1,323	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	6,002	-
e) Non-financial companies	130,376	-
f) Households	19,363	-

3. Assets given as security for the company's liabilities and commitments

(amounts in thousands of Euro)

PORTFOLIOS	31/12/2023	31/12/2022
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	45,027	44,944
3. Financial assets measured at amortised cost	471,071	164,539
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

4. Management and intermediation for third parties

(amounts in thousands of Euro)

TYPE OF SERVICES	31/12/2023	31/12/2022
1. Execution of orders on behalf of customers		
a) Purchases	-	-
1. Regulated	-	-
2. Unregulated	-	-
b) Sales	-	-
1. Regulated	-	-
2. Unregulated	-	-
2. Individual portfolio management	12,937	-
3. Custody and administration of securities	2,784,137	727,994
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) third-party securities on deposit (excluding portfolio management): other	412,666	24,618
1. securities issued by the reporting bank	32,217	39
2. other securities	380,449	24,579
c) third-party securities deposited with third parties	399,815	22,618
d) own securities deposited with third parties	2,371,471	680,758
4. Other transactions	-	.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – INTEREST – ITEMS 10 and 20

1.1 Interest and similar income: breakdown

(amounts in thousands of Euro)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2023	Total 31/12/2022
1. Financial assets measured at fair value through profit or loss:	**382**	-	-	**382**	**76**
1.1. Financial assets held for trading	-	-	-	-	-
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets obligatorily measured at fair value	382	-	-	382	**76**
2. Financial assets measured at fair value through other comprehensive income	**1,821**	**6,314**	x	**8,135**	**5,755**
3. Financial assets measured at amortised cost:	**4,218**	**31,289**	-	**35,507**	**14,337**
3.1 Receivables from banks		2,943	X	2,943	**113**
3.2 Receivables from customers	4,218	28,346	X	32,564	**14,224**
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	1,485	**1,485**	**792**
6. Financial liabilities	X	x	X		**1,000**
Total	**6,420**	**37,603**	**1,485**	**45,508**	**21,962**
of which: interest income on impaired financial assets	-	6,511	-	**6,511**	**6,306**
of which: interest income on finance leases	**x**	**-**	**x**	**-**	**-**

The item "Financial liabilities" includes interest on funding transactions with negative rates. In particular, it refers to interest accrued on TLTRO III transactions.

The item "Financial assets measured at amortised cost: receivables from customers" includes the negative effect of the PPA reversal related to the merger between Cherry 106 and Banco delle Tre Venezie for the period between the date of acquisition and 31 December 2023 ("PPA Reversal") on performing loans for Euro 1.9 million.

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currencies

(amounts in thousands of Euro)

Items/Values	31/12/2023	31/12/2022
Interest income on financial assets in foreign currencies	**275**	**221**

1.3 Interest and similar expense: breakdown

(amounts in thousands of Euro)

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2023	Total 31/12/2022
1. Financial liabilities measured at amortised cost	(28,531)		-	(28,531)	**(4,424)**
1.1 Payables to Central Banks	(6,974)	X	X	(6,974)	-
1.2 Payables to banks	(457)	X	X	(457)	**(81)**
1.3 Payables to customers	(21,099)	X	X	(21,099)	**(4,316)**
1.4 Securities issued	X		X		**(26)**
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(1)	(1)	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**(28,531)**		**-**	**(28,531)**	**(4,425)**
of which: interest expense on lease payables	(128)	-	-	(128)	(105)

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

(amounts in thousands of Euro)

Items/Values	31/12/2023	31/12/2022
Interest expense on foreign currency liabilities	**(40)**	**(47)**

Section 2 – COMMISSIONS – ITEMS 40 and 50

2.1 Commission income: breakdown

(amounts in thousands of Euro)

Type of services/Values	31/12/2023	31/12/2022
a) Financial instruments	**464**	291
1. Placement of securities	342	272
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	342	272
2. Receiving and sending orders and execution of orders on behalf of customers	56	19
2.1 Receiving and sending orders for one or more financial instruments	56	19
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	66	-
of which: proprietary trading	-	-
of which: individual portfolio management	66	-
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	596	-
e) Custody and administration	**8**	5
1. Custodian bank		
2. Other commissions related to custody and administration activities	8	5
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary business	-	-
h) Payment services	**945**	728
1. Current accounts	527	378
2. Credit cards	23	57
3. Debit cards and other payment cards	15	8
4. Bank transfers and other payment orders	68	47
5. Other fees related to payment services	312	238
i) Distribution of third-party services	**62**	3
1. Collective portfolio management	-	-
2. Insurance products	62	3
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing activities for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	**655**	621
of which: credit derivatives	-	-
941n) Financing transactions	**1,211**	968
of which: for factoring transactions	134	-
o) Trading in foreign currencies	**170**	188
p) Goods	-	-
q) Other commission income	**18,069**	13,614
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	22,181	16,418

The item "Other commission income" includes commissions related to "fronting" operations in Tax Credits.

2.2 Commission income: distribution channels of products and services

(amounts in thousands of Euro)

Channels/Values	31/12/2023	31/12/2022
a) at own branches:	**470**	**275**
1. portfolio management	66	-
2. placement of securities	342	272
3. third-party services and products	62	3
b) off-premises offer:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.3 Commission expenses: breakdown

(amounts in thousands of Euro)

Channels/Values	31/12/2023	31/12/2022
a) Financial instruments	-	-
of which: trading of financial instruments	-	-
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
d) Compensation and settlement	-	-
c) Custody and administration	**(369)**	**(89)**
d) Collection and payment services	**(357)**	**(331)**
of which: credit cards, debit cards and other payment cards	(72)	**(58)**
e) Servicing activities for securitisation transactions	**(8)**	**(8)**
f) Commitments to receive funds	-	-
g) Financial guarantees received	**(604)**	**(280)**
of which: credit derivatives	-	-
h) Off-premises offer of financial instruments, products and services	-	-
i) Trading in foreign currencies	-	-
j) Other commission expenses	**(10,005)**	**(6,331)**
Total	**(11,343)**	**(7,039)**

The item “Other commission expenses” includes commissions related to “fronting” operations in Tax Credits.

Section 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

(amounts in thousands of Euro)

ITEMS/INCOME	31/12/2023		31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	1	-
B. Other financial assets obligatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	-	-	-	-
D. Investments	-	-	-	-
TOTAL	-	-	1	-

Section 4 – NET TRADING RESULT – ITEM 80

4.1 Net trading result: breakdown

(amounts in thousands of Euro)

Transactions/Income components	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading		63,471	-	-	63,471
1.1 Debt securities	-	1,411	-	-	1,411
1.2 Capital securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other		62,061	-	-	62,061
2. Financial liabilities held for trading	314	-	-	-	314
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	314	-	-	-	314
3. Other financial assets and liabilities: exchange rate differences	-	-	-	-	(2)
4. Derivative instruments	-	-	(109)	-	(90)
4.1 Financial derivatives	-	-	-	-	19
- On debt securities and interest rates	-	-	-	-	-
- On capital securities and equity indices	-	-	-	-	-
- On currencies and gold	-	-	-	-	19
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	(109)	-	(109)
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	314	63,471	(109)	-	63,694

Section 6 – GAINS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Gains (Losses) on disposal/repurchase: breakdown

(amounts in thousands of Euro)

Items/Income components	Total 31/12/2023			Total 31/12/2022		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets	-	-	-	-	-	-
1. Financial assets measured at amortised cost	1,149	(3,152)	(2,003)	529	(345)	**184**
1.1 Receivables from banks		-			-	
1.2 Receivables from customers	1,149	(3,152)	(2,003)	529	(345)	**184**
2. Financial assets measured at fair value through other comprehensive income	1,314	(665)	649	737	(227)	**510**
2.1 Debt securities	232		232	-	(15)	**(15)**
2.2 Loans	1,082	(665)	417	737	(211)	**526**
Total assets (A)	**2,464**	**(3,818)**	**(1,354)**	**1,267**	**(572)**	**695**
B. Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

The Net result of financial assets measured at amortised cost – Receivables from customers consists of gains of Euro 0.7 million and losses of Euro 3.2 million from the sale of impaired loans and gains of Euro 0.5 million from the sale of debt securities.

Section 7 – NET RESULT FROM FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets obligatorily measured at fair value

(amounts in thousands of Euro)

Transactions/Income components	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets	-	-	(176)	(8)	**(184)**
1.1 Debt securities	-	-	-	-	-
1.2 Capital securities	-	-	-	-	-
1.3 UCITS units	-	-	(176)	(8)	**(184)**
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	**-**	**-**	**(176)**	**(8)**	**(184)**

Section 8 – NET IMPAIRMENT/REVERSAL OF IMPAIRMENT FOR CREDIT RISK – ITEM 130

8.1 Net impairment for credit risk related to financial assets measured at amortised cost: breakdown

(amounts in thousands of Euro)

Transactions /Income components	Impairment (1)						Reversal of impairment (2)				Total 31/12/2023	Total 31/12/2022
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Receivables from banks	-	-	-	-	-	-	**64**	-	-	-	64	**(68)**
- Loans	-	-	-	-	-	-	64	-	-	-	-	(68)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Receivables from customers	(3,616)	-	-	(6,048)	-	**(2,144)**	-	-	**2,860**	**11,218**	2,270	(3,908)
- Loans	(3,445)	-	-	(6,048)	-	(2,144)	-	-	2,860	11,218	2,441	**(3,772)**
- Debt securities	(171)	-	-	-	-	-	-	-	-	-	(171)	(136)
C. Total	(3,616)	-	-	(6,048)	-	(2,144)	64	-	**2,860**	**11,218**	2,334	(3,976)

8.2 Net impairment for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(amounts in thousands of Euro)

Total Transactions /Income components	Impairment (1)						Reversal of impairment (2)				Total 31/12/2023	Total 31/12/2022
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**40**	**-**	**-**	**-**	**40**	**42**
B. Loans	**-**	**-**	**-**	**-**	**-**	**(12,128)**	**-**	**-**	**-**	**11,075**	**(1,053)**	**4,433**
- Customers	-	-	-	-	-	(12,128)	-	-	-	11,075	(1,053)	4,433
- Banks	-	-	-	-	-	-	-	-	-	-	-	-
C. Total	**-**	**-**	**-**	**-**	**-**	**(12,128)**	**40**	**-**	**-**	**11,075**	**(1,013)**	**4,475**

Section 10 – ADMINISTRATIVE EXPENSES – ITEM 160

10.1 Personnel expenses: breakdown

(amounts in thousands of Euro)

Type of expenses/Values	31/12/2023	31/12/2022
1) Employees	**(24,650)**	**(15,899)**
a) wages and salaries	(16,616)	**(10,957)**
b) social security contributions	(4,435)	**(2,857)**
c) employee severance indemnity	-	**-**
d) social security expenses	-	**-**
e) provision for employee severance indemnity	(1,061)	**(649)**
f) provision for retirement funds and similar commitments	(473)	**(209)**
- defined contribution	(473)	**(209)**
- defined benefit	-	**-**
g) contributions to external supplementary pension funds	-	**-**
- defined contribution	-	**-**
- defined benefit	-	**-**
h) costs deriving from equity-settled share-based payment agreements	-	**-**
i) other employee benefits	(2,065)	**(1,228)**
2) Other personnel	-	**-**
3) Directors and Statutory Auditors	**(1,511)**	**(1,151)**
4) Retired personnel	-	**-**
5) Recovery of expenses for employees seconded to other companies	-	**-**
6) Reimbursement of expenses for seconded third-party employees at the company	-	**-**
Total	**(26,161)**	**(17,049)**

10.2 Average number of employees by category

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Employees		
(a) executives	19	9
b) total directive managers	113	79
c) remaining employees	139	101
Other personnel	-	-
average total number of employees	**271**	**189**

The year-end figure at 31.12.2023 was 315 employees, while at 31.12.2022 it was 237 employees.

10.4 Other employee benefits

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
- training expenses	(434)	(169)
- other contractual expenses (meal vouchers and insurance policies)	(1,018)	(710)
- fringe benefits	(512)	(349)
- other expenses	-	-
Total	**(1,964)**	**(1,228)**

10.5 Other administrative expenses: breakdown

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
remuneration to collaborators	-	**(8)**
printed material and stationery	(24)	**(22)**
property maintenance	(76)	**(32)**
concierge fees	(5)	**(33)**
postage	(64)	**(45)**
lighting, motive power, heating and water	(79)	**(71)**
membership contributions	(140)	**(80)**
cleaning costs	(106)	**(96)**
furniture and machinery maintenance	(55)	**(115)**
notary fees	(79)	**(135)**
reimbursement of travel expenses to employees	(364)	**(187)**
remuneration to independent auditors	(208)	**(221)**
car expenses	(354)	**(252)**
software fees and maintenance	(798)	**(299)**
rental of real estate	(287)	**(300)**
F.I.T.D. contributions	(1,080)	**(309)**
telephone costs and external network connection fees	(681)	**(310)**
national resolution fund contributions	(403)	**(412)**
insurance costs	(596)	**(467)**
business combination consultancy	(951)	**(492)**
taxes and fees	(1,380)	**(732)**
advertising and representation	(1,407)	**(1,143)**
NPL on-boarding and due diligence expenses	(2,956)	**(1,362)**
NPL recovery company expenses	(1,518)	**(1,612)**
consultancy	(4,132)	**(2,829)**
tax credit verification consultancy	(9,872)	**(2,954)**
electronic processing on behalf of third parties	(5,544)	**(3,926)**
other expenses	(2,592)	**(1,648)**
Total other administrative expenses	**(35,752)**	**(20,094)**

The item also includes costs directly related to business volumes, including costs related to the checks carried out on tax credits acquired for trading purposes for Euro 9.9 million compared to Euro 2.9 million in 2022, as well as due diligence and on-boarding costs related to NPL for Euro 3 million compared to Euro 1.4 million in 2022. In addition, the item includes Euro 1 million in costs incurred for the acquisition and integration of Banca Popolare Valconca.

Section 11 – NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES – ITEM 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees given: breakdown

(amounts in thousands of Euro)

Transactions/Income components	Impairment		Reversal of impairment		Total 31/12/2023	Total 31/12/2022
	Specific	Portfolio	Specific	Portfolio		
Guarantees given			1	-	1	278
Commitments to disburse funds	-	-	-		-	33
Other transactions	-	-	-	-	-	-
Total	-		1	-	1	311

11.3 Net allocations to other provisions for risks and charges: breakdown

(amounts in thousands of Euro)

Transactions/Income components	Impairment	Reversal of impairment	Total 31/12/2023	Total 31/12/2022
Disputes	(48)	-	(48)	9
Total	(48)	-	(48)	9

Section 12 – NET IMPAIRMENT/REVERSAL OF IMPAIRMENT OF TANGIBLE ASSETS – ITEM 180

12.1 Net impairment of tangible assets: breakdown

(amounts in thousands of Euro)

ASSETS/INCOME COMPONENT	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Net result (A + B - C)
A. Tangible assets	-	-	-	-
A.1 For functional use	(1,433)	-	-	**(1,433)**
- owned	(304)	-	-	(304)
- rights of use acquired through leases	(1,129)	-	-	(1,129)
A.2 Held for investment purposes	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
A.3 Inventories	X	-	-	-
TOTAL	**(1,433)**	**-**	**-**	**(1,433)**

Section 13 – NET IMPAIRMENT/REVERSAL OF IMPAIRMENT OF INTANGIBLE ASSETS – ITEM 190

13.1 Net impairment of intangible assets: breakdown

(amounts in thousands of Euro)

Assets/Income component	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Net result (A + B - C)
A. Intangible assets	-	-	-	-
A.1 Owned	(877)	-	-	**(877)**
- Internally generated by the company	-	-	-	-
- Other	(877)	-	-	(877)
A.2 Rights of use acquired through leases	-	-	-	-
TOTAL	**(877)**	**-**	**-**	**(877)**

Section 14 – OTHER OPERATING EXPENSES AND INCOME – ITEM 200

14.1 Other operating expenses: breakdown

“Other operating expenses” are broken down as follows:

(amounts in thousands of Euro)

Assets/Income component	31/12/2023	31/12/2022
- third-party property maintenance costs	-	-
- interest for currency differences on collection and payment transactions	-	-
- donations	(90)	(62)
- other extraordinary expenses	(4,224)	(48)
Total “Other operating expenses” (A)	(4,314)	(110)

14.2 Other operating income: breakdown

“Other operating income” is broken down as follows:

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
- recovery of overdraft expenses and savings deposits	1,085	627
- recovery of interest for currency differences on collection and payment transactions	-	-
- recovery of legal costs	-	-
- recovery of expenses for outsourcing services rendered	-	-
- rental income	-	-
- recovery of customer insurance costs	-	-
- sundry expense recoveries	3	4
- other extraordinary income	50,414	426
Total “other operating income” (B)	51,502	1,057
Net income on the income statement (B) - (A)	47,188	947

The item “other extraordinary income” is attributable to the gain on bargain purchase recognised in the Income Statement as a result of the PPA related to the incorporation of Banca Popolare Valconca.

Section 15 – GAINS (LOSSES) ON INVESTMENTS – ITEM 220

15.1 Gains (Losses) on investments: breakdown

(amounts in thousands of Euro)

Component/Values	31/12/2023	31/12/2022
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	13,775	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net result	13,775	-

Section 18 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 250

18.1 Gains (Losses) on disposal of investments: breakdown

(amounts in thousands of Euro)

Component/Values	31/12/2023	31/12/2022
A. Properties	-	-
1. Gains on disposal	-	-
2. Losses on disposal	-	-
B. Other assets	36	12
1. Gains on disposal	43	12
2. Losses on disposal	(8)	-
Net result	36	12

Section 19 – INCOME TAXES FOR THE YEAR ON CONTINUING OPERATIONS – ITEM 270

19.1 Income taxes for the year on continuing operations: breakdown

(amounts in thousands of Euro)

Income components/Values	31/12/2023	31/12/2022
1. Current taxes (-)	(1,377)	(1,007)
2. Changes in current taxes of previous years (+/-)	-	224
3. Decrease in current taxes for the year (+)	-	2,175
3.bis Decrease in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(7,979)	(1,951)
5. Change in deferred tax liabilities (+/-)	833	(1,136)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(8,523)	(1,695)

19.2 Reconciliation of theoretical tax expense and actual tax expense in the Financial Statements

(amounts in thousands of Euro)

Profit (Loss) before taxes	taxable amount	rate	tax
Profit (Loss) before taxes/theoretical tax expense – IRES	88,020	27.5%	24,206
- effect of non-deductible expenses and other increases – permanent	425		117
- effect of non-taxable income and other decreases – permanent	(63,635)		(17,500)
- Non-current IRES	(113)		(31)
- Other	(5)		(1)
- Actual tax expense – IRES			6,792
Profit (Loss) before taxes/theoretical tax expense – IRAP	88,020	5.57%	4,903
- effect of non-deductible expenses and other increases – permanent	64,270		3,580
- effect of non-taxable income and other decreases – permanent	(117,341)		(6,536)
- Non-current IRAP	(3,861)		(215)
Actual tax expense – IRAP			1,732
Actual tax expense in the financial statements			8,523

The effective tax rate is 9.68%. The deviation from the theoretical nominal tax rate (33.07%) is mainly related to the tax treatment attributed to the gain on bargain purchase recognised in the Income Statement as a result of the PPA related to the Banca Popolare Valconca merger transaction.

PART D – OTHER COMPREHENSIVE INCOME

(amounts in thousands of Euro)

Items	31/12/2023	31/12/2022
10. Profit (Loss) for the year	79,496	10,921
Other income components without reversal to the income statement	4	54
20. Capital securities designated at fair value through other comprehensive income:	-	-
a) Change in fair value	-	-
b) Reclassified to other components of equity	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness):	-	-
a) Change in fair value	-	-
b) Reclassified to other components of equity	-	-
40. Hedges of capital securities designated at fair value through other comprehensive income:	-	-
a) Change in fair value (hedged instrument)	-	-
b) Change in fair value (hedging instrument)	-	-
50. Tangible assets	-	-
60. Intangible assets	-	-
70. Defined benefit plans	4	54
80. Non-current assets and groups of assets held for sale	-	-
90. Share of valuation reserves of investments valued at equity	-	-
100. Income taxes relating to other income components without reversal to the income statement	-	-
Other income components with reversal to the income statement	18	(893)
110. Hedges of foreign investments:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
120. Exchange rate differences:	-	-
a) changes in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
130. Cash flow hedging:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
of which: result of net positions	-	-
140. Hedging instruments: (non-designated elements)	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
150. Financial assets (other than capital securities) measured at fair value through other comprehensive income:	-	-
a) changes in fair value	18	(893)
b) reversal to income statement	-	-
- credit risk adjustments	-	-
- realised gains/losses	-	-
c) other changes	-	-
160. Non-current assets and groups of assets held for sale:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
170. Share of valuation reserves of investments valued at equity	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
- impairment	-	-
- realised gains/losses	-	-
c) other changes	-	-
180. Income taxes relating to other income components with reversal to the income statement	-	-
190. Total other income components	22	(839)
Other comprehensive income (Items 10+190)	79,518	10,082

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

INTRODUCTION

On 30 December 2023, Cherry Bank S.p.A. finalised the acquisition by incorporation of Banca Popolare Valconca (BPV): the governance and risk management systems were substantially centralised at the Functions of Cherry Bank, although certain CSE information system child tools remained in use, which will be decommissioned with the IT migration scheduled for the first half of 2024.

At Cherry Bank, risk governance is identified in the set of corporate governance arrangements and management and control mechanisms aimed at addressing the risks to which it is exposed and is part of the more general framework of the Internal Control System.

The Internal Control System consists of the set of rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of various goals, including the containment of risk within the limits indicated by the Risk Appetite Framework (hereinafter RAF).

The Bank maintains a traditional governance model that includes a Board of Directors, Board of Statutory Auditors and Chief Executive Officer.

A central role in risk governance is played by the Board of Directors, which defines and approves:

- the business model being aware of the risks to which this model exposes the Bank and the ways in which risks are detected and assessed;
- the strategic plan and ensures that it is updated, in relation to the evolution of the company's business and the external context, in order to ensure its effectiveness over time;
- risk objectives, tolerance and capacity thresholds;
- guidelines for the Internal Control System, verifying that they are consistent with the strategic guidelines already in place and with established risk appetites and that they are capable of reflecting the evolution of company risks and the interactions among them.

It also ensures that:

- the implementation of the RAF is consistent with the risk objectives and tolerance and capacity thresholds defined; it periodically assesses the adequacy and effectiveness of the RAF and the compatibility between actual risk and risk objectives;
- the Strategic Plan, the RAF, the ICLAAP, the budgets and the Internal Control System are consistent, also bearing in mind the evolution of the internal and external conditions in which the Bank operates;
- the amount and allocation of capital and liquidity held are consistent with the risk appetite, and the risk management process.

The Bank's Internal Control System has three different levels:

- Line controls: carried out by the operational lines and as part of back office activities;
- Second level controls: risk and compliance controls that aim to ensure the proper implementation of the risk management process; compliance with the operational limits assigned to the various functions; and compliance of company operations with regulations,

including self-regulatory ones;

- Third level controls: in charge of the Internal Audit function aimed at detecting violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the Internal Control System and the information system.

In particular, the specific second-level risk control function is Risk Management which, reporting directly to the Board of Directors, acts in substantial separation from the operational ones and directly fulfils the following mission:

- ensure a holistic and integrated view of the risks to which the Bank is exposed and ensure adequate disclosure to the Corporate Bodies;
- identify, measure, assess, monitor risks relevant to the Bank;
- ensure adequate disclosure on the risks assumed to the Corporate Bodies, Control Functions and Heads of structures involved in the risk management process;
- oversee the governance and risk management processes in accordance with the strategies and policies defined by the Corporate Bodies;
- ensure the set up and continuous improvement of methodologies, models, metrics and tools for risk measurement and integration;
- facilitate the transposition of Supervisory regulations and directives.

The dissemination of a risk culture and risk control is ensured within Cherry Bank:

- by the identification of an unambiguous and specific taxonomy of risks, approved by the Board of Directors, which is the reference point for the definition of the Risk Appetite Framework (R.A.F.);
- by internal regulations, which for each activity provide for the highlighting of the relevant risks and the consequent controls;
- by the controls performed by the functions, structured with objectives to improve risk governance;
- by specific training courses for Bank personnel, held by internal and external lecturers.

The measurement of the risk profile is a key element of the Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP") according to the provisions of the Second Pillar of the Basel Accord.

Capital adequacy is assessed by considering the balance between risks taken, both Pillar I and Pillar II, and available capital.

Section 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Cherry Bank's strategic lines of development are defined in its Business Plans and annual budgets and identify the credit risk associated with lending as the main type of risk to which the Bank is exposed.
During 2023, the Bank further strengthened its monitoring and critical analysis of the riskiness of its customers, also in view of the crises that affected 2022 and not yet over; recourse to State guarantees MCC and SACE was kept active (no ineffectiveness recorded in the Bank's history also regarding former BPV). This activity was crucial both at present and, above all, for the future, given the high probability of instability in the business network that characterises our economy (especially with regard to small- to medium-sized enterprises that are under greater stress in weak economic situations).

In terms of Risk Origination and Monitoring, Cherry Bank is compliant with the new EBA Guidelines that came into force on 30 June 2021.

With regard to the third-party NPL segment, portfolio purchase activities continued with a particular focus on primary and secondary market segments, which brought the total portfolio holdings at the end of the year to about Euro 64 million compared to a Gross Book Value of about Euro 5.2 billion. Total income from operations in the twelve months of the year increased by more than 30% compared to the equivalent period of the previous year.

2. Credit risk management policies

2.1 Organisational aspects

The monitoring of the quality of the loan portfolio is carried out first and foremost through the operating procedures governing the phases of the credit process (appraisal, disbursement, monitoring, periodic review, work-out management). The factors underlying credit risk are checked by verifying the adequacy of the credit facility (size, technical form, etc.) with respect to the characteristics and needs of the borrower and the customer's current and prospective ability to pay the debt.
The Organisational Function in charge of the phases of credit appraisal, disbursement and management is the Credit Function; within this Function a specific unit dedicated to first level monitoring has been created, while the management of relationships classified as Probable Default and Non-performing is assigned to the Workout & Recovery Function. This logic of operation is also applicable to the perimeter referring to the former BPV, the decision-making activity is substantially centralised with the exception of small amounts; credit monitoring and management of impaired loans have also been centralised.

Risk Management performs second-level controls over the entire "chain" concerning the assumption of credit risk and the related second-level monitoring.
Cherry Bank adopts a rating system for management purposes to measure credit risk; assessments

are made on the basis of information gathered during the appraisal phase and the subjective considerations of the assessors through Cedacri's CRS application. It should be noted that CRS ratings are used for management purposes only and do not form part of the calculation of capital requirements. The project to move to a new rating system was launched in early 2023. The capital requirement for credit risk is calculated using the standardised methodology set out in the Supervisory Provisions.
It should be specified that to the perimeter of the former BPV, the CSE consortium rating is applied until the IT migration scheduled for the first half of 2024.

2.2 Management, measurement and control systems

The systems used to identify, measure, manage and control credit risk consist of a set of IT tools, procedures and internal regulations.

Credit Risk monitoring and management is supported by portfolio analysis and specific processing, produced by the Bank on the basis of internal databases. To this end, Cherry Bank also uses a specific computerised credit monitoring platform (CQM, provided by Cedacri), the purpose of which is to identify positions to be monitored and to manage positions where anomalies have already occurred, with the ultimate aim of managing and minimising the Bank's credit risk. In continuity with what was done previously, the perimeter related to the former BPV is monitored by referring to a structured management classification system of positions, monitored through the use of CSE applications.

Limits on individual and/or group exposures and concentration, as well as thresholds for transactions of greater significance, are set by internal policies and approved by the Board of Directors, and are monitored by the Risk Management office; said rules are also applied to the former BPV perimeter.

The process of purchasing impaired loans goes through a thorough due diligence and a rigorous pricing process that leads to the formulation of an offer, only after having verified that the expected recovery profile is in line with the return expectations that the Bank expects to obtain on the individual portfolio, as well as after having discussed collegially in a committee and also in the Board of Directors (for transactions involving a Board resolution) whether or not to proceed.
The management performance of the portfolios and their profitability are systematically reported to the Corporate Bodies and also monitored by the Risk Management Function.

2.3 Methods of measuring expected losses

The expected loss is estimated in accordance with IFRS9 (through the adoption of an expected loss calculation model) on the basis of forward-looking information as well as macroeconomic factors.

The provisioning model on the performing portfolio in use at Cherry Bank, provided by Cedacri, in accordance with IFRS 9, provides for the identification of "Stage 2" on the basis of SICR (i.e. significant increase in credit risk), which is expressed in relation to the following determinants:

- the change in the probability of default with respect to the time of initial recognition of the financial instrument. It is, therefore, an evaluation using a "relative" criterion, i.e. the change in the CRS rating;
- the possible presence of a past due that has been so for at least 30 days;
- the possible presence of other conditions (e.g. a renegotiation qualifying as a forbearance

measure).

With reference to the former BPV perimeter, reference is made to the risk curves of the CSE consortium model.
The management of impaired loans, i.e. those classified in Stage 3, is handled by a special office that takes actions aimed at readmitting the counterparty to normal operations, or operates with liquidation intent by also enforcing guarantees, where the counterparty does not have the characteristics to be supported in the repayment. The impairment for these positions is made in line with the provisions of the regulations in force and according to principles of prudence by evaluating each debt position analytically.

The global economic crisis aggravated in 2022 by the Russian-Ukrainian conflict, as well as the Israel-Palestine conflict, led to reflections on both the macroeconomic outlook and the sustainability of credit risk. Cherry Bank actively participated, also in 2023, in the developments proposed by the provider Cedacri and Cerved for the recalibration of the PD curves used to estimate provisions – obviously the PD curves are compliant with IFRS 9 and incorporate the new macroeconomic context.

Currently, the process of adjusting the impairment model for Stages 1 and 2 involves:

i. a multi-scenario approach: adverse, basic, best;

ii. PD used for impairment purposes have been updated and "clustered" by macro geographical areas, ATECO macro sectors and customer segments.

Similarly, former BPV adopted risk curves recalibrated to take into account adverse macroeconomic scenarios, as proposed by the consortium provider Prometeia. The IT migration will result in the standardisation of calculation methodologies and tools.
With reference to the NPL acquired from third parties, it should be noted that the risk of non-recovery is already factored into the prospective cash flows, determined through the application of proprietary methodologies.

Measurement of expected losses
As required by the IFRS9 accounting standard, the risk parameters were recalibrated annually; a consortium project was conducted with the support of Cerved; the risk parameters and the forward-looking component of the model were updated in order to incorporate the outlook for changes in the macroeconomic context into the risk measures.
The estimate of the forward-looking elements to be included in the calculation of expected losses, in application of IFRS 9, developed by Cerved and the macro-economic variables underlying the estimate of the baseline scenario, used in the determination of the IFRS 9 ECL, are provided by the external service provider, updated on an annual basis, which among the main ones see:

- Long-term rate (5-year Government Bond);
- Short-term rate (3-month Money Market Rate);
- Rate on bank lending;
- 3-month BOT rate;
- Unemployment rate;

- Inflation rate;
- Real GDP growth rate;
- Real consumption growth rate;
- Real investment growth rate;
- Real public consumption growth rate;
- Real export growth rate;
- Real import growth rate;
- Euro Area real GDP growth rate;
- Real industrial production growth rate;
- Real services production growth rate;
- World real GDP growth rate.

As mentioned above with reference to the former BPV perimeter, the recalibrated curves provided through CSE by the provider Prometeia were adopted.

2.4 Credit risk mitigation techniques

During 2023, Cherry Bank continued the de-risking policy (use of the State guarantee MCC) adopted in 2021, combining it with the measures put in place by the State to deal with the pandemic. The Bank avails itself of the assistance of servicing companies specialised in the fulfilments required for the management of the public guarantee.

Cherry Bank also favours the assumption of collateral from real estate mortgages (managed with Cedacri's Collateral IT procedure), as well as other forms of personal guarantees such as sureties, both from customers and from Guarantee Consortia. In the area of collateral, the use of guarantees such as pledges of securities or goods is limited, and specific counterparties are not predominantly used. The Credit Function verifies the legal and operational effectiveness of the guarantees received. There are no contractual restrictions on the legal validity of the guarantees received in the loan portfolio. The Bank does not use collateral compensation agreements or credit derivatives.

3. Impaired credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets is carried out in accordance with internal rules and on the basis of the control activities of the various corporate functions delegated by the Board of Directors according to the amounts and in line with the Bank of Italy's instructions.
The management of positions with performance anomalies is the responsibility of the Credit Monitoring Office (Credit Function) while the management of disputes is the responsibility of the Workout & Recovery Office.
The Risk Management function verifies that the correctness of the classification of credits is carried out in a manner consistent with the rules approved by the Board of Directors that implement the instructions of the Supervisory Provisions.
The Internal Audit function verifies the reliability and effectiveness of the overall credit process.

In relation to NPL acquired from third parties, management is hinged within the NPL Transformation office, which relies on a strategy of strong recourse to recovery companies and law firms that are loyal and aligned with Cherry Bank's values, in order to be able to take advantage of economies of scale in the management of growing volumes.

3.2 Write-offs

When the Bank determines that the credit is totally unrecoverable, the financial asset is totally written off from the Financial Statements, through the inclusion of a 100% loss forecast. Such an evaluation may also take place before the actions undertaken for the recovery of the credit have been definitively concluded.
This does not imply that the Bank has renounced this right, which may still be exercised under new conditions (e.g. if the debtor receives an inherited property, which we have become aware of due to the maintenance of real estate records being monitored, or accrues a salary or pension that can be attached), provided that it is exercised within the terms provided for by the applicable legislation.

3.3 Purchased or Originated Credit Impaired Assets

Cherry Bank's Purchased or Originated Credit Impaired Assets consist of the following categories:

- NPL acquired as part of NPL Investment & Management operations;
- Impaired assets recorded in the Financial Statements and generated by Relationship Bank activities. Please refer to as described in Part B – Section 4 of these Notes to the Financial Statements.

The impaired loans acquired (NPL) amounted to a book value of Euro 64 million.
Specifically, the activity of acquiring credits of a financial nature that are difficult to collect from consumer, retail and small business customers relates to the complex of operations aimed at the judicial and extrajudicial recovery of the credits acquired.
The internal organisational structure for the management of NPL has been strengthened over time through the inclusion in the corporate organisation chart of human resources with adequate and proven experience in the sector.
The structure is dedicated to the purchase and management of NPL originated by banks and financial institutions, all within the framework of the strategic objectives determined by the Board of Directors. The revision of the internal regulations placed the decision-making powers for recovery forecasts in accordance with the assumptions dictated by the Board of Directors for the internal

Head of the asset management structure.
These loans are acquired at prices significantly below their nominal value, while the collections realised in subsequent management activities are usually higher than the acquisition value, thus minimising the risk of loss.
Purchased impaired loans generally relate to terminated contracts for which the originator has already sent a termination notice (DBT). Purchased impaired positions are classified according to the following logic:

- In the case of purchases from a reporting transferor counterparty, positions are classified as reporting continuity with respect to the transferor at the time of the first census. If there are any UTP or Past due, the position is examined by the end of the on-boarding phase to ascertain its correct classification. Since these are non-valid contracts, the files are normally classified as non-performing.

- In the case of purchases from a non-reporting transferor counterparty, the positions are classified as non-performing at the time of the first census.

Purchased portfolios are commonly processed in two main ways:

- Extrajudicial management, where the aim is to reach a payment agreement with the debtor/guarantor;

- Judicial management, where recovery is pursued through legal action, be it the garnishment of a salary/pension share, or real estate enforcement where there are capacious assets.

Collection forecasts are governed by internal policies that provide for either analytical evaluations carried out by the manager or estimates derived from the internal valuation model.
The total portfolio of impaired loans outstanding at year-end had an average weighted vintage of about 24 months from the date of purchase.

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

The 7th update of Bank of Italy Circular No. 272/2008 introduced the concept of exposures subject to concessions (so-called "forbearance"), incorporating the definitions introduced by the Implementing Technical Standards (ITS for short) issued by the European Banking Authority (EBA). In particular, the regulations require that both performing loans and impaired loans be identified by defining the categories "Forborne performing exposures" and "Non-performing exposures with forbearance measures" respectively. The legislation defines "forbearance measures" as modifications of the original terms and conditions of the contract, or refinancing of all or part of the debt, which are granted to a debtor that is experiencing or about to experience difficulties in meeting its financial commitments.

The return to performing status of impaired exposures takes place with the recovery, by the debtor, of the conditions of full solvency, i.e. in case of the regularisation of the past due amount and the re-establishment of the conditions for the reactivation of a regular relationship.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A. 1 IMPAIRED AND NON-IMPAIRED CREDIT EXPOSURES: AMOUNTS, IMPAIRMENT, DYNAMICS AND ECONOMIC DISTRIBUTION

A. 1.1 Distribution of financial assets by portfolio and credit quality (book values)

(amounts in thousands of Euro)

Portfolios/Quality	Non-performing	Probable defaults	Impaired past due exposures	Non-impaired past due exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	50,165	32,946	2,458	29,069	1,966,843	**2,081,481**
2. Financial assets measured at fair value through other comprehensive income	33,754	-	-	-	72,318	**106,072**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets obligatorily measured at fair value	-	-	-	-	-	**-**
5. Financial assets held for sale	-	-	-	-	-	**-**
Total 31/12/2023	**83,919**	**32,946**	**2,458**	**29,069**	**2,039,160**	**2,187,553**
Total 31/12/2022	**84,008**	**18,900**	**706**	**9,129**	**772,134**	**884,879**

A. 1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

(amounts in thousands of Euro)

PORTFOLIOS/QUALITY	Impaired assets				Non-impaired assets			
	Gross exposure	Total impairment	Net exposure	Total partial write-offs*	Gross exposure	Total impairment	Net exposure	Total net exposure
1. Financial assets measured at amortised cost	92,866	7,296	85,569	-	2,005,862	9,950	1,995,912	**2,081,481**
2. Financial assets measured at fair value through other comprehensive income	33,754	-	33,754		72,620	302	72,318	**106,072**
3. Financial assets designated at fair value	-	-	-	-	-	-	-	**-**
4. Other financial assets obligatorily measured at fair value	-	-	-	-	-	-	-	**-**
5. Financial assets held for sale	-	-	-	-	-	-	-	**-**
Total 31/12/2023	**126,620**	**7,296**	**119,323**	**-**	**2,078,482**	**10,252**	**2,068,230**	**2,187,553**
Total 31/12/2022	**107,481**	**3,865**	**103,616**	**-**	**785,793**	**4,530**	**781,263**	**884,879**

The gross exposure of impaired assets shows the portion of impaired assets of Banco delle Tre Venezie S.p.A. and Banca Popolare Valconca at the time of the business combination at their fair value (See Part B – Assets Table 4.2).

PORTFOLIOS/QUALITY	Assets with evident poor credit quality		Other assets
	Losses	Net exposure	Net exposure
1. Financial assets held for trading			169
2. Hedging derivatives			
Total 31/12/2023	**-**	**-**	**169**
Total 31/12/2022	**-**	**-**	**356**

A. 1.3 Distribution of financial assets by maturity bands (book values)

(amounts in thousands of Euro)

PORTFOLIOS/QUALITY	First stage			Second stage			Third stage			Purchased or originated impaired		
	Up to 30 days	Over 30 days up to 90 days	Over 90 days	Up to 30 days	Over 30 days up to 90 days	Over 90 days	Up to 30 days	Over 30 days up to 90 days	Over 90 days	Up to 30 days	Over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	10,347	1	-	11,865	5,785	1,054	815	2,538	38,241	16	2,058	29,598
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	33,754
Total 31/12/2023	**10,347**	**1**	**-**	**11,865**	**5,785**	**1,054**	**815**	**2,537**	**38,241**	**16**	**2,058**	**63,352**
Total 31/12/2022	**3,090**	**-**	**-**	**3,286**	**2,752**	**1**	**135**	**670**	**34,099**	**-**	**-**	**62,085**

A. 1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total impairment and provisions

(amounts in thousands of Euro)

Reasons/Risk stages	Total impairment																								Total provisions for commitments to disburse funds and financial guarantees given			Total
	First stage activities						Second stage activities						Third stage activities						Purchased or Originated Credit Impaired Assets								
	Sight receivables from banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual write-downs	Of which: collective write-downs	Sight receivables from banks and Central Banks Financial assets measured at	Financial assets measured at amortised cost	Measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual write-downs	Of which: collective write-downs	Sight receivables from banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual write-downs	Of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual write-downs	Of which: collective write-downs	First stage	Second stage	Third stage	
Total opening impairment	**(138)**	**(3,200)**	**(73)**	**-**	**-**	**(3,411)**		**(1,331)**	**-**	**-**	**-**	**(1,331)**	**-**	**(3,865)**	**-**	**-**	**(3,865)**	**-**		**-**	**-**	**-**	**-**	**(341)**	**(23)**		**(8,971)**
Increases in purchased or originated financial assets	(156)	(2,360)	-	-	-	(2,517)	-	(211)	-	-	-	(211)	-	(69)	-	-	(69)	-	-	-	-	-	-	(770)	(81)	-	**(3,648)**
Derecognition other than write-offs	175	1,286	-	-	-	1,461	-	62	-	-	-	62	-	147	-	-	147	-	45	-		45	-	77	9	-	**1,801**
Net impairment/reversal of impairments for credit risk (+/-)	47	1,421	40	-	-	1,508	(2)	(291)	-	-	-	(293)	-	9,709	-	-	9,709	-	(2,040)	-	-	(2,040)	-	777	(10)	-	**9,651**
Contractual amendments without derecognition	-	-	-	-	-	-	-	8	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**8**
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	3,297	-	-	3,297	-	323	-	-	323	-	-	-	-	**3,620**
Other changes	(61)	(1,753)	(7)	-	-	(1,821)	-	(3,555)	(261)	-	-	(3,816)	-	(14,644)	-	-	(14,644)	-	(227)	-	-	(227)	-	(61)	(275)	(390)	**(21,234)**
Total closing impairment	**(132)**	**(4,606)**	**(40)**	**-**	**-**	**(4,778)**	**(2)**	**(5,317)**	**(261**	**-**	**-**	**(5,580)**	**-**	**(5,425)**	**-**	**-**	**(5,425)**	**-**	**(1,898)**	**-**	**-**	**(1,898)**	**-**	**(318)**	**(380)**	**(390)**	**(18,771)**
Recoveries from collection on financial assets subject to write-offs	-	-	-		-	-	-	-	-	-	-	-	-	(1,309)	-	-	(1,309)	-	-	-	-	-	-	-	-	-	**(1,309)**
Write-offs recognised directly in the income statement	-	-	-		-	-	-	-	-	-	-	-	-	(3,681)	-	-	(3,681)	-	-	-	-	-	-	-	-	-	**(3,681)**

cherry bank

A. 1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers among credit risk stages (gross and nominal values)

(amounts in thousands of Euro)

Portfolios/Risk stages	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	25,024	13,797	5,372	4,682	8,845	132
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	3,267	206	0	12	5	5
Total 31/12/2023	**28,291**	**14,003**	**5,372**	**4,694**	**8,850**	**137**
Total 31/12/2022	**17,740**	**5,495**	**1,601**	**707**	**14,810**	**18**

A. 1.6 On- and off-balance sheet credit exposures to banks: gross and net values

(amounts in thousands of Euro)

EXPOSURE TYPE/VALUES	Gross exposure					Total impairment and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 SIGHT	**99,389**	**99,334**	**55**	**-**	**-**	**112**	**110**	**2**	**-**	**-**	**99,277**	**-**
a) Impaired		X	-	-	-		X	-	-	-		
b) Non-impaired	99,389	99,334	55	X	-	112	110	2	-	-	99,277	-
A.2 OTHER	**16,483**	**15,755**	**728**	**-**	**-**	**23**	**22**	**-**	**-**	**-**	**16,460**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
b) Probable defaults	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
d) Non-impaired past due exposures	25	-	25	X	-	-	-	-	X	-	25	-
- of which: exposures subject to forbearance	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	16,457	15,755	703	X	-	22	-	-	X	-	16,435	-
- of which: exposures subject to forbearance	-	-	-	X	-	-	-	-	X	-		-
Total A	**115,872**	**115,089**	**782**	**-**	**-**	**134**	**132**	**2**	**-**	**-**	**115,737**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	-	X	X	-	-	-	X	X	-	-	-	-
b) Non-impaired	3,257	3,257	-	X	-	-	-	-	X	-	3,257	-
Total B	**3,257**	**3,257**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,257**	**-**
Total A+B	**119,128**	**118,346**	**782**	**-**	**-**	**134**	**132**	**2**	**-**	**-**	**118,994**	**-**

A. 1.7 On- and off-balance sheet credit exposures to customers: gross and net values

(amounts in thousands of Euro)

EXPOSURE TYPE/VALUES	Gross exposure					Total impairment and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	88,907	X	-	8,257	80,650	4,988	X	-	3,139	1,849	83,919	-
- of which: exposures subject to forbearance	8,708	X	-	8,174	534	4,228	X	-	3,770	458	4,480	-
b) Probable defaults	35,141	X	-	15,640	19,501	2,195	X	-	2,172	22	32,946	-
- of which: exposures subject to forbearance	14,598	X	-	14,564	34	1,898	X	-	1,876	22	12,700	-
c) Impaired past due exposures	2,572	X	-	2,572	-	113	X	-	113	-	2,458	-
- of which: exposures subject to forbearance	217	X	-	217	-	24	X	-	24	-	192	-
d) Non-impaired past due exposures	30,369	10,529	19,810	X	31	1,325	181	1,130	X	13	29,044	-
- of which: exposures subject to forbearance	6,365	-	6,365	X	-	378	-	378	X	-	5,987	-
e) Other non-impaired exposures	2,031,765	1,894,874	136,474	X	258	8,871	4,410	4,447	X	14	2,022,894	-
- of which: exposures subject to forbearance	20,754	-	20,753	X	1	709		709	X	-	20,045	-
TOTAL A	**2,188,754**	**1,905,403**	**156,284**	**26,469**	**100,440**	**17,492**	**4,591**	**5,578**	**5,425**	**1,898**	**2,171,262**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	2,915	X	-	2,915	-	390	X	-	390	-	2,525	-
b) Non-impaired	325,744	312,576	13,165	X	-	699	318	380	X	-	325,045	-
TOTAL B	**328,659**	**312,576**	**13,165**	**2,915**	-	**1,089**	**318**	**380**	**390**	-	**327,570**	-
Total A+B	**2,517,413**	**2,217,979**	**164,499**	**29,384**	**100,440**	**18,581**	**4,909**	**5,958**	**5,815**	**1,898**	**2,498,832**	**-**

Impaired assets acquired through business combinations amounted to Euro 32.8 million.

A. 1.8 On-balance sheet credit exposures to banks: changes in gross impaired exposures

The Bank has no outstanding impaired exposures to banks.

A. 1.8bis On-balance sheet credit exposures to banks: changes in gross exposures subject to forbearance broken down by credit quality

The Bank has no outstanding exposures subject to forbearance to banks.

A. 1.9 On-balance sheet credit exposures to customers: changes in gross impaired exposures

(amounts in thousands of Euro)

REASONS/CATEGORIES	Non-performing	Probable defaults	Impaired past due exposures
A. Opening gross exposure	**86,130**	**20,582**	**768**
- of which: exposures transferred not derecognised	-	-	-
B. Increases	**74,418**	**37,409**	**10,967**
B.1 reclassified from non-impaired exposures	432	8,004	5,304
B.2 reclassified from Purchased or Originated Credit Impaired Assets	24,373	19,028	1,883
B.3 reclassified from other categories of impaired exposures	7,275	4,655	3,622
B.4 contractual amendments without derecognition	-	-	-
B.5 other increases	42,338	5,722	158
C. Decreases	**71,641**	**22,850**	**9,163**
C.1 transfers to non-impaired exposures	-	4,707	195
C.2 write-offs	4,171	-	-
C.3 collections	3,510	4,917	3,835
C.4 proceeds from sale	2,607	-	-
C.5 losses from sale	15,406	-	-
C.6 reclassified to other categories of impaired exposures	-	10,658	4,893
C.7 contractual amendments without derecognition	-	-	-
C.8 other decreases	45,947	2,568	240
D. Closing gross exposure - of which: exposures transferred not derecognised	**88,907**	**35,141**	**2,572**

Impaired assets acquired during the year through business combinations amounted to Euro 24.2 million.

A. 1.9bis On-balance sheet credit exposures to customers: changes in gross exposures subject to forbearance broken down by credit quality

(amounts in thousands of Euro)

REASONS/CATEGORIES	Impaired exposures subject to forbearance	Other exposures subject to forbearance
A. Opening gross exposure	16,260	18,524
- of which: exposures transferred not derecognised	-	-
B. Increases	22,597	28,986
B.1 Reclassified from non-impaired exposures not subject to forbearance	-	17,439
B.2 Reclassified from non-impaired exposures subject to forbearance	6,202	X
B.3 Reclassified from impaired exposures subject to forbearance	X	4,241
B.4 Reclassified from impaired exposures not subject to forbearance	4,768	-
B.5 other increases	11,627	7,306
C. Decreases	17,645	20,392
C.1 reclassified to non-impaired exposures not subject to forbearance	X	6,722
C.2 reclassified to non-impaired exposures subject to forbearance	4,241	X
C.3 reclassified to impaired exposures subject to forbearance	X	6,202
C.4 write-offs	1,391	
C.5 collections	1,240	6,395
C.6 proceeds from sale	173	
C.7 losses from sale	754	
C.8 other decreases	7,536	1,073
D. Closing gross exposure	23,523	27,119
- of which: exposures transferred not derecognised		

A. 1.10 Impaired on-balance sheet credit exposures to banks: changes in total impairment

There is no impairment on exposures to banks.

A. 1.11. Impaired on-balance sheet credit exposures to customers: changes in total impairment

(amounts in thousands of Euro)

REASONS/CATEGORIES	Non-performing		Probable defaults		Impaired past due exposures	
	Total	Of which: exposures subject to forbearance	Total	Of which: exposures subject to forbearance	Total	Of which: exposures subject to forbearance
A. Total opening impairment	**2,122**	**8**	**1,682**	**1,148**	**61**	**9**
- of which: exposures transferred not derecognised	-	-	-	-	-	-
B. Increases	**11,292**	**6,035**	**5,980**	**2,811**	**606**	**464**
B.1 impairment of purchased or originated impaired assets	1,333	-	-	-	-	-
B.2 other impairment	5,067	859	1,202	346	217	113
B.3 losses from sale	3,460	136	-	-	-	-
B.4 reclassified from other categories of impaired exposures	1,380	579	26	9	351	350
B.5 contractual amendments without derecognition	-	-	-	-	-	-
B.6 other increases	52	4,460	4,751	2,457	38	1
C. Decreases	**8,426**	**1,815**	**5,469**	**2,061**	**566**	**448**
C.1 reversals from valuation	1,636	238	1,435	987	139	120
C.2 reversals from collection	1,643	136	2,304	118	241	230
C.3 gains from sale	-	-	-	-	-	-
C.4 write-offs	4,298	1,441	-	-	-	-
C.5 reclassified to other categories of impaired exposures	-	-	1,730	956	26	9
C.6 contractual amendments without derecognition	-	-	-	-	-	-
C.7 other decreases	850	-	-	-	159	89
D. Total closing impairment	**4,988**	**4,228**	**2,193**	**1,898**	**101**	**24**
- of which: exposures transferred not derecognised	-	-	-	-	-	-

A. 2. CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN ACCORDING TO EXTERNAL AND INTERNAL RATINGS

A. 2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross values)

(amounts in thousands of Euro)

EXPOSURES	EXTERNAL RATING CLASS						WITHOUT RATING	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	-	-	**1,009,977**	**5,715**	-	-	**1,110,163**	**2,125,855**
- First stage	-	-	1,009,977	5,715	-	-	831,700	1,847,391
- Second stage	-	-	-	-	-	-	155,321	155,322
- Third stage	-	-	-	-	-	-	89,296	89,296
- Purchased or originated impaired	-	-	-	-	-	-	33,846	33,846
B. Financial assets measured at fair value through other comprehensive income	-	-	**68,910**	-	-	-	**37,431**	**106,341**
- First stage	-	-	68,910	-	-	-	1,987	70,897
- Second stage	-	-	-	-	-	-	1,689	1,689
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	33,754	33,754
C. Financial assets held for sale								
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	-	-	**1,078,887**	**5,715**	-	-	**1,147,594**	**2,232,196**
D. Commitments to disburse funds and financial guarantees given	-	-	-	-	-	-	**211,104**	**211,104**
- First stage	-	-	-	-	-	-	196,763	196,763
- Second stage	-	-	-	-	-	-	12,745	12,745
- Third stage	-	-	-	-	-	-	1,595	1,595
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total D	-	-	-	-	-	-	**211,104**	**211,104**
Total (A + B + C + D)	-	-	**1,078,887**	**5,715**	-	-	**1,358,698**	**2,443,300**

A. 2.2 Distribution of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross values)

The Bank does not use internal ratings for the calculation of capital absorption for prudential supervisory purposes.

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

A. 3.1 Guaranteed on- and off-balance sheet credit exposures to banks

There are no guaranteed exposures to banks.

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

(amounts in thousands of Euro)

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Endorsement credits				
								Other derivatives								
	Gross exposure	**Net exposure**	Properties	Properties – finance leases	Securities	Other collateral	C LN	Central counterparties	Banks	Other financial companies	Other subjects	Public Administrations	Banks	Other financial companies	Other subjects	**Total**
1. Guaranteed on-balance sheet credit exposures:	**971,960**	**933,490**	**435,952**	**-**	**1,813**	**37,055**	**-**	**-**	**-**	**-**	**-**	**314,093**	**120**	**2,527**	**108,655**	**900,215**
1.1 fully guaranteed	800,685	767,612	429,014	-	619	33,909	-	-	-	-	-	199,963	120	2,179	101,433	767,237
- of which impaired	73,019	47,516	28,353	-	6	4,137	-	-	-	-	-	7,787	-	579	6,653	47,516
1.2 partially guaranteed	171,275	165,878	6,937	-	1,195	3,145	-	-	-	-	-	114,130	-	348	7,222	132,977
- of which impaired	11,275	6,887	272	-	-	43	-	-	-	-	-	4,241	-	151	962	5,671
2. Guaranteed off-balance sheet credit exposures:	**180,768**	**179,828**	**14,039**	**-**	**791**	**14,336**	**-**	**-**	**-**	**-**	**-**	**12,409**	**8**	**1,219**	**125,264**	**168,065**
2.1 fully guaranteed	151,416	150,608	12,493	-	701	11,002	-	-	-	-	-	6,827	-	725	118,678	150,426
- of which impaired	1,758	1,370	2	-	-	8	-	-	-	-	-	3	-	-	1,357	1,370
2.2 partially guaranteed	29,352	29,219	1,547	-	89	3,333	-	-	-	-	-	5,582	8	495	6,586	17,640
- of which impaired	1,008	1,008	-	-	-	5	-	-	-	-	-	330	-	-	-	335

A. 4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED BY ENFORCEMENT OF GUARANTEES RECEIVED

	Derecognised credit exposure	Gross value	Total impairment	Book value	
					Of which obtained during the financial year
A. Tangible assets					
A.1 For functional use	1,560	3,965	2,405	2,698	2,698
A.2 For investment purposes	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Capital securities and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets and groups of assets held for sale	-	-	-	-	-
D.1 Tangible assets	-	-	-	-	-
D.1 Other assets	-	-	-	-	-
Total (T)	**1,560**	**3,965**	**2,405**	**2,698**	**2,698**
Total (T-1)	**-**	**-**	**-**	**-**	**-**

B – DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B. 1. Sectoral distribution of on- and off-balance sheet exposures to customers

(amounts in thousands of Euro)

EXPOSURES/COUNTERPARTIES	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing	-	-	254	23	-	-	34,644	3,032	49,021	1,933
- of which: exposures subject to forbearance	-	-	-	-	-	-	4,099	2,952	381	1,276
A.2 Probable defaults	-	-	-	-	-	-	23,700	1,274	9,247	921
- of which: exposures subject to forbearance	-	-	-	-	-	-	7,937	1,427	4,763	471
A.3 Impaired past due exposures	-	-	20	3	-	-	1,826	42	612	69
- of which: exposures subject to forbearance	-	-	-	-	-	-	174	21	18	3
A.4 Non-impaired exposures	1,041,435	266	88,149	872	-	-	698,555	6,791	223,799	2,267
- of which: exposures subject to forbearance	-	-	1,615	19	-	-	19,474	945	4,943	123
Total A	**1,041,435**	**266**	**88,422**	**898**			**758,725**	**11,138**	**282,679**	**5,190**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	2,347	382	178	8
B.2 Non-impaired exposures	-	-	12,405	17	-	-	285,792	657	26,848	25
Total B	**-**	**-**	**12,405**	**17**	**-**	**-**	**288,139**	**1,039**	**27,026**	**33**
Total (A+B) 31/12/2023	**1,041,435**	**266**	**100,828**	**915**	**-**	**-**	**1,046,864**	**12,177**	**309,706**	**5,223**
Total (A+B) 31/12/2022	**329,829**	**72**	**45,257**	**286**	**-**	**-**	**487,543**	**7,873**	**113,710**	**525**

B. 2 Territorial distribution of on- and off-balance sheet credit exposures to customers

(amounts in thousands of Euro)

Exposures/ Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing	83,828	4,978	62	1	19	-	-	-	10	10
A.2 Probable defaults	32,784	1,846	162	349	-	-	-	-	-	-
A.3 Impaired past due exposures	2,458	113	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	2,039,290	9,720	10,988	464	1,625	12	1	-	36	-
Total A	**2,158,361**	**16,657**	**11,211**	**814**	**1,644**	**12**	**1**	**-**	**46**	**10**
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	2,525	390	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	321,068	689	3,465	-	512	9	-	-	-	-
Total B	**323,593**	**1,079**	**3,465**	**-**	**512**	**9**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**2,481,954**	**17,736**	**14,676**	**814**	**2,156**	**21**	**1**	**-**	**46**	**10**
Total (A+B) 31/12/2022	**972,834**	**8,439**	**2,172**	**308**	**1,332**	**10**	**1**	**-**	**1**	**-**

Exposures/ Geographic areas	North West Italy		North East Italy		Central Italy		South Italy and Islands	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures								
A.1 Non-performing	15,188	346	28,699	3,503	20,563	431	19,378	656
A.2 Probable defaults	-	-	28,976	1,705	3,791	141	17	-
A.3 Impaired past due exposures	-	-	2,431	109	27	4	-	1
A.4 Non-impaired exposures	89,203	704	776,568	7,568	1,167,213	1,343	6,306	104
Total A	**104,391**	**1,050**	**836,674**	**12,885**	**1,191,594**	**1,918**	**25,702**	**760**
B. Off-balance sheet credit exposures								
B.1 Impaired exposures	-	-	1,680	390	846	-	-	**-**
B.2 Non-impaired exposures	21,770	16	249,067	546	48,864	61	1,366	**66**
Total B	**21,770**	**16**	**250,747**	**936**	**49,710**	**61**	**1,366**	**66**
Total (A+B) 31/12/2023	**126,161**	**1,066**	**1,087,420**	**13,821**	**1,241,304**	**1,979**	**27,068**	**826**
Total (A+B) 31/12/2022	**80,361**	**1,761**	**513,130**	**6,225**	**355,131**	**358**	**24,216**	**95**

B. 3 Territorial distribution of on- and off-balance sheet credit exposures to banks

(amounts in thousands of Euro)

Exposures/ Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	115,602	131	46	-	89	3	-	-	-	-
Total A	**115,602**	**131**	**46**	**-**	**89**	**3**	**-**	-	-	**-**
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	3,240	-	17	-	-	-	-	-	-	-
Total B	**3,240**	-	**17**	-	-	-	-	-	-	**-**
Total (A+B) 31/12/2023	**118,842**	**131**	**63**	-	**89**	**3**	-	-	-	-
Total (A+B) 31/12/2022	**38,824**	**137**	**81**	**-**	**-**	**-**	-	-	-	-

(amounts in thousands of Euro)

EXPOSURES/GEOGRAPHICAL AREAS		North West Italy		North East Italy		Central Italy		South Italy and Islands	
		Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures		-	-	-	-	-	-	-	-
A.1 Non-performing		-	-	-	-	-	-	-	-
A.2 Probable defaults		-	-	-	-	-	-	-	-
A.3 Impaired past due exposures		-	-	-	-	-	-	-	-
A.4 Non-impaired exposures		79,237	118	26	-	36,339	13	-	-
TOTAL A		79,237	118	26	-	36,339	13	-	-
B. Off-balance sheet credit exposures		-	-	-	-	-	-	-	-
B.1 Impaired exposures		-	-	-	-	-	-	-	-
B.2 Non-impaired exposures		1	-	556	-	2,683	-	-	-
TOTAL B		1	-	556	-	2,683	-	-	-
TOTAL (A+B)	31/12/2023	79,238	118	582	-	39,022	13	-	-
TOTAL (A+B)	31/12/2022	37,952	91	-	-	872	46	-	-

B.4 Large exposures

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
a) Book value	2,400,942	706,784
b) Weighted value	137,055	57,181
b) Number	12	8

C – SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

Securitisation of non-performing loans acquired through the merger by incorporation of Banca Popolare Valconca.

During 2020, Banca Popolare Valconca participated in a multi-originator securitisation transaction of a portfolio of non-performing loans with submission of an application to the Ministry of Economy and Finance (MEF) for the purpose of admission to the State guarantee scheme on the liabilities issued (so-called "GACS") pursuant to Decree-Law No. 18 of 14 February 2016, converted by Law No. 49 of 8 April 2016, implemented by Decree of the Ministry of Economy and Finance of 3 August 2016, by Decree of the Ministry of Economy and Finance of 21 November 2017 and by Decree of the Ministry of Economy and Finance of 10 October 2018 and subsequently amended by Law No. 41 of 20 May 2019, converting into law, with amendments, Decree-Law No. 22 of 25 March 2019, (the "Transaction"), in which Iccrea Banca – together with its subsidiaries, the "Gruppo Bancario Cooperativo Iccrea" (GBCI) – intervenes as both assignor and promoter and joint arranger together with JP Morgan Securities Limited.
The Transaction involved 88 Banks belonging to Gruppo Bancario Cooperativo Iccrea and two Banks that are not part of the GBCI, including Banca Popolare Valconca, which transferred, pursuant to Law No. 130 of 30 April 1999, portfolios of unsecured and mortgage loans, mainly backed by a first-degree mortgage, deriving from loans classified as non-performing at the date of sale (the "Portfolio") for a total Loan Receivable Claim of about Euro 2.3 billion at the effective date, in favour of a securitisation special purpose vehicle specifically set up and named "BCC NPLs 2020 S.r.l." (SPV), as well as the simultaneous granting of a management mandate (servicing) by the latter to a third-party servicer independent of the Transferors.
In this Transaction, the Bank sold a loan portfolio with a gross value of Euro 18.320 million (divided among 90 debtors) at a price of 25%. The amount net of value adjustments was Euro 4.407 million.
On 30 July 2018, the Board of Directors of Banca Popolare Valconca resolved to adhere, together with 16 other Banks, to a multi-originator securitisation transaction of credit positions classified as non-performing, assisted by a guarantee issued by the Ministry of Economy and Finance pursuant to Decree-Law No. 18/2016 (so-called "GACS"). The Transaction was finalised on 16 November 2018 for a total gross book value as at 31 December 2017 of Euro 1,578.3 million of NPLs, comprising 65.7% secured loans and 34.3% unsecured loans. On 16 November 2018, an application was also submitted to the MEF to obtain the GACS (State guarantee provided for by Decree-Law No. 18 of 14/2/2016, as amended by conversion Law No. 49 of 8/4/2016) on the Senior bonds, and on 4 December 2018, following evidence from the managing entity Consap, an amendment to the application was sent. By Decree of 18 January 2019, the MEF granted the State guarantee "GACS" in favour of the holder of the Senior bond, in accordance with Decree-Law No. 18 of 14 February 2016, converted into Law No. 49 of 8 April 2016 and according to the process set out in the MEF Decree of 3 August 2016.

QUANTITATIVE INFORMATION

C 1. Exposures deriving from the main "own" securitisation transactions broken down by type of securitised assets and by type of exposure

Type of securitisation/ Exposures	On-balance sheet exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Impairment/Reversal of impairment	Book value	Impairment/Reversal of impairment	Book value	Impairment/Reversal of impairment	Net exposure	Impairment/Reversal of impairment	Net exposure	Impairment/Reversal of impairment	Net exposure	Impairment/Reversal of impairment	Net exposure	Impairment/Reversal of impairment	Net exposure	Impairment/Reversal of impairment	Net exposure	Impairment/Reversal of impairment
A. Fully derecognised	30,612		167															
POP NPLS 2018 S.r.l. securitisation Uncommitted own investment securities SPV000001479	27,575																	
Subordinated loan in the form of securities SPV000001479			169															
BCC NPLS 2020 S.r.l. securitisation																		
Uncommitted own investment securities SPV000001886	3,037																	
Subordinated loan in the form of securities SPV000001886			**8**															
B. Partially derecognised																		
- type of asset																		
C. Not derecognised																		
- type of asset																		

Securitisation name/ Special purpose vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	**Senior**	**Mezzanine**	**Junior**
POP NPLS 2018 SRL	**Conegliano Veneto (TV)**	**NO**			199,489	46,693	5,480	1,024
BCC NPLS 2018 SRL	**Conegliano Veneto (TV)**	**NO**			17,390	4,431	349	205

E – SALE TRANSACTIONS

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

The realised self-securitisation transaction, from an accounting point of view, results in the recognition of the amounts among the assets sold and not fully derecognised. These are performing mortgage and unsecured loans granted to customers in the SME category.

The transactions were resolved and carried out as part of the process of operational and prospective management of the Bank's liquidity; the related risks correspond to those related to the underlying assets (the loans sold), while the returns are represented by the interest income on the securities issued by the special purpose vehicles, for the portion held in the Bank's portfolio, which corresponds to the interest on the mortgage loans sold net of the expenses related to the operation of the transaction.

The securities issued by the special purpose vehicle Magnolia Btv are included in its proprietary portfolio (senior and junior tranches), and had the following ratings at the time of drafting this document: Magnolia Btv: "AA (high) (sf)" by DBRS and "A (sf)" by S&P.
Liabilities include an amount of Euro 51.4 million for the related assets sold but not derecognised.

In 2018, the merged Banca Popolare Valconca put in place two self-securitisation transactions concerning residential mortgages and loans to SMEs.
The securities issued by Valconca SPV are rated "A (sf)" by DBRS and "A (sf)" by S&P.

QUANTITATIVE INFORMATION

E.1 Financial assets sold recognised in full and associated financial liabilities: book values

(amounts in thousands of Euro)

TECHNICAL FORMS/PORTFOLIO	Financial assets sold recognised in full				Associated financial liabilities		
	Book value	Of which: subject to securitisation transactions	Of which: subject to sales contracts with repurchase agreement	Of which: impaired	Book value	Of which: subject to securitisation transactions	Of which: subject to sales contracts with repurchase agreement
A. Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Capital securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets obligatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Capital securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**30,452**		**30,452**		**(30,443)**		**(30,443)**
1. Debt securities	30,452	-	30,452	-	(30,443)	-	(30,443)
2. Capital securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**467,960**	**467,960**	**-**	-	**(51,410)**	**(51,410)**	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	467,960	467,960	-	10,383	(51,410)	(51,410)	-
Total 31/12/2023	**498,412**	**467,960**	**30,452**	**10,383**	**(81,853)**	**(51,410)**	**(30,443)**
Total 31/12/2022	**201,922**	**186,966**	**14,956**	**-**	**(136,667)**	**(157,055)**	**(14,967)**

F. MODELS FOR MEASURING CREDIT RISK

Cherry Bank does not use internal portfolio models to measure credit risk exposure, nor does it use internal models to calculate credit risk capital requirements. However, management methods are in use, the main one being the aforementioned CRS (Credit Rating System), or the CSE consortium model for the former BPV perimeter, for assigning a counterparty rating to customers. Ratings constitute one of the information elements supporting the analysis of positions within the framework of credit risk management and monitoring; they are used, together with other parameters, to define the perimeter of automatic renewals and to manage files within the credit monitoring procedure, which regulates the intervention of control structures in cases of anomalies on potentially dangerous credit positions. The same classification of customers by rating classes (homogeneous risk categories) is used to quantify the collective assessment of performing loans.

Section 2 – MARKET RISKS

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects
The investment process of the proprietary portfolio is structured and formalised in the resolutions of the Board of Directors; the asset allocation takes into account: the management trend in terms of volumes, profitability and capital absorption; market analysis and forecasts on evolutions; the risk profile of the investments.

The profitability and composition targets are set in line with the capital allocation and interest rate risk management policies outlined in the Business Plans and the budget, and appropriately take into account the Bank's overall liquidity position from time to time, with a view to supporting the treasury function.
The interest rate risk of the trading book for supervisory purposes is reviewed periodically; with regard to price risk, investment activity in equity instruments is also marginal and that in mutual funds and Sicavs is very limited.
Within the scope of market risk should also be placed all the business that Cherry Bank does in its own right with regard to the purchase and sale of tax credits.

B. Management processes and methods for measuring interest rate risk and price risk
Market risk management and related responsibilities are the responsibility of the CEO, who relies on the Finance Function and in particular the Treasury and Finance Office.

No internal models are used to calculate market risk capital requirements.

QUANTITATIVE INFORMATION

At 31/12/2023, the VaR inherent in the trading portfolio arising from interest rate risk was nil, as there were no securities classified in this type of portfolio. This exposure was constantly verified and monitored.
The equity VaR on the trading portfolio was nil, as there was no exposure in capital securities at year-end.

1. Supervisory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency: Euro

(amounts in thousands of Euro)

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**1**	**8**	**159**	**-**	**-**	**-**	**1**	**-**
1.1 Debt securities	1	8	159	-	-	-	1	-
- with early redemption option	1	8	159	-	-	-	1	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-		-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**135**	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	135	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	135	-	-	-	-		-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	135	-	-	-	-	-	-

Currency: US Dollar

(amounts in thousands of Euro)

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-		-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	136	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	136	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	136	-	-	-	-		-
- Long positions	-	136	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

The main sources of interest rate risk on financial assets and liabilities, other than those discussed in the previous point, derive from the financial profile and the types of indexation to which the various items are subject. Fixed-rate items have a significant impact on both assets and, above all, liabilities. The exposure of the banking book to interest rate risk is monitored by Risk Management, which verifies on a monthly basis (using a special tool provided by Cedacri and Prometeia) the Bank's sensitivity to interest rate risk in terms of the impact of a change in rates on the net value of equity and interest margin, applying the methodology proposed by the Bank of Italy in the so-called "Second Pillar". For the calculation of the regulatory capital requirement, Cherry Bank uses the methodology set out in Annex C and C-*bis* of Title III – Chapter 1 of Circular No. 285/2013 of the Bank of Italy. The rationale of this approach is to identify the potential loss that the Bank may suffer in the event of a shock of +/-200 basis points rather than in the EBA shock scenarios.

QUANTITATIVE INFORMATION

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

Currency: Euro

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	320,597	777,048	696,091	72,273	263,641	80,671	32,877	-
1.1 Debt securities	-	95,455	644,355	60,993	193,521	72,790	19,777	-
- with early redemption option	-	184	27,646	255	377	-	1,016	-
- other	-	95,271	616,710	60,738	193,144	72,790	18,760	-
1.2 Loans to banks	95,845	15,732	-	-	703	-	-	-
1.3 Loans to customers	224,753	665,860	51,735	11,280	69,417	7,881	13,100	-
- current account	57,270	3,366	6,217	1,712	25,523	1,035	-	-
- other loans	167,482	662,493	45,518	9,568	43,894	6,846	13,100	-
- with early redemption option	87,696	638,276	16,332	8,693	34,320	6,380	6,967	-
- other	79,786	24,217	29,185	875	9,575	466	6,133	-
2. On-balance sheet liabilities	1,118,905	386,792	69,795	903,634	510,138	192	-	-
2.1 Payables to customers	1,109,165	99,004	69,765	709,492	510,138	192	-	-
- current account	1,065,377	98,742	69,127	207,098	366,126	-	-	-
- other payables	43,789	261	638	502,394	144,011	192	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	43,789	261	637	502,394	144,011	192	-	-
2.2 Payables to banks	9,740	287,787	-	194,142	-	-	-	-
- current account	8,388	-	-	-	-	-	-	-
- other payables	1,352	287,788	-	194,142	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	189,802	26,994	16,508	86,776	47,780	50,436	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	189,802	26,994	16,508	86,776	47,780	50,436	-
- Options	-	184,421	26,994	16,508	86,776	47,780	50,436	
+ Long positions	-	4,577	7,345	15,863	85,707	45,942	47,024	-
+ Short positions	-	179,844	19,649	645	1,069	1,838	3,412	-
- Other derivatives	-	5,381	-	-	-	-	-	-
+ Long positions	-	1,381	-	-	-	-	-	-
+ Short positions	-	4,000	-	-	-	-	-	-
4. Other off-balance sheet transactions	10,550	5,680	-	-	-	-	-	-
+ Long positions	2,435	5,680	-	-	-	-	-	-
+ Short positions	8,115	-	-	-	-	-	-	-

Currency: US Dollar

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	1,999	66	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,998	-	-	-	-	-	-	-
1.3 Loans to customers	1	66	-	-	-	-	-	-
- current account	1	-	-	-	-	-	-	-
- other loans	-	66	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	6,486	-	-	-	-	-	-	-
2.1 Payables to customers	6,486	-	-	-	-	-	-	-
- current account	6,486	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	3,956	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	3,956	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	3,956	-	-	-	-	-	-
+ Long positions	-	3,956	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: GB Pound

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**147**	**1,311**	-	**6**	**6**	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	147	-	-	-	-	-	-	-
1.3 Loans to customers	-	1,311	-	6	6	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	1,311	-	6	6	-	-	-
- with early redemption option	-	1,311	-	6	6	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	70	-	-	-	-	-	-	-
2.1 Payables to customers	70	-	-	-	-	-	-	-
- current account	70	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**1,380**	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	1,380	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	1,380	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	*1,380*	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Swiss Franc

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**28**	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	28	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**34**	-	-	-	-	-	-	-
2.1 Payables to customers	34	-	-	-	-	-	-	-
- current account	34	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-		-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Canadian Dollar

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	19	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	19	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	15	-	-	-	-	-	-	-
2.1 Payables to customers	15	-	-	-	-	-	-	-
- current account	15	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Japanese Yen

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**144**	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	8	-	-	-	-	-	-	-
1.3 Loans to customers	136	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	136	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**143**	-	-	-	-	-	-	-
2.1 Payables to customers	143	-	-	-	-	-	-	-
- current account	143	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Other currencies

TYPE/RESIDUAL MATURITY	Sight	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**2,697**	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	2,560	-	-	-	-	-	-	-
1.3 Loans to customers	136	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	136	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**1,951**	-	-	-	-	-	-	-
2.1 Payables to customers	1,951	-	-	-	-	-	-	-
- current account	1,951	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

The analysis of interest rate risk on the banking book during the period was performed using the methodology proposed in the "Supervisory Provisions for Banks" issued by the Bank of Italy in Circular No. 285 of 17/12/2013 and subsequent updates. The riskiness index as of 31/12/2023, including the former BPV perimeter, calculated by applying a parallel scenario of +/- 200 basis points, is below the supervisory test threshold required by the Bank of Italy, set at 20%. As required by the EBA Guidelines on interest rate risk management, the Risk Management function performs an analysis of the interest rate riskiness index of the banking book considering alternative variations to the +/- 200 basis points scenario.

The predicted scenarios are as follows, the results of which did not show that the attention threshold was exceeded:

- Flattener shock (short rates up and long rates down);
- Steepener (short rates down and long rates up);
- Short rates shock up;
- Short rates shock down.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

The role of the Bank's foreign currency operations is very limited overall, as is the imbalance between foreign currency-denominated assets and liabilities. This is reflected in an almost zero risk for currencies other than the Euro.

B. Exchange rate risk hedging activities

In view of the low overall amount of the exposures, which would make the use of derivative hedges not very convenient, no specific exchange rate risk hedges are made.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(amounts in thousands of Euro)

Items	CURRENCIES					
	US Dollar	GB Pound	Japanese Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial assets	**(2,065)**	**(1,447)**	**(144)**	**(19)**	**(28)**	**(1,256)**
A.1 Debt securities	-	-	-	-	-	-
A.2 Capital securities	-	-	-	-	-	-
A.3 Loans to banks	(1,998)	(148)	(8)	(19)	(28)	(1,256)
A.4 Loans to customers	(66)	(1,299)	(136)	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**(128)**	**(17)**	**-**	**(1)**	**(2)**	-
C. Financial liabilities	**6,486**	**70**	**143**	**15**	**34**	-
C.1 Payables to banks	-	-	-	-	-	-
C.2 Payables to customers	6,486	70	143	15	34	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**91**	**4**	**-**	**-**	**-**	-
E. Financial derivatives	**(3,956)**	**(1,381)**	**-**	-	-	**-**
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	(3,956)	(1,381)	-	-	-	-
+ Long positions	*(3,956)*	-	-	-	-	-
+ Short positions	-	*(1,381)*	-	-	-	-
Total assets	**(6,149)**	**(1,464)**	**(144)**	**(20)**	**(30)**	**(1,256)**
Total liabilities	**6,576**	**1,455**	**143**	**15**	**34**	-
Imbalance (+/-)	**427**	**(9)**	**(1)**	**(5)**	**4**	**(1,256)**

2. Internal models and other methodologies for sensitivity analysis

The Bank has not adopted internal models.

Section 3 – DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVE INSTRUMENTS

Cherry Bank (including the former BPV) has two derivative transactions ("Currency-Swaps") outstanding as at 31 December 2023 for its own account only. Said transactions are aimed at temporarily transforming the liquidity expressed in one currency into that of another currency, without changing the exchange rate risk, within the foreign exchange position and the liquid position of all currencies in which the Treasury operates (mainly in Euro).

A – FINANCIAL DERIVATIVES

A. 1 Trading financial derivatives: notional values at end of period

(amounts in thousands of Euro)

UNDERLYING ASSETS/DERIVATIVE TYPES	TOTAL 31/12/2023				TOTAL 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Capital securities and equity indices								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold			**5,337**				**13,794**	
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	5,337	-	-	-	13,794	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other underlying	-	-	-	-	-	-	-	-
TOTAL	-	-	**5,337**	-	-	-	**13,794**	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by product

(amounts in thousands of Euro)

DERIVATIVE TYPES	TOTAL 31/12/2023				TOTAL 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	(1)	-	-	356	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total			(1)			356		
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	44	-	-	290	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	44	-	-	290	-	-

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

(amounts in thousands of Euro)

Underlying assets	Governments and Central Banks	Banks	Other Financial Companies	Other subjects
Contracts not covered by compensation agreements				
1) Debt securities and interest rates	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Capital securities and equity indices	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	5,382	-	-
- notional value	-	5,337	-	-
- positive fair value	-	1	-	-
- negative fair value	-	44	-	-
4) Goods	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts covered by compensation agreements				
1) Debt securities and interest rates	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Capital securities and equity indices	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

(amounts in thousands of Euro)

UNDERLYING/RESIDUAL LIFE	Up to 1 year	Over 1 year up to 5 years	Over 5 years	TOTAL
A1. Financial derivatives on debt securities and interest rates	-	-	-	-
A2. Financial derivatives on capital securities and equity indices	-	-	-	-
A3. Financial derivatives on currencies and gold	5,337	-	-	5,337
A4. Financial derivatives on goods	-	-	-	-
A5. Other financial derivatives	-	-	-	-
Total 31/12/2023	5,337	-	-	5,337
Total 31/12/2022	13,794	-	-	13,794

Section 4 – LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring liquidity risk

Liquidity risk typically manifests itself in the form of a failure to meet payment commitments or an inability to fund assets with the necessary timeliness and in an economical manner due to an inability to raise funds or to obtain them at a reasonable cost (funding liquidity risk) or due to an inability to sell a position at economically advantageous market prices (market liquidity risk). Cherry Bank's overall liquidity risk management strategy provides for the adoption of specific management guidelines with the aim of reducing the probability of the occurrence of the favourable circumstances described above.
The liquidity position at 31 December 2023 had an abundant liquidity reserve.

Liquid assets are determined by reference to the assets that can be refinanced with the Central Bank, net of the appropriate haircuts (i.e. the discount to the value of the asset), plus the eligible securities (senior tranches for open market operations with the ECB) resulting from the self-securitisation transaction.

The Bank's policy is to raise funds for its activities mainly from corporate and private funding; during 2023, online funding volumes were significantly increased, which made it possible to diversify and make funding sources more granular.
The proprietary securities portfolio at 31 December 2023 includes an important portion of ECB-eligible securities that could be used to manage any liquidity gaps in case of need and that still allow the Bank's liquidity management policy to be confirmed as reliable even in stress situations.
From the perspective of risk governance, the Board of Directors is responsible for defining the liquidity risk tolerance threshold and policies related to this type of risk. The same Board also approved the RAF and the Contingency Funding Plan in which these thresholds are described, as well as the organisational and methodological choices made to monitor, control and manage liquidity risk.

The risk assessment meets the minimum requirements of the Supervisory Authority's provisions, in which no indication is given for capital to be set aside for supervisory purposes, but risk monitoring methodologies are indicated with the following tools:

- LCR – Liquidity Coverage Ratio;
- NSFR – Net Stable Funding Ratio;
- Maturity Ladder;
- Concentration indices;
- Contingency Funding Plan.

These methodologies used by the Bank make it possible to monitor risk and identify appropriate risk management policies in the event of a crisis.

Liquidity risk is controlled at several levels:

- operationally, the Treasury and Finance Office makes management decisions regarding the day-to-day maintenance of the balance of the liquidity position through the management of short-term interbank relationships;
- on a daily basis, the Treasury and Finance Office prepares a report comparing 1-week and 1-month incoming and outgoing amounts in order to verify the balance between short-term liquidity needs and the Bank's liquidity position;
- on a weekly and monthly basis, the Risk Management monitors the LCR indicator; on a monthly basis it monitors the incoming and outgoing amounts related to contractual maturities for assets and liabilities and the counterbalancing capacity, i.e. the assets that are readily liquid and available to meet immediate liquidity needs. On a monthly basis, it monitors the concentration level of funding, while on a quarterly basis, it monitors the trend of the NSFR against the reporting templates.

QUANTITATIVE INFORMATION

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: EURO

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**213,171**	**10,603**	**6,762**	**46,630**	**62,189**	**78,695**	**160,189**	**745,789**	**950,620**	**43,793**
A.1 Government securities	398	-	224	15,000	2,666	17,223	64,542	308,000	662,000	-
A.2 Other debt securities	146	-	25	-	288	279	330	7,489	31,675	-
A.3 UCITS units	38,012	-	-	-	-	-	-	-	-	-
A.4 Loans	174,613	10,603	6,513	31,630	59,234	61,194	95,316	430,300	256,945	43,793
- Banks	60,708	5,715	-	-	1	-	-	703	-	10,039
- Customers	113,905	4,888	6,513	31,630	59,234	61,194	95,316	429,597	256,945	33,754
On-balance sheet liabilities	**1,118,770**	**262,038**	**2,720**	**24,713**	**95,110**	**71,036**	**936,677**	**509,139**	**192**	**-**
B.1 Deposits and current accounts	1,115,597	1,590	2,717	24,702	70,830	70,319	735,505	503,390	-	-
- Banks	8,388	-	-	-	-	-	-	-	-	-
- Customers	1,107,209	1,590	2,717	24,702	70,830	70,319	735,505	503,390	-	-
B.2 Debt securities	-	-	-	-	-	30	-	-	-	-
B.3 Other liabilities	3,173	260,448	3	11	24,280	687	201,172	5,749	192	-
Off-balance sheet transactions	**11,271**									
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	-	1,381	-	-	-	-	-	-
- Short positions	-	-	4,000	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	8,588	3	-	-	6	-	-	2,335	5,443	-
- Long positions	400	3	-	-	6	-	-	2,335	5,443	-
- Short positions	8,188	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	2,683	-	-	-	-	-	-	-	17	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-

- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity
Currency: US DOLLAR

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**2,010**			**51**	**15**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,010	-	-	51	15	-	-	-	-	-
- Banks	2,010	-	-	-	-		-	-	-	-
- Customers	1	-	-	51	15	-	-	-	-	-
On-balance sheet liabilities	**6,486**					**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	6,486	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	6,486	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions			**3,956**		**63**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with capital exchange						-	-	-	-	-
- Long positions	-	-	3,956	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange						-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received						-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds						-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	63	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-

- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: GB POUND

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	149	-	-	480	-	-	466	435		
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	149	-	-	480	-	-	466	435	-	-
- Banks	149	-	-	-	-	-	-	-	-	-
- Customers		-	-	480	-	-	466	435	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	70	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	70	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions				1,381						
C.1 Financial derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	1,381	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-

- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity
Currency: SWISS FRANC

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**28**	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	28	-	-	-	-	-	-	-	-	-
- Banks	28	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity
Currency: CANADIAN DOLLAR

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**19**	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	19	-	-	-	-	-	-	-	-	-
- Banks	19	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**15**	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	15	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	15	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity
Currency: JAPANESE YEN

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**144**	-	-	-	-	-	-	-	-	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	144	-	-	-	-	-	-	-	-	-
- Banks	8	-	-	-	-	-	-	-	-	-
- Customers	136	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**142**	-	-	-	-	-	-	-	-	**-**
B.1 Deposits and current accounts	142	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	142	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	**-**
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity
Currency: OTHER CURRENCIES

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	Sight	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite maturity
On-balance sheet assets	**2,706**	-	-	-	**-**	-	-	-	-	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,706	-	-	-	-	-	-	-	-	-
- Banks	2,570	-	-	-		-	-	-	-	-
- Customers	136	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**1,951**	-	-	-	-	-	-	-	-	**-**
B.1 Deposits and current accounts	1,951	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	1,951	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	**63**	-	-	-	-	**-**
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	--	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	63	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Section 5 – OPERATIONAL RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring operational risk

Operational risk is the risk of suffering losses resulting from inadequate or failed procedures, human resources and internal systems, or from exogenous events. This includes, *inter alia*, losses resulting from fraud, human errors, business disruptions, system unavailability, breach of contracts, legal risks, and natural disasters.
Operational risks are monitored by the various units that follow operations through first-level, i.e. line controls.
Risk Management adopted a best practice-oriented methodology for operational risk management, which included the strengthening of the Loss Data Collection process and the set up of a Risk Self Assessment framework, as well as training was provided to all the Bank's structures. LDC activities continued during 2023.

In addition, to guard against the occurrence of operational risks, the "Business Continuity Plan" has been prepared and is constantly updated, aimed at protecting the Bank against critical events that may affect its full operations. In this regard, it should be noted that following the evolution of the spread of the Covid-19 Coronavirus, the Business Continuity Plan was implemented in order to maintain an adequate level of the Bank's operations, aimed also at favouring agile forms of work underpinning a solid IT architecture protected from and against potential operational risks.

Cherry Bank adopts the BIA Basic Indicator Approach required by the Bank of Italy's Supervisory Provisions to calculate the capital requirement for operational risk.

Operational losses against this risk are monitored by Risk Management, which is also responsible for validating the calculation of the relevant capital requirement. Over the last three years, the sum of these losses was well below the capital requirement of the regulations, calculated by applying the coefficient of 15% of the average relevant indicator of the last three financial years.
The Public Disclosure, pursuant to Bank of Italy Circular No. 285 of 17.12.2013, will be published on Cherry Bank's website www.cherrybank.it – section "Public Disclosures".

PART F – INFORMATION ON EQUITY

Section 1 – COMPANY EQUITY

A. Qualitative information

Company equity consists of the share capital and reserves, howsoever constituted.
In particular, the Bank is subject to the capital adequacy requirements of the Supervisory Provisions issued by the Bank of Italy. According to these rules, the ratio of capital to risk-weighted assets must be at least equal to the following parameters in 2023:

- Common Equity Tier 1 (CET 1) of 6%;
- Tier 1 ratio of 8%;
- Total Capital ratio of 10.7%.

Compliance with the aforementioned parameters is not only monitored on a quarterly basis, but is also the subject of prospective analysis and simulations during strategic and operational planning (drafting of Strategic Plans and budgets). Similarly, assessments of how to pursue asset management objectives are one of the cornerstones of strategic planning, as capital adequacy is an essential driver for any development project.

B. Quantitative information

B1. Company equity: breakdown

(amounts in thousands of Euro)

ITEMS/VALUES	31/12/2023	31/12/2022
1. Capital	**49,598**	**44,638**
2. Share premiums	**716**	**716**
3. Reserves	**15,736**	**-3,204**
Profits	15,736	-3,204
a) legal	1,697	1,151
b) statutory	3,321	2,229
c) treasury shares	-	-
d) other	10,718	-6,584
Other	-	-
4. Capital instruments	10,000	-
5. (Treasury shares)	-	-
6. Valuation reserves	**9,504**	**1,204**
Capital securities designated at fair value through other comprehensive income	-	-
Hedges of capital securities designated at fair value through other comprehensive income	-	-
Financial assets (other than capital securities) measured at fair value through other comprehensive income	1,204	1,185
Tangible assets	-	-
Intangible assets	-	-
Hedges of foreign investments	-	-
Cash flow hedges	-	-
Hedging instruments [items not designated]	-	-
Exchange rate differences	-	-
Non-current assets and groups of assets held for sale	-	-
Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
Actuarial gains (losses) on defined benefit pension plans	23	19
Portion of valuation reserves relating to equity-accounted investees	-	-
Special revaluation laws	8,277	-
7. Profit (Loss) for the year	79,496	10,921
TOTAL	**165,050**	**54,275**

B2. Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(amounts in thousands of Euro)

Assets/Values	31/12/2023		31/12/2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	9	-	-	-587
2. Capital securities	-	-	-	-
4. Loans	1,195	-	1,772	-
Total	1,204	-	1,772	-587

The positive reserve on Loans refers to NPL measured at fair value through other comprehensive income.

B3. Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

(amounts in thousands of Euro)

	Debt securities	Capital securities	Loans
1. Opening balance	(587)	-	1,772
2. Positive changes	930	-	-
2.1 Increases in fair value	537	-	-
2.2 Impairment for credit risk	-	X	-
2.3 Reversal to income statement of negative reserves from disposals	393	X	-
2.4 Reclassified to other equity components (capital securities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	(335)	-	(577)
3.1 Reductions in fair value	(296)	-	(577)
3.2 Reversals for credit risk	(38)	X	-
3.3 Reversal to income statement of positive reserves from disposals	-	-	-
3.4 Reclassified to other equity components (capital securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	9	-	1,195

Section 2 – CAPITAL AND CAPITAL RATIOS

2.1 CAPITAL

A. Qualitative information

Scope of the regulations

On 1 January 2014 was the entry into force of the new harmonised rules for banks and investment firms as contained in Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), which transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (so-called Basel III).
The CRR is directly applicable in national laws, while CRD IV has to be transposed into them. The transposition took place with the issuance of Circular No. 285 by the Bank of Italy, published on 17 December 2013.

Capital

Capital consists of:
- Tier 1 capital (Tier 1);
- Tier 2 capital (Tier 2).

Tier 1 capital is equal to the sum of:
- Common Equity Tier 1 (CET 1);
- Additional Tier 1 (AT1).

1. Common Equity Tier 1 (CET 1)
It consists of the following positive and negative elements:

(amounts in thousands of Euro)

	31/12/2023
Share capital	49,598
Share premiums	716
Profit reserves	95,232
Positive and negative valuation reserves through OCI	9,504
Other reserves	-
Previous CET 1 instruments subject to transitional arrangements (grandfathering)	-
Prudential filters	-
Deductions	(21,191)
Total Common Equity Tier 1 – CET 1	133,859

Deductions are represented by intangible assets and deferred tax assets.

2. Additional Tier 1 (AT1)
Additional Tier 1 is represented by a perpetual bond.

	31/12/2023
Total Common Equity Tier 1 – CET 1	133,859
Tier 1 capital instruments (AT1)	10,000
Total Tier 1 capital – TIER 1	143,859

3. Tier 2 capital (T2)

There are no Tier 2 capital elements.

B. Quantitative information

(amounts in thousands of Euro)

	31/12/2023
A. Common Equity Tier 1	133,859
- of which CET 1 instruments subject to transitional arrangements	-
B. CET 1 prudential filters (+/-)	-
C. CET 1 before deductions and transitional regime effects (A+/- B)	133,859
D. Items to be deducted from CET 1	-
E. Transitional regime – Impact on CET 1 (+/-)	-
F. Total Common Equity Tier 1 (CET 1) (C - D +/- E)	133,859
G. Additional Tier 1 (AT1) before deductions and transitional regime effects	10,000
- of which AT1 instruments subject to transitional arrangements	-
H. Elements to be deducted from AT1	-
I. Transitional regime – Impact on AT1 (+/-)	-
L. Total Additional Tier 1 (AT1) (G - H +/- I)	10,000
M. Tier 2 capital (Tier 2 – T2) before deductions and transitional regime effects	-
of which T2 instruments subject to transitional arrangements	-
N. Elements to be deducted from T2	-
O. Transitional regime – Impact on T2 (+/-)	-
P. Total Tier 2 capital (Tier 2 – T2) (M-N +/- O)	-
Q. Total Capital (F + L + P)	143,859

2.1 CAPITAL ADEQUACY

A. Qualitative information

The Bank complies with the limits required by the new Basel III regulation on capital ratios.
The regulations introduced by the Bank of Italy in Circular No. 285/2013 provide for the following minimum ratios:

- CET 1 capital ratio of 4.50%;
- Tier 1 capital ratio of 6%;
- Total Capital ratio of 8%.

In addition to the above-mentioned constraints, further constraints were introduced consisting of:

- Capital Conservation Buffer (CCB), which provides for an additional 2.5% requirement of Common Equity Tier 1 aimed at preserving the minimum level of regulatory capital in adverse market conditions;
- Countercyclical capital buffer to protect the banking sector during periods of excessive credit growth; it is to be constituted during periods of economic growth with primary-quality capital to meet possible losses in the downturns of the cycle on the basis of a specific coefficient established on a national basis;
- Additional reserves always to be constituted with primary capital for global and other systemically relevant entities. The buffer for entities with global relevance can vary from a minimum of 1% to a maximum of 3.5%, for the others there is a non-binding maximum threshold of 2%;
- Capital reserve against systemic risk, which is set by each individual Member State and must be at least 1%.

The sum of the regulatory requirements and the additional reserves gives the minimum level of required capital, which for 2023 is as follows:

- CET 1 capital ratio of 8.50%;
- Tier 1 capital ratio of 10.50%;
- Total Capital ratio of 13.20%.

Banks that do not hold capital reserves to the required extent are subject to the limits on distributions, and must also have a capital conservation plan in place that sets out the measures the Bank intends to take to restore the level of capital required to maintain capital reserves to the required extent within a reasonable period of time.

Moreover, the Bank of Italy, in order to ensure compliance with the binding measures even in the event of a deterioration of the economic and financial context, has identified a Target Component (Pillar 2 Guidance) against a higher risk exposure in stress conditions of 1%. Therefore, the requirements, including the Pillar 2 Guidance, for the year 2022 are as follows:

- CET 1 capital ratio of 9.50%;
- Tier 1 capital ratio of 11.50%;
- Total Capital ratio of 14.20%.

The Bank's investment policies are geared towards maintaining a constant balance in the ratio of

"economic and financial investments to asset size" with a focus on minimising the cost of capital for utilisation.
A thorough self-assessment of capital adequacy is carried out as part of the process known as ICAAP (Internal Capital Adequacy Assessment Process).

B. Quantitative information

(amounts in thousands of Euro)

Categories/Values	Non-weighted amounts		Weighted amounts/Requirements	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. Risk assets				
A.1 Credit and counterparty risks	3,662,643	1,210,230	719,657	317,399
1. Standardised methodology	3,662,643	1,210,230	719,657	317,399
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risks	X	X	57,654	25,392
B.2 Credit assessment adjustment risks	X	X	7	-
B.3 Regulatory risk	X	X	-	-
B.4 Market risks	X	X	1,563	-
1. Standard methodology	X	X	1,563	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	X	X	12,026	4,132
1. Basic method			12,026	4,132
2. Standardised method	X	X	X	X
3. Advanced method	X	X	X	X
B.6 Other calculation elements				
B.7 Total prudential requirements	X	X	71,250	29,524
C. Risk assets and capital ratios	X	X		
C.1 Risk-weighted assets	X	X	890,630	369,054
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)	X	X	15.03%	14.34%
C.3 Tier 1 capital/Risk-weighted assets (TIER 1 capital ratio)	X	X	16.15%	14.34%
C.4 Total Capital/Risk-weighted assets (Total Capital ratio)	X	X	16.15%	14.34%

PART G – BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

Section 1 – Transactions carried out during the financial year

In December 2023, after having obtained the authorisation from the Bank of Italy on 17 October 2023 and after the favourable vote of the Extraordinary Shareholders' Meetings of the two entities, the merger by integration of Banca Popolare Valconca S.p.A. into Cherry Bank was finalised with effect from 30 December 2023.

The merger took place through the assignment to the shareholders of Banca Valconca of 1 ordinary Cherry Bank share for every 1 Banca Valconca ordinary share held, by issuing 10,575,207 ordinary Cherry Bank shares and increasing the share capital by Euro 4,959,778, bringing it to a total of Euro 49,597,778.

In order to allow for the application of the allocation ratio described above, the Shareholders' Meeting of Cherry Bank approved, concurrently with the approval of the Merger, a split of its ordinary shares in order to simplify the Merger process. The number of shares of the Bank post-merger was 105,752,070.

Upon completion of the merger transaction, the former Valconca shareholders hold 10% of the *combined post-merger* entity, while control of the same is held by Cherry's original shareholders. Therefore Cherry, also in its capacity as merging company, qualifies as an **acquirer** under the business combination.

The acquisition date, as allowed by IFRS 3, was made to coincide with 31 December 2023, even though the merger took legal effect on 30 December 2023.

IFRS 3 first requires that, at the reference date of the business combination, the cost of the combination is identified and allocated subsequently to the assets, liabilities and contingent liabilities of the acquired party that can be identified at the purchase date and measured at their respective fair values.

In Cherry's share-settled acquisition of Valconca, the acquisition cost is equal to the fair value, measured at the acquisition date, of the shares issued to service the transaction. For this purpose, reference was made to the values resulting from the Fairness Opinion issued by the Cherry Bank Advisory. The price thus determined was Euro 21.3 million.

Cherry Bank then proceeded with the **Purchase Price Allocation** ("PPA"), which involves the allocation of the price, recognising the assets acquired, the liabilities assumed and contingent liabilities, referring to the incorporated Banca Popolare Valconca, at the related fair values at the date of acquisition.

The analyses conducted led to the identification of an **overall positive differential** between the fair value and book value of Banca Valconca assets, liabilities and contingent liabilities of Euro 23.3 million.

The following table shows the items for which a differential between FV and book value was identified in the PPA.

ITEMS	BOOK VALUE (a)	FAIR VALUE (b)	DIFFERENCE (c=b-a)
Other financial assets obligatorily measured at FV	36,876	34,519	-2,357
Financial assets measured at fair value through other comprehensive income	50,178	45,595	-4,583
Loans to customers:	661,263	666,196	4933
Tangible assets	17,599	23,336	5,737
Intangible assets	0	7,835	7,835
Tax assets	16,096	28,219	12,123
Other assets	77,080	76,699	-381
Total	**859,092**	**882,399**	**23,307**

The Valconca shareholders' equity at the date of acquisition, restated following the PPA differential indicated above ("**adjusted shareholders' equity**"), was therefore Euro 71.3 million.
The difference between the adjusted shareholders' equity and the consideration transferred amounted to Euro 50.1 million and thus represents the **gain on bargain purchase** of the transaction, which was recognised in the Income Statement under "Other operating expenses/income".

DETERMINAION OF THE GAIN ON BARGAIN PURCHASE	AMOUNTS	NOTES
Shareholders' Equity BPV at 29.12.2023	**48,048**	**a**
Differences between the fair value and book value of BPV items	**23,307**	**b**
Adjusted shareholders' equity BPV at 30.12.2023	**71,355**	**c=a-b**
Consideration transferred	21,256	**d**
Gain on bargain purchase	**50,099**	**e=c-d**

The disclosure required by IFRS 3 on the result of the combined entity for the current financial year, assuming that the acquisition date occurred during the year coincides with the beginning of the financial year, is not feasible since the merged company's economic period includes a time span of 23 months and 29 days since it was placed under Extraordinary Administration.

Section 2 – Transactions carried out after the end of the financial year

There were no business combinations after the year-end and up to the date of preparation of these Financial Statements.

Section 3 – Retrospective adjustments

No retrospective adjustments were made during the year.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on Directors' and Executives' remuneration

Directors' and Statutory Auditors' fees:

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Directors	1,237	875
Board of Statutory Auditors	273	276

Directors receive remuneration exclusively in a fixed amount plus attendance fees approved by the Shareholders' Meeting.
In addition, a variable remuneration of Euro 300 thousand for the CEO was resolved for the year 2023. The amount indicated is the company cost including contribution charges.

The remuneration of the Board of Statutory Auditors is determined by the Shareholders' Meeting as follows:

- Euro 60 thousand to the Chair;
- Euro 50 thousand to Standing Auditors.

To the above-mentioned fixed amounts were added attendance fees and the reimbursement of out-of-pocket expenses incurred in the performance of the assignment plus VAT and social security charges.

The Board of Directors, following the renewal of corporate offices, with a resolution of 20.12.2021, set up the new Supervisory Body, pursuant to Legislative Decree No. 231/2001.
A Standing member of the Board of Auditors, the Head of Internal Audit and the Head of Compliance were appointed as members of this Body. A remuneration of Euro 10 thousand was established for the sole Standing member of the Board of Statutory Auditors.

2. Information on transactions with related parties

With reference to Provision No. 262 of 22 December 2005 issued by the Bank of Italy on instructions for the preparation of the statutory and consolidated financial statements of banks in accordance with IAS/IFRS and in compliance with the provisions of IAS 34 on interim financial statements, the tables below show the data on the Bank's Related Parties as defined by IAS 24; in particular, it should be noted that there are no guarantees given in favour of related parties.

TABLE RECEIVABLES OUTSTANDING AT 31/12/2023

(amounts in thousands of Euro)

Related Party categories	Deposit	Unsecured
Directors and Executives with strategic responsibilities	121	-
Close family member of one of the above persons	-	-
Parent company, subsidiary, associated company or company subject to significant influence by the above parties	481	-
Other entities with significant influence	-	-

Receivables consist of Euro 530 thousand in loans and Euro 72 thousand in unused loans with insignificant asset amounts.

TABLE FUNDING AT 31/12/2023

(amounts in thousands of Euro)

Related Party categories	Amounts
Directors and Executives with strategic responsibilities	2,024
Close family member of one of the above persons	574
Parent company, subsidiary, associated company or company subject to significant influence by the above parties	530
Other entities with significant influence	-

Funding consisted of Euro 3,128 thousand in current account deposits. Accrued liabilities amounted to a total of Euro 14 thousand.

All transactions with related parties were conducted on terms equivalent to those prevailing in arm's length transactions.

OTHER TRANSACTIONS

The issuance of the AT1 perpetual bond for Euro 10.0 million was resolved by the Board of Directors pursuant to Article 136 of Legislative Decree No. 385/1993 as it was fully subscribed by related party. The Bond was issued on market-equivalent terms to qualified investors.

The "Other transactions – supply of goods and services" entered into with related parties concern the subsidiary Cherry S.r.l., which provides services related to third-party NPL portfolios at terms equivalent to those prevailing in arm's length transactions.

2. Information on the Independent Auditors' fees

(amounts in thousands of Euro)

	31/12/2023	31/12/2022
Statutory audit activities	127	121
Other legally required services	53	25
Other attestation services	-	-

PART I – EQUITY-SETTLED SHARE-BASED PAYMENT AGREEMENTS

Cherry Bank has no such agreements in place.

PART L – SECTOR REPORTING

As Cherry Bank is not a "listed" intermediary, it has availed itself of the option granted by the Bank of Italy in Circular No. 262 of 22 December 2005 – 8th update of 29.10.2021 not to draw up this section on sector reporting.

PART M – LEASE DISCLOSURE

Section 1 – LESSEE

Qualitative information

As a lessee, the Bank entered into lease contracts for properties and cars as well as hardware acquired with the incorporation of Banca Popolare Valconca.
In terms of right-of-use value, real estate leases represent the most significant area and concern properties for office and branch use. Contracts usually have a duration of more than 12 months and provide for renewal and termination options exercisable by the lessee and the lessor in accordance with the law and/or specific contractual provisions. These contracts do not provide for purchase options.
Car lease contracts are long-term rentals for company cars made available to employees.

For further information on the scope of application, accounting rules and processes, see "Part A – Accounting Policies – A.1 General Part – Section 4 – Other aspects".
For the criteria for recognition, classification, measurement and derecognition, please refer to "Part A – Accounting Policies – A.2 Part related to the main items of the Financial Statements".

Quantitative information

With regard to the quantitative information on the impact on the Bank's Balance Sheet and Income Statement, as required by the regulations, please refer to the specific sections of the Notes to the Financial Statements, and in particular:

- for rights of use acquired through leases, to "Part B – Information on the Balance Sheet – Assets – Section 8";
- for lease payables, to as commented in "Part B – Information on the Balance Sheet
- – Liabilities – Section 1";
- for the economic impacts, to "Part C – Information on the Income Statement" under items "Interest expense" and "Impairment of tangible assets", respectively.

Section 2 – LESSOR

Cherry Bank did not enter into any contracts as lessor.

Padua, 25 March 2024

For the Board of Directors

The Chief Executive Officer
Giovanni Bossi

Annexes

STATEMENTS OF REVALUATIONS CARRIED OUT ON REAL ESTATE

(Art. 10 of Law No. 72/83)

Description of assets	Revaluations carried out				Total real estate at 29/12/2023	Total accumulated depreciation 29/12/2023
	Law No. 576 of 02/12/1975	Law No. 72 of 19/03/1983	Law No. 413 of 30/12/1991	IAS Revaluation – Sworn appraisal of 27/02/2006		
CARTOCETO Hamlet Lucrezia Via Flaminia 130	-	-	-	-	860,360	265,502
CATTOLICA Via XXIV Maggio 18	36,152	41,331	495,901	1,394,994	2,767,149	1,294,631
MISANO Via Piemonte 20	-	-	-	166,052	901,976	438,186
MONDAINO Via Borgo 35	15,494	80,439	69,282	349,744	762,502	310,958
MORCIANO Via Bucci 11	-	175,355	374,639	283,926	1,616,953	716,806
MORCIANO Via Bucci 61	-	97,664	578,238	2,080,518	3,500,000	1,764,720
RICCIONE Via San Lorenzo 37	-	-	1,175,459	4,208,205	6,830,694	3,739,125
RIMINI Via Euterpe 2	-	-	-	(481,576)	1,140,609	588,380
RIMINI Via Siracusa	-	-	-	(148,365)	498,000	185,250
RIMINI Via Lucio Lando 31	-	-	-	(99,267)	185,000	99,750
RIMINI Via Sacramora	-	-	-	(129,781)	716,422	373,020
SAN GIOVANNI IN M. Via Roma 52	-	-	-		488,054	115,134

SANTARCANGELO **Via Montevecchi 15**	-	-	-	(33,022)	488,000	238,260
SAVIGNANO SUL R. **Via Roma 34**	-	-	-	-	1,200,416	399,554
TAVERNA DI MONTECOLOMBO **Via Provinciale 36**	10,329	83,716	89,310	233,527	535,222	209,264
VILLA VERUCCHIO **Piazzetta Valle del Marecchia 4**	-	-	-	-	725,111	214,045
SANT'ANDREA **Via Tavoleto 69/C**	-	-	-	-	224,939	45,166
CATTOLICA **Via Viole 75**	-	-	-	-	988,595	231,947
PESARO – Hotel Elvezia **Viale Fiume 67**	-		-	-	2,278,876	433,549
MONTEFIORE CONCA **Via Provinciale 3601**					892,629	57,969
Total	**61,975**	**478,505**	**2,782,829**	**7,824,955**	**27,601,507**	**11,721,216**

Board of Statutory Auditors’ Report to the 2023 Financial Statements

Independent Auditor's Report to the 2023 Financial Statements

cherry
bank