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Poste Italiane's Financial Statements

at 31 December **2023**

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Contents

1. Introduction

Poste Italiane SpA (the "Parent Company") is the company formed following conversion of the former Public Administration entity, "Poste Italiane", under Resolution 244 of 18 December 1997. Its registered office is at Viale Europa 190, Rome (Italy).

Poste Italiane's shares have been listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) since 27 October 2015. At 31 December 2023, the Company is 35% owned by CDP and 29.3% owned by the MEF, with the remaining shares held by institutional and retail investors. Poste Italiane SpA continues to be under the control of the MEF. At 31 December 2023, the Parent Company holds 10,675,798 treasury shares (equal to around 0.817% of the share capital).

The **Poste Italiane Group** (the "Group") provides a universal postal service in Italy as well as integrated communication, logistics, financial and insurance products and services throughout the country via its national network of approximately 13,000 post offices.

The Group's business is assessed and presented on the basis of four operating segments: (i) Mail, Parcels and Distribution, (ii) Payments and Mobile, (iii) Financial Services and (iv) Insurance Services.

In addition to the mail, parcel and logistics service, the Mail, Parcels and Distribution segment also includes the activities of the sales network, the Post Offices and the corporate functions of Poste Italiane SpA that provide services to the other segments in which the Group operates. The sector also includes the provision of Welfare services.

The Payments and Mobile Services segment includes the management of payments and e-money services, also carried out through the network of LIS points of sale, as well as mobile and fixed telephone services and energy (electricity and gas) sales services to end customers by PostePay SpA.

The Financial Services segment refers to the placement and distribution of financial and insurance products and services by BancoPosta, such as current accounts, postal savings products (on behalf of Cassa Depositi e Prestiti), mutual investment funds, loans provided by banks, policies and the activities of BancoPosta Fondi SpA SGR.

The Insurance Services segment mainly relates to the activities of Poste Vita SpA, which operates in the Life insurance sector, primarily in Ministerial Classes I and III, and its direct and indirect subsidiaries, such as Poste Assicura SpA and Net Insurance SpA, which operate in the P&C sector with the exclusion of the Motor Insurance class, and Net Insurance Life SpA, which mainly offers insurance coverage related and instrumental to the P&C products offered by its direct parent company Net Insurance SpA.

This section of the Annual Report (Poste Italiane's Financial Statements) at 31 December 2023 includes the consolidated financial statements of the Poste Italiane Group, the separate financial statements of Poste Italiane SpA and BancoPosta RFC's Separate Report. The Report has been prepared in euros, the currency of the economy in which the Group operates.

The Group's consolidated financial statements consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements. All amounts in the financial statements and the notes are shown in millions of euros and rounded (without decimal figures), unless stated otherwise. It follows that the sum of the rounded amounts may not coincide with the rounded totals.

The separate financial statements of Poste Italiane SpA consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. Amounts in the financial statements are shown in euros (except for the statement of cash flows, which is shown in thousands of euros), whilst those in the notes are shown in millions of euros (without decimal figures), unless stated otherwise. It follows that the sum of the rounded amounts may not coincide with the rounded totals.

The consolidated and separate financial statements contain notes applicable to both sets of financial statements, providing information on matters common to both the Group and Poste Italiane SpA. The relevant matters specifically regard:

- the way the financial statements are presented and relevant information on accounting standards;
- disclosure of the sources and the procedures used in determining fair value;
- disclosures on risks and hedging transactions;
- a summary of the principal proceedings pending and relations with the authorities;
- and, in general, certain additional disclosures required by accounting standards, whose presentation in a single section is designed to provide the reader with better information (e.g. the analysis of share-based payment arrangements, key data on equity investments held, etc.).

BancoPosta RFC's Separate Report, which forms an integral part of Poste Italiane SpA's financial statements, prepared in accordance with the specific financial reporting rules laid down by the applicable banking regulations, is dealt with separately in this Section.

The consolidated financial statements of the Poste Italiane Group and the separate financial statements of Poste Italiane SpA (including the Separate Statement of BancoPosta RFC) for the year ended 31 December 2023 were approvedby the Board of Directors on 19 March 2024, the date on which publication was authorised in accordance with IAS 10-Events after the reporting period.

2. Basis of preparation and significant accounting policies

2.1 Compliance with IAS/IFRS

The annual accounts are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and endorsed by the European Union ("EU") in EC Regulation 1606/2002 of 19 July 2002, and in accordance with Legislative Decree 38 of 28 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC", previously known as the Standing Interpretations Committee or "SIC"), adopted by the European Union and contained in the EU Regulations in force at 31 December 2023, regarding which no derogations were made.

2.2 Basis of presentation

the accounting standards reflect the **full operations** of the Group and Poste Italiane SpA in the foreseeable future. As a going concern, Poste Italiane Group companies prepare their financial statements on a **going concern** basis, also taking account of the Group's economic and financial outlook, as reflected in the new 2024-2028 strategic plan approved by the Board of Directors on 19 March 2024.

The statement of financial position has been prepared on the basis of the **"current/non-current distinction"**[178]. In the Statement of profit (loss) for the year, the **classification criterion based on the nature of the cost components** has been adopted; details of interest income calculated using the effective interest criterion, as well as gains and losses deriving from the derecognition of financial assets measured at amortised cost (as per IAS 1 - Presentation of Financial Statements paragraph 82) are provided in section 4.3 Notes to the Statement of profit or loss. The statement of cash flows has been prepared under the **indirect method**[179].

The accounting standards and the recognition, measurement and classification criteria adopted in these annual accounts are the same as those used in the previous year's preparation, with the exception of what is stated in Section 2.3 - New accounting standards and interpretations.

The disclosures provided in these annual financial statements take into account the guidelines and recommendations of the Italian and European regulatory and supervisory bodies (ESMA and Consob[180]) published during the year in order to provide a guideline in the current macroeconomic context. The accounting implications of complying with these recommendations are described in section 2.7 - Climate change and macroeconomic environment.

In preparing the annual accounts, the CONSOB regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 have been taken into account.

178. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period (IAS 1, par. 68).
179. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.
180. Public statement ESMA32-193237008-1793 of 25 October 2023 "European common enforcement priorities for 2023 annual financial reports" and Consob communication of 27 October 2023.

In accordance with CONSOB Resolution 15519 of 27 July 2006, the statement of financial position, the statement of profit or loss and the statement of cash flows show **amounts deriving from related party transactions**. The statement of profit or loss also shows, where applicable and of significant amount, **income and expenses deriving from non-recurring transactions**, or transactions that occur infrequently in the normal course of business. Detailed information about non-recurring events and transactions, including their impact on the financial position, results of operations and cash flows of the company and/or the group, is provided in the section "Material non-recurring events and/or transactions".

The values shown in the financial statements are compared with the corresponding values for the same period of the previous year. In this regard, it should be noted that certain figures for the year of comparison have been adjusted and reclassified to take into account the new provisions of IFRS 17 - Insurance Contracts, which came into force on 1 January 2023.

Pursuant to article 2447-septies of the Italian Civil Code, following the creation of BancoPosta's ring-fenced capital in 2011, the assets and contractual rights included therein (hereafter: "BancoPosta RFC") are shown separately in Poste Italiane SpA's statement of financial position, in a specific supplementary statement, and in the notes to the financial statements.

With regard to the interpretation and application of newly published, or revised, international accounting standards, and to certain aspects of taxation[181], where the related interpretations are based on examples of best practice or case-law that cannot yet be regarded as exhaustive, the financial statements have been prepared on the basis of the relevant best practices and the guidelines agreed with the Tax Authorities as part of "cooperative compliance". Any future guidance or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

Finally, Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the obligation for issuers of securities listed on regulated markets in the European Union to prepare their annual financial report in a single electronic reporting format (European Single Electronic Format), approved by ESMA. In application of this standard, the Annual Report was prepared in XHTML format, including the "marking" of the Notes to the Consolidated Financial Statements, as well as those of the related financial statements, using the ESMA-IFRS taxonomy and the integrated computer language (iXBRL).

181. The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP. In addition, the new standards are subject to the rules contained in the endorsement tax decrees issued by the Ministry of the Economy and Finance, in application of the provisions of Law no. 10 of 26 February 2011 (Decreto milleproroghe).

2.3 New accounting standards and interpretations and those soon to be effective

Accounting standards and interpretations applicable from 1 January 2023

- **IFRS 17 - Insurance Contracts**. The new accounting standard on insurance contracts, which fully replaced the provisions of IFRS 4, aims to:
  - ensure that an entity provides information that fairly represents the rights and obligations arising from the insurance contracts issued;
  - eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts (including reinsurance contracts);
  - improve comparability between entities belonging to the insurance sector by providing for specific presentation and disclosure requirements.
- **Amendments** to **IAS 1 - Presentation of Financial Statements** aimed at helping preparers of financial statements to provide information on accounting policies that is more useful to investors and primary users of financial statements by replacing the requirement to disclose "significant" accounting policy information with the requirement to provide on **material** accounting policy information and how they are applied within the company.
- **Amendments** to **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors** to clarify the distinction between changes in accounting estimates, Changes to accounting policies and error corrections.
- **Amendments to IAS 12 - Income Taxes** to clarify how deferred taxes should be accounted for on certain transactions involving the simultaneous recognition of an asset and a liability of equal amount, such as leases and decommissioning obligations. The purpose of this amendment is to reduce diversity in the recognition of deferred tax assets and liabilities on such transactions;
- **Amendments to IAS 12 – Income Taxes: International Tax Reform - Model Rules (Second Pillar)**. The amendments to the standard introduced a temporary exception to the accounting for deferred taxes in connection with the application of the provisions of Pillar Two published by the Organisation for Economic Cooperation and Development (hereinafter "OECD"), as well as targeted supplementary information for affected companies.

With the exception of the first-time application of IFRS 17, the impact of which on the Poste Italiane Group's financial position is described in Section 2.4 - *Changes to accounting policies* below, the adoption of the other changes outlined above did not have a significant impact on the financial information in the financial statements. With reference to the new provisions of IAS 1 relating to material information on accounting policies, these are reflected in Section 2.5 - *Material Information on accounting standards*; while the information required by the amendment to IAS 12 on international tax reform is given below.

The provisions of the OECD Pillar Two were introduced into the regulatory framework of the European Union with EU Council Directive 2022/2523 of 14 December 2022, which in turn was implemented in Italy by Legislative Decree 209 of 27 December 2023 (hereinafter also referred to as the "Decree"). The objective of international tax reform is to ensure a minimum level of taxation, at the rate of 15 per cent, of multinational corporations in each jurisdiction in which they operate.

At the reporting date of these financial statements, the Poste Italiane Group, although falling within the scope of the regulations, does not have a second-pillar income tax exposure because at 31 December 2023 the provisions of the Decree are in force, but are not effective with regard to this Annual Report.

The Poste Italiane Group will apply the exception to the recognition and disclosure of deferred tax assets and liabilities related to second-pillar income taxes, as permitted by the relevant accounting standard.

In the meantime, the Group is analysing the exposure to the Second Pillar provisions for the period in which they will be effective, and preliminary analyses, based on simplifying assumptions and historical data (i.e. average effective tax rates calculated in accordance with paragraph 86 of IAS 12), have shown that the Second Pillar legislation is not expected to generate any additional current tax liabilities.

In particular, based on its current ownership structure, the Poste Italiane Group is present in four jurisdictions: Italy, China, Hong Kong, UK. Based on the analyses carried out, the average effective tax rates appear to be higher than 15%; therefore, the level of effective taxation of the Group companies operating in the various jurisdictions would not appear to be such as to result in the application of a domestic/supplementary minimum tax.

However, these valuations are not precise, as they are not based on the concrete and full application of all adjustments provided for in the Decree, and there may be differences between the average effective tax rate calculated in accordance with paragraph 86 of IAS 12 and that calculated in accordance with the provisions of Pillar 2.

In addition, it should be noted that the level of effective taxation of foreign companies should ensure the application of general transitional regimes (Transitional Safe Harbour) that provide for the reduction of any supplementary tax due for these jurisdictions to zero for the first three tax periods from the implementation of the legislation (2024-2026).

Finally, it should be emphasised again that, due to the complexity in the application of the legislation and the calculation of total relevant income, the quantitative impact cannot yet be reasonably estimated, and that the analyses performed on the level of effective taxation of Group companies for the year 2023, may also differ significantly from those that will take place once the legislation is fully implemented, due to the implications of the Pillar Two rules.

Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2024:
- **Amendment to IFRS 16 Leases: Lease Liabilities in a Sale and Leaseback**. The purpose of the amendment is to specify how the selling lessee is to measure the lease liability arising from a sale and leaseback in such a way that it does not recognise income or loss in respect of the retained right of use;
- **Amendments to IAS 1 - Presentation of Financial Statements** to provide clarification on how entities should classify payables and other liabilities between current and non-current, and to improve the information that an entity must provide when its right to defer settlement of a liability for at least 12 months is subject to covenants.

At the reporting date, the IASB has issued the following amendments, still not yet endorsed by the European Commission:
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements;
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

The potential impact on the Poste Italiane Group's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being assessed. It should also be noted that the Group has not arranged for the early adoption of any standards, interpretations or amendments that have been issued but are not yet in force.

2.4. Changes to accounting policies

From 1 January 2023, the Poste Italiane Group has adopted ***IFRS 17 – Insurance Contracts*** issued under Regulation (EU) no. 2021/2036 of the Commission of 19 November 2021.

Information on the nature and effects of the new accounting standard and the related impact of the first-time adoption of the standard on the Poste Italiane Group's statement of financial position is provided below.

Scope of application

IFRS 17 introduces new recognition, measurement and valuation rules for contracts that meet the definition of an "insurance contract"[182]; the new standard applies to insurance contacts issued, reinsurance contracts held, and investment contracts with discretionary participation features. Within the Poste Italiane Group, therefore, insurance contracts and investment contracts with discretionary participation features issued by the Companies belonging to the Poste Vita Group[183], as well as reinsurance contracts held by them, fall within the scope of the new standard.

With regard to the contracts issued by the other Poste Italiane Group companies, no elements were identified that could be brought within the definition of an insurance contract, i.e., although falling within this definition, the Group opted to continue applying IFRS 15 and/or IFRS 9 as permitted by IFRS 17.

Level of portfolio aggregation

The Poste Italiane Group has defined a process for aggregating the contracts falling within the scope of IFRS 17, which envisages an initial distinction between Life and P&C business and then a distinction into different Contract Portfolios and different Unit Of Accounts. Portfolios contain contracts with similar contractual and risk characteristics that are managed in a unified manner. With regard to the Life business, contract groups are aggregated by product type (e.g. Pure Separately Managed Accounts, Multi-class, term life insurance, etc.), while for the P&C business, the level of aggregation coincides with the lines of business (e.g. those defined for Solvency II reporting); in some cases (such as for the companies Net Insurance SpA and Net Insurance Life SpA, hereinafter jointly referred to as the "Net Group") they are further subdivided in order to comply with the characteristics of specific products. For business related to reinsurance contracts held, the Unit of Account is equivalent to the individual treaty with the counterparty.

Contract portfolios can be further disaggregated according to the underwriting year of the policies (cohorts)[184] and the level of profitability. For this purpose, an onerousness test of the products is carried out to divide the Units of Account into:
- profitable;
- onerous;
- that at the time of initial recognition do not have a high probability of becoming onerous.

The following describes the process for defining the onerousness test according to the relevant business:
- Life business: for contracts issued by Poste Vita SpA, the test is performed at the product level (where applicable also at the cohort level) in the design phase of the same (ex ante) exclusively for new products, determining the estimated future flows of fulfilment at the date. For contracts issued by Net Insurance Life SpA, on the other hand, the test is carried out on individual tariffs. The analysis is repeated in the event of significant events that may affect the costliness of the product in the first year of life;
- P&C business: for contracts issued by the Company Poste Assicura SpA, the test is performed on the basis of the Combined Ratio[185] at the time of the initial recognition of the contract group by defining the onerousness on a permanent basis until the

182. An insurance contract is a contract under which one party accepts a significant insurance risk from another party, agreeing to indemnify the insured or the beneficiary in the event that the latter suffers loss as a result of a specific event, (i.e. the insured event)
183. Poste Vita SpA, Poste Assicura SpA, Net Insurance SpA and Net Insurance Life SpA.
184. For Separately Managed Accounts and Multi-class insurance products, the exemption has been implemented in the application of annual cohorts permitted by Regulation (EU) no. 2021/2036.
185. Ratio of claims and expenses incurred to premium volume, also taking into account the Adjustment for non-financial risk.

maturity of the policies. For contracts issued by Net Insurance SpA, the test takes into account estimated future fulfilment flows at the date and is performed at the contract group level according to business type.

Groups of insurance contracts are recognised at the date of initial recognition. The Poste Italiane Group has defined in detail which, for each type of business and its underlying products, is the date that identifies the start of the contractual relationship. These dates (e.g. effective date, renewal date, accession date, etc.) were chosen according to the specificities of the products issued. For the insurance contracts acquired as a result of the Net Group business combination, the initial recognition date was set at 1 April 2023, the date identified for the Purchase Price Allocation process.

Measurement models

The general model for measuring insurance contracts, called the Building Block Approach - BBA, involves defining the financial flows associated with the insurance contract, consisting of:
- cash inflows and outflows;
- an adjustment that takes into account the time value of money and the financial risks associated with the flows themselves;
- an adjustment for non-financial risk (risk adjustment).

The final result of the sum of the preceding components, if positive, determines the Contractual Service Margin (CSM) that will be issued over the life of the insurance contract according to the so-called Coverage Unit, while if negative the Loss Component, recognised immediately in the statement of profit or loss.

The standard provides two further measurement models:
- Premium Allocation Approach - PAA, an optional and alternative model to the general model, is applicable to contracts characterised by a coverage period of no more than one year, as well as to contract groups for which the company considers that simplification linked to the model would not lead to a significantly different result from that obtained with the general model (for example, absence of variability of cash flows associated with the contract group);
- Variable Fee Approach - VFA, a mandatory measurement model for contracts with direct participation features, such as separately managed accounts and unit-linked insurance.

Within the Poste Italiane Group, groups of insurance contracts with at least one of the following characteristics are measured using the PAA method:
- One-year Duration;
- Multi-Year Duration and belonging to the Collective Business (Contract Groups = Collective);
- Multi-Year Duration and belonging to a Portfolio where the weight of the Multi-year Business is less than or equal to 5% in the last 3 years.

With reference to the VFA, adopted exclusively for the Life business, the Group assessed the eligibility for the model for the following types of products:
- With Profit Participating (Separately Managed Accounts);
- Unit-linked standalone insurance;
- Hybrid products with investment components (Multi-class).

The PAA model is applied to P&C business, with the exception of the CPI products[186], which are measured through the adoption of the BBA as they do not meet the conditions for the application of the simplified model. The BBA is also adopted for products belonging to the Life business for which the VFA model does not apply.

186. Credit Protection Insurance: is a special multi-risk insurance contract that seeks to protect the insured against a series of events that may occur during the term of a loan (mortgage, personal loan or other form of credit), thus preventing adverse situations from impairing its regular repayment capacity.

Elements for determining future fulfilment flows

In application of the BBA and VFA models, future cash flows associated with insurance contracts are estimated by taking into account the "contract boundary", in order to identify whether a particular contractual option should be included in the cash flow projection as soon as the contract is issued or whether the exercise of that option would result in the recognition of a new contract group. The Poste Italiane Group has borrowed contract boundary identification techniques from the Solvency II context[187], except in the case of P&C business contracts with tacit renewal that were no longer terminable at the valuation date, which define the generation of a new contract group and, therefore, a new *cohort*. In the Life business, pure risk policies, cases of conversion into annuities, automatic maturity deferrals and additional payouts can generate a new fulfilment cash flow; while in the P&C business, additional considerations can be made about product repricing clauses, the presence of variable sums insured and cases of lapse with return of unearned premium.

In accordance with the provisions of the standard, all costs directly attributable to the management of insurance contracts, including costs incurred in the acquisition of contracts, are also taken into account in the construction of the fulfilment cash flows. With particular reference to acquisition costs, the Group considers directly attributable to insurance contracts the costs incurred internally for placement through the Poste Italiane network, placement commissions paid to the network outside the Group (mainly for the Net Group), rappels[188] and other direct and indirect acquisition costs.

Adjustment for non-financial risk

When assessing insurance contracts, it is necessary to consider the Risk Adjustment component, i.e. the remuneration that the Companies of the Poste Italiane Group require to assume risks of a non-financial nature. To determine the Adjustment for non-financial risk, the Poste Italiane Group has decided to use the percentile metric. According to this approach, the Adjustment for non-financial risk represents the potential loss in relation to the obligations assumed towards the policyholders (Insurance liabilities) that the Companies would incur, at a given level of probability (percentile level), to cover the insurance risks assumed, thus reflecting the risk appetite of the Companies themselves. This element is calculated separately for Life and P&C business. The confidence level identified to quantify the Adjustment for non-financial risk is 70% for both P&C and Life businesses.

In order to determine the amount of the Adjustment for non-financial risk, among other elements, the Solvency II valuation framework was taken into account, considering the same scope of underlying risks. For details of the risks considered, see Section "*2.6 - Use of estimates - Insurance liabilities*".

The Adjustment for non-financial risk may change as a result of changes in the risks to which the Group is exposed. These effects may have an impact on the statement of financial position if they relate to future services, affecting the total value of the Contractual Service Margin, and on the statement of profit or loss through the period release of this component, which occurs on the basis of a defined coverage unit.

Discount rate

For the purposes of determining the discount rate to be used for discounting future cash flows, the Poste Italiane Group has decided to adopt a "bottom-up approach" for the derivation of discount curves borrowed from Solvency II, in which the reference Basic Risk Free Curve is based on the Risk Free Rate curve provided by EIOPA.

The Basic Risk Free curve, depending on the specific business, may be adjusted to take into account specific Illiquidity Premiums (a component representing the level of liquidity of the counterparty) calibrated to portfolios or at Company level.

Please refer to section "*2.6 - Use of estimates - Insurance liabilities*" for detailed information on the discount curves used per individual portfolio.

187. Legal references "Eiopa Guidelines on Contract Boundaries - Consolidated Version" of 31 January 2023 and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014, Article 18 "Contract Boundaries".
188. Additional remuneration over and above the commission paid to intermediaries (agents and brokers) on the achievement of predetermined objectives (production, technical, etc.).

Effect on the statement of profit or loss

The new standard changed the representation of the profitability of the insurance business from a presentation of results by volume (premiums issued and claims expenses) to a representation more focused on contract margins.

Revenue from the insurance business consist of the releases of liabilities under insurance contracts for the period, including the Contractual Service Margin (**CSM**) component. In addition, costs directly related to insurance contracts, including costs incurred by the network for insurance contract placement and distribution activities performed by the Parent Company and outside the Group, are allocated to revenue.

For non-profitable insurance contracts, the relevant Loss Component is recognised immediately in the statement of profit or loss. In the event that, at subsequent reporting dates, there is an improvement in the group of onerous contracts, the Poste Italiane Group Companies have provided for a method of recovering the loss component on a risk-based approach by which the release of the loss component is calculated in proportion to the period's release of the cash flows related to claims, expenses and risk adjustment.

In the case of an onerous contract, if reinsurance coverage is provided, it is necessary to identify the so-called Loss Recovery Component. The result of the reinsurance contract (Net Gain/Net Cost) will be adjusted in each reporting period to take into account the recovery of the loss component of the direct covered contract.

In addition to the issuance of the CSM and the possible recognition of the loss component, further elements capable of impacting the statement of profit or loss in the reporting period are described below:

- Investment component i.e. the amount under the insurance contract that the issuing entity must pay to the counterparty even if the insured event does not occur, for which the standard does not require recognition in the underwriting result. The Group identifies the investment component for contracts in the Life business and defines it, for investment products and annuities in the accumulation phase, as the difference between the liquidated value and the lapse value net of penalties; for certain annuities that are certain to be paid out, the value of the investment component corresponds to the value of the benefits paid out. Finally, with respect to the reinsurance business, the investment component is identified in the context of contracts or treaties that provide for scaled commissions or profit participating;
- Financial costs/revenue related to the insurance business, refer to the effects deriving from the change in the time value of money and the financial risk which, as envisaged by the standard, are calculated separately for each measurement model. For the VFA portfolio, financial costs/revenue are recognised either in the Statement of profit or loss or in Other Comprehensive Income (OCI) in relation to the result of the fair value of the Underlying Items and depending on the IFRS 9 classification of the underlying assets themselves; for the BBA measurement model, on the other hand, financial costs/revenue are calculated on the basis of the valuation curves adopted for the calculation of IFRS 17 flows.

In the Statement of profit or loss tables, for the sake of clarity, the cost components that are allocated to insurance margins in accordance with IFRS 17 are shown under "*Allocation of costs directly attributable to insurance contracts*".

Accounting policy under IFRS 17

The choices made by the Group in applying the provisions of the standard are summarised below:

- Risk mitigation: the Poste Group does not plan to adopt risk mitigation, i.e., the option not to recognise changes in the CSM to account for some or all of the changes in the time effect of money and non-financial risk;
- OCI Option: for insurance contracts with direct participation elements for which the underlying elements are owned, the Group opts to disaggregate the finance income or expenses into Profit for the Period and Other Comprehensive Income, based on the results of IFRS 9, which defines the valuation of the underlying elements. The Poste Italiane Group also provides that, for contracts measured using the VFA model, the fair value income generated by the underlying assets measured under IFRS 9, relating to finance income from separately managed assets, commissions and technical interest attributable to unit-linked policies, is passed on to policyholders based on the percentage weight of the Mathematical Provisions at the date (mirroring). The value of the returns generated by the assets related to the insurance liabilities is deducted from the profit retained by the Group (over-hedging) and then allocated to the individual units of account;

- Exception to the use of annual cohorts[189]: the Poste Italiane Group adopts the exemption option[190], limited to the portfolios pertaining to the Line of Business "With Profit Participating" and the hybrid products with separately managed components of Poste Vita. These contracts will therefore not be divided into annual cohorts, but will be managed together due to the mutualisation effect of returns[191], typical of separately managed accounts. The exception is not applicable for P&C business;
- Method of presentation of the result of the outward reinsurance business: the Group has chosen a net presentation for the reinsurance result.

Impacts of first-time adoption of IFRS 17

The Poste Italiane Group elected to apply IFRS 17 starting from its mandatory effective date of 1 January 2023, without early application. As required by the new standard, the transition date to IFRS 17 has been set at 1 January 2022. On that date, the Group defined the following transition methods, in compliance with the transitional provisions of the new standard, which concerned the insurance companies Poste Vita SpA and Poste Assicura SpA:
- for the Life business, the Modified Retrospective Approach was adopted for the investment portfolio and the Fair Value approach for the pure risk portfolio;
- for P&C business, on the other hand, the Fair Value Approach was adopted.

At 1 January 2022 the Poste Italiane Group considered the application of the Full Retrospective Approach because the available database for past years did not have the granularity and detail required to perform the valuation required by the accounting standard; therefore, the Modified Retrospective Approach was applied as the transition method for almost all insurance contracts. The complexity and high effort required to retrieve the historical data necessary for the application of the Modified Retrospective Approach resulted in the application of the Fair Value Approach for the remaining part of the contracts.

In applying the Modified Retrospective Approach, as required by the standard, the Group has adopted simplifications compared to the Full Retrospective Approach, mainly related to the profit on contracts net of the Adjustment for non-financial risk. In applying this approach, a historical depth of contracts of about 10 years was also considered, including policies issued since 2012 and still outstanding at the transition date. This simplification was adopted because the portfolio thus constructed is a good approximation of the overall portfolio, as positions issued prior to 2012 have a percentage weight that is considered residual. In the application of the Fair Value Approach (FVA), the value of the CSM of the P&C business was determined as the premium reserve net of acquisition commissions, while for the Life business, used for the contract group measured by BBA, it was determined as the present value of future profits net of the Adjustment for non-financial risk.

The Poste Italiane Group, and thus also the two insurance companies Poste Vita and Poste Assicura, has been applying IFRS 9 since 1 January 2018. Following the adoption of IFRS 17, there were no changes to the classification and measurement rules for financial assets.

It should be noted that the two Net Group companies were acquired during 2023 and, therefore, after the transition date of 1 January 2022.

The following tables show the effects of the transition to IFRS 17 at 1 January 2022 recognised by individual item in the financial statements. The Group Statement of financial position also incorporates the changes introduced by IAS 1 - *Presentation of Financial Statements* following the new accounting standard.

189. Cohort means the division of contracts according to the year of signing
190. During the endorsement of the final version of the standard, an exemption from the application of the annual cohorts was envisaged deriving from the fact that in insurance practice the rules for revaluation of insurance liabilities are a function of the returns on the financial assets related to them, calculated through a common management of these assets and therefore not differentiated according to the specific sub-portfolios included in a specific separately managed account or between years of product generation. The presence of cohorts generates complexities in terms of quantifying the "mutualisation effect" arising from the inclusion of different Units of Account (new production) in a pool of Units of Account pertaining to pre-existing portfolios, as well as complexities in terms of allocation of return on assets to specific Units of Account that could generate distorting effects in IFRS 17 results.
191. Intergenerational mutuality is generated on those products of long duration that provide for the entry of policyholders even at different times in the life of the product. In these cases, the mutualisation effect makes it possible to offset losses and gains from portfolio management between the different generations of policyholders participating in the product.

ASSETS (€m)	31/12/2021 IFRS 4 balances	Accounting entries eliminated	Reclassified accounting items	Effects of IFRS 17 measurement	1 January 2022 restated
Property, plant and equipment	2,267	-	-	-	2,267
Investment property	32	-	-	-	32
Intangible assets	873	-	-	-	873
Right-of-use assets	1,116	-	-	-	1,116
Investments accounted for using the equity method	277	-	-	-	277
Financial assets	221,226	-	-	-	221,226
Assets for outward reinsurance	**-**	**-**	**-**	**48**	**48**
Trade receivables	3	-	-	-	3
Deferred tax assets	1,245	-	-	400	1,644
Other receivables and assets	4,012	-	-	-	4,012
Tax credits Law no. 77/2020	5,551	-	-	-	5,551
Technical provisions attributable to reinsurers	50	(50)	-	-	-
Non-current assets	**236,652**	**(50)**	**-**	**448**	**237,048**
Inventories	155	-	-	-	155
Trade receivables	2,508	-	-	-	2,508
Current tax assets	115	-	-	-	115
Other receivables and assets	1,146	-	(49)	-	1,097
Tax credits Law no. 77/2020	905	-	-	-	905
Financial assets	27,630	-	-	-	27,630
Cash and deposits attributable to BancoPosta	7,659	-	-	-	7,659
Cash and cash equivalents	7,958	-	-	-	7,958
Total current assets	**48,076**	**-**	**(49)**	**-**	**48,027**
TOTAL ASSETS	**284,728**	**(50)**	**(49)**	**448**	**285,076**

The value of Assets increased by €348 million; this effect is attributable to:

- derecognition of the balance of Technical provisions attributable to reinsurers (only to be recognised under IFRS 4);
- recognition of Assets for outward reinsurance, which represents the valuation at 1 January 2022 of the Group's exposures related to reinsurance contracts assumed;
- recognition of deferred tax assets determined on the First Time Adoption reserve of IFRS 17 related to the accounting of Liabilities under insurance contracts;
- reclassification of Due from policyholders, which are removed from Other receivables and assets to be considered under Liabilities under insurance contracts, specifically under Liability for remaining coverage, which is reported under Liabilities.

LIABILITIES AND EQUITY (€m)	31/12/2021 IFRS 4 balances	Accounting entries eliminated	Reclassified accounting items	Effects of IFRS 17 measurement	1 January 2022 restated
Share capital	1,306	-	-	-	1,306
Reserves	3,599	-	-	77	3,676
Treasury shares	(40)	-	-	-	(40)
Retained earnings	7,237	-	-	(974)	6,262
Total equity attributable to owners of the Parent	**12,102**	**-**	**-**	**(897)**	**11,205**
Equity attributable to non-controlling interests	8	-	-	-	8
Total	**12,110**	**-**	**-**	**(897)**	**11,213**
Technical provisions for insurance business	159,089	(159,089)	-	-	-
Provisions for risks and charges	693	-	-	-	693
Employee termination benefits	922	-	-	-	922
Financial liabilities	15,122	-	-	-	15,122
Liabilities under insurance contracts	**-**	**-**	**-**	**160,334**	**160,334**
Deferred tax liabilities	953	-	-	-	953
Other liabilities	1,749	-	-	-	1,749
Total non-current liabilities	**178,528**	**(159,089)**	**-**	**160,334**	**179,774**
Provisions for risks and charges	575	-	-	-	575
Trade payables	2,029	-	-	-	2,029
Current tax liabilities	16	-	-	-	16
Other liabilities	1,860	-	-	-	1,860
Financial liabilities	89,610	-	-	-	89,610
Total current liabilities	**94,090**	**-**	**-**	**-**	**94,090**
TOTAL LIABILITIES AND EQUITY	**284,728**	**(159,089)**	**-**	**159,437**	**285,076**

The value of Liabilities and Equity also increased by €348 million, as the combined result of a decrease in Equity of €897 million and an increase in Insurance Liabilities of €1,245 million, in particular as a result of the elimination of the value of Insurance Technical Provisions recognised in accordance with IFRS 4 and the consequent recognition of the carrying amount of Liabilities under insurance contracts, measured in accordance with IFRS 17.

The following is a reconciliation of equity between 31 December 2021, accounted for under IFRS 4, and 1 January 2022, which incorporates the effects of the changes in the new accounting standard:

	Equity														
	Share capital	Treasury shares	Reserves									Retained earnings	Total equity attributable to owners of the Parent	Capital and reserves attributable to non-controlling interests	Total equity
(€m)			Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	*Fair value reserve*	Cash flow hedge reserve	Reserve for insurance contracts issued and outward reinsurance	Translation reserve	Reserve for investments accounted for using equity method	Incentive plans reserve				
Balance at 31 December 2021	**1,306**	**(40)**	**299**	**1,210**	**800**	**1,307**	**(33)**	**-**	**1**	**3**	**13**	**7,236**	**12,102**	**8**	**12,110**
First time adoption effect	-	-	-	-	-	-	-	-	-	-	-	(1,373)	(1,373)		(1,373)
Accounting mirroring	-	-	-	-	-	7,945	-	(7,868)	-	-	-	-	77		77
Fiscal effect on transition	-	-	-	-	-		-	-	-	-	-	400	400		400
Balance at 1 January 2022	**1,306**	**(40)**	**299**	**1,210**	**800**	**9,251**	**(33)**	**(7,868)**	**1**	**3**	**13**	**6,262**	**11,205**	**8**	**11,213**

The application of the new accounting standard to the Poste Italiane Group's equity resulted in a reduction in retained earnings of €974 million (net of tax effects), partially offset by €77 million related to the mirroring effect, i.e., the recognition in the statement of comprehensive income, in the new item "*Reserves for insurance contracts issued and outwards reinsurance*", of the change in the fair value of financial instruments measured at FVTOCI linked to separately managed accounts following the adoption of the OCI option exercised by the Poste Italiane Group. The final net effect was a reduction of €897 million in equity.

For a better understanding of the dynamics of the new standard, a comparison of the opening IFRS17 statement of financial position balances at 1 January 2022 with 31 December 2022, appropriately adjusted, is shown below.

ASSETS (€m)	1 January 2022	31 December 2022	Changes
of which			
Assets for outward reinsurance	*48*	*44*	*(4)*
Deferred tax assets	*1,644*	*2,601*	*957*
Current assets	**48,027**	**50,146**	**2,119**
TOTAL ASSETS	**285,076**	**262,074**	**(23,002)**

LIABILITIES AND EQUITY (€m)	1 January 2022	31 December 2022	Changes
Total equity	**11,213**	**7,878**	**(3,334)**
Non-current liabilities	**179,774**	**156,647**	**(23,126)**
of which			
Liabilities under insurance contracts	**160,334**	**141,380**	**(18,954)**
Liability for remaining coverage	*159,372*	*140,348*	*(19,025)*
Liability for remaining PAA coverage	*45*	*56*	*11*
Present value of future cash flows	*147,547*	*124,330*	*(23,218)*
Adjustment for non-financial risk	*1,324*	*3,060*	*1,736*
Contractual service margin	*10,456*	*12,902*	*2,446*
Liability for incurred claims	*962*	*1,032*	*70*
Cash flows related to past services	*952*	*1,016*	*64*
Adjustment for non-financial risk	*10*	*17*	*7*
Current liabilities	**94,090**	**97,549**	**3,459**
TOTAL LIABILITIES AND EQUITY	**285,076**	**262,074**	**(23,002)**

Liabilities under insurance contracts amounted to €141,380 million at 31 December 2022 and decreased by approximately €18,954 million compared to the balance at 1 January 2022. This decrease is mainly related to the decrease in the present value of future cash flows as a result of the negative financial market dynamics experienced during the year compared to the transition date. The Adjustment for non-financial risk, on the other hand, increased as a result of the updated calculation assumptions used. These dynamics led to a positive effect on the Contractual Service Margin, which, together with the effect of new production and experience variance, resulted in an increase of €2,446 million.

Equity at 31 December 2022, modified following the application of IFRS 17, decreased by approximately €1,059 million.

Below is a breakdown of the summary movement in OCI, gross of the tax effect, prepared in application of IFRS 4, already published in the 2022 Annual Report, both following the application of the new standard:

(€m)	2022 IFRS 17	of which insurance	2022 IFRS 4	of which insurance	Changes
Net profit/(loss) for the year	**1,583**		**1,511**		**72**
FVOCI debt instruments	-				
Increase/(Decrease) in fair value during the year	(27,742)	(23,333)	(4,747)	(338)	(22,994)
Transfers to profit or loss from realisation	(286)	(136)	(161)	(10)	(125)
Increase/(decrease) for expected losses	4	0	4	0	(0)
Cash flow hedges	(130)		(130)		
Financial revenue or costs relating to insurance contracts issued	22,784	22,784	-		22,784
Financial revenue or costs related to outward reinsurance	(1)	(1)	-		(1)
Other items	1,542		1,440		102
Items not to be reclassified in the Statement of profit or loss for the year	(220)		(219)		(1)
Total other comprehensive income	**(4,048)**		**(3,814)**		**(234)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(2,465)**		**(2,303)**		**(162)**

As is known, the financial year 2022 was characterised by a negative trend in the financial markets, which affected the result of the Statement of comprehensive income already at 31 December 2022. In the restated situation, the negative effect remains but is presented differently, as the new standard does not provide for the application of the shadow accounting technique. In fact, the unrealised capital losses generated by the securities portfolio, amounting to €27,742 million (of which €23,333 million related to the insurance business), are shown gross of the reversal to policyholders, as the mirroring component of the financial result is accounted for in the item "*Financial revenue or costs relating to insurance contracts issued*", consistent with the requirements of the new standard and the amendments to IAS 1. Compared to the net result recorded with the application of IFRS 4 in the insurance business alone, which amounted to an unrealised loss of €338 million, the IFRS 17 result amounted to an unrealised loss of €549 million (obtained as the difference between the delta fair value of debt instruments measured at FVTOCI recorded in the year and pertaining to the insurance business alone and the amount retroceded to policyholders of €22,784 million). Although the value of the changing fair value of the securities portfolio remains unchanged in the application of IFRS 17, what changes is the representation of the "over-coverage", i.e. the component of the financial result related to insurance liabilities that is not passed on to policyholders but represents the Group's unrealised capital gain or loss, which is determined in a timely manner prior to the allocation of income to the individual Units of Account and mirroring.

2.5 Material information on accounting standards

The Poste Italiane Group's financial statements have been prepared on a historical **cost basis**, with the exception of certain items for which **fair value** measurement is obligatory.

Below is information on accounting standards considered **relevant**[192] by the Poste Italiane Group, as well as all other information considered by management to be useful for understanding financial statement disclosures, revised essentially to take into account the new provisions of ***IAS 1 -*** *Presentation of Financial Statements*, which came into force on 1 January 2023.

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. Where the condition is met, this cost is increased for charges directly related to the purchase or construction of the asset, including - where identifiable and measurable - that relating to employees involved in the planning and/or preparation for use phase. Interest expense incurred by the Group for loans specifically for the acquisition or construction of property, plant and equipment is capitalised together with the value of the asset; all other interest expense is recognised as finance costs in profit or loss for the year in question. Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss in the related year. The capitalisation of costs attributable to the extension, modernisation or improvement of assets owned by Group companies or held under lease is carried out to the extent that they qualify for separate recognition as an asset or as a component of an asset, applying the component approach, which requires each component with a different estimated useful life and value to be recognised and amortised separately.

The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, based on the asset's expected useful life. Land is not depreciated

Property and any related fixed plant and machinery located on land held under concession or sub-concession, which is to be returned free of charge to the grantor at the end of the concession term, are accounted for, based on the nature of the asset, within property, plant and equipment and depreciated on a straight-line basis over the shorter of the useful life of the asset and the residual concession term.

At each reporting date, property, plant and equipment is analysed in order to identify the existence of any indicators of impairment (in accordance with IAS 36 - *Impairment of Assets*; please refer to the treatment of impairment of assets).

Gains and losses deriving from the disposal or retirement of an asset are calculated as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in profit or loss in the period in which the transaction occurs.

The **Investment property** of the Poste Italiane Group relates to land or buildings held with a view to earn rental or lease income or for capital appreciation or both; in both cases such property generates cash flows that are largely independent of other assets. The same accounting treatment is applied to investment property as to property, plant and equipment.

For details of the useful life of the main classes of Property, plant and equipment of the Group, reference should be made to Note 2.6 - *Use of estimates*.

192. Information on accounting standards is defined as material if, taken together with other information that can be inferred from the financial statements, it is believed to be able to influence the decisions made by the primary users of the financial statements. Within the Poste Italiane Group, the materiality of information is defined in relation to the nature of the transactions that give rise to it, as well as the nature of the other events or conditions associated with them.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controllable and capable of generating future economic benefits. The initial carrying amount is adjusted for accumulated amortisation, where an amortisation process is envisaged, and for any impairment losses.

In particular, **Industrial patents, intellectual property rights**, licences and similar rights are initially valued at purchase cost. This cost is increased for charges directly related to the purchase or preparation for use of the asset. Interest expense that the Group may incur for loans specifically for the purchase of industrial patents, intellectual property rights, licenses and similar rights are capitalised together with the value of the asset; all other interest expense is recognised as finance costs in profit or loss for the year. Amortisation starts once the asset is available for use. Amortisation is applied on a straight-line basis, in order to distribute the purchase cost over the shorter of the expected useful life of the asset and any related contract terms, from the date the entity has the right to use the asset.

Industrial patents, intellectual property rights, licenses and similar rights include costs directly associated with the internal production of unique and identifiable software products. Direct costs include - where identifiable and measurable - the charge related to employees involved in software development. Costs incurred for the maintenance of internally developed software products are charged to profit or loss for the year in question. Amortisation begins when the asset is available for use and extends, systematically and on a straight-line basis, over its estimated useful life. Any research costs are not capitalised.

Among the Group's intangible assets, **Goodwill** represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the company or business acquired, at the date of acquisition. Goodwill attributable to investments accounted for using the equity method is included in the carrying amount of the equity investment. Goodwill is not amortised on a systematic basis, but is tested periodically for impairment in accordance with IAS 36. This test is performed with reference to the cash generating unit ("CGU") to which the goodwill is attributable. The method applied in conducting impairment tests and the impact on the accounts of any impairment losses are described in the paragraph, "Impairment of assets".

Lastly, it should be noted that following the Purchase Price Allocation activity related to the acquisition of the Net Group, the value of the "Net Insurance" **brand** was recognised among the Group's Intangible assets. Similar to Goodwill, this Brand, considered to have an indefinite useful life, is not subject to systematic amortisation but to the provisions of IAS 36 on impairment.

Lease arrangements

The Group assesses whether a contract is or contains a lease at the time of its initial recognition; over the life of the contract, the initial assessment is revised only in response to changes in the terms of the contract (specifically, contractual term or lease payments due).

On the contract commencement date, a right to use the leased asset is recorded, equal to the initial value of the corresponding lease liability, plus payments due before or at the same time as the contract commencement date (e.g. agency fees). Subsequently, said right of use is measured less accumulated depreciation and any accumulated impairment losses. Depreciation starts on the commencement date of the lease and extends over the shorter of the lease term and the useful life of the underlying asset. If events or changes in circumstances indicate that the carrying amount of the right of use cannot be recovered, this asset is tested for impairment in accordance with the provisions of IAS 36 - *Impairment of Assets*.

The lease liability is initially recorded at the present value of the lease instalments not paid on the date the contract commences[193], discounted using the incremental borrowing rate, defined by loan period and for each Group company. The lease liability is subsequently reduced to reflect the lease payments made and increased to reflect interest on the remaining amount.

193. The payments included in the initial measurement of the lease liability include:
- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date (e.g. ISTAT indexes);
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a rate are, in contrast, not included in the initial measurement of the lease liability. These payments are recognised as a cost in the statement of profit or loss in the period in which the event or the condition giving rise to the obligation occurs.

The lease liability is restated (resulting in a right-of-use adjustment) in the event of a change in:

- the lease term (for example, in the case of early termination of the contract or an extension of the lease);
- the assessment of a purchase option for the underlying asset; in these cases, lease payments due are reviewed on the basis of the revised lease term and to take account of the change in the amounts payable in view of the purchase option;
- future lease payments deriving from a change in the index or rate used to determine the payments (e.g. ISTAT), or as a result of a renegotiation of the financial conditions.

Only in the case of a significant change in the lease term or in future lease payments does the Group remeasure the remaining lease liability with reference to the incremental borrowing rate at the date of the modification.

The Group avails itself of the option granted by the principle to apply a simplified accounting regime to short-term contracts for some specific asset classes (with a duration of no more than twelve months), to contracts in which the individual underlying asset is of low value (up to €5,000) and to contracts in which the individual underlying asset is an intangible asset; for these contracts, lease payments are recognised in profit or loss as matching entry to short-term trade payables.

Impairment of assets

At the end of each reporting period, property, plant, equipment and intangible assets with finite lives are analysed to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss to be recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use, represented by the present value of the future cash flows expected to be derived from the asset. In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money, the period of the investment and the risks specific to the asset. The realisable value of assets that do not generate separate cash flows is determined with reference to the cash generating unit (CGU) to which the asset belongs.

Regardless of any impairment indicator, the assets listed below are tested for impairment every year:

- intangible assets with an indefinite useful life or that are not yet available; the impairment test can take place at any time during the year, provided that it is performed at the same time in each of the following years;
- goodwill acquired in a business combination.

An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable amount. In particular, if the impairment loss regards goodwill and is higher than the related carrying amount, the remaining amount is allocated to the assets included in the CGU to which the goodwill has been allocated, in proportion to their carrying amount[194]. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset or CGU is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

Investments

In the Poste Italiane Group's consolidated financial statements, investments in companies over which the Group exerts significant influence, ("associates") and in joint ventures, are accounted for using the equity method. Certain particularly insignificant investments in subsidiaries (individually and in aggregate) are also valued using the equity method. See note 2.8 – *Basis of consolidation.*

In Poste Italiane SpA's separate financial statements, investments in subsidiaries and associates are accounted for at cost (including any directly attributable incidental expenses), after adjustment for any impairments. Investments in subsidiaries and associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment losses (or subsequent reversals of impairment losses) are recognised in the same way and to the same extent described with regard to property, plant and equipment and intangible assets in the paragraph, "Impairment of assets".

194. If the amount of the impairment loss is greater than the carrying amount of the asset or CGU, in accordance with IAS 36, no liability is recognised, unless recognition of a liability is required by an international accounting standard other than IAS 36.

Financial instruments

On initial recognition, financial assets and liabilities are classified at fair value based on the business purpose for which they were acquired. The purchase and sale of financial instruments is recognised by category, either on the date on which the Group commits to purchase or sell the asset (the transaction date), or, in the case of insurance transactions and BancoPosta's operations, at the settlement date[195]. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements.

On the other hand, trade receivables are recognised at their transaction price, in accordance with IFRS 15 - *Revenue from Contracts with Customers*.

On initial recognition, **financial assets** are classified in one of the following categories, based on the business model adopted to manage them and the characteristics of their contractual cash flows:

- Financial assets measured at amortised cost
  This category reflects financial assets held to collect the contractual cash flows (the held to collect or HTC business model) representing solely payments of principal and interest (SPPI). These assets are measured at amortised cost, that is the value assigned to the financial asset or liability on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed;
- Financial assets measured at fair value through other comprehensive income (FVTOCI)
  This category includes financial assets held both to collect the relevant contractual cash flows and for sale (the held to collect and sell or HTC&S business model), with the contractual cash flows representing solely payments of principal and interest.
  These financial assets are measured at fair value and, until they are derecognised or reclassified, gains or losses from valuation are recognised in other comprehensive income. Exceptions to this are gains and losses due to impairment and foreign exchange gains and losses recognised in the profit or loss in the year in question. If the financial asset is derecognised, the accumulated gains/(losses) recognised in OCI are recycled to profit or loss;
  This category also includes equity instruments that would otherwise be recognised through profit or loss, for which the irrevocable election was made to recognise changes in fair value through OCI (the FVTOCI option). This option entails the recognition of solely dividends through profit or loss;
- Financial assets measured at fair value through profit or loss
  This category includes: (a) financial assets primarily held for trading; (b) those that qualify for designation at fair value through profit or loss, exercising the fair value option; (c) financial assets that must be recognised at fair value through profit or loss; (d) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets belonging to the category in question are measured at fair value and the related changes are recognised in profit or loss. Derivative instruments at fair value through profit or loss are recognised as assets or liabilities depending on whether the fair value is positive or negative.; positive and negative fair values deriving from transactions with the same counterparty are offset during the collateralisation phase, where contractually provided for.

The classification as "current" or "non-current" of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income depends on the contractual maturity of the instrument, since current assets are those whose realisation is expected within twelve months of the reporting date. Financial assets measured at fair value through profit or loss are, on the other hand, classified as "current" if held for trading and are expected to be sold within twelve months of the reporting date.

An expected credit loss (ECL) provision must be made for financial assets recognised at amortised cost and financial assets at fair value through OCI, as follows: (i) specific provisions for doubtful debts are made for expected losses on financial assets measured at amortised cost; (ii) expected losses on financial assets measured at fair value through other comprehensive income are recognised in profit or loss, with a contra entry in the fair value reserve in equity. The method utilised is the "General impairment model", whereby:

- If on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime

195. This is possible for transactions carried out on organised markets (the "regular way").

ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);

- If a financial instrument is already impaired on initial recognition or shows objective evidence of impairment at the reporting date, lifetime expected losses are recognised. Interest is recognised at amortised cost *(*stage *3*), i.e. on the basis of the exposure value - determined using the effective interest rate - adjusted for expected losses.

Detailed information on the inputs, assumptions and techniques for determining expected losses on financial assets is provided in *Note 2.6 - Use of Estimates*, to which reference is made for a full discussion.

Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

In addition, for impaired financial assets, derecognition may take place following the write-off of the same, following the acknowledgement that there is no reasonable expectation of recovery (e.g. prescription).

Financial liabilities, including loans, trade payables and other payment obligations, are measured at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied. Financial liabilities are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

When required by the applicable IFRS (e.g. in the case of derivative liabilities), or when the irrevocable fair value option is exercised, financial liabilities are recognised at fair value through profit or loss. In this case, changes in fair value attributable to changes in own credit risk are recognised directly in equity, unless this treatment creates or enhances an accounting asymmetry, whereby the residual amount of the changes in the fair value of liabilities is recognised through profit or loss.

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

For **hedge accounting transactions**, the Poste Italiane Group has elected to use the option made available by IFRS 9 and has retained the accounting treatments provided for by IAS 39. In accordance with this standard, derivatives are initially recognised at fair value on the date the derivative contract is executed and if they do not qualify for hedge accounting treatment, gains and losses arising from changes in fair value are accounted for in profit or loss for the period.

If, on the other hand, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, as described below.

The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

- *Fair value hedges*[196]
  When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in profit or loss for the period.
  Macro hedges are deemed highly effective if, at their inception and throughout the term of the hedge, changes in the fair value of the hedged cash amount are offset by changes in the fair value of the hedges, and if the effective results fall within the interval required by the reference standard.

196. A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.

- *Cash flow hedges*[197]
  The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in "*Other comprehensive income*" (the "Cash flow hedge reserve"). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period.
  Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).
  If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

Embedded derivatives

An embedded derivative is a derivative included in a combined contract or hybrid instrument, also containing a non-derivative contract or host contract, which originates all or part of the cash flows of the combined contract. Embedded derivatives are separated from the host contract and recognised as a derivative when:
- the host contract is not a financial instrument measured at fair value through profit or loss;
- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Within the Group, contracts that may contain embedded derivatives are:
- contracts for the purchase of non-financial items entered into by Postepay SpA with clauses or options that influence the contract price, for which, however, embedded derivatives are not separable from the host contract;
- convertible bonds held by Poste Italiane SpA and Postepay SpA, for which the embedded derivative component is not separated as the host contract is a financial instrument measured at fair value through profit or loss.

Repurchase agreements

Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised in these financial statements. Consequently, in the case of securities purchased under a resale agreement, the amount paid is recognised as an amount due from customers or banks under Financial assets measured at amortised cost; in the case of securities sold under a repurchase agreement, the liability is recognised as an amount due to banks or customers under Financial liabilities measured at amortised cost. The transactions described are subject to offsetting if, and only if, they are carried out with the same counterparty, have the same maturity and offsetting is provided for in the contract.

Tax credits Law no. 77/2020

In order to identify the correct accounting treatment of receivables acquired in relation to Relaunch Decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020), since it is not possible to identify the framework directly applicable to this case, in compliance with the provisions of IAS 8, an accounting policy was defined suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and which reflects the economic substance and not merely the form of the transaction. On the basis of the analyses carried out and the documents published by the main Italian

197. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

supervisory bodies (Joint Document of the Bank of Italy, IVASS and CONSOB[198]), although the definition of financial assets in IAS 32 is not directly applicable to this case, an accounting model was developed based on IFRS 9 given that:

- at inception, an asset as defined by the Conceptual Framework arises in the transferee's financial statements;
- they may be used to offset a payable that is usually settled in cash (tax payables), and exchanged for other financial assets on terms that may be potentially favourable to the entity;
- a business model can be identified (Hold to Collect, Hold to Collect and Sell or other business models).

At the date of purchase, these receivables are recognised at their fair value (coinciding with the price paid) and subsequently measured at amortised cost, as they were acquired to be used to offset tax or social security payables by Poste Italiane SpA, based on the provisions of the relevant regulations ("Hold to Collect" business model).

Classification of receivables and payables attributable to BancoPosta and EMI RFC

Receivables and payables attributable to BancoPosta RFC are treated as financial assets and liabilities if related to BancoPosta's typical deposit-taking and lending activities, or services provided under authority from customers. The related operating expenses and income, if not settled or classifiable in accordance with Bank of Italy Circular 272 of 30 July 2008 – The Account Matrix, are accounted for in trade receivables and payables.

Receivables and payables attributable to EMI RFC are treated as financial assets and liabilities if related to EMIs' typical activities, or services provided under authority from customers. The related operating expenses and income, if not settled or classifiable in accordance with Bank of Italy Circular 217 of 5 August 1996 – The Account Matrix, are accounted for in trade receivables and payables.

Own use exemption

The standards establishing the principles for the recognition and measurement of financial instruments are also applied to derivative contracts to buy or sell non-financial items that are settled net in cash or in another financial instrument, with the exception of contracts entered into, and that continue to be held, for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (the own use exemption). This exemption applies to the recognition and measurement of forward electricity and natural gas contracts entered into by the subsidiary Postepay SpA if the following conditions have been met:

- the contract involves the physical supply of a commodity;
- the entity has not entered into an offsetting contract;
- the transaction must be entered into in accordance with expected purchase and/or sale or usage requirements.

When the above conditions are met, the contract for the purchase or sale of non-financial items is classified as a "normal contract of sale".

Taxes

Current income tax expense is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference is controlled by the Group or it is probable that the temporary difference will not reverse in the foreseeable future. In accordance with IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.

198. On 5 January 2021, the Bank of Italy, Consob and IVASS published Document no. 9 of the Coordination Round-Table Group on the Application of IAS/IFRS "Accounting Treatment of Tax Credits Associated with the "Heal Italy" and "Relaunch" Law Decrees Acquired as a Result of Disposal by Direct Beneficiaries or Previous Purchasers".

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity. Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same taxpaying entity, which has the legally exercisable right to offset the amounts recognised, and the entity has the intention of exercising this right. As a result, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against related assets deriving from withholding tax or advances paid.

The Group's taxation and accounting standards take account of the effects of Poste Italiane SpA's participation in the national tax consolidation scheme, for which the option has been exercised in accordance with the law, together with the following subsidiaries: Poste Vita SpA, SDA Express Courier SpA, Poste Air Cargo Srl, Postel SpA, Europa Gestioni Immobiliari SpA, Poste Welfare Servizi Srl, Poste Assicura SpA, BancoPostaFondi SpA SGR, PostePay SpA, Poste Insurance Broker Srl, MLK Deliveries SpA, Indabox Srl, Nexive Network Srl, LIS Holding SpA, LIS PAY SpA, Address Software Srl, Consorzio Servizi Scpa, Logos Srl and Plurima SpA. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid. Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of tax consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in the tax consolidation, Poste Italiane SpA attributes such reductions or increases in tax expense to the companies in question. The economic benefits deriving from the offset of tax losses transferred to the consolidating entity by the companies participating in the tax consolidation arrangement are recognised in full by Poste Italiane SpA. Other taxes not related to income are included in "Other operating costs".

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of interchangeable items and goods for resale is calculated using the weighted average cost method. In the case of non-interchangeable items, cost is measured on the basis of the specific cost of the item at the time of purchase. The value of the inventories is adjusted, if necessary, by provisions for obsolete or slow-moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the end of the reporting period. Assets are not, however, recognised in the statement of financial position when the Group has incurred an expense that, based on the best information available at the date of preparation of the financial statements, is deemed unlikely to generate economic benefits for the Group after the end of the reporting period.

In the case of properties held for sale[199], if present, cost is represented by the fair value of each asset at the date of acquisition, plus any directly attributable transaction costs, whilst the net realisable value is based on the estimated sale price under normal market conditions, less direct costs to sell.

Long-term contract work is measured using the percentage of completion method, using cost to cost accounting[200].

Environmental certificates not used in the reporting period are recognised in inventories.

199. These are properties held by EGI SpA and not accounted for in "Investment property" as they were purchased for sale or subsequently reclassified as held for sale.
200. This method is based on the ratio of costs incurred as of a given date divided by the estimated total project cost. The resulting percentage is then applied to estimated total revenue, obtaining the value to be attributed to the contract work completed and accrued revenue at the given date.

Environmental certificates

Within the Poste Italiane Group, environmental certificates refer to:

- Emission allowances held by the company Poste Air Cargo Srl as an incentive to reduce greenhouse gas emissions[201] with the aim of achieving an improvement in technologies used in energy production and industrial processes,
- Guarantees of origin and carbon credits held by the company Postepay SpA; the former aimed at certifying the origin from renewable sources of the electricity sold; the latter aimed at fully offsetting CO_2 emissions from natural gas consumption.

Emission allowances

The European Emissions Trading System, which works on the basis of the cap and trade principle, has capped annual greenhouse gas emissions at European level. This corresponds to the issue, free of charge, of a set number of emission allowances by the competent national authorities. During the year, depending on the effective volume of greenhouse gas emissions produced with respect to the above cap, each company has the option of selling or purchasing emission allowances on the market.

The issue, free of charge, of emission allowances involves a commitment to produce, in the relevant year, a quantity of greenhouse gas emissions in proportion to the emission allowances received: this commitment, commensurate with the market value of the emission allowances at the time of allocation, is disclosed in the notes to the financial statements. At the end of the year, the commitment is reduced or derecognised in proportion to the greenhouse gas emissions effectively produced and any residual value is reported in the section, "Additional information", in the Annual Report.

Guarantees of origin and carbon credits

Guarantees of Origin are certifications attesting to the renewable origin of the sources used by IGO (Guarantee of Origin Plants) classified plants. For each MWh of renewable electricity fed into the grid by IGO-qualified plants, the GSE (Gestore Servizi Energetici) issues a GO certificate to the producer, in accordance with EU Directive 2018/2001. As of 1 January 2013, electricity sales companies are obliged to procure a quantity of GO certificates equal to the electricity sold as renewable. To do this, each company is required, by 31 March of the year following the year in which electricity was supplied to end customers, to cancel a quantity of GOs equal to the electricity sold as renewable.

Carbon credits, on the other hand, represent a negotiable security that allows a company or organisation to offset the carbon dioxide (CO2) emitted in the course of its activities (in the case of Postepay SpA, the CO2 emissions of the gas marketed to end customers), by adhering to environmental sustainability projects aimed at pursuing a path of ecological transition and decarbonisation.

CO_2 offsetting takes place through the acquisition of carbon credits for a value equivalent to the CO_2 emissions resulting from the gas consumption of the Company's end customers. Each carbon credit represents the offsetting of one tonne of CO_2.

The accounting treatment of emission allowances, guarantees of origin and carbon credits to the extent that they are similar, in the absence of specific guidelines in the IAS/IFRS framework, is carried out in accordance with the provisions of the OIC 8 "*Greenhouse Gas Emission Allowances*", as well as with the reference best practice for the main IAS adopters. The purchase and sales of environmental certificates are accounted for in profit or loss in the year in which the transaction occurs. At the end of the year, any surplus deriving from purchases is accounted for in closing inventory at the lower of cost and net realisable value[202]. In the event of a deficit, the resulting charge and related liability are accounted for at the end of the year at market value.

201. Introduced into the Italian and European regulatory system by the Kyoto Protocol.
202. Any surplus emission allowances allocated free of charge are not accounted for in closing inventory.

Business Combinations

Business combinations are recognised using the acquisition method. The consideration transferred in a business combination is equal to the sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred, and any interest issued by the acquirer. Costs directly attributable to the transaction are recognised in the Statement of profit or loss.

The amount transferred is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the related fair values at the acquisition date.

Any positive difference between the carrying amount of the asset and its recoverable value is recognised as goodwill and recorded under intangible assets:

- the sum of the consideration transferred, measured at fair value at the acquisition date, the amount of any non-controlling interest, and, in the case of business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- the net value of the amounts, at the acquisition date, of the assets acquired and liabilities assumed that are identifiable in the acquiree measured at fair value.

In the event of a negative difference, this surplus represents the profit from a purchase on favourable terms and is recognised in the statement of profit or loss.

If at the time of preparing the financial statements the fair value of the assets, liabilities and contingent liabilities arising from the transaction can only be determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the valuation process are recognised retrospectively within twelve months of the acquisition date.

In the case of a business combination achieved in stages, the interests previously held in the acquiree are remeasured at fair value at the new acquisition date and any difference (positive or negative) is recognised in the statement of profit or loss or in the statement of comprehensive income if appropriate.

Cash and deposits attributable to BancoPosta

Cash and securities held at post offices, and bank deposits attributable to the operations of BancoPosta RFC, are accounted for separately from cash and cash equivalents as they derive from deposits subject to investment restrictions, or from advances from the Italian Treasury to ensure that post offices can operate. This cash may only be used in settlement of these obligations.

Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2023 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less. Current account overdrafts are accounted for in current liabilities.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets, disposal groups and discontinued operations are measured at the lower of their carrying amount and fair value, less costs to sell.

When it is highly probable that the carrying amount of a non-current asset, or a disposal group, will be recovered, in its present condition, principally through a sale transaction or other form of disposal, rather than through continuing use, and the transaction is likely to take place in the short term, the asset or disposal group is classified as held for sale or as a discontinuing operation in the statement of financial position. The transaction is deemed to be highly probable, when the Parent Company's Board of Directors, or, when so authorised, the board of directors of a subsidiary, has committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance.

Equity

Share capital

Share capital is represented by Poste Italiane SpA's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the share capital, net of any deferred tax effect.

Treasury shares

Treasury shares are recognised at cost and deducted from equity. The effects of any subsequent sales are recognised in equity.

Hybrid bonds

Perpetual subordinated hybrid bonds are classified as an equity instrument in the financial statements, in view of the fact that the issuing Company has the unconditional right to defer repayment of the principal and payment of the coupons until the date of its winding-up or liquidation. Therefore, the amount received from the subscribers of these instruments, net of the related issue costs, is recognised as an increase in Group shareholders' equity; conversely, repayments of principal and payments of coupons due (at the time the related contractual obligation arises) are recognised as a decrease in equity.

Reserves

Reserves include capital and revenue reserves. They include, among others, the BancoPosta ring-fenced capital reserve, representing the dedicated assets attributed to BancoPosta RFC, legally autonomous, the Parent Company's legal reserve, the fair value reserve, relating to items recognised at fair value through equity, and the cash flow hedge reserve, reflecting the effective portion of hedging instruments outstanding at the end of the reporting period and the translation reserve which includes the exchange differences from the translation, in the presentation currency, of the financial statements of the consolidated companies that operate with a non-Euro functional currency.

Retained earnings

This relates to the portion of profit for the period and for previous periods which has not been distributed or taken to reserves or used to cover losses and actuarial gains and losses deriving from the calculation of the liability for employee termination benefits, and transfers from other equity reserves, when they have been released from the restrictions to which they were subjected. In the consolidated financial statements, the item also includes any effects arising from transactions with minority shareholders.

Insurance contracts

The entry into force of the new accounting standard on insurance contracts has led to significant changes in the way insurance assets are determined and valued. For details on the new provisions of IFRS 17 and how Insurance Assets and Liabilities are determined, see *Note 2.4 - Changes to accounting policies*.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. In those rare cases in which disclosure of some or all of the information regarding the risks in question could seriously prejudice the Group's position in a dispute or in ongoing negotiations with third parties, the Group exercises the option granted by the relevant accounting standards to provide limited disclosure.

Employee benefits

The **Short-term employee benefits** are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period is accrued as personnel expenses.

There are two types of **post-employment benefit**s:

- Defined benefit plans
  Defined benefit plans include employee termination benefits due to employees pursuant to Article 2120 of the Italian Civil Code limited to the portions of employee termination benefits accrued in the company up to 31 December 2006, for Group companies with at least 50 employees, as well as the portions of employee termination benefits accrued during the period in the case of Group companies with less than 50 employees, which continue to increase the value of the accumulated liability. Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. The calculation takes into account accrued employee termination benefits for services already rendered and is based on actuarial assumptions described in Note "*2.6 - Use of Estimates - Employee termination benefits*", to which reference should be made. Actuarial gains and losses at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions, are recognised directly in *Other comprehensive income*.
- Defined contribution plans
  Employee termination benefits fall within the scope of defined contribution plans provided the benefits vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

The **Termination benefits payable to employees** are recognised as a liability when the entity gives a binding commitment, also on the basis of consolidated relationships and mutual undertakings with union representatives, to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employment benefits consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. The net change in the value of any of the components of the liability during the reporting period is recognised in full in profit or loss.

Share-based payments

Share-based payment transactions may be settled in cash, with equity instruments, or with other financial instruments. Goods or services received or acquired through a share-based payment transaction are recognised at their fair value.

In the case of cash-settled share-based payment transactions:
- a liability is recognised as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the liability;
- the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in fair value in profit or loss for the period.

In the case of equity-settled share-based payment transactions:
- an increase in shareholders' equity is recorded as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the equity instruments granted at the grant date.

In the case of employee benefits, the expense is recognised in personnel expenses over the period in which the employee renders the relevant service.

Recognition of revenue from contracts with customers

Revenue is recognised to the extent that reflects the consideration to which the Group expects to be entitled in exchange of those goods and/or services promised to the customer (transaction price).

The main revenue types of the Poste Italiane Group are described below, together with an indication of the time-frame in which the performance obligations[203] will be met:
- **Revenue from mail, parcels and other**: refers to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at a point in time given the number of transactions handled through the various sales channels (post offices, call centres and on-line) and measured on the basis of the rates applied; revenue generated through the business channel is generally earned as a result of annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and handled. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue.

203. The performance obligations are defined as the explicit or implicit promise to transfer a distinct good or service to the customer. Revenue is recognised when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer:
- "at a point in time": in the case of obligations fulfilled at a point in time, revenue is recognised only as control over the good or service is passed to the customer. In that respect, consideration is given not only to the significant exposure to the risks and benefits related to the good or service but also physical possession, customer's acceptance, the existence of legal rights, etc.;
- "over time": in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer's satisfaction. An appropriate approach is defined to measure progress of the performance obligation (the output method).

- **Revenue from financial services** refers to:
  - revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
  - revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
  - revenue from commissions on payment of bills by payment slip: this is recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale.
- **Revenue from payments and mobile** refers to:
  - card payments, collections and payments relating to PostePay primarily to the cards issued by Postepay and debit cards recognised at a point in time when issued and the services linked to them recognised over time as the service is used by the customer. These services include interchange fees recognised by international circuits on payment transactions with cards recognised over time. The item includes commissions for acquiring services rendered to merchants recognised over time due to the use of the service, F23 and F24 proxy acceptance services recognised over time due to the level of service rendered, and PagoPA collection services recognised at a point in time when the service is provided. Services provided by the LIS Group contribute to this item, which mainly include collection and payment services (including pay slip collection services) provided by LIS Pay and recognised at a point in time upon collection, and revenue from the processing of telephone top-ups and network fees and services paid by points of sale to LIS Holding recognised over time due to the use of the service;
  - mobile and fixed network telephony services, which include: revenue from "standard TLC service offers" recognised over time based on the output method according to the traffic offer (voice, SMS and data); the revenue relating to the sale of fixed telephony offers recognised over time based on the output method according to the fee charged to the customer; revenue relating to the activation fees for SIMs and fixed telephony offers, recognised at a point in time at the time of service delivery;
  - services related to the supply of electricity and natural gas, the revenue from which is recognised at the time the electricity or gas is supplied to the end customer (over time). With regard to the sale of electricity, the services offered include, in addition to the commodity component, also the transport, metering and system charges components; with regard to the sale of natural gas, these services include, in addition to the commodity component, also the provision of transport services.

For revenue recognition purposes, the principle provides for the identification and quantification of the variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) to include them to supplement or adjust the transaction price. Among the variable components of the fee, of particular importance are the penalties (to be paid to the customer in the event of failure to achieve pre-established service levels), which are recognised by the Group as a direct decrease in revenue.

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. The return on the current account deposits held by the MEF is determined using the effective interest method and is recognised as revenue from financial services. The same classification is applied to income from Eurozone government bonds, in which deposits paid into accounts by private customers and tax credits Law no. 77/2020 are invested.

The Poste Italiane Group disaggregates revenue from contracts with customers by type of good and/or service provided; revenue is therefore disaggregated in line with the operating segments identified within the company. For quantitative details on the distinction between revenue from contracts with customers recognised at a specific time or over time, see section "*4.3 Notes to the statement of profit or loss*".

Government grants

Receivables for Government grants are recognised once they have been formally allocated to the Group by the public entity concerned and only if, based on the information available at the end of the year, there is reasonable assurance that the project to which the grant relates will be effectively carried out and completed in accordance with the conditions attached to the grant. Grants are recognised in profit or loss under Other operating income as follows: operating grants in proportion to the costs actually incurred for the project and accounted for and approved to the public entity; grants related to property, plant and equipment are recognised in proportion to the depreciation charged on the assets acquired and used to carry out the project.

Finance income and costs

Finance income and costs are recognised on an accruals basis based on the effective interest method, i.e. using an interest rate that discounts all cash flows relating to a given transaction in the same way.

Dividends are recognised as finance income when the right to receive payment is established, which generally corresponds with approval of the distribution by the Shareholders Meeting of the investee company. Otherwise, dividends from subsidiaries are accounted for as "Other operating income".

Transactions in currencies other than the euro are translated to euro using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in currencies other than the euro are recognised in profit or loss.

Earnings per share

In the Poste Italiane Group's consolidated financial statements, earnings per share is determined as follows:

Basic: basic earnings per share is calculated by dividing the Group's profit for the year by the weighted average number of Poste Italiane SpA's ordinary shares in issue during the period.

Diluted: at the date of preparation of these financial statements no financial instruments have been issued which have potentially dilutive characteristics[204].

Related parties

Related parties within the Group refer to Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and its direct and indirect subsidiaries and associates. The Group's key management personnel are also classified as related parties, as are funds providing post-employment benefits to the Group's employees and the related entities. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

204. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of all instruments which can be converted into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all convertible securities.

2.6 Use of estimates

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in these Financial Statements may also vary significantly as a result of changes in the subjective valuations used.

Accounting treatments that require greater subjectivity in the preparation of estimates are described below, also taking into account the unique characteristics of the macroeconomic environment of reference recorded during the year (in line with ESMA requirements[205]).

Revenue from contracts with customers

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated as of every close of the accounts for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

In the business relating to the sale of electricity and gas, revenue includes estimates of both turnover and allocations for supplies made to customers between the date of the last billing period and the end of the reporting year. Both of these estimation components are based on the application of internally developed algorithms that take into account the estimated volumes consumed by customers (given the historical billing information). As required by the relevant regulations, the allocation of revenue is subject to adjustment until the fifth subsequent year.

Provisions for risks and charges

The Group makes provisions for probable liabilities deriving from disputes with staff, suppliers, and third parties and, in general, for liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the provisions for risks and charges involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

In order to reflect in the financial statements the risks arising from potential fraud perpetrated against Poste Italiane and, therefore, to determine the accounting impacts associated with the potential risk on tax credits, as described in greater detail in Note A10 - *Tax credits Law no. 77/2020*, without prejudice to compliance with Bank of Italy/Consob/Ivass Document no. 9 as to all other aspects related to the accounting recognition of the tax credits in question (see the section “Tax credits Law no. 77/2020” of paragraph 2.5 *Material information on accounting standards* for further details), the decision was taken to refer to the provisions of IAS 37 - Provisions, Contingent Assets and Contingent Liabilities, with regard to the measurement of the risks in question. The applicability of IAS 37, in order to reflect in the financial statements the risk of not being able to offset the tax credits on which fraud was ascertained, was considered because the possible failure to recover the carrying amount of the tax

205. Public statement ESMA32-193237008-1793 of 25 October 2023.

credits would not derive from a characteristic of the asset being measured or from significant increases in the credit risk after the initial recognition of the asset or, more simply, from the ascertained default of the debtor, but rather from the possibility that, for those ascertained to be cases of fraud, the liability of the assignee – even if a third party in good faith or an offended party to the offence – will also be called to account for assumptions other than the possible irregular use of the tax credit or for use to a greater extent than the tax credit received[206]. As a result of the in-depth analyses carried out on the tax credits acquired, also with the support of external legal, tax and accounting consultants, a specific provision was estimated, recorded consistently with the above and for clarity in the liability item "Provisions for risks and charges". It should be noted that the determination of the above-mentioned provision necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which relate to the outcome of the proceedings under way, the identification of the receivables whose deductions have been assigned are effectively non-existent, and the outcome of the initiatives that will be activated by Poste Italiane to recover the amounts paid to the entities in respect of which cases of fraud have been ascertained.

Impairment and stage allocation for financial instruments

Below are the inputs, assumptions and estimation techniques used to calculate the impairment of financial assets measured at amortised cost and at fair value through other comprehensive income and to determine the stage allocation of financial instruments, the latter not applicable within the Poste Italiane Group for trade receivables in accordance with the Simplified Approach.

General description of the models utilised

The Group uses the general impairment model in accordance with risk ratings estimated on the basis of the type of counterparty:
- Securities/deposits with Sovereign, Banking and Corporate counterparties: internal models for estimating risk parameters;
- Public Administration and Central Counterparties: risk ratings deriving from agency ratings or average default rates for the sector.

The simplified approach is applied to trade receivables, as described in greater detail later.

Significant increase in credit risk

Based on the impairment model adopted by the Poste Italiane Group to meet the requirements of the accounting standard, any significant increase in credit risk associated with the financial instruments held, other than trade receivables, is determined on the basis of a change in the relevant credit rating between the time of the initial investment and the reporting date.

This change in notches is compared with a threshold that takes into account the following factors:
- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the portfolio (vintage factor);
- an additive factor to mitigate the non-linearity of probability of default ("PD") with respect to the rating classes[207];
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating[208].

The ratings used in stage allocation derive from internal models in the case of banking, sovereign and corporate counterparties, and external info providers in the case of Public Administration and Central Counterparties. Based on the above information, the Poste Italiane Group rebuts the presumption that there have been significant increases in credit risk following initial recognition, when financial assets are more than 30 days past due.

206. As provided for in Article 121, paragraph 4 of Law Decree no. 34/2020, which states "...omissis...Suppliers and transferees shall only be liable for any use of the tax credit in an irregular manner or to an extent greater than the tax credit received...omissis...".
207. The additive factor is built in view of the rating level at the reporting date, where the better the final rating the higher the threshold for the transition to Stage 2.
208. The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:
- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.

The Poste Italiane Group decided not to adopt the Low Credit Risk Exemption and to proceed instead with stage allocation of the financial instruments concerned.

Regarding trade receivables, given the adoption of the simplified approach under the new accounting standard, expected credit losses are determined throughout the lifetime of the instrument.

Definition of default

The Poste Italiane Group defines default on the basis of ad hoc assessments that take into account:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

Collective and individual provisions

The collective impairment of a homogeneous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

Individual provisions are considered only following the review of trade receivables for amounts in excess of a given threshold and only in relation to single receivables.

Forward looking information

According to the standard, the ECL calculation must also factor in forward looking components based on broad consensus scenarios.

The Poste Italiane Group incorporates forward looking information directly in the PD estimation. In particular, for sovereign counterparties, for which authoritative forward-looking estimates[209] are available, these values are used to calculate PD; for other counterparties, on the other hand, the internal model adopted allows the input dataset needed to calculate PD to be completed from scenario values referring to some of the model variables. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information[210].

ESG disclosure

The Sovereign, Bank and Corporate PD estimation models include variables reflecting Social and Governance factors defined from indicators provided by authoritative sources such as the UN and the World Bank. The Environmental factor is negligible for these purposes in view of the 1-year time horizon of the PD itself. In the context of BancoPosta's RFC, this factor is monitored through scenario analyses and verification of ratings provided by external agencies.

209. These include prospective estimates made available by the International Monetary Fund, the UN and the World Bank.
210. In particular, the use of such approach is limited to situations where, actually, the final data are deemed to be no longer representative of the counterparty's risk.

Estimation techniques used

Since events of default cannot be used, as they are not very frequent, to develop credit scoring models for Sovereign, Banking and Corporate counterparties, a shadow rating approach has been adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies; the target is identified as the default rate linked to the rating level.

A key rating agency was selected to construct the target, taking into account both the large number of rated counterparties and the availability of historical data over what was deemed to be an adequate period of time.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:
- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

The internal model estimate used a definition of default based on a payment delay of 90 days.

ECL measurement

Expected credit losses (ECL) are determined over a time horizon consistent with the stage level (12 months or lifetime) on the basis of the following factors:
- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

The main assumptions/choices adopted in the determination of the factors are as follows:
- PD: as indicated from the start, a Point in Time (PIT) and forward-looking evaluation has been adopted;
- LGD: values have been used consistent with the Internal Ratings-Based (IRB) Base Approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed-rate securities, variable-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

The assumptions adopted and set out above have led to an increase in the PD of Italy and other Sovereign counterparties in general compared to that used in the assessments in the Annual Report at 31 December 2022.

Trade receivables

The Group adopts the simplified approach to test for the impairment of trade receivables, on the basis of which provisions for credit losses are determined for an amount equal to expected losses throughout the lifetime of the receivable. Such approach is implemented through the following process:
- based on total revenue or the historical credit exposure, all receivables or credit exposures exceeding a certain pre-established credit threshold are assessed analytically. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages estimated on the basis of historical losses, where they exist, or alternatively on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

Collateral held and other credit risk mitigation instruments on trade receivables

To mitigate the risks arising from the extension of credit terms to its customers, the Group has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms. Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

The Poste Italiane Group accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions or security deposits through the opening of a postal escrow account. The Poste Italiane Group, as a rule, exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

For all the exposures evaluated individually, to calculate the provisions for doubtful debts, guarantees reduce the amount of the exposure at risk.

At 31 December 2023, the Group does not hold trade receivables secured by collateral or other risk mitigation instruments for which no loss provisions have been made.

Impairment tests of goodwill, cash generating units and equity investments

Goodwill and other non-current assets are tested for impairment in accordance with IAS 36 – *Impairment of Assets*. Impairment testing involves the use of estimates based on factors that may change over time, potentially resulting in effects that may be significantly different from prior year estimates.

In accordance with the relevant accounting standard, when it is not possible to estimate the recoverable amount of an individual asset, the Group identifies the smallest group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets (Cash Generating Units - CGUs). The process of identifying such CGUs necessarily involves management's judgement as to the specific nature of the assets and business to which they belong and evidence that the cash inflows from the group of assets are closely interdependent and largely independent of those from other assets (or groups of assets). The number and scope of CGUs are systematically updated to reflect the effects of new aggregation and reorganisation operations carried out by the Group, as well as to take into account those external factors that could affect the ability of assets to generate independent cash inflows.

For the most significant impairment tests performed at 31 December 2023, the carrying amounts tested and the main assumptions underlying the tests performed are shown below:

	Amount (€m)	Method used	Explicit forecast period	Growth rate	Discount rate
Goodwill of the Mail, Parcels and Distribution CGU	213	DCF	2024-2028	2.0%	7.48% (WACC)
Goodwill of the Payments and Mobile CGU	459	DCF	2024-2028	2.0%	9.54% (WACC)
Goodwill of the NET Insurance (Insurance) CGU	124	DDM	2024-2028	2.0%	9.31% (Ke)
Investment in Anima Holding SpA	219	DDM	2024-2026	2.0%	9.65% (Ke)

DCF: Discounted Cash Flow; DDM: Dividend Discount Model; WACC: Weighted Average Cost of Capital; Ke: cost of own capital

It should be noted that the discount rates at 31 December 2023 are up from those used for the previous year's estimates. Specifically, the increases amounted to 129 basis points for the Mail, Parcels and Distribution CGU, 90 basis points for the Payments and Mobile CGU, and 131 basis points for the investment in Anima Holding.

With reference to the external quantitative indicators of impairment at Group level, it should be noted that, at 31 December 2023, market capitalisation was higher than book equity, whereas with regard to internal source elements, it should be noted that consolidated results at December 2023 were above budget forecasts for the same period.

Mail, Parcels and Distribution CGU

The impairment test of the Mail, Parcels and Distribution CGU was performed, consistent with the previous year, at the consolidated level, including the companies within the same operating segment; the activities performed by the different companies and the resulting cash flows are highly interdependent, as commercial and strategic management decisions are made centrally at the level of the entire segment.

The value in use of the CGU was estimated on the basis of the 2024-2028 strategic plan approved by Poste Italiane SpA's Board of Directors on 19 March 2024. The economic forecasts used in the execution of the test also include, among the various characterising elements, forecasts for the planned investments that will be focused on achieving the CGU's automation and modernisation objectives, in continuity with what was achieved in 2023. Special importance is attached to investments classified as ESG, i.e. that comply with the reference principles of the Group's 8 Sustainability Pillars. Among the CGU's main investment projects are the Polis Project "Homes of Digital Citizenship Services", energy efficiency measures for real estate, and the automation and evolution of the sorting and delivery network from a green perspective.

In determining the terminal value, calculated on the basis of the last year of explicit forecasts, income was normalised. Reference was also made to the transfer prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's distribution network.

The impairment test determined that the related carrying amounts are fair.

The impairment test is based on estimates and assumptions that present elements of uncertainty, also due to the current context characterised by significant volatility of the main market factors and significant uncertainty with regard to economic expectations, as well as the continuation of negative economic results and the decline of the postal market in which the Group operates; for this reason, sensitivity analyses were carried out. In particular, the impairment test showed the recoverability of the goodwill allocated to the CGU even by increasing the indicated discount rate by 100 basis points and jointly reducing the long-term growth factor by 20 basis points.

Sensitivity analyses performed on the impairment test lead to a substantial alignment between the recoverable amount and the net invested capital of the CGU with a discount rate of 9.11%.

As in the past, in determining the value of properties used as post offices and sorting centres, Poste Italiane SpA's universal service obligation was taken into account, as was the inseparability of the cash flows generated from the properties that provide this service, (which the Parent Company is required to operate throughout the country regardless of the expected profitability of each location); the unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by post offices, were also considered. On this basis, the value in use of the Land and Buildings used in operations is relatively unaffected by changes in the commercial value of the properties concerned and, in certain critical market conditions, certain properties may have values that are significantly higher than their mere market value, without this having any impact on the cash flows or profitability of the Mail, Parcels and Distribution segment.

The fair value of the Parent Company's properties used in operations continued to be higher than their carrying amount, as confirmed by the property valuations carried out.

Payments and Mobile CGU

In performing the impairment test on the goodwill arising from the acquisition of the LIS Group, which took place in 2022, reference was made to the CGU comprising all the companies belonging to the Payments and Mobile segment as the only cash flow generator.

Following the completion of the LIS integration and reorganisation processes, in fact, the Payments and Mobile operating segment is based on single and integrated market and operational processes according to a unified approach. Consequently, the cash flows are largely independent of those generated by the other operating segments of the Poste Group, but closely interrelated within the segment. Therefore, LIS is no longer identifiable as a separate CGU (as determined for 31 December 2022).

In order to estimate the value in use of the CGU, reference was made to the 2024-2028 Strategic Plan approved by the Poste Italiane SpA's Board of Directors on 19 March 2024, as well as by the Boards of Directors of the respective companies belonging to the CGU for the portion pertaining to them. Based on the test results, there was no need to make impairment adjustments at 31 December 2023.

Sensitivity analyses show the passing of the test by a wide margin even in scenarios significantly worse than the one used for the impairment test.

It should be noted that even if the impairment test were performed consistently with 31 December 2022 (CGU comprised of LIS Holding and LIS Pay), there would be no need to make impairment losses to the goodwill recognised in the financial statements.

Net Insurance (Insurance) CGU

Following the purchase of Net Insurance by Poste Vita through the corporate vehicle Net Holding in 2023 and the associated Purchase Price Allocation process, details of which are provided in Note 2.8 - *Basis of consolidation*, goodwill of €124 million emerged, equal to the remaining difference between the consideration transferred for the acquisition of Net Insurance by Net Holding and the fair value of the adjusted net assets acquired.

In performing the impairment test relating to the Net Insurance Group, reference was made to the CGU consisting of Net Insurance and Net Insurance Life as the cash generating unit.

To estimate the value in use of the CGU, reference was made to the 2024 -2028 Strategic Plan. Based on the test results, there was no need to make impairment adjustments at 31 December 2023.

Sensitivity analyses performed on the impairment test lead to a substantial alignment between the recoverable amount and the net assets of the CGU with a discount rate of 12.6%.

Investment in Anima Holding SpA

With reference to the impairment test on the investment in Anima Holding SpA, the future cash flows used in determining the value in use are those observable as consensus for the main balance sheet indicators (Revenue, Profit (loss) before tax and Net Profit) estimated by analysts for the next three years and available periodically on the company's website. At 31 December 2023, there was no need for impairment adjustments.

Other equity investments in associates

With reference to the impairment tests of the equity investments in the other associates Sennder, Financit, Replica Sim and Eurizon Capital Real Asset, no impairment adjustments were found to be necessary at 31 December 2023.

Depreciation and amortisation of property, plant and equipment and intangible assets

The cost of fixed assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of acquisition and is based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, such as technological developments. The actual useful life may, therefore, differ from the estimated useful life.

The useful life of the Group's main asset classes is detailed below:

Property, plant and equipment	Years	% annual depreciation
Buildings	40-59	3%-2%
Structural improvements to own properties	18-31	6%-3%
Plant	8-23	13%-4%
Light constructions	10	10%
Equipment	3-10	33%-10%
Furniture and fittings	3-8	33%-13%
Electrical and electronic office equipment	3-10	33%-10%
Motor vehicles, automobiles, motorcycles	4-10	25%-10%
Leasehold improvements	estimated lease term*	-
Other assets	3-5	33%-20%

* Or the useful life of the improvement if shorter than the estimated lease term.

Investment property	Years	% annual depreciation
Property	39-42	3%-2%
Structural improvements to own properties	17-18	6%

In the case of assets to be handed over, located on land held under concession or sub-concession, on expiry of the concession term, or whilst awaiting confirmation of renewal, any additional depreciation of assets takes into account the probable residual duration of the right to use the assets to provide public services, to be estimated on the basis of the framework agreements entered into with the Public Administration entity, the status of negotiations with the grantors and past experience.

Lastly, with regard to intangible assets, amortisation begins when the asset is available for use and extends systematically on a straight-line basis over its estimated useful life determined in a range of between 2 and 5 years.

Insurance liabilities

The main models, inputs and assumptions used to estimate insurance liabilities, i.e. future cash inflows and outflows related to insurance contracts, are summarised below.

Input data, assumptions and estimation techniques used

For contracts measured with the VFA model, the estimate of future flows related to the Liability for remaining coverage is made considering the following inputs:

- Non-financial assumptions, such as mortality, lapses, conversions, expenses, etc. Expense assumptions, consistent with the principle, are parametrised taking into account only attributable costs;
- Financial assumptions, such as returns on assets backing insurance liabilities, asset allocation, etc.;
- Stochastic economic scenarios[211] differentiated by separately managed account and by type of business.

211. A stochastic mathematical model makes it possible to study the course of phenomena that follow random or probabilistic laws.

The estimate of cash flows takes into account all the commitments of the companies in respect of the contracts under assessment through the elaboration of magnitudes such as gross premiums, other inflows other than premiums consistent with the quantification of the benefits under analysis, commissions, expenses, performance settlements, any residual Mathematical Provision at the end of the projection, and other outflows other than the above consistent with the quantification of the benefits under analysis.

For contracts measured with the BBA, the future fulfilment flows represent estimates of the future cash flows that will be generated by the natural fulfilment of the contracts by the companies and therefore include all possible cash flows that fall within the contract boundary.

Projected cash flows include claims paid, reimbursements for early termination of contracts, acquisition commissions, other directly attributable administrative expenses, other directly attributable acquisition expenses, premiums written and recoveries.

It should also be noted that, for onerous contracts measured through the PAA, future fulfilment flows are calculated using the same approach as for contracts measured through the BBA.

Liabilities for incurred claims include future fulfilment cash flows related to past services attributed to the contract group at the measurement date. These flows are defined as the sum of the following components:

- Cash flows of undiscounted Best Estimate Liabilities (UBEL[212]), which are the best estimate of cash outflows for both reported claims and late claims;
- Discount effect, calculated by discounting the cash flows referred to in the previous point using the defined discount curve;
- Adjustment for non-financial risks, estimated using the methodology defined by the Group.

The process of allocating costs between “attributable” and “non-attributable” is done punctually according to the cost centres that incur them. The development and related deferral of costs follow the associated cash flow projections and the same recognition metrics adopted for the CSM release.

No changes have been made to the insurance liability valuation process since the transition date with the exception of the financial and technical assumptions, which are updated as necessary at each valuation date. Furthermore, the contracts in the portfolio do not provide for any discretionary elements on the part of the Company that could affect the expected flows.

Investment component

Assessments of the expected investment component to be included in the estimate of fulfilment future cash flows are made separately by product type. An estimate of the flow related to the Investment component is provided for both valuations at initial recognition of contract groups and for valuations at each reporting date.

For contracts with discretionary participation features and annuities in the accumulation phase, the expected investment component is equal to the lapse value net of penalties, whereby the estimate in future fulfilment flows is obtained as the difference between the estimated payout amount and the countervalue calculated on the basis of the lapse value net of penalties. For annuities that are certain to be paid out, the value of the investment component is not an estimate since it corresponds to the value of the benefits to be paid out, while for annuities that are certain to be paid out and pure risk products, there is no Investment component.

Method for determining the discount rate used

Below are details, by individual portfolio, of the discount curves used by the Poste Italiane Group in determining its insurance liabilities and the adjustments made to the reference Basic Risk Free Curve to take into account the counterparty’s level of liquidity (Illiquidity Premiums):

- in relation to the Separately managed account participating business and the Unit Linked portfolio connected to Separately managed accounts (Multi-class products), the Illiquidity Premium is calibrated on the basis of the composition of the reference portfolio (e.g. Separately managed accounts or Company) using approaches and metrics borrowed from the Solvency II approach;

212. Undiscounted Best Estimate Liabilities.

- in relation to the non-participating Life Business and for the Unit Linked portfolio not connected to Separately managed accounts, use was made of the values of Illiquidity Premiums consistent with the Volatility Adjustment value provided by EIOPA, in line with Solvency II. This approach is replicated in Net Insurance Life's pure risk business;
- in relation to the P&C business relating to the companies Poste Assicura and Net Insurance, the Basic Risk Free curve is adopted, assuming an Illiquidity Premium consistent with the Volatility Adjustment value provided by EIOPA.

In operational terms, the Poste Italiane Group defined the curves at the date of initial recognition of the contract, in particular:
- for the Life business related to contracts issued by Poste Vita, the initial recognition curve of contracts is set equal to the Based Risk Free curve with illiquidity premium related to the previous quarter;
- for the P&C business relating to Poste Assicura contracts, the curve at initial recognition of contracts is the Based Risk Free of the previous year (31/12/t-1);
- for the P&C business, relating to contracts issued by Net Insurance, and for the Life business, relating to contracts issued by Net Insurance Life, the curve at initial recognition of contracts is the Based Risk Free with Volatility Adjustment relative to the previous year (31/12/t-1)[213].

For the BBA method, in order to calculate the interest accrued on the CSM at the reporting date, the Poste Italiane Group uses the forward curve determined with respect to the spot locked-in curve at the valuation date.

For the PAA model, the Poste Italiane Group has not made an adjustment for the effect of the time value of money and financial risk.

Method for determining the Adjustment for non-financial risk

The Poste Italiane Group adopts the percentile approach. The amount of the adjustment for non-financial risk is determined by considering the scope of technical risks to which group companies are exposed, using assessments borrowed from the Solvency II framework. In particular, the Adjustment for non-financial risk for contract groups belonging to the life business is estimated by taking into account the typical life business risk and underwriting risk exposures net of the loss-absorbing capacity of technical provisions (guaranteed minimum of products, where applicable) and gross of reinsurance. Operational risk and counterparty default risk are also excluded from the analyses.

For insurance contracts belonging to the P&C business, exposures to pricing risk, reserving risk, catastrophe risk, and the risk of early exits typical of the type of business are considered. In the P&C business, the Adjustment for non-financial risk is also determined, unlike in the Life business, for the Liability for incurred claims and Assets from outward reinsurance.

In calculating the amount of the Adjustment for non-financial risk, the separation between the insurance services component and the financing component is not applied for Poste Italiane Group companies.

Methods for determining the CSM coverage unit

The release to the Statement of profit or loss of the CSM over the life of the contracts is done through the definition of the Coverage Unit (CU). With reference to the Life business, the Poste Italiane Group determines the CSM release by adopting a Coverage Unit on the basis of a Volume-based driver, defined separately for each measurement model adopted:
- BBA model: the CU is defined with a driver based on the sums insured, which are similar to the lump-sum death benefit for pure risk contracts, and on the mathematical provisions, for annuities (in the payout phase) not under the Separately managed accounts from Long-Term Care products;
- VFA model: the CU for DPF contracts is defined using a driver based on mathematical provisions.

In the context of the CSM release pattern of the P&C business, for contracts valued with the BBA Model, the Group has decided to use for the business characterised by constant insured capital a release driver based on earned premiums gross of commissions (also considering the effect of any premium refunds and related commission reversals); with the exception of the P&C business characterised by decreasing insured capital (Salary-backed of Net Insurance), the use of a method based on insured sums was defined as for the Life business.

213. It is specified for the companies Net Insurance SpA and Net Insurance Life SpA, having entered the Poste Italiane Group perimeter on 1 April 2023, the date of 31 March 2023 was used as the initial recognition curve.

The CSM release percentage is defined by relating the volume-based drivers as defined above to the amount of volumes of these drivers projected over a time period that coincides with the duration of the group of insurance contracts.

For products measured with the VFA method, the Group considers an additional component (additional release) in the CSM release for the period aimed at capturing the differences between the margin result obtained with real-world financial assumptions (Real World curves), compared to that obtained with risk-neutral financial assumptions (Risk Neutral curves). This additional release is obtained from the difference between the period-end prospective CSM before release under the Real World assumption and the period-end prospective CSM before release under the Risk Neutral assumption.

As a result of the additional release, it is possible to achieve a CSM release that is more consistent with the financial performance of the underlying items of the insurance contracts and to obviate the systematic deferral of profit recognition in future years through coverage units.

Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the statement of financial position.

Share-based payments

As further described in Note 13 - *Additional information - Share-based payment arrangements,* the valuation of the share-based payment arrangements in place within the Poste Italiane Group at the close of these financial statements was based mainly on the conclusions reached by actuaries external to the Group. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of operation, compliance with certain capital adequacy and liquidity requirements. For these reasons, measurement of the liability, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

Employee termination benefits

The measurement of Employee termination benefits is also based on calculations performed by independent actuaries. The calculation takes account of termination benefits accrued for the period of service to date and is based on various demographic and economic-financial assumptions.

The main actuarial assumptions applied in the calculation of employee termination benefits at 31 December 2023, also based on the experience of each Group company and the reference best practice, are as follows:

ECONOMIC AND FINANCIAL ASSUMPTIONS

	31.12.2023
Discount rate	**3.08%**
Inflation rate	**2.00%**
Annual rate of increase of employee termination benefits	**3.00%**

DEMOGRAPHIC ASSUMPTIONS

	31.12.2023
Mortality	ISTAT 2018
Disability	INPS tables broken down by age and gender
Retirement age	Achievement of general mandatory insurance requirements
Frequency of employee termination benefits advances	Specific table with rates differentiated by Company
Employee turnover frequency	Specific table with rates differentiated by Company

Determination of the lease liability

To determine the financial lease liability, the Group has opted to use an incremental borrowing rate (IBR) determined in line with a hypothetical loan obtained in the current economic environment, and applied to contract group with similar remaining terms and to similar companies. In particular, each IBR takes account of the risk-free rate identified on the basis of factors such as the economic environment, currency, contract term and credit spread reflecting the companies' organisation and financial structure. The IBR associated with the commencement of the contract will be reviewed whenever there is a lease modification, meaning substantial and significant changes to the contract conditions over the life of the agreement (e.g. the lease term or the amount of future lease payments). The IBR table defined for contract group with similar residual duration and for similar reference companies is periodically monitored and updated at least once during the year.

With regard instead to determination of the lease term at the commencement date or of the remaining term at a later date (in the event of substantial and significant changes to contract conditions) and, in particular, for property leases, the Group uses a valuation approach based primarily on the expected duration of the obligation as per the agreement between the parties and/or in the legal framework of reference (Law 392 of 27 July 1978), and it expects an extension of the lease due to an interpretation/forecast of events, circumstances and future intentions, including of a strategic nature, of both the lessor and the lessee. This has resulted in a set of rules for determining the lease term, to be applied to leased properties classified previously in three distinct clusters: properties where the lease is subject to legal restrictions and high commercial-value properties; properties for civilian use, such as the company accommodation for Group employees and executives; and other properties used in operations.

The lease term for all of the other agreements was set as equal to the duration of the obligation agreed upon between the parties, in keeping with future intent in wanting and being able to complete the term and past experience.

Options on minority interests[214]

In the context of particular corporate transactions, there are call and put options that will allow Poste Italiane to purchase, at certain future dates, shares held by minority shareholders. The exercise price of these options is generally determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of the company acquired. For said cases in the consolidated financial statements, a financial liability has been recognised (in addition to the portion of equity attributable to non-controlling interests), to take account of the possible exercise of options, as matching entry to Group's equity, the value of which depends on estimates made internally and which could change even significantly in the current and future years. Subsequent changes in the value of the financial liability will be reflected in the Group's statement of profit or loss.

For details of the corporate transactions from which the need to recognise this financial liability arose, see *Note B8 - Financial Liabilities*.

214. An option contract that allows an entity to purchase the interests of minority shareholders of a subsidiary in exchange for cash or other financial assets gives rise to a financial liability in the consolidated financial statements for the present value of the amount payable. Any change in the financial liability from the date of recognition is accounted for with a different balancing entry depending on whether it refers to:
- minority shareholders directly interested in the performance of the subsidiary's business with regard to the transfer of risks and benefits on the shares subject to the option. One of the indicators of this interest is the fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group makes a case-by-case assessment of the facts and circumstances that characterise existing transactions. In this case, the discounted value of the option is initially deducted from the Group's equity reserves. Any subsequent changes in the valuation of the option exercise price are reflected in the statement of profit or loss;
- minority shareholders not directly interested in the performance of the business (e.g. exercise price of the predetermined option). The exercise price of the option, duly discounted, is deducted from the corresponding amount of Capital and Reserves pertaining to non-controlling interests. Any subsequent changes in the valuation of the option exercise price follow the same logic, with no impact on the statement of profit or loss.

2.7 Climate change and macroeconomic environment

Climate Change Information

Climate change and the transition to a low-carbon economy are becoming increasingly relevant to businesses, banks, governments, regulators, and investors.

Although the Poste Italiane Group attaches particular importance to environmental protection, aware of the need to use resources responsibly in order to minimise negative environmental impacts[215], taking into account the business in which the Group operates, issues related to climate change are considered, with the meaning provided by the reference accounting standards, irrelevant for consolidated financial reporting.

With particular regard to the disclosures required by ESMA in Public Statement 32-193237008-1793 of 25 October 2023, the following table shows a mapping of climate-related disclosures with a corresponding reference to the paragraphs of Poste Italiane's consolidated financial statements and separate financial statements in which the issue is addressed.

Topic	Note	
Climate Change Estimates and judgements	Note 2.6 Use of estimates *"Impairment tests of goodwill, cash generating units and equity investments"* and *"Impairment and stage allocation for financial instruments"*	• Focus on the estimation of expected cash flows in relation to the CGUs subject to impairment. • Details of ESG factors considered in estimating the Probability of Default (PD).
Sustainable investments	Note A1 "Property, plant and equipment" Note A4 "Right-of-use assets"	• Investments made in the reporting year aimed at reducing the environmental impact of the Group/Company. • Increase in Right-of-Use Assets related to the conclusion of leasing contracts for "green" vehicles.
Sustainable finance	Note A6 - "Financial assets" Note 13 *"Additional Information - Assets Under Management"*	• Percentage of ESG products in the entire investment and insurance portfolio of BancoPosta Fondi SpA SGR and Poste Vita Group.
Environmental certificates	Note 2.5 "Material information on accounting standards - Environmental Certificates" Note A7 "Inventories"	• Description of the accounting treatment applied to environmental certificates • Details of closing inventories referring to emission allowances and guarantees of origin and carbon credits present at year-end.
Share-based payments	Note 13 "Additional Information - *Share-based payment arrangements*"	• Description of incentive plans some of which are anchored to the achievement of ESG objectives.
Climate risk	Note 6 "Risk management"	• Description of the Group's exposure to climate change risks and actions taken to mitigate those risks.

215. For a description of the strategic guidelines set by the Group, also in line with its adherence to the Paris Agreement and the New Green Deal, please refer to the non-financial statement sections in the Report on Operations.

Macroeconomic environment

The estimates used in the preparation of the Financial Statements adequately take into account the particular macroeconomic context of reference, at 31 December 2023 heavily impacted by a number of factors such as: inflation, rising interest rates, deterioration of the economic climate, geopolitical risks and uncertainties on future developments, considering the ongoing conflicts not just in Ukraine but in the Middle East too. These uncertainties are reflected in the indicators used as the basis for the estimates.

For information on how these uncertainties have been reflected in the estimated PDs used to calculate expected losses, please refer to "*Note 2.6 - Use of estimates -Impairment and stage allocation for financial instruments*"; while for a full discussion of risks related to the economic environment, please refer to the specific sections of the Report on Operations.

2.8 Basis of consolidation

The Poste Italiane Group's consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control, as defined by IFRS 10, from the date on which control is obtained until the date on which control is no longer held by the Group. The Group controls an entity when it simultaneously:
- has power over the investee;
- is exposed, or has rights to, variable returns from its involvement with the investee;
- has the ability to influence those returns through its power over the investee.

Control is exercised both via direct or indirect ownership of voting shares, and via the exercise of dominant influence, defined as the power to govern the financial and operating policies of the entity, including indirectly based on legal agreements, obtaining the related benefits, regardless of the nature of the equity interest. In determining control, potential voting rights exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been specifically prepared at 31 December 2023, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

Subsidiaries that, in terms of their size or operations, are, either individually or taken together, irrelevant to a true and fair view of the Group's results of operations and financial position are not included within the scope of consolidation.

The criteria used for line-by-line consolidation are as follows:
- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounted for using the acquisition method. The cost of a business combination is represented by the current value (fair value) at the date of acquisition of the assets sold, the liabilities assumed, the equity instruments issued and any other directly attributable accessory charges; the difference between the acquisition price and the current value of the assets and liabilities acquired, after verifying the correct measurement of the current values of the assets and liabilities acquired and the acquisition cost, if positive, is recorded under Intangible Assets under "Goodwill", or, if negative, is charged to profit or loss;
- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses (and the related tax effects) on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.Investments in subsidiaries that are not significant and are not consolidated, and those in companies over which the Group exerts significant influence (assumed when the Group holds an interest of between 20% and 50%), hereinafter "associates", and joint ventures are accounted for using the equity method. At the time of acquisition, the investment is accounted for using the

equity method. Any difference between the cost of acquisition of the investment and the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

a. goodwill related to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of such goodwill is not permitted;
b. in determining the initial value of the entity's investment, any excess of the entity's interest in the net fair value of investee's identifiable assets and liabilities over cost is recognised as income in determining the acquirer's interest in the profit (loss) for the period of the associate or joint venture in the period in which the interest is acquired.After acquisition, appropriate adjustments are made to the entity's share of the profits or losses of the associate or joint venture to account, for example, for additional depreciation or amortisation of the investee's depreciable or amortisable assets, based on the excess of their fair values over their carrying amounts at the time the investment was acquired, and of any impairment losses on goodwill or property, plant and equipment. The equity method is as follows:

- the Group's share of an entity's post-acquisition profits or losses is recognised in profit or loss from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company's losses that exceed the carrying amount of the investment, to the extent that the Group has legal or constructive obligations to cover such losses; changes in the equity of companies accounted for using the equity method not related to the profit/(loss) for the year are recognised directly in equity;
- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group's interest in the associate; unrealised losses, unless relating to impairment, are eliminated.

Main changes to the scope of consolidation

During the year, the Parent Company concluded the following business combinations by virtue of which it acquired control of the entities.

Net Insurance

On 28 September 2022, Poste Vita's Board of Directors approved the promotion of a voluntary total cash takeover bid for ordinary shares and warrants of **Net Insurance SpA** ("Net Insurance"), in consultation with certain shareholders.

On 20 April 2023, the squeeze-out procedure was finalised, as a result of which Net Holding (the corporate vehicle directly controlled by Poste Vita) holds a controlling interest of 97.8% in Net Insurance (which in turn holds 100% of Net Insurance Life SpA), and the current CEO of Net Insurance, who acted in concert with the takeover bid, holds a minority interest of around 2.2%. The total outlay paid by Net Holding for the acquisition of the stake amounted to approximately €180.8 million. On 21 April 2023, IBL Banca SpA, pursuant to its commitment in the event of a successful bid, acquired a 40% stake in Net Holding for a consideration of €73.1 million. The net outlay for the Poste Group for the acquisition of the stake amounted to €108.5 million. Below are the total carrying amounts of the assets acquired and liabilities assumed at the date of acquisition of Net Insurance and its subsidiary.

(€m)	Carrying amount (A)	Fair Value Adjustments (B)	*Fair Value* (A+B)
Net assets acquired			
Intangible assets	8.7	10.8	19.5
Property, plant and equipment	14.9	1.4	16.3
Right-of-use asset	0.4	-	0.4
Trade receivables and other assets	53.7	-	53.7
Financial assets	231.3	-	231.3
Cash and cash equivalents	13.1	-	13.1
Insurance assets	157.8	-	157.8
Insurance liabilities	(386.4)	3.4	(383.0)
Employee termination benefits	(0.4)	-	(0.4)
Trade payables and other liabilities	(35.5)	(4.8)	(40.3)
Financial liabilities	(10.2)	-	(10.2)
Total net assets acquired	**47.5**	**10.8**	**58.2**
Equity attributable to non-controlling interests			1.3
Net assets acquired by the Group			**57.0**
Goodwill			**123.8**
Total fee			**180.8**

Poste Italiane engaged an independent expert to support the Purchase Price Allocation ("PPA") process, aimed at (i) allocating the Price Consideration to the fair value of the net assets of the acquired entity (regardless of whether or not they are already recognised in the financial statements) and (ii) deriving the goodwill value as the difference between the purchase price and the fair value of the net assets acquired (expressed net of deferred tax liabilities).

Based on the valuation activities performed to date, an adjustment to the fair value of the net assets acquired totalling €10.8 million was recognised, of which:

- €10.8 million increase in intangible assets related to brand enhancement;
- an increase in property, plant and equipment of €1.4 million relating to owned property;
- reduction of insurance liabilities by €3.4 million for cash flows related to amounts repayable by the distributing banks;
- deferred taxation effects related to the above adjustments of €4.8 million.

For the other intangible assets already recognised in the opening financial statements of the acquired companies, as well as for all other assets and liabilities included in the opening statements of financial position of Net Insurance, the net carrying amount already represents a proxy for fair value.

The remaining difference between the consideration transferred (€180.8 million) and the fair value of the net assets acquired by the Group, adjusted following the PPA process, (€57.0 million) was allocated to Goodwill in the amount of €123.8 million.

The results described above must be considered, at 31 December 2023, still provisional as Poste Italiane has made use of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combination within twelve months of the acquisition date.

Below are the total economic values of the acquired company included in the consolidated statement of profit or loss from the date of first-time consolidation

(€m)	From 1 April to 31 December 2023
Revenue	23.7
Operating income	19.2
Profit/(loss) for the period	**13.3**

sennder

On 3 April 2023, as a result of the capital increase reserved for the shareholder sennder Technologies GmbH ("sennder Tech"), the Poste Italiane stake in the subsidiary went from 65% to 60%. Moreover, on 30 May 2023, Poste Italiane's Board of Directors approved the renegotiation of the current partnership with sennder Technologies GmbH. As part of the renegotiation, Poste Italiane contributed 35% of its shares in sennder Italia to sennder Tech, increasing its stake in the latter from 1.7% to 10.2% on a fully diluted basis. It should be noted that following the completion of the transaction in June 2023, Poste Italiane holds a 25% stake in sennder Italia, which, therefore, has lost its status as a subsidiary and assumed that of an associate with the consequent recognition of the investment under the equity method pursuant to IAS 28. In accordance with IFRS 10, at the time of the loss of control, the retained stake in sennder Italia was measured at fair value. The transaction resulted in the recognition of a total capital gain of about €109 million classified in revenue due to the sale of the controlling stake in the investment, with a positive impact on the Poste Group's EBIT.

By virtue of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combination within twelve months from the date of the transaction, the difference between the fair value of the residual equity investment in sennder Italia and the portion of its net assets, amounting to approximately €19 million, was provisionally allocated to goodwill and is included in the carrying amount of the equity investment.

Sourcesense Platforms Srl

On 24 January 2023, Sourcesense finalised the acquisition of Eco Mind Ingegneria Informatica Srl and its subsidiary HeadApp Srl for a consideration, including the price adjustment under the contractual agreements, of approximately €1 million. The two acquired companies were merged into the NewCo called Sourcesense Platforms Srl with accounting and tax effects from 1 July 2023.

The difference that emerged between the transaction price and the portion of the net assets acquired, amounting to approximately €1 million, was recognised as Goodwill under Intangible Assets pending completion of the valuation process of the individual components of the acquired assets.

Cronos

On 3 August 2023, as part of a system-wide transaction to take over the policy portfolio of Eurovita SpA ("Eurovita") following the latter's crisis, Poste Vita contributed to the establishment of the corporate vehicle Cronos Vita SpA ("Cronos"), invested in by, in addition to Poste Vita itself, Allianz, Generali Italia, Intesa Sanpaolo Vita and UnipolSai Assicurazioni, with the purpose of acquiring a business unit consisting essentially of the assets and liabilities relating to the Eurovita insurance business, following the latter's admission to compulsory liquidation proceedings.

In September 2023, the insurance companies involved, Cronos, the banks distributing Eurovita products and certain system banks signed the final agreements within their respective competences to regulate their rights and obligations in relation to the transaction. As part of the aforementioned transaction, on 18 September 2023, Poste Vita participated in the first capital increase of Cronos, with a stake of approximately €1.7 million.

On 17 October 2023, IVASS authorised Cronos to carry out insurance business (resulting in a change of company name from "Cronos Vita SpA" to "Cronos Vita Assicurazioni SpA"). On 27 October 2023, Poste Vita participated, together with the other shareholders of Cronos, in proportion to its 22.5% stake, in the second capital increase of this company of approximately €212.5 million, of which approximately €47.8 million was attributable to Poste Vita. To complete the transaction, on 30 October 2023 IVASS authorised the sale of the business unit from Eurovita to Cronos, effective from 27 October 2023.

The stake in Cronos was classified as an asset held for sale (IFRS 5) in consideration of the intention to hold the stake for a limited period of time and the agreements made at the conclusion of the transaction regarding the stipulation of a firm purchase commitment within 12 months for the transfer of the business assets between the insurance companies involved in the transaction and Cronos Vita.

It was also verified that the fair value of the investment, net of selling costs, was not lower than its carrying amount.

Conclusion of the assessment of business combinations of the previous year

With reference to the acquisitions occurred in the course of 2022 for which Poste Italiane availed itself of the option set forth in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combination within twelve months from the date of acquisition, at 31 December 2023 the process was concluded, confirming the results already represented at 31 December 2022. A summary of them is provided below.

LIS

Based on the valuation activities performed, an adjustment to the fair value of the net assets acquired totalling €136.9 million was recognised, of which:

- intangible assets in the amount of €192.4 million relating to existing contractual relationships with points of sale;
- deferred tax effects related to the higher value of intangible assets in the amount of €55.4 million.

The remaining difference between the consideration transferred (€700 million) and the fair value of the adjusted net assets acquired, (€241 million) was allocated to Goodwill in the amount of €458.9 million.

Plurima

Based on the valuation activities performed to date, an adjustment to the fair value of the net assets acquired totalling €22 million was recognised, of which:

- €30.5 million related to customer contracts and customer-related intangible assets;
- €8.5 million related to deferred taxation effects connected to the higher value of identified assets.

The remaining difference between the consideration transferred (€135.2 million) and the fair value of the portion of the adjusted net assets acquired (€34.5 million) was allocated to Goodwill in the amount of €100.7 million.

Sourcesense

The difference between the consideration transferred (€30.2 million) and the fair value of the portion of the net assets acquired, (€6.2 million) was allocated to Goodwill in the amount of €23.9 million.

Agile

The difference between the consideration transferred (€18 million) and the fair value of the portion of the net assets acquired (€4 million) was allocated to Goodwill in the amount of €14 million.

Conversion of the financial statements into foreign currencies

For the purposes of preparing the Consolidated Financial Statements, the statement of financial position and statement of profit or loss of all consolidated companies are expressed in euro, which is the functional currency used by the Parent Company.

The financial statements of companies that operate in a functional currency other than the euro are translated into the presentation currency using the closing rate at the reporting date for assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the year (if this reasonably approximates the exchange rate at the date of the respective transactions) for revenue and costs. All the resulting exchange rate differences are recognised in other comprehensive income and shown separately in a specific equity reserve; this reserve is reversed proportionally to the statement of profit or loss at the time of the (total or partial) disposal of the relevant investment.

The exchange rates used to convert the financial statements of consolidated companies in foreign currencies are those published by the Bank of Italy and the European Central Bank and presented in the table below:

	2023		2022	
Currency	**Exact change on 31 December**	**Average annual exchange rate**	**Exact change on 31 December**	**Average annual exchange rate**
Chinese Yuan Renminbi	7.851	7.66	7.358	7.079
US dollar	1.105	1.081	1.067	1.053
British Pound Sterling	0.869	0.870	0.887	0.879*

* The exchange rate shown relates to Sourcesense Limited and is calculated based on the period between the date of acquisition (1 October 2022) and 31 December 2022.

3. Material events during the year

3.1 principal corporate actions

Information is provided below on corporate transactions that took place during the year under review and which supplement what has already been reported in the section on main changes to the scope of consolidation in Note 2.8 - *Basis of consolidation*.

The following corporate actions also took place during 2023.

- On 24 November 2022, binding agreements were signed for Poste Italiane to participate, with an investment of approximately €3 million, in a capital increase promoted by **Moneyfarm** in order to finance part of the purchase price of 100% of **Profile Financial Solutions Ltd**, a company active in the pension fund consolidation business in the UK under the Profile Pensions brand. Following receipt of the necessary approvals from the UK regulator (FCA)[216] on 5 July 2023, the closing of the transaction was formalised at the end of July.
- On 29 September 2022, the reverse merger of **Plurima Bidco Srl** into Plurima was approved by the shareholders' meetings of the two companies. The transaction, which provided for the application of the regulatory simplifications for mergers of wholly-owned companies, became effective as of 1 January 2023.
- On 29 June 2023, Poste Italiane notified **Milkman SpA ("Milkman")** of its intention to exercise its call option on the shares held by the latter in **MLK Deliveries SpA** ("**MLK**"), equal to approximately the remaining 30% of the share capital of MLK itself (the "**Milkman Stake**"). Based on the criteria originally agreed upon in the contractual agreements signed in 2020, the exercise price of the option was estimated at €19.6 million. Following the transfer of the Milkman Stake, formalised in July, Poste Italiane acquired full control of MLK.
- On 31 January 2024, through the establishment of the NewCo named "**MLK Fresh Srl**" ("MLK Fresh"), the partnership in the Fresh Food sector between MLK and **Mazzocco Srl** ("Mazzocco"), an Italtrans Group company operating as a national refrigerated courier, was formalised.
- MLK Fresh, 70% owned by MLK and 30% by Mazzocco, will be the vehicle through which the parties will offer advanced delivery services in Italy dedicated to the fresh food segment in the B2C e-commerce and/or scheduled deliveries market.
- On 26 April 2023, Plurima SpA finalised the purchase of a further 40% of the share capital of **Bridge Technologies SpA** for a consideration of approximately €0.9 million, thus achieving 100% ownership.
- In June and July, respectively, the Boards of Lis Holding and PostePay approved the project for the **Partial demerger of Lis Holding in favour of PostePay**, with direct assignment of the 100% stake in LIS Pay to the EMI PostePay RFC. In this regard, on 28 June 2023, Poste Italiane's Board of Directors authorised the participation of Poste Italiane in the extraordinary shareholders' meeting of PostePay SpA to approve the demerger transaction and the amendment of the rules of the EMI RFC, in order to allow the allocation to the latter of investments in other payment institutions and the removal of the restriction on the allocation to the EMI RFC of the investment in LIS Holding. On 31 December 2023, the demerger became effective.
- On 12 October 2023, Postel SpA acquired the shares in **Address Software Srl** held by third-party shareholders amounting to 49% of the company's capital. Consequently, from that date and until 24 January, Postel SpA held 100% of the shares in Address Software Srl In addition, on 24 January 2024 Postel sold its entire shareholding in Address Software Srl to Poste Italiane SpA This transaction was in preparation for the start of the merger by incorporation of Address Software Srl into Poste Italiane SpA, which will become effective in 2024.
- On 28 November 2023, the reorganisation of the Agile Group was finalised through the reverse merger of Agile Power Holding into Agile Lab, as well as the merger of AIM2, Agile Next and Agile Skill into the reverse merged company. The transaction was legally effective as of 1 December 2023, while the accounting and tax effects are backdated to 1 July 2023.
- In June and July 2023, **Volante Technologies Inc** ("Volante") issued in two tranches a convertible loan totalling $16.6 million, which was subscribed by some of the company's shareholders, including PostePay, in the amount of $508 thousand. In September 2023, Volante also carried out a senior debt refinancing transaction, as part of which the warrants to be assigned to subscribers of the convertible loan became exercisable. PostePay exercised its warrants, converting them into

216. Financial Conduct Authority.

newly issued ordinary shares. Therefore, as a result of the transactions described, PostePay's stake in Volante went from 2.9% to 2.4% (on a fully diluted basis).

- As part of the agreements to restructure its debt, Volante implemented a corporate reorganisation that saw PostePay and all other shareholders become partners in the new entity Volante Technologies Holdco Inc. with the same stakes already held in Volante Technologies Inc, a wholly-owned subsidiary of Volante Technologies Holdco, Inc that changed its name to Volante Technologies LLC.
- On 28 February 2024, PostePay signed an agreement to acquire 20% of N&TS GROUP Networks & Transactional Systems Group SpA ("N&TS GROUP"), a leading Italian company in software solutions for electronic payments. The transaction, whose closing is subject to the fulfilment of conditions precedent, aims to enhance PostePay's technological expertise in order to support its expansion strategy in the digital payments market.
- On 4 March 2024, Poste Logistics SpA ("NewCo") was established, whose share capital is wholly owned by Poste Italiane SpA NewCo will focus on integrated logistics activities for the Italian Postal Group, benefiting from the business unit of SDA Express Courier SpA ("SDA") concerning the integrated logistics business, through a partial demerger transaction. The transaction - whose partial demerger project has already been approved in March by the Boards of Directors of the companies involved in the transaction and will also be subject to resolution by the relevant extraordinary shareholders' meetings - will be formalised by the second half of 2024.

3.2 Other material events

The following material events also occurred in 2023:

Russia-Ukraine Conflict

The year 2023 was characterised by the continuation of the crisis between the European countries Russia and Ukraine.

In order to assess the impacts of the conflict for the Group, as requested by the national and international Authorities (ESMA and CONSOB)[217], and in line with the previous financial statements, an assessment was carried out on the current and future impacts and on the sanctions imposed on Russia by state and supranational authorities, on the activities, on the financial situation and on the economic results of the Group, in consideration of the available evidence and the scenarios that can be constructed at the date of preparation of the following financial statements.

The potential impacts, although at present random and uncertain also in relation to the pressure on inflation driven by sharp increases in energy and raw material prices, appear limited in relation to the fact that the Group's operations are almost entirely located within the national territory and without branches in the value chain with the countries involved.

In addition, monitoring of the existing relations between the Group and the parties directly or indirectly involved was carried out, which led to the following findings:

- with reference to the Parent Company, the relations with the corresponding foreign postal administrations of Russia, Belarus and Ukraine have credit and debit balances of insignificant amounts;
- with reference to Poste Vita, within the Multi-asset funds, there are some indirect exposures to the countries involved in the aforementioned events that represent a non-significant portion of the relevant NAV.

217. Public statement ESMA32-63-1320 "European common enforcement priorities for 2022 annual financial reports" of 28 October 2022 and CONSOB Warning notice no. 3/22 of 19 May 2022.

Purchase of treasury shares

In execution of the authorisation to purchase treasury shares resolved by Poste Italiane's Shareholders' Meeting of 8 May 2023, aimed at acquiring a supply of shares to service the Group's long-term incentive plans benefiting members of management, on 9 May 2023, the market was informed of the launch of a share buyback programme under which, between 10 May 2023 and 31 May 2023, Poste Italiane purchased 3,500,000 treasury shares (equal to 0.268% of the share capital), at an average price of €9.709971 per share, for a total countervalue of €33,984,897.83.

Following the transaction, considering also the treasury shares in the portfolio deriving from previous buy-back transactions and the delivery to the beneficiaries of the incentive plans, Poste Italiane holds 10,675,798 treasury shares, equal to 0.817% of the share capital.

Interim dividend

On 6 November 2023, Poste Italiane's Board of Directors, in light of the financial position and results of operations of the Company at 30 June 2023, the performance for the following months, the business outlook and the related expected economic prospects at 31 December 2023, and in line with the Group's dividend policy, resolved to bring forward, as an interim dividend, part of the ordinary dividend for 2023. To this end, the Company has prepared a Report and Financial Statements pursuant to article 2433-*bis* of the Italian Civil Code, which show that the Company's financial position, results of operations and cash flows allow such distribution. The opinion of the independent auditors was obtained on these documents.

The interim dividend of €0.237 per share, gross of any legal withholding taxes, was paid with effect from 22 November 2023, with "ex-dividend date" of coupon no. 13 coinciding with 20 November 2023 and record date (i.e. the date on which the dividend was entitled to be paid) coinciding with 21 November 2023.

Based on the number of shares outstanding at 6 November 2023, which amounted to 1,295,434,202, the total amount of the interim dividend was €307 million.

Ancillary Own Fund

At its meeting of 28 June 2023, Poste Italiane SpA's Board of Directors, having obtained the favourable opinion of the Related and Connected Parties Committee issued on 27 June 2023, approved the Renewal of the Ancillary Own Fund transaction in favour of Poste Vita SpA for a maximum amount of €1,750 million. On 5 July 2023, the relevant Information Document was made available to the public at the Company's registered office, at Borsa Italiana SpA, on the Company's website, as well as on the website of the authorised storage mechanism "eMarket Storage".


POSTE

4

Poste Italiane Group

Financial Statements
at 31 December **2023**

4. Poste Italiane Group Financial Statements at 31 December 2023

4.1 Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€m)	Notes	31 December 2023	*of which related parties*	31 December 2022	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,546	-	2,404	-
Investment property	[A2]	28	-	31	-
Intangible assets	[A3]	2,062	-	1,817	-
Right-of-use assets	[A4]	1,265	-	1,334	-
Investments accounted for using the equity method	[A5]	294	*294*	267	*267*
Financial assets	[A6]	205,656	*3,067*	191,850	*3,578*
Trade receivables	[A8]	3	-	3	-
Deferred tax assets	[C12]	2,109	-	2,601	-
Other receivables and assets	[A9]	4,084	*2*	4,119	*2*
Tax credits Law no. 77/2020	[A10]	6,534	-	7,458	-
Assets for outward reinsurance	[A11]	233	-	44	-
Total		**224,814**		**211,928**	
Current assets					
Inventories	[A7]	172	-	157	-
Trade receivables	[A8]	2,404	*681*	2,179	*435*
Current tax assets	[C12]	167	-	140	-
Other receivables and assets	[A9]	1,051	*15*	986	*10*
Tax credits Law no. 77/2020	[A10]	1,784		1,563	
Financial assets	[A6]	31,503	*9,000*	34,290	*11,986*
Cash and deposits attributable to BancoPosta	[A12]	4,671	-	5,848	-
Cash and cash equivalents	[A13]	4,211	*874*	4,983	*1,991*
Total		**45,963**		**50,146**	
Non-current assets and disposal groups held for sale	[A14]	**50**	-	**-**	-
TOTAL ASSETS		**270,827**		**262,074**	

LIABILITIES AND EQUITY (€m)	**Notes**	**31 December 2023**	***of which related parties***	**31 December 2022**	***of which related parties***
Equity					
Share capital	[B2]	1,306	-	1,306	-
Reserves	[B4]	1,083	-	(509)	-
Treasury shares		(94)	-	(63)	-
Retained earnings		8,027	-	7,100	-
Total equity attributable to owners of the Parent		**10,322**		**7,834**	
Equity attributable to non-controlling interests		117	-	44	-
Total		**10,439**		**7,878**	
Non-current liabilities					
Liabilities under insurance contracts	[B5]	155,338	-	141,380	-
Provisions for risks and charges	[B6]	782	*50*	804	*55*
Employee termination benefits	[B7]	637	-	705	-
Financial liabilities	[B8]	10,243	*209*	10,939	*201*
Deferred tax liabilities	[C12]	900	-	815	-
Other liabilities	[B10]	2,058	-	2,004	-
Total		**169,958**		**156,647**	
Current liabilities					
Provisions for risks and charges	[B6]	554	*10*	551	*12*
Trade payables	[B9]	2,252	*113*	2,234	*72*
Current tax liabilities	[C12]	189	-	60	-
Other liabilities	[B10]	2,285	*90*	1,998	*69*
Financial liabilities	[B8]	85,150	*5,525*	92,706	*4,377*
Total		**90,430**		**97,549**	
TOTAL LIABILITIES AND EQUITY		**270,827**		**262,074**	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)	Notes	FY 2023	*of which related parties*	FY 2022	*of which related parties*
Revenue from Mail, Parcels and other	[C1]	3,746	*1,007*	3,651	*893*
Net revenue from Financial Services	[C2]	5,229	*2,305*	4,938	*2,048*
Revenue from Financial Services		*5,795*	*2,317*	*5,125*	*2,052*
Expenses from financial activities		*(566)*	*(12)*	*(187)*	*(4)*
Net revenue from insurance services	[C3]	1,567	*18*	1,650	*16*
Revenue from insurance contracts issued		*2,550*	-	*2,456*	-
Costs arising from insurance contracts issued		*(1,058)*		*(805)*	
Revenue/(costs) from outward reinsurance		*(15)*		*(8)*	
Income and (expenses) from financial operations and other income/ expenses		*6,458*	*18*	*(1,532)*	*16*
Net financial (costs)/revenue relating to insurance contracts issued		*(6,373)*	-	*1,539*	-
Net financial revenue/(costs) related to outward reinsurance		*5*	-	*(0)*	-
Revenue from Payments and Mobile	[C4]	1,586	*54*	1,147	*51*
Net operating revenue		**12,128**		**11,386**	
Cost of goods and services	[C5]	3,237	*308*	2,827	*167*
Personnel expenses	[C6]	5,170	*74*	4,823	*71*
Depreciation, amortisation and impairments	[C7]	811	-	769	-
Capitalised costs and expenses	[C8]	(56)	-	(41)	-
Other operating costs	[C9]	275	*3*	508	*5*
of which non-recurring costs		-		*320*	
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C10]	71	*(0)*	104	*1*
Operating profit/(loss)		**2,620**		**2,396**	
Finance costs	[C11]	119	*1*	126	*2*
Finance income	[C11]	181	*15*	169	*1*
Impairment losses/(reversals of impairment losses) on financial assets		(25)	-	(0)	-
Profit/(Loss) on investments accounted for using the equity method	[A5]	20	-	(6)	-
Profit/(Loss) before tax		**2,727**		**2,433**	
Income tax expense	[C12]	794	-	850	-
PROFIT FOR THE YEAR		**1,933**		**1,583**	
of which attributable to owners of the Parent		1,922		1,578	
of which attributable to non-controlling interests		11		5	
Earnings per share	**[B1]**	**1.483**		**1.214**	
Diluted earnings per share		**1.483**		**1.214**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)	Notes	FY 2023	FY 2022
Profit/(Loss) for the year		**1,933**	**1,583**
Items to be reclassified in the Statement of profit or (loss) for the year			
FVOCI debt instruments			
Increase/(decrease) in fair value during the year	[tab. B4]	7,694	(27,742)
Transfers to profit or loss from realisation	[tab. B4]	223	(286)
Increase/(decrease) for expected losses		5	4
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	80	279
Transfers to profit or loss	[tab. B4]	(318)	(409)
Financial revenue or costs relating to insurance contracts issued		(5,532)	22,784
Financial revenue or costs related to outward reinsurance		2	(1)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or (loss) for the year		(565)	1,542
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		0	1
Change in translation reserve		(0)	(1)
After-tax increase/(decrease) in reserves related to group of assets and liabilities held for sale(net of tax effect)	[tab. B4]	-	-
Items not to be reclassified in the Statement of profit or (loss) for the year			
Equity instruments measured at FVOCI - increase/(decrease) in fair value during the period		(5)	(315)
Actuarial gains/(losses) on employee termination benefits	[tab. B7]	(8)	127
Financial revenue or costs relating to insurance contracts issued		-	-
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		2	(31)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		(0)	0
Actuarial gains/(losses) on employee termination benefits related to disposal groups and liabilities held for sale (net of tax effect)		-	-
Total other comprehensive income		**1,578**	**(4,048)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,511**	**(2,465)**
of which attributable to owners of the Parent		3,500	(2,471)
of which attributable to non-controlling interests		11	6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity														
	Share capital	Treasury shares	Riserve									Retained earnings	Total equity attributable to owners of the Parent	Capital and reserves attributable to non-controlling interests	Total equity
(€m)			Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	*Fair value reserve*	Cash flow hedge reserve	Reserve for insurance contracts issued and outward reinsurance	Translation reserve	Reserve for investments accounted for using equity method	Incentive plans reserve				
Balance at 1 January 2022	**1,306**	**(40)**	**299**	**1,210**	**800**	**1,307**	**(33)**	**-**	**1**	**3**	**13**	**7,236**	**12,102**	**8**	**12,110**
Adjustment for first-time adoption of IFRS 17	**-**	**-**	**-**	**-**	**-**	**7,945**	**-**	**(7,868)**	**-**	**-**	**-**	**(974)**	**(897)**	**-**	**(897)**
Adjusted balance at 1 January 2022	**1,306**	**(40)**	**299**	**1,210**	**800**	**9,251**	**(33)**	**(7,868)**	**1**	**3**	**13**	**6,262**	**11,205**	**8**	**11,213**
Total comprehensive income for the year	-	-	-	-	-	(19,789)	(93)	15,744	(1)	1	-	1,668	(2,471)	6	(2,465)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(526)	(526)	(3)	(529)
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	(273)	(273)	-	(273)
Purchase of treasury shares	-	(25)	-	-	-	-	-	-	-	-	-	(0)	(25)	-	(25)
Transactions with minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(69)	(69)	-	(69)
Incentive plans	-	2	-	-	-	-	-	-	-	-	6	0	8	-	8
Coupons paid to holders of perpetual hybrid bonds	-	-	-	-	-	-	-	-	-	-	-	(16)	(16)	-	(16)
Other changes	-	-	-	-	-	(54)	-	-	-	2	-	54	2	-	2
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	33	33
Balance at 31 December 2022	**1,306**	**(63)**	**299**	**1,210**	**800**	**(10,592)**	**(128)**	**7,876**	**(0)**	**5**	**19**	**7,100**	**7,834**	**44**	**7,878**
Total comprehensive income for the year	-	-	-	-	-	5,529	(169)	(3,774)	0	0	-	1,914a	3,500	11	3,511
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(570)	(570)	(6)	(576)
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	(307)	(307)	-	(307)
Purchase of treasury shares	-	(34)	-	-	-	-	-	-	-	-	-	(0)	(34)	-	(34)
Transactions with minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(101)	(101)	-	(101)
Incentive plans	-	3	-	-	-	-	-	-	-	-	8	(0)	10	-	10
Coupons paid to holders of perpetual hybrid bonds	-	-	-	-		-	-	-	-	-	-	(16)	(16)	-	(16)
Other changes	-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	6	6	68	74
Balance at 31 December 2023	**1,306**	**(94)**	**299**	**1,210**	**800**	**(5,063)**	**(297)**	**4,102**	**(0)**	**4**	**27**	**8,027**	**10,322**	**117**	**10,439**

* This item includes profit for the year (Group portion) of €1,922 million and actuarial gains on provisions for employee termination benefits of €6 million, after the related current and deferred taxation.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)	Notes	FY 2023	FY 2022
Cash and cash equivalents at beginning of year		**4,983**	**7,958**
Profit/(Loss) before tax		2,727	2,433
Depreciation, amortisation and impairments	[tab. C7]	882	830
Net provisions for risks and charges	[tab. B6]	348	439
Use of provisions for risks and charges	[tab. B6]	(371)	(354)
Provisions for employee termination benefits	[tab. B7]	3	2
Employee termination benefits	[tab. B7]	(106)	(118)
(Gains)/Losses on disposals		(112)	(1)
Impairment losses/(reversals of impairment losses) on financial assets		(25)	(1)
(Dividends)	[tab. C11.1]	(4)	-
Dividends received		4	-
(Finance income realised)	[tab. C11.1]	-	(1)
(Finance income in form of interest)	[tab. C11.1]	(169)	(158)
Interest received		168	146
Interest expense and other finance costs	[tab. C11.2]	110	118
Interest paid		(45)	(78)
Losses and impairment losses/(reversals of impairment losses) on receivables	[tab. C10]	64	97
Income tax paid	[tab. C12.2]	(191)	(509)
Other changes		(11)	6
Cash flow generated by operating activities before movements in working capital	**[a]**	**3,272**	**2,851**
Movements in working capital:			
(Increase)/decrease in Inventories	[tab. A7]	(15)	2
(Increase)/decrease in Trade receivables		(696)	261
(Increase)/decrease in Other receivables and assets		399	253
Change in tax credits Law no. 77/2020		(352)	11
Increase/(decrease) in Trade payables		25	91
Increase/(decrease) in Other liabilities		279	230
Cash flow generated by/(used in) movements in working capital	**[b]**	**(360)**	**848**
Increase/(Decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance		(9,441)	5,077
Net cash generated by/(used for) financial assets and tax credits Law no. 77/2020 attributable to financial activities, payments, cards and acquiring and insurance		2,852	(17,954)
(Increase)/decrease in cash and deposits attributable to BancoPosta	[tab. A12]	1,177	1,810
Increase/(Decrease) in net liabilities under insurance contracts		8,033	3,913
(Income)/Expense and other non-cash components		(4,119)	3,635
Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance	**[c]**	**(1,498)**	**(3,519)**
Net cash flow from/(for) operating activities	**[d]=[a+b+c]**	**1,414**	**180**
- of which related party transactions		4,420	1,981
Investing activities:			
Property, plant and equipment	[tab. A1]	(373)	(341)
Investment property	[tab. A2]	-	-
Intangible assets	[tab. A3]	(473)	(469)
Investments		(50)	(3)
Other financial assets		(17)	(132)
Investments in consolidated companies net of cash acquired		(95)	(678)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		13	5
Investments		-	-
Other financial assets		1	12
Net cash flow from/(for) investing activities	**[e]**	**(994)**	**(1,606)**
- of which related party transactions		14	(18)
Proceeds from/(Repayments of) long-term borrowings	[tab. B8.4]	126	110
(Increase)/decrease in loans and receivables		-	-
Increase/(decrease) in short-term borrowings	[tab. B8.4]	(380)	(812)
(Purchase)/sale of treasury shares		(34)	(25)
Dividends paid	[B3]	(883)	(801)
Equity instruments - perpetual hybrid bonds		(21)	(21)
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(1,192)**	**(1,549)**
- of which related party transactions		(564)	(512)
Effect of exchange rate differences on cash and cash equivalents	**[g]**	**-**	**-**
Net increase/(decrease) in cash	**[h]=[d+e+f+g]**	**(772)**	**(2,975)**
Cash and cash equivalents at end of year	**[tab. A13]**	**4,211**	**4,983**
Restricted cash and cash equivalents at end of year		(2,576)	(3,755)
Unrestricted cash and cash equivalents at end of year		**1,635**	**1,228**

4.2 Notes to the Statement of Financial Position

Assets

A1 – Property, plant and equipment (€2,546 million)

The following table shows movements in property, plant and equipment in 2023:

TAB. A1 – MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

Description (€m)	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	77	3,278	2,542	363	707	2,056	145	9,167
Accumulated depreciation	-	(2,107)	(1,952)	(328)	(464)	(1,877)	-	(6,728)
Impairment losses	(0)	(16)	(10)	(1)	(1)	(7)	(0)	(35)
Balance at 1 January 2023	**76**	**1,155**	**580**	**34**	**241**	**173**	**145**	**2,404**
Changes during the year								
Acquisitions	-	47	66	10	48	56	144	373
Adjustments	-	-	-	-	-	-	-	-
Reclassifications	-	35	28	0	14	7	(84)	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(3)	(4)
Change in scope of consolidation	8	8	(0)	0	(0)	(0)	-	15
Depreciation	-	(34)	(71)	(11)	(48)	(75)	-	(239)
(Impairment losses)/Reversals	-	(0)	-	(0)	-	(3)	(0)	(3)
Total changes	**8**	**56**	**23**	**(0)**	**13**	**(15)**	**58**	**143**
Cost	85	3,371	2,630	372	765	2,098	203	9,525
Accumulated depreciation	-	(2,143)	(2,018)	(337)	(511)	(1,933)	-	(6,941)
Impairment losses	(0)	(16)	(10)	(1)	(1)	(8)	(0)	(37)
Total	**85**	**1,211**	**603**	**34**	**253**	**157**	**202**	**2,546**

At 31 December 2023, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €52 million.

Investments of €373 million in 2023 consists largely of:

- €47 million relating mainly to extraordinary maintenance of Post Offices and local head offices around the country (€27 million), personnel and management offices (€10 million) and mail and parcel sorting offices (€9 million);
- €66 million for plants, with the most significant expenditure made by the Parent Company, of which €33 million for the construction of plants related to buildings, €14 million for the construction and extraordinary maintenance of connectivity and video-surveillance systems, €8 million for the creation and extraordinary maintenance of systems for mail sorting and parcel processing at industrial facilities and €4 million for the installation of ATMs (automated teller machines);
- €48 million invested mainly in the upgrade of plants (€20 million) and the structural part (€26 million) of leased properties;

- €56 million relating to Other assets, of which €33 million incurred by the Parent Company mainly for the purchase of hardware for the renewal of technological equipment at the Post Offices and head offices and the strengthening of storage systems, €10 million for the purchase of furniture and fittings and €11 million incurred by PostePay SpA mainly for the purchase of devices for the range of "PosteMobile Casa" and "PosteCasa Ultraveloce" (€9 million) offers and, to a residual degree, the purchase of mobile phones and mobile telephone equipment intended for rental;
- €144 million relating to Assets under construction and advances, of which €122 million incurred by the Parent Company and relating, for €93 million, to extraordinary maintenance works and the infrastructural equipment of the sales and production network and €23 million for the purchase of computer hardware and other equipment yet to enter service.

Reclassifications from property, plant and equipment under construction amounted to €84 million and refer mainly to the purchase cost of assets that became available and ready for use during the year; in particular, they relate to the Parent Company for the conclusion of extraordinary renovations of properties owned and improvements of leased properties (€65 million) and the activation of hardware and other technological equipment (€5 million).

Within the framework of the Polis Project - Home of Digital Services, with reference to the two lines of action envisaged in the project, the investments for the financial year 2023 totalling €92 million are shown below:

TAB. A1.1 – POLIS PROJECT-INVESTMENTS

Lines of Intervention	Properties used in operations	Plant and machinery	Leasehold improvements	Other assets	Assets under construction and advances	Total
One-stop shop	12	8	20	12	28	80
Spaces for Italy	2	3	0	0	10	15
Total	**14**	**11**	**20**	**12**	**38**	**95**

In detail, the investments are related:
- for €14 million to extraordinary maintenance of Post Offices around the country;
- for €11 million to the construction of plants related to buildings;
- for €20 million to investments in the upgrade of plant and the structure of properties held under lease;
- for €12 million to the purchase of hardware for the upgrade of technological equipment of Post Offices and head offices and the purchase of furniture and fittings;
- for €38 million to investments in progress, of which €33 million for extraordinary maintenance of both owned and leased premises and €5 million for the purchase of hardware.

Lastly, it should be noted that during the year under review, investments for about €31 million classified as "green", i.e., aimed at reducing the impact that the Poste Italiane Group has on the environment in which it operates, were made by the parent company Poste Italiane SpA and only to a residual extent by the subsidiary Postel SpA. The main projects include the installation of photovoltaic systems and electricity columns, as well as energy efficiency measures on real estate.

A2 – investment property (€28 million)

Investment property relates to service accommodation owned by Poste Italiane SpA in accordance with Law 560 of 24 December 1993 and residential accommodation previously used by post office directors. Movements in provisions for risks and charges are as follows:

TAB. A2 – MOVEMENTS IN INVESTMENT PROPERTY

Description (€m)	FY 2023
Cost	88
Accumulated depreciation	(57)
Impairment losses	(0)
Balance at 1 January	**31**
Changes during the year	
Acquisitions	0
Reclassifications	-
Disposals	(3)
Depreciation	(1)
Total changes	**(3)**
Cost	81
Accumulated depreciation	(53)
Impairment losses	(0)
Balance at 31 December	**28**
Fair value at 31 December	66

The fair value of investment property at 31 December 2023 includes €54 million representing the sale price applicable to the Parent Company's service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates calculated internally by the Company[218].

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that the Group retains substantially all of the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

218. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation and other investment property qualify for Level 3.

A3 – intangible assets (€2,062 million)

The following table shows movements in intangible assets in 2023:

TAB. A3 – MOVEMENTS IN INTANGIBLE ASSETS

Description (€m)	Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Cost	4,689	258	773	231	5,952
Accumulated amortisation and impairments	(4,021)	0	(102)	(12)	(4,135)
Balance at 1 January 2023	**668**	**258**	**672**	**219**	**1,817**
Changes during the year					
Acquisitions	245	227	-	1	473
Reclassifications	209	(209)	-	0	(0)
Transfers and disposals	(0)	(5)	-	-	(5)
Change in scope of consolidation	17	2	125	-	144
Amortisation and impairments	(354)	(0)	-	(12)	(366)
Foreign exchange differences	-	-	-	-	-
Total changes	**117**	**15**	**125**	**(11)**	**245**
Cost	5,166	274	898	232	6,570
Accumulated amortisation and impairments	(4,381)	(1)	(102)	(24)	(4,508)
Total	**785**	**273**	**796**	**208**	**2,062**

Investments in Intangible assets during 2023 amounted to €473 million, including about €54 million in software development activities and the related additional expenses recorded within the Group, primarily relating to personnel expenses (€39 million). Development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

The increase in **Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights** totals €245 million, before amortisation for the period, and relates primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

The acquisitions of **intangible assets under construction** include activities mainly regarding the development for software relating to the infrastructure platform (€105 million), for BancoPosta services (€50 million), for support to the sales network (€29 million), for the postal products platform (€26 million) and for the engineering of reporting processes for other Business and personnel functions (€13 million).

The balance of **intangible assets under construction** includes activities of the Parent Company mainly regarding the development for software relating to the infrastructure platform (€119 million), for BancoPosta services (€61 million), for support to the sales network (€41 million), for the postal products platform (€32 million) and for the engineering of reporting processes for other Business and personnel functions (€17 million).

During the year, reclassifications were made from Intangible assets under construction to Industrial patents and intellectual property rights amounting to €209 million, mainly due to the completion and start-up of new software programs and the development of existing ones, relating to the infrastructure platform (€93 million), BancoPosta services (€58 million), support for the sales network (€30 million), the postal products platform (€14 million) and the engineering of reporting processes for other Business and personnel functions (€12 million).

Lastly, during the year 2023, as part of the Energy Project, the Parent Company made investments in application software for about €43 million, of which €9 million has not yet entered into production, and as part of the Polis Project - Home of Digital Services, with reference to the "One-stop shop" line of intervention, it made investments of about €3 million, of which €2 million has not yet entered into production.

The breakdown of the item **Goodwill** is as follows:

TAB. A3.1 – GOODWILL

Description (€m)	31.12.2023	31.12.2022	Changes
Mail, Parcels and Distribution SBU	**213**	**213**	**1**
Plurima	101	101	(0)
Poste Italiane	33	33	-
Sourcesense	24	24	-
Poste Welfare Servizi	18	18	-
Sengi Express Limited	16	16	-
Agile Lab	14	14	-
MLK Deliveries	5	5	-
Nexive Network	3	3	-
Sourcesense Platforms	1	-	1
sennder Italia	-	0	(0)
Payments and Mobile SBU	**459**	**459**	**-**
LIS	459	459	-
Insurance Services SBU	**124**	**-**	**124**
Net Insurance	124	-	124
Total	**796**	**672**	**125**

The balance of €796 million refers to goodwill allocated to the Mail, Parcels and Distribution SBU, the Payments and mobile SBU and the Insurance Services SBU. The change during the year is essentially attributable to the acquisition by Net Holding (a corporate vehicle directly controlled by Poste Vita) of 97.8% of Net Insurance (which in turn holds 100% of Net Insurance Life SpA). The remaining difference between the consideration recognised and the fair value of the net assets acquired by the Group, adjusted following the Purchase Price Allocation (“PPA”) process performed in application of IFRS 3, was recognised as goodwill (see also Note 2.8 - Basis of consolidation).

In addition, with reference to the impairment test on goodwill and cash generating units, please refer to paragraph 2.6 - Use of estimates.

A4 – Right-of-use assets (€1,265 million)

TAB. A4 – MOVEMENTS IN RIGHT-OF-USE ASSETS

Description (€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,680	373	31	54	2,138
Accumulated amortisation and impairments	(596)	(150)	(18)	(40)	(804)
Balance at 1 January 2023	**1,084**	**224**	**13**	**14**	**1,334**
Changes during the year					
New contract acquisitions	114	54	10	16	194
Adjustments	40	9	5	0	54
Reclassifications	-	-	-	-	-
Contract terminations	(42)	(0)	(1)	(0)	(43)
Change in scope of consolidation	(2)	(0)	0	0	(3)
Depreciation, amortisation and impairments	(166)	(88)	(8)	(10)	(272)
Total changes	**(57)**	**(25)**	**6**	**7**	**(69)**
Cost	1,777	385	37	50	2,249
Accumulated amortisation and impairments	(750)	(186)	(18)	(30)	(984)
Total	**1,027**	**199**	**18**	**20**	**1,265**

Acquisitions during the year mainly related to the Parent Company (€134 million) and related to new contracts (€39 million), renewals of contracts existing at the beginning of the year of a real estate nature (€18 million), the rental of company vehicles used for mail and parcel delivery activities (€53 million) and mixed-use vehicles (€8 million), the rental of IT equipment (€16 million) and to the subsidiary SDA Express Courier for the stipulation of real estate lease contracts for new operating headquarters and warehouses intended for the management of specific orders in the "integrated logistics" segment (€54 million).

The item "Adjustments" refers to contractual changes during the period in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

The item terminations refers to the early termination of existing contracts with respect to their natural maturity.

The increase in Right-of-Use Assets recognised during the year and related to lease contracts for electric, hybrid and endothermic vehicles considered to be "green" amounted to approximately €39 million, exclusively referring to the Parent Company Poste Italiane SpA.

TAB. A4.1 – ECONOMIC EFFECTS OF LEASE AGREEMENTS

Description (€m)	FY 2023	FY 2022
Depreciation, impairments and adjustments of right-of-use assets	272	249
Financial charges on lease payables	28	24
Costs related to short-term leases	35	38
Costs related to lease of low-value assets	14	15
Costs related to lease of intangible assets	102	72
Total	**451**	**397**

TAB. A4.2 – MOVEMENTS IN LEASE LIABILITY

(€m)	FY 2023
Balance at 1 January	**1,407**
New contract increases	194
Payments	(298)
Finance costs	28
Change in scope	(3)
Other changes	12
Balance at 31 December	**1,341**
of which current	295
of which non-current	1,045

A5 – Investments accounted for using the Equity method (€294 million)

TAB. A5 – INVESTMENTS

Description (€m)	31.12.2023	31.12.2022	Changes
Investments in associates	290	263	27
Investments in subsidiaries	4	3	1
Total	**294**	**267**	**27**

TAB. A5.1 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD*

			Impairment losses			
Description (€m)	Balance at 01. 01. 2023	Increases/ (Decreases)	accounted for using the equity method	Dividend adjustments	Other changes	Balance at 31.12.2023
in associates						
Anima Holding SpA	213	(1)	15	(8)	-	219
Conio Inc	1	0	(0)	-	-	1
Eurizon Capital Real Asset SGR	4	0	0	-	-	4
Financit SpA	36	(0)	3	(4)	-	35
ItaliaCamp Srl	1	-	0	-	-	1
Replica Sim SpA	9	-	(0)	-	-	9
Consorzio Italia Cloud	0	-	-	-	-	0
sennder Italia Srl	-	0	1	-	21	22
Total associates	**263**	**(1)**	**19**	**(13)**	**21**	**290**
in subsidiaries						
Address Software Srl	1	0	0	-	-	1
Ecomind Srl	-	1	0	-	(1)	-
Kipoint SpA	2	-	1	(0)	-	3
Indabox Srl	0	-	0	-	-	1
Total subsidiaries	**3**	**1**	**1**	**(0)**	**(1)**	**4**
Total	**267**	**1**	**20**	**(13)**	**20**	**294**

* The values shown in the table are rounded in millions of euros (without decimal places). It follows that the sum of the amounts may not coincide with the rounded totals.

The item Investments in associates (valued using the equity method) mainly refers to the companies Anima Holding, Financit, Replica SIM and sennder Italia. The most significant changes during the year are shown below:

- net positive adjustment of the carrying amount of the investment in Anima Holding SpA; approximately €6 million, of which: an increase of approximately €15 million for the share of the economic results achieved by the investee between 30 September 2022 and 30 September 2023, the date of the last available financial statements, and a decrease of €8 million due to the effect of dividends received from the result for 2022;
- registration of the stake in sennder Italia worth €21 million. The company was classified as an investment in associates following the loss of control in the renegotiation of the partnership with sennder Technologies. In accordance with IFRS 10, the residual associated stake in sennder Italia was recognised at fair value at the time of loss of control.

As required by IFRS, equity investments were subjected to an impairment test in order to verify whether there is objective evidence that their carrying amount is not fully recoverable, and no need for value adjustments emerged.

The method applied and the criteria used in conducting impairment tests of Anima Holding at 31 December 2023, are described in note 2.6 – Use of estimates, with regard to the impairment testing of goodwill, cash generating units and investments.

A list of subsidiaries, joint ventures and associates accounted for using the equity method is provided in Additional information – Scope of companies and key information on investments (note 13).

A6 – Financial assets (€237,159 million)

TAB. A6 – FINANCIAL ASSETS

	Balance at 31.12.23			Balance at 31.12.22			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	32,049	13,054	45,103	29,483	16,812	46,295	(1,192)
Financial assets at FVTOCI	122,369	17,226	139,594	114,031	16,204	130,235	9,359
Financial assets at FVTPL	47,058	1,147	48,205	42,573	929	43,501	4,704
Derivative financial instruments	4,180	77	4,257	5,764	346	6,110	(1,853)
Total	**205,656**	**31,503**	**237,159**	**191,850**	**34,290**	**226,141**	**11,018**
of which Financial Activities	*64,414*	*15,642*	*80,056*	*61,914*	*21,327*	*83,241*	*(3,185)*
of which Insurance Activities	*140,588*	*15,556*	*156,145*	*129,390*	*12,765*	*142,155*	*13,990*
Of which Postal and Business Activities	*647*	*6*	*653*	*539*	*1*	*540*	*113*
Of which Payment Services and Card Payments Activities	*7*	*299*	*306*	*8*	*198*	*206*	*100*

Financial assets by operating segment break down as follows:

Financial activities

TAB. A6.1 – FINANCIAL ASSETS - FINANCIAL SERVICES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	**30,124**	**12,549**	**42,673**	**27,473**	**16,428**	**43,901**	**(1,228)**
Loans	-	1,769	1,769	-	1,358	1,358	411
Receivables	0	10,505	10,505	0	14,844	14,844	(4,339)
Deposits with the MEF	0	8,932	8,932	0	11,902	11,902	(2,970)
Receivables	-	8,937	8,937	-	11,907	11,907	(2,970)
Provisions for doubtful amounts deposited with MEF	0	(5)	(5)	0	(5)	(5)	0
Other financial receivables	-	1,574	1,574	-	2,942	2,942	(1,368)
Fixed income instruments	30,124	274	30,398	27,473	226	27,699	2,700
Financial assets at FVTOCI	**30,083**	**3,017**	**33,100**	**28,638**	**4,552**	**33,190**	**(90)**
Fixed income instruments	30,083	3,017	33,100	28,638	4,552	33,190	(90)
Financial assets at FVTPL	**26**	**-**	**26**	**40**	**-**	**40**	**(14)**
Equity instruments	26	-	26	40	-	40	(14)
Derivative financial instruments	**4,180**	**77**	**4,257**	**5,764**	**346**	**6,109**	**(1,853)**
Total	**64,414**	**15,642**	**80,056**	**61,914**	**21,327**	**83,241**	**(3,185)**

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

TAB. A6.1.1 – MOVEMENTS IN FINANCIAL ASSETS AT AMORTISED COST

Description (€m)	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2023	**16,203**	**27,699**	**43,901**
Purchases		2,754	2,754
Changes in amortised cost	-	(52)	(52)
Transfers to equity reserves	-	(76)	(76)
Changes in fair value through profit or loss	0	340	341
Changes in cash flow hedges*	-	53	53
Changes due to impairment		(5)	(5)
Net changes	(4,813)		(4,813)
Effects of sales on profit or loss	-	48	48
Accruals	5	233	238
Sales, redemptions and settlement of accruals		(595)	(595)
Other changes	881	-	881
Balance at 31 December 2023	**12,275**	**30,398**	**42,673**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase of the derivative contract and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

Loans and receivables

The item **Loans** refers to reverse repurchase agreements of €4,106 million (€4,575 million at 31 December 2022) mainly entered into with Cassa di Compensazione e Garanzia SpA (hereinafter CC&G) for the temporary use of liquidity from private funding. These transactions are guaranteed by securities for a total notional amount of €3,874 million. Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2023, already included in the exposure to net balances, amounted to €2,337 million (€3,217 million at 31 December 2022). At 31 December 2023, the fair value[219] of said item was €1,769 million.

Receivables include:
- **Deposits with the MEF**, for €8,937 million, including public customers' postal current account deposits, which earn a variable rate of return, calculated on a basket of government bonds[220]. The deposit has been adjusted to reflect accumulated impairments of approximately €5 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2022). The decrease in deposits of €2,970 million was mainly due to the typical operations of some customers in the Public Administration, which generated a contraction in deposits from postal current accounts. During the financial year 2023, hedging (management) derivative contracts were concluded on the 10-year index-linked remuneration component. The hedging transaction (Cash flow hedge) was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value. These transactions, completed at 31 December 2023, generated positive effects of €5 million, which was recognised in profit or loss under the item Income from investment in postal current accounts and free cash.

Other financial receivables, relating for €1,223 million to collateral deposits - of which €772 million for sums paid to counterparties for repo transactions on fixed income instruments (collateral under specific Global Master Repurchase Agreements), €323 million for sums paid to CC&G (€234 million for outstanding repo transactions and €89 million as a pre-funded contribution to the Default Fund[221]), €82 million for amounts paid to counterparties for interest rate swap transactions (collateral provided for in specific Credit Support Annexes) and €46 million in sums paid as collateral in relation to clearing systems with central counterparties for over-the-counter transactions in derivatives[222]. The year-on-year decrease in guarantee deposits is mainly due to the reduction in amounts paid to counterparties with whom repo transactions are in place as a result of the combined effect of the change in the interest rate curve, which generated an increase in the fair value of the securities as collateral, and the lower amount of transactions outstanding at the date.

Fixed income instruments

These are Eurozone fixed income instruments held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €30,877 million. Their carrying amount of €30,398 million reflects the amortised cost of unhedged fixed income bonds, totalling €19,325 million, the amortised cost of fair-value hedged fixed income bonds, totalling €13,017 million, decreased by €1,944 million to take into account the effects of the hedge (€2,714 in 2022). Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2023 amount to approximately €18 million (€13 million at 31 December 2022).

At 31 December 2023, the fair value[223] of these securities was €28,318 million (including €233 million in accrued income).

This category of financial asset includes fixed rate instruments, amounting to nominal €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2023, their carrying amount totals €2,889 million).

219. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2
220. The variable rate in question is calculated as follows: 40% is based on the average return on six-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.
221. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
222. These are transactions carried out outside the regulated securities markets and therefore not subject to any specific regulation concerning the organisation and operation of the market itself.
223. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €25,231 million of the total amount qualifies for inclusion in Level 1 and €3,087 million for inclusion in Level 2.

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

TAB. A6.1.2 – MOVEMENTS IN FINANCIAL ASSETS AT FVTOCI

Description (€m)	Fixed income instruments	Total
Balance at 1 January 2023	**33,190**	**33,190**
Purchases	3,841	3,841
Transfers to equity reserves	0	0
Changes in amortised cost	36	36
Changes in fair value through equity	1,940	1,940
Changes in fair value through profit or loss	383	383
Changes in cash flow hedges*	242	242
Effects of sales on profit or loss	110	110
Accruals	254	254
Sales, redemptions and settlement of accruals	(6,895)	(6,895)
Balance at 31 December 2023	**33,100**	**33,100**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase of the derivative contract and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

Fixed income instruments

These are Eurozone fixed income Government securities, consisting of government bonds, especially issued by the Italian government, held mainly by BancoPosta RFC, with a nominal value of €34,892 million.

Total fair value fluctuation for the year in question was positive for €2,323 million, with €1,940 million recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges, and €383 million recognised through profit or loss in relation to the hedged portion.

Accumulated impairments at 31 December 2023 amount to €19 million (€16 million at 31 December 2022). The decrease in this item is mainly due to higher sales/reimbursements made during the year compared to purchases, partially offset by the positive change in fair value mentioned above.

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans and hedging transactions, as described in note 13 – *Additional information*.

Financial assets at fair value through profit or loss

Equity instruments

The item in question refers to the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock). These shares are convertible at the rate of 3.634[224] ordinary shares for each C share, minus a suitable illiquidity discount.

Net fair value gains in the year under review, amounting to €6 million, have been recognised in profit or loss in the items Income and Expenses from financial activities.

224. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, at the reporting date, were considered as merely contingent.

In addition, two separate forward sales contracts were concluded during the financial year 2023:
- the forward sale of 101,900 Visa Incorporated ordinary shares[225], settled on 3 April 2023, for a total consideration of €20.8 million with insignificant effects on the statement of profit or loss;
- the outstanding forward sale of 95,000 Visa Incorporated ordinary shares with a total consideration of €20.5 million and a settlement date of 3 March 2025[226]. Fair value fluctuations in the year under review, amounting to a negative €2.6 million, have been recognised in profit or loss in "Expenses from financial activities".

Derivative financial instruments

TAB. A6.1.3 – DERIVATIVE FINANCIAL INSTRUMENTS

Description (€m)	Balance at 31.12.2023		Balance at 31.12.2022	
	Nominal	*Fair value*	Nominal	*Fair value*
Cash flow hedging				
Forward purchases of securities	-	-	3,433	(92)
Forward sales	-	-	1,099	346
Interest rate swaps	3,287	(513)	2,943	(531)
Fair value hedges				
Interest rate swaps on securities at FVTOCI and AC	25,031	3,718	27,940	5,571
Interest rate swaps on repos	3,996	(83)	3,996	(155)
FVTPL				
Forward sales	0	(3)	0	(4)
Derivative financial instruments	**32,314**	**3,119**	**39,411**	**5,135**
Of which:				
Derivative assets	19,665	4,257	27,404	6,109
Derivative liabilities	12,649	(1,138)	12,007	(975)

Interest rate swap cash flow hedges relate exclusively to securities valued at FVTOCI.

Interest rate risk cash flow hedges recorded a net negative change of €236 million during the year, of which €80 million related to the net positive change in fair value of the effective component of the hedge, reflected in the cash flow hedge reserve, and €316 million related to the net negative change in completed transactions[227] during the year and the ineffective component of hedging contracts.

Fair value hedges in interest rate swaps are used to hedge:
- securities measured at amortised cost with a nominal value of €12,011 million and securities measured at FVTOCI with a nominal value of €13,020 million; in total, they underwent a net negative change of €1,853 million during the year, of which €538 million related to the net negative change in fair value of the effective component of the hedge and €1,315 million related to the net negative change in transactions completed during the year and the ineffective component of hedging contracts;
- repurchase agreements classified at amortised cost with a nominal value of €3,996 million, whose net positive change was €72 million, of which €32 million related to the net positive change in fair value of the effective hedging component and €40 million related to the net positive change in completed transactions.

In the year under review, the Parent Company carried out the following transactions:
- settlement of forward purchases of securities outstanding at 1 January 2023 for a nominal value of €3,433 million;
- forward purchases of securities to hedge, as of 1 January 2023, the yield of the MEF Deposit and settlement for a nominal amount of €290 million;
- settlement of forward sales of securities outstanding at 1 January 2023 for a nominal value of €1,099 million;

225. On 20 March 2023, the 1,019 shares of Series A Preferred Stock held at 31 December 2022 were converted into ordinary shares, based on the conversion ratio of 100 ordinary shares for every share of Class A Preferred Stock.
226. The ordinary shares involved in the forward sale amount to approximately 26,207 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2023.
227. Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

- the stipulation of new cash flow interest rate swaps with a nominal value of €484 million and the adjustment of those outstanding on 1 January 2023 for a nominal amount of €140 million;
- the stipulation of new fair value interest rate swaps to hedge the securities portfolio with a nominal value of €3,596 million;
- early settlements of fair value hedge interest rate swaps with a nominal value of €6,505 million (of which: €980 million related to hedging transactions for which the underlying security was also sold, €3,015 million related to hedging transactions without sale of the underlying security, and €2,510 million related to hedging transactions for which new asset swaps were entered into) with the aim of consolidating a fixed yield in line with the market situation, while at the same time improving the income profile of a portion of the portfolio for subsequent years.

Insurance activities

TAB. A6.2 – FINANCIAL ASSETS - INSURANCE SERVICES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	1,922	200	2,123	2,008	185	2,193	(70)
Receivables	0	54	55	-	34	34	21
Fixed income instruments	1,922	146	2,068	2,008	151	2,159	(91)
Financial assets at FVTOCI	91,643	14,209	105,852	84,850	11,651	96,501	9,351
Fixed income instruments	91,638	14,209	105,847	84,348	11,651	95,999	9,848
Other investments	-	-	-	501	0	502	(502)
Equity instruments	5	-	5	-	-	-	5
Financial assets at FVTPL	47,023	1,147	48,170	42,532	929	43,461	4,709
Receivables	-	-	-	-	110	110	(110)
Fixed income instruments	2,211	353	2,564	1,959	326	2,285	279
Units of mutual investment funds	44,790	308	45,098	40,552	229	40,781	4,318
Equity instruments	1	485	486	-	264	264	222
Other investments	21	1	22	21	0	21	1
Total	**140,588**	**15,556**	**156,145**	**129,390**	**12,765**	**142,155**	**13,990**

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

TAB. A6.2.1 – MOVEMENTS IN FINANCIAL ASSETS AT AMORTISED COST

Description (€m)	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2023	**34**	**2,159**	**2,193**
Purchases		38	38
Changes in amortised cost	-	5	5
Changes in fair value through profit or loss	-	(0)	(0)
Changes in cash flow hedges	-	-	-
Changes due to impairment	-	-	-
Net changes	20		20
Effects of sales on profit or loss	-	(0)	(0)
Accruals	-	18	18
Sales, redemptions and settlement of accruals		(151)	(151)
Balance at 31 December 2023	**55**	**2,068**	**2,123**

Receivables

Financial receivables of €55 million mainly regard receivables for management commissions of Poste Vita internal funds.

Fixed income instruments

Fixed income instruments at amortised cost at 31 December 2023 have a carrying amount of €2,068 million. These instruments mainly relate to the free capital of Poste Vita SpA and Poste Assicura SpA. At 31 December 2023, the fair value[228] of these securities amounted to €1,888 million.

Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2023 amount to approximately €0.9 million (€0.9 million at 31 December 2022).

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income are shown below:

TAB. A6.2.2 – MOVEMENTS IN FINANCIAL ASSETS AT FVTOCI

Description (€m)	Fixed income instruments	Other investments	Equity instruments	Total
Balance at 1 January 2023	**95,999**	**502**	**0**	**96,501**
Change in scope of consolidation	198	0	2	201
Purchases	18,353	0	3	18,356
Transfers to equity reserves	2	(1)	0	1
Changes in amortised cost	630	(0)	0	630
Changes in fair value through equity	5,749	0	(0)	5,748
Effects of sales on profit or loss	(34)	0	0	(34)
Accruals	899	0	0	899
Sales, redemptions and settlement of accruals	(15,948)	(501)	0	(16,449)
Balance at 31 December 2023	**105,847**	**0**	**5**	**105,852**

228. In terms of the fair value hierarchy, which reflects the relevance of the sources used to conduct the measurements, €1,831 million of the total amount qualifies for inclusion in Level 1, €55 million for inclusion in Level 2 and €2 million in Level 3.

These financial instruments recorded a positive change in fair value of €5,749 million, of which €5,532 million contributed to the revaluation of insurance liabilities.

Fixed income instruments

At 31 December 2023, these securities relate to investments held by Poste Vita SpA for €105,087 million (a nominal value of €113,663 million) represented by instruments by European governments and leading European companies. These securities are used to hedge products related to Separately Managed Accounts in the amount of €101,779 million. The item in question comprises bonds issued by CDP SpA, with a fair value of €121 million. Accumulated impairment at 31 December 2023 amounts to approximately €55 million, almost entirely reflected in insurance liabilities.

In addition, following the consolidation of Net Insurance and Net Insurance Life, fixed income instruments increased by about €246 million, mainly relating to listed instruments issued by European states and leading European companies.

Other investments

At 31 December 2023, this item was nil as the private placement of the Constant Maturity Swap from Cassa Depositi e Prestiti was fully repaid in December.

Financial assets at fair value through profit or loss

Below are the movements in financial assets at fair value through profit or loss:

TAB. A6.2.3 – MOVEMENTS IN FINANCIAL ASSETS AT FVTPL

Description (€m)	Receivables	Fixed income instruments	Other investments	Units of mutual investment funds	Equity instruments	Total
Balance at 1 January 2023	**110**	**2,285**	**21**	**40,781**	**264**	**43,461**
Change in scope of consolidation	-	3	-	25	2	30
Purchases		349	-	3,866	367	4,583
Changes in fair value through profit or loss	-	156	1	2,379	62	2,598
Net changes	(110)					(110)
Effects of sales on profit or loss	-	5	-	75	38	118
Accruals	-	38	1	-	-	39
Sales, redemptions and settlement of accruals		(273)	(0)	(2,027)	(248)	(2,548)
Balance at 31 December 2023	**-**	**2,564**	**22**	**45,098**	**486**	**48,170**

Fixed income instruments

At 31 December 2023, fixed income instruments amounting to €2,564 million were held almost exclusively by Poste Vita and mainly consisted of corporate instruments issued by primary issuers and used to hedge products linked to Separately managed accounts amounting to €2,118 million.

Units of mutual investment funds

At 31 December 2023, units of mutual investment funds amounting to €45,098 million include around €33,165 million to cover Class I separately managed account products and €11,908 million to cover Class III policies. The remainder relates to investment of Poste Vita's free capital (see note 13 – *Additional information - Unconsolidated structured entities*). Net investment in the funds during the period in question amounts to €1,839 million and the fair value has increased by approximately €2,379 million, an effect that almost contributed entirely to the revaluation of insurance liabilities. At 31 December 2023, the investments in UCITS (including multi-asset funds) amounted to €40,810, units in mutual real estate funds totalled €2,251 million, while mutual funds that primarily invest in bonds came to €2,017 million.

In addition, following the consolidation of Net Insurance and Net Insurance Life, the item increased by approximately €21 million, mainly related to units in private debt mutual funds.

Of the total amount of mutual funds in which Poste Vita SpA invests, an amount of around €7 billion refers to funds whose investment policies consider environmental, social and governance factors (ESG factors).

Equity instruments

Equity instruments amounted to €486 million, and are held primarily by the company Poste Vita and pledged primarily to cover Class I products linked to separately managed accounts and Class III policies. The change over the period reflects the combined effect of net investments of approximately €120 million and the registration of income of €100 million.

Other investments

Other investments of €22 million relate to a Constant Maturity Swap placed by Cassa Depositi e Prestiti and held by Poste Vita (a nominal value of €22 million) and covering products linked to separately managed accounts.

Derivative financial instruments

At 31 December 2023, there were no derivative transactions.

Postal and business activities

TAB. A6.3 – FINANCIAL ASSETS - POSTAL AND BUSINESS SERVICES

Description (€m)	Balance at 31.12.23			Balance at 31.12.22			Changes
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Financial assets at amortised cost	2			2	1	3	6
Loans	-	1	1	-	(0)	(0)	1
Receivables	2	1	3	2	1	3	0
Due from the purchasers of service accommodation	2		2	2	1	3	(1)
Due from Others	-	20	20	-	20	20	0
Provisions for doubtful financial debts	(0)	(20)	(20)	(0)	(20)	(20)	(0)
Financial assets at FVTPL	9	-	9	(0)	-	(0)	9
Bond	9	-	9	(0)	-	(0)	9
Financial assets at FVTOCI	636	0	636	536	0	536	100
Fixed income instruments	99	0	99	91	0	91	8
Equity instruments	537	-	537	445	-	445	92
Derivative financial instruments	0	0	0	0	0	0	(0)
Total	**647**	**6**	**653**	**539**	**1**	**540**	**113**

Financial assets at amortised cost

Amounts due from others, with a nominal value of €20 million, regard the remaining amount due from Invitalia SpA as a result of the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA (BoM).

Financial assets at fair value through other comprehensive income

TAB. A6.3.1 – MOVEMENTS IN FINANCIAL ASSETS AT FVTOCI

Description (€m)	Fixed income instruments	Equity instruments	Total
Balance at 1 January 2023	**91**	**445**	**536**
Purchases	-	3	3
Transfers to equity reserves	-	-	-
Changes in amortised cost	2	-	2
Changes in fair value through equity	6	(4)	2
Effects of sales on profit or loss	-	-	-
Accruals	0	-	0
Extraordinary transactions	-	93	93
Sales, redemptions and settlement of accruals	(0)	-	(0)
Balance at 31 December 2023	**99**	**537**	**636**

Fixed income instruments

This item includes one Italian government bond with a nominal value of €110 million purchased during 2022. The fluctuation in fair value at 31 December 2023 was positive for €6 million and recognised in the specific equity reserve.

Equity instruments

TAB. A6.3.2 – SHARES AT FVTOCI

Description (€m)	Balance at 31.12.2023	Balance at 31.12.22	Changes
Moneyfarm Holding L.t.d.	55	57	(1)
sennder Technologies Gmbh	112	19	93
Scalapay Limited	25	25	-
Nexi	345	343	2
Milkman SpA	-	2	(2)
Total	**537**	**445**	**92**

The shares at FVTOCI amounted to €537 million and, compared to the previous year (€445 million), changed due to the recognition of the additional share of sennder Technologies Gmbh for €93 million acquired as part of the renegotiation of the partnership, for details of which see section 2.8. Main changes to the scope of consolidation.

In July 2023, Poste Italiane participated in a new capital increase promoted by MFM Holding Ltd with an investment of €3 million.

The overall fluctuation in fair value of the item in question was negative for €4 million and recognised in the specific equity reserve.

Lastly, the item includes, for €75 million the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and fully written off in 2014.

Further details of the corporate transactions during the year are provided in note 3.1 – *Principal corporate actions*.

Financial assets at fair value through profit or loss

The item includes a portion of the convertible bond issued by sennder Technologies GmbH and subscribed by Poste Italiane in July 2023 for about €8.5 million, representing the fair value at 31 December 2023, as well as participating financial instruments (pursuant to Article 2346, paragraph 6, of the Italian Civil Code) arising from the conversion of Contingent Convertible Notes[229] - issued by Midco SpA - whose value, at 31 December 2023, was zero.

Derivative financial instruments

The following transactions took place during the year:
- stipulation and settlement of three commodity swaps for the operational hedging of fuel costs relating to the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl;
- stipulation and settlement of forty-two non-deliverable forward contracts to operationally hedge the currency risk (euro/dollar) mainly related to aircraft leasing fees for air mail transport carried out through the subsidiary Poste Air Cargo Srl.

Finally, in October 2023, a cash flow hedge interest rate swap contract entered into in 2013 to hedge the cash flows of a €50 million bond issued on 25 October 2013 (note B.8 Financial liabilities) reached maturity. The closing of the derivative resulted in the release to the statement of profit or loss, recognised under Finance Income, of the cash flow hedge reserve of approximately €6 million, which was established as of 25 October 2015, the date from which the cash flow hedge became operative.

Payment services and card payments activities

TAB. A6.4 – FINANCIAL ASSETS - PAYMENT SERVICES AND CARD PAYMENTS SERVICES

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	0			0	198	198	101
Receivables	0	299	299	0	198	198	101
Financial assets at FVTOCI	7	0	7	8	0	8	(1)
Equity instruments	7	0	7	8	0	8	(1)
Financial assets at FVTPL	1	0	1	0	0	0	1
Convertible bond	1	0	1	0	0	0	1
Total	**7**	**299**	**306**	**8**	**198**	**206**	**100**

Financial assets at amortised cost

Financial assets at amortised cost mainly refer to receivables from international settlement circuits for the acquiring service and to items in progress to be settled on prepaid cards of the EMI assets.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income refer entirely to the investment in the company Volante.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss refer entirely to the convertible bond loan entered into with Volantè Technologies Inc. in July 2023.

For further information in this regard, see Note 3.1 - *Principal corporate actions*.

229. These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the company Alitalia SAI SpA. The Notes were subscribed by Poste Italiane SpA in December 2014, as part of the transaction aimed at Etihad Airways' acquisition of an equity interest in Alitalia SAI. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into participating financial instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same rights associated with the Notes.

A7 – Inventories (€172 million)

TAB. A7 – INVENTORIES

Description (€m)	Balance at 31.12.2022	Changes recognised in profit or loss	Balance at 31.12.2023
Properties held for sale	129	8	136
Work in progress, semi-finished and finished goods and goods for resale	20	8	28
Raw, ancillary and consumable materials	9	(1)	8
Total	**157**	**15**	**172**

Properties held for sale refer entirely to the portion of EGI SpA's real estate portfolio to be sold, whose fair value[230] at 31 December 2023 amounts to approximately €280 million.

At the closing date of these financial statements, work in progress, semi-finished and finished goods and merchandise included about €4 million of final inventories related to environmental certificates held by Poste Air Cargo SpA and Postepay SpA that were previously purchased and not used during the reporting period.

A8 – Trade receivables (€2,407 million)

TAB. A8 – TRADE RECEIVABLES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Due from customers	3	2,150	2,152	3	1,916	1,919	233
Due from Parent Company (MEF)	-	249	249	-	257	257	(7)
Due from subsidiaries, associates and joint ventures	-	6	6	-	5	5	2
Prepayments to suppliers	-	0	0	-	0	0	(0)
Total	**3**	**2,404**	**2,407**	**3**	**2,179**	**2,182**	**225**

230. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Due from customers

TAB. A8.1 – DUE FROM CUSTOMERS

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Ministries and Public Administration entities	-	563	563	-	581	581	(18)
Cassa Depositi e Prestiti	-	247	247	-	21	21	226
Due from private individuals for parcel delivery services	-	505	505	-	493	493	12
Due from private individuals for mail services	-	379	379	-	395	395	(16)
Overseas counterparties	-	323	323	-	386	386	(64)
Overdrawn current accounts	-	45	45	-	40	40	5
Amounts due for other BancoPosta services	-	58	58	-	62	62	(4)
Other amounts due from customers	3	558	561	3	453	457	104
Provisions for doubtful debts due from customers	(0)	(529)	(529)	(0)	(517)	(517)	(13)
Total	**3**	**2,150**	**2,152**	**3**	**1,916**	**1,919**	**233**

The increase in Due from customers is mainly attributable to the increase in amounts due from Cassa Depositi e Prestiti for amounts accrued to be invoiced at the relevant date, based on the Supplementary and Amending Deed of 30 January 2024, effective retroactively from 1 January 2023 to 31 December 2023, to the Agreement with Cassa Depositi e Prestiti renewed on 23 December 2021 for the period 2021-2024.

Specifically[231]:

- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Compensation for Publisher tariff subsidies, due from the Cabinet Office – Publishing Department, amounting to €215 million, of which €55 million accrued during the year. At 31 December 2023, these receivables are shown gross of the collection of an unavailable amount of €195 million, relating to the tariff subsidies applied in 2020, 2021, 2022 and until the third quarter of 2023, deposited by the Cabinet Office - Publishing Department, in a non-interest-bearing account held by the Company with the State Treasury and for this reason recorded under Payables for advances received. On 29 January 2024, the European Commission, in the matter of State aid, anticipated the formal decision to authorise the compensatory mechanism in favour of Poste Italiane for the tariff subsidies granted to publishing companies; consequently, with the communication of 31 January 2024, the Cabinet Office, in consideration of the need to guarantee the economic sustainability of the postal service for the delivery of publishing publications at subsidised rates, authorised the release of the credited sums. In December 2023, €13 million was collected related to tariff subsidies charged in the years 2018-2019.
  - Integrated Notification and mailroom services rendered to central and local government authorities, amounting to €51 million;
  - Reimbursement of building, vehicle and security costs, postage and other services incurred on behalf of the Ministry of Enterprise and Made in Italy (MIMIT)[232] in the amount of €51 million. This receivable is made up for the remaining €28 million of the original €62 million receivable for charges arising from the use of real estate and other services provided until 2012. This position, which was the subject of a legal dispute between the parties, in compliance with the first instance ruling, was partially collected in 2021 for €34 million. The supplement to the balance consists of €23 million and, during 2022, following joint audits, the charges arising from the use of real estate by MIMIT, in the period 2013 - 2021, for a total value of approximately €15 million, were defined;
  - Mail forwarding and notification services provided following a tender procedure for a total of €49 million;
  - Market Registered Mail services, totalling €33 million, provided to central and local government entities;
  - Unfranked mail services, totalling €18 million, provided to central and local Public Administrations;
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €11 million.

231. At 31 December 2023, the balance of trade receivables includes €8 million, net of the related provisions for doubtful debts, relating to rental income falling within the scope of IFRS 15 – Revenue from Contracts with Customers.
232. Former Ministry of Economic Development.

- Amounts due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta RFC's Postal savings deposits service and still not paid;
- Amounts due for **parcel delivery services** relate mainly to shipments carried out by the Parent Company and services provided by the subsidiary SDA Express Courier SpA;
- Amounts due for **mail services** refer to receivables mainly owed to the Parent Company from private customers who use the "delivery and mailing" range of services;
- Amounts due from **overseas counterparties** primarily relates to postal services carried out for overseas postal operators.
- Amounts due for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees;
- Amounts due for **other BancoPosta services** mainly refer to intermediation services (banking, personal loans, mortgages) provided.

Due from the Parent Company

This item relates to trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

TAB. A8.2 – DUE FROM THE PARENT COMPANY

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Remuneration of current account deposits	218	227	(8)
Universal Service	31	31	-
Delegated services	30	30	(1)
Publisher tariff and electoral subsidies	1	1	-
Others	2	1	0
Provision for doubtful debts due from the Parent Company	(33)	(33)	(0)
Total	**249**	**257**	**(8)**

Specifically:
- The **remuneration of current account deposits** refers almost entirely to amounts accrued in 2023 and entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Receivables for **Universal Service** compensation includes:

TAB. A8.2.1 – UNIVERSAL SERVICE COMPENSATION RECEIVABLE

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Remaining balance for 2012	23	23	-
Remaining balance for 2005	9	9	-
Total	**31**	**31**	**-**

In the year under review, the Group received €262 million in accrued compensation for the period. The amount of compensation was recognised based on the terms of the new 2020-2024 Service Contract, effective 1 January 2020.

With reference to the amount receivable for 2012, AGCom has recognised a net cost incurred by the Company of €327 million, compared with compensation of €350 million originally recognised. Provision has not been made in the state budget for the remaining €23 million. On 13 November 2014, the Company appealed AGCom's decision before the Regional Administrative Court (TAR).

The outstanding receivable relating to compensation for 2005 was subject to cuts in the budget laws for 2007 and 2008.

Provisions for doubtful debts have been made for the full amount of the above receivables.

- Amounts due for **delegated services** refer exclusively to the amount accrued in 2023 and relating to the remuneration of services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, expired on 19 May 2023 for the two-year period 2023-2024.
- Receivables arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

Impairment of trade receivables

Movements in the **expected provisions for doubtful debts** (due from customers and the Parent Company) are as follows:

TAB. A8.3 – MOVEMENTS IN PROVISIONS FOR DOUBTFUL DEBTS DUE FROM CUSTOMERS

Description (€m)	Balance at 31.12.2022	Net provisions	Uses	Balance at 31.12. 2023
Private customers	333	34	(25)	342
Public administration entities	84	(2)	(3)	79
Overseas postal operators	12	(1)	-	11
	429	**30**	**(28)**	**432**
Interest on late payments	88	26	(17)	98
Due from the Parent Company	33	0	-	33
Total	**550**	**57**	**(44)**	**562**

Net provisions of €34 million mainly refer to receivables subject to bankruptcy proceedings and receivables entrusted to the legal department for recovery. Utilisations for the year mainly refer to the write-off of receivables following the conclusion of bankruptcy proceedings and agreements, and to the write-off of receivables for current accounts with a debtor balance, for which it was ascertained that recovery actions were not cost effective, also taking into account the small amount of the individual credit positions.

The provisions for doubtful debts due from the MEF reflect the absence of funds in the state budget, meaning it is not possible to collect certain amounts receivable, recognised on the basis of legislation or contracts and agreements in effect at the time of recognition, largely relating to the Universal Service.

For the sake of completeness, the following tables present details of the gross carrying amount and the provision to cover expected losses for each class of **trade receivables**. This detail is provided separately depending on whether the model used to estimate the ECL is based on an analytical or a lump-sum valuation. For more details on the inputs, assumptions and estimation techniques used to calculate the impairment of financial assets, as well as for information on how collateral and other credit risk mitigation instruments are considered in the calculation of the provisions for doubtful trade debts, see *Note 2.6 - Use of estimates - Impairment and stage allocation for financial instruments*.

POSTE ITALIANE GROUP - CREDIT RISK - TRADE RECEIVABLES IMPAIRED ON THE ANALYTICAL BASIS

	31.12.2023		31.12.2022	
Description (€m)	Gross carrying amount	Provision to cover expected losses	Gross carrying amount	Provision to cover expected losses
Trade receivables				
Due from customers	1,503	(234)	1,065	(231)
Cassa Depositi e Prestiti	248	(0)	22	(0)
Ministries and Public Administration entities	416	(55)	411	(53)
Overseas counterparties	217	(0)	97	(0)
Private customers	623	(179)	535	(178)
Due from the Parent Company	279	(33)	288	(33)
Due from others	6	-	4	-
Total	**1,788**	**(268)**	**1,357**	**(265)**

POSTE ITALIANE GROUP - CREDIT RISK - TRADE RECEIVABLES IMPAIRED ON THE BASIS OF THE PROVISION MATRIX

Range of past due (€m)	31.12.2023 Gross carrying amount	31.12.2023 Provision to cover expected losses	31.12.2022 Gross carrying amount	31.12.2022 Provision to cover expected losses
Not past due trade receivables	661	(16)	770	(14)
Past due 0 - 1 year	122	(15)	216	(12)
Past due 1 - 2 years	61	(15)	71	(13)
Past due 2 - 3 years	51	(12)	48	(8)
Past due 3 - 4 years	29	(8)	27	(16)
Past due > 4 years	53	(45)	64	(63)
Positions subject to legal recovery and/or insolvency proceedings	204	(183)	177	(159)
Total	**1,181**	**(295)**	**1.374**	**(285)**

A9 – Other receivables and assets (€5,135 million)

TAB. A9 – OTHER RECEIVABLES AND ASSETS

Description (€m)	Balance at 31.12.2023 Non-current assets	Balance at 31.12.2023 Current assets	Balance at 31.12.2023 Total	Balance at 31.12.2022 Non-current assets	Balance at 31.12.2022 Current assets	Balance at 31.12.2022 Total	Changes
Substitute tax paid	4,033	625	4,658	4,060	585	4,645	13
Due from social security agencies and pension funds (excl. fixed-term contract settlements)	-	73	73	-	138	138	(65)
Receivables relating to fixed-term contract settlements	33	73	107	36	76	112	(5)
Receivables for amounts that cannot be drawn on due to court rulings	-	58	58	-	71	71	(13)
Accrued income and prepaid expenses from trading transactions	-	62	62	-	32	32	30
Tax assets	-	78	78	-	88	88	(9)
Interest accrued on IRES refund	-	46	46	-	46	46	(0)
Interest accrued on IRAP refund	-	0	0	-	0	0	-
Sundry receivables	22	142	164	25	126	151	16
Provisions for doubtful debts due from others	(4)	(108)	(111)	(3)	(173)	(177)	62
Total	**4,084**	**1,051**	**5,135**	**4,118**	**986**	**5,106**	**29**

Specifically:

- **Substitute tax paid** refers mainly to:
  - €2,206 million on non-current receivables paid in advance by Poste Vita SpA for the financial years 2015-2021, relating to withholding and substitute tax paid on capital gains on life policies[233];
  - €1,752 million charged to holders of Interest-bearing Postal Certificates in circulation and Class III and V insurance policies for stamp duty at 31 December 2023[234]; this amount is balanced by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);

233. Of the total amount, a portion of €420 million, assessed on the basis of provisions at 31 December 2021, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).
234. Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree no. 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

  - €407 million relating to advances paid to the Tax authorities in relation to stamp duty to be paid in virtual form in 2024 and to be recovered from customers by Poste Italiane;
  - €96 million relating to stamp duty charged to holders of Postal Savings Books, which Poste Italiane SpA pays in virtual form as required by law;
  - €30 million in advances on withholding tax on interest paid to current account holders for 2023, which is to be recovered from customers.
- Due from **social security agencies and pension funds** totalling €73 million decreased compared to 31 December 2022, mainly as a result of the derecognition of receivables related to past items and the recovery of the residual amounts related to the periods of suspension or reduction of work for Covid-19 by means of a reconciliation with the contributions due to the Social Security Institute.
- **Receivables relating to fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €102 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. The item also includes amounts due from INPS (formerly IPOST) of €42 million, covered by a specific agreement with IPOST dated 23 December 2009. Payment of this amount consists of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014; negotiations are in progress with the debtor for their recovery.
- Receivables for **amounts that cannot be drawn on due to court rulings** refer to amounts attached and not assigned to creditors, which are in the process of being recovered. In January 2023, following the signing of a settlement agreement, the receivable of €12 million relating to sums embezzled from the Parent Company in December 2007 as a result of an attempted fraud and held at a foreign bank was collected.
- **Interest accrued on IRES refund**, refers to interest accruing up to 31 December 2023 on the IRES receivable arising from the failure to deduct personnel expenses for IRAP purposes, almost entirely attributable to the Parent Company. For the recovery of said receivable, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the Agenzia delle Entrate in Rome to refund the amounts claimed. The Agenzia delle Entrate have appealed both judgements before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the Agenzia delle Entrate's appeal against one of the judgements (proceedings pursuant to Law Decree no. 201/2011). Poste Italiane has appealed this ruling before the Supreme Court of Cassation. On 5 July 2023, the judgement of the Court of Cassation in the case pursuant to Law Decree no. 201/2011 was published, in which the most relevant grounds of Poste Italiane's appeal were upheld concerning the starting date of the interest accrued on the IRES credit resulting from the non-deduction of labour costs for IRAP purposes. As a result of this ruling, the case will have to be resumed before the Tax Court of Second Instance to settle the amount of interest actually due to the Group. The judgement concerning Law Decree no. 185/2008 is currently pending before the Supreme Court of Cassation. Elements of uncertainty about the final outcome of the case are taken into account in the provision for doubtful debts due from others.
- **Accrued income and prepaid expenses from trading transactions** increased by €30 million compared to last year, mainly to the higher purchases by the subsidiary Postel of software licences.

Movements in the **provisions for doubtful debts due from others** are shown below:

TAB. A9.1 – MOVEMENTS IN PROVISIONS FOR DOUBTFUL DEBTS DUE FROM OTHERS

Description (€m)	Balance at 31.12.2022	Net provisions	Uses	Balance at 31.12.2023
Interest accrued on IRES refund	45	(25)	-	20
Public Administration entities for sundry services	-	-	-	-
Receivables relating to fixed-term contract settlements	24	0	-	24
Other receivables	107	(0)	(40)	67
Total	**177**	**(25)**	**(40)**	**111**

At 31 December 2023, the provisions for doubtful debts due from others included the release of about €25 million following the decision of the Court of Cassation relating to the proceedings pursuant to Law Decree no. 201/2011.

In addition, during the year under review, having ascertained the non-recoverability of certain prior items referring to labour costs, credit items were written off by using the provision.

A10 – Tax credits Law no. 77/2020 (€8,318 million)

TAB. A10 – TAX CREDITS LAW NO. 77/2020

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Tax credits at amortised cost	6,534	1,784	8,318	7,458	1,563	9,021	(703)
Total	**6,534**	**1,784**	**8,318**	**7,458**	**1,563**	**9,021**	**(703)**
of which Financial Activities	*6,246*	*1,665*	*7,911*	*7,127*	*1,473*	*8,600*	*(689)*
Of which Postal and Business Activities	*288*	*119*	*407*	*331*	*90*	*421*	*(14)*

This item refers to tax credits acquired by Poste Italiane SpA against free capital resources or transferred to BancoPosta RFC for resources subject to and not subject to the restriction on their use, in accordance with the provisions of the Relaunch Decree (Law Decree no. 34/2020 converted with amendments by Law no. 77/2020) by which tax breaks were introduced to support Citizens and Businesses to encourage economic recovery following the Covid-19 health emergency.

These receivables are measured at amortised cost as they are acquired to be used primarily for the purpose of offsetting social security or tax payables, based on the provisions of the regulations issued with reference to the characteristics of the individual receivables.

Changes in these tax credits during 2023 are shown below:

Description (€m)	Carrying amount
Balance at 1 January 2023	**9,021**
Purchases	691
Changes in amortised cost	320
Other changes	(1,714)
Balance at 31 December 2023	**8,318**

The main changes in the year under review refer to:
- Purchases of €691 million, of which €518 million pertaining to BancoPosta RFC[235];
- accrued income for the year amounting to €320 million, of which €309 million pertaining to BancoPosta RFC;
- other changes of €1,714 million, of which €1,682 million related to offsets during the year.

At 31 December 2023, the fair value[236] of tax credits at amortised cost is €7,823 million.

As part of the actions aimed at combating tax fraud perpetrated by third parties through the monetisation of tax credits, starting from the end of the 2021 financial year, a number of Public Prosecutors' Offices have implemented preventive seizures that, in some cases also involved tax credits acquired by Poste Italiane (some of which were subsequently released from seizure during the course of 2022) for a total nominal value of approximately €530 million at the date of preparation of these financial statements, against a value paid of roughly €451 million.

235. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.
236. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 3.

The Company has put in place an operational process aimed at constantly analysing the potential economic, financial and equity risks to which it could be exposed in the event that, following legal proceedings involving third parties, it is ascertained that part of the tax credits acquired over time are the result of fraudulent conduct perpetrated by the aforementioned third parties. In particular, a legal and accounting analysis was conducted to generally assess said risks and determine the accounting impact related to these potential risks, making reference to the provisions of IAS 37 - Provisions, Contingent Assets and Contingent Liabilities (as better illustrated in the section Use of estimates), as the possible non-recovery of the carrying amount of the tax credits would not derive from a characteristic of the asset being measured or from significant increases in the credit risk after the initial recognition of the asset or, more simply, from the ascertained default of the debtor, as envisaged by the impairment model set forth in IFRS 9, but rather from the possibility that, for those ascertained cases of fraud, the liability of the assignee - even if a third party in good faith or an offended party to the crime - will also be called to account for assumptions other than the possible irregular use of the tax credit or for a use in excess of the tax credit received. On the basis of the analyses carried out of all facts and circumstances known at the date of preparation of these financial statements, including, inter alia, requests for information received from the authorities (Public Prosecutor's Office and Agenzia delle Entrate) and orders issued by them, also with the support of external consultants, a provision of €80 million was recognised in the year 2023, bringing the provision - liability item "Provisions for risks and charges" - to €400 million.

It should be noted, however, that the current situation of significant uncertainty as to the possible outcome of the proceedings and initiatives under way by the Judicial Authorities and the Agenzia delle Entrate and the actions undertaken by the Company to protect its interests, necessarily entailed the use of a significant degree of professional judgement in determining the aforesaid provision; therefore, it cannot be excluded that it may be necessary to recognise further charges in the future.

A11 – Assets for outward reinsurance (€233 million)

TAB. A11 – ASSETS FOR OUTWARD REINSURANCE

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022		
	GMM	PAA	Total	GMM-VFA	PAA	Total
Asset for remaining coverage	170	8	177	22	0	22
Asset for incurred claims	23	32	56	11	11	22
Total	**193**	**40**	**233**	**33**	**11**	**44**

This item relates to assets for outward reinsurance of the Group's insurance companies; the increase in assets of €189 million during the year is mainly attributable to the acquisition of the Net Group companies.

The following table presents the reconciliation of the asset for remaining coverage and incurred claims related to outward reinsurance measured by the GMM method:

TAB. A11.1 – ASSETS/(LIABILITIES) FOR OUTWARD REINSURANCE GMM

Description (€m)	Asset for remaining coverage			
	Excluding the loss recovery component	Loss recovery component	Asset for incurred claims	Total
Assets for outward reinsurance	22	-	11	33
Liabilities for outward reinsurance	-	-	-	-
Net carrying amount at 1 January	**22**	**-**	**11**	**33**
Change in scope of consolidation	**140**	**-**	**18**	**158**
Reinsurance premiums paid	(46)	-	-	(46)
Amounts recoverable from reinsurers				
Recovery for incurred claims and Other insurance expenses	*(1)*	-	*43*	*41*
Losses and loss recovery on onerous contracts	-	*0*	-	*0*
Changes in the asset for incurred claims	-	-	*(2)*	*(2)*
Effects of the change in default risk by reinsurers	0	-	(0)	0
Result of insurance services	**(48)**	**0**	**40**	**(7)**
Investment and premium refund components	-	-	-	-
Net financial revenue/costs	7	-	0	8
Effects associated with exchange rate changes	-	-	-	-
Total changes recognised in the Statement of profit or loss and OCI	**(40)**	**0**	**40**	**0**
Cash flows				
Premiums paid net of amounts not related to claims recovered by reinsurers	*46*	-	-	*46*
Amount of claims recovered by reinsurers	*2*	-	*(47)*	*(45)*
Other changes	-	-	-	-
Net carrying amount at 31 December	**170**	**0**	**23**	**193**
Assets for outward reinsurance	170	0	23	193
Liabilities for outward reinsurance	-	-	-	-

Again with regard to assets for outward reinsurance measured by the GMM method, a reconciliation is provided below, broken down by the elements underlying the measurement:

TAB. A11.2 – ASSETS/(LIABILITIES) FOR OUTWARD REINSURANCE GMM - DYNAMICS OF ELEMENTS UNDERLYING THE MEASUREMENT

Description (€m)	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
Assets for outward reinsurance	32	0	1	33
Liabilities for outward reinsurance	-	-	-	-
Net carrying amount at 1 January	**32**	**0**	**1**	**33**
Change in scope of consolidation	**136**	**13**	**8**	**158**
Changes in current services				
Contractual service margin recognised in the statement of profit or loss	-	-	*(6)*	*(6)*
Change for overdue non-financial risks	-	*(4)*	-	*(4)*
Adjustments based on past experience	*2*	-	*4*	*6*
Changes in future services				
Changes in estimates that alter the contractual service margin	*2*	*(2)*	*(0)*	*0*
Effects of contracts initially recognised in the reporting period	*(19)*	*6*	*12*	-
CSM adjustment related to recoveries on initial recognition of onerous underlying insurance contracts	-	-	*0*	*0*
Release of loss recovery component other than changes in cash flows of outward reinsurance contracts	-	-	-	-
Change in cash flows of outward reinsurance from onerous underlying insurance contracts	-	-	*0*	*0*
Changes in past services				
Adjustments to the asset for incurred claims	*(2)*	*(0)*	-	*(2)*
Effect of changes in default risk by reinsurers	0	-	-	0
Result of insurance services	**(17)**	**(1)**	**10**	**(7)**
Net financial revenue/costs	7	-	1	8
Effects associated with exchange rate changes	-	-	-	-
Total changes in the Statement of profit or loss and OCI	**(8)**	**(1)**	**11**	**2**
Cash flows				
Premiums paid net of amounts not related to claims recovered by reinsurers	*46*	-	-	*46*
Amounts recovered from reinsurers	*(45)*	-	-	*(45)*
Other changes	-	-	-	-
Net carrying amount at 31 December	**160**	**13**	**20**	**193**
Assets for outward reinsurance	160	13	20	193
Liabilities for outward reinsurance	-	-	-	-

The following table presents, instead, the reconciliation of the asset for remaining coverage and incurred claims related to outward reinsurance measured by the PAA method:

TAB. A11.3 – ASSETS/(LIABILITIES) FOR OUTWARD REINSURANCE PAA

Description (€m)	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding the loss recovery component	Loss recovery component	Present value of cash flows	Adjustment for non-financial risks	
Assets for outward reinsurance	0	-	10	1	11
Liabilities for outward reinsurance	-	-	-	-	-
Net carrying amount at the beginning of the period	**0**	**-**	**10**	**1**	**11**
Reinsurance premiums paid	(41)	-	-	-	(41)
Amounts recoverable from reinsurers					
Recovery for incurred claims and Other insurance expenses	-	-	*10*	-	*10*
Losses and loss recovery on onerous contracts	-	*2*	-	-	*2*
Changes in the asset for incurred claims	-	-	*21*	*1*	*21*
Effects of the change in default risk by reinsurers	-	-	0	-	0
Result of insurance services	**(41)**	**2**	**31**	**1**	**(8)**
Investment and premium refund components	-	-	-	-	-
Net financial revenue/costs related to outward reinsurance	-	-	0	-	0
Effects associated with exchange rate changes	-	-	-	-	-
Total changes recognised in the Statement of profit or loss and OCI	**(41)**	**2**	**31**	**1**	**(8)**
Cash flows					
Premiums paid net of amounts not related to claims recovered by reinsurers	*47*	-	-	-	*47*
Amount of claims recovered by reinsurers	-	-	*(10)*	-	*(10)*
Other changes	-	-	-	-	-
Net carrying amount at 31 December	**6**	**2**	**31**	**1**	**40**
Assets for outward reinsurance	6	2	31	1	40
Liabilities for outward reinsurance	-	-	-	-	-

Finally, the following table shows the increase in assets for outward reinsurance broken down according to the type of event that generated them:

TAB. A11.4 – OUTWARD REINSURANCE HELD AND INITIALLY RECOGNISED IN THE REPORTING PERIOD

Description (€m)	Originated contracts		Contracts acquired in business combinations	Total
	Contracts without loss recovery component	Contracts with loss recovery component	Contracts without loss recovery component	
Estimation of the present value of future cash outflows				
Cash flows related to the acquisition of insurance contracts				
Amount of claims and other directly attributable costs	*105*	*0*	*154*	*260*
Estimation of the present value of future cash inflows	(123)	(1)	(18)	(142)
Estimated adjustment for non-financial risks	6	0	13	20
Contractual service margin	12	1	8	21
Other	(0)	(0)	(0)	(0)
Increase in the asset for new outward reinsurance	**(0)**	**0**	**158**	**158**

A12 – Cash and deposits attributable to BancoPosta (€4,671 million)

TAB. A12 – CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Cash and cash equivalents in hand	3,909	3,960	(52)
Bank deposits	762	1,888	(1,126)
Total	**4,671**	**5,848**	**(1,177)**

The cash and cash equivalents on hand are derived from deposits made in postal current accounts and postal savings products (subscription of Interest-bearing Postal Certificates and payments into post office savings books), or from advances withdrawn from the State Treasury to guarantee the operations of Post Offices. These funds, which are held at Post Offices (€1,298 million) and at service[237] companies (€2,611 million), may not be used for purposes other than to repay obligations contracted in the transactions described above.

A13 – Cash and cash equivalents (€4,211 million)

TAB. A13 – CASH AND CASH EQUIVALENTS

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Bank deposits and amounts held at the Italian Treasury	3,270	2,962	308
Deposits with the MEF	873	1,991	(1,117)
Cash and cash equivalents in hand	68	31	37
Total	**4,211**	**4,983**	**(772)**

The balance of cash and cash equivalents at 31 December 2023 includes restricted cash of approximately €2,576 million, of which €2,312 million relates to liquidity used to cover insurance technical provisions, €195 million deposited by the Cabinet Office - Publishing Department in a non-interest-bearing account with the State Treasury as an advance on payments for reductions in publisher fees granted by the Parent Company (note A8 - Trade receivables), €39 million in liquidity to be transferred to principals as part of the management of collections and payments of the subsidiary LIS Pay, €14 million restricted as a result of judicial provisions relating to various disputes and €16 million for management of cash on hand and other restrictions.

The decrease in **deposits with the MEF** compared to the previous year is mainly due to a change in the allocation of loans, in order to optimise the yields on deposits.

237. They carry out transport and custody of valuables awaiting payment to the State Treasury.

A14 – Non-current assets and disposal groups held for sale (€50 million)

The balance of €50 million refers to the investment in Cronos Vita Assicurazioni, held 22.5% by Poste Vita and classified as an asset held for sale (IFRS 5) as reported in Section 2.8 - Basis of consolidation to which reference should be made.

With regard to the valuation of the investment, it is recorded at its purchase value, as defined by *IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations*. The Group believes that any deviations in value, compared to initial recognition, may be affected by the trend in lapses. Given the trend of the requests received from 1 November 2023 to the closing date of the accounts by Eurovita's former policyholders, no significant deviations from those estimated have emerged, such as to suggest that the value of the investment may be subject to impairment; for this reason, the Group currently considers this risk to be insignificant and, consequently, also considering the small exposure, has not deemed it necessary to perform stress analyses.

Equity

B1 – Equity (€10,439 million)

The following table shows a reconciliation of the Parent Company's equity and net profit/(loss) for the year with the consolidated amounts:

TAB. B1 – RECONCILIATION OF EQUITY

Description (€m)	Equity at 31.12.2023	Changes in equity during 2023	Net profit/(loss) for 2023	Equity at 31.12.2022
Financial statements of Poste Italiane SpA	**5,653**	**456**	**1,390**	**3,808**
Balance of profit (loss) of consolidated subsidiaries	9,640	-	1,445	8,196
Investments accounted for using the equity method	162	(1)	20	142
Balance of valuation reserves of investee companies	(135)	206	-	(342)
First-time adoption of IFRS 17	(290)	-	(13)	(277)
Effects from corporate actions	(416)	6	(25)	(397)
Derecognition of infra-group dividends	(4,612)	-	(873)	(3,739)
Derecognition of adjustments to value of consolidated companies	573	-	(13)	586
Amortisation/Impairment of goodwill	(156)	-	-	(156)
Purchase Price Allocation Adjustments	(10)	-	(7)	(3)
Impairments of disposal groups held for sale	(40)	-	-	(40)
Recognition of liabilities for call options	(191)	(101)	(3)	(88)
Other consolidation adjustments	145	(1)	2	144
Equity attributable to owners of the Parent	**10,322**	**566**	**1,922**	**7,834**
Equity attributable to non-controlling interests (excluding profit/(loss))	106	67	-	38
Net profit/(loss) attributable to non-controlling interests	11	(5)	11	6
Equity attributable to non-controlling interests	**117**	**62**	**11**	**44**
TOTAL CONSOLIDATED EQUITY	**10,439**	**628**	**1,933**	**7,878**

At 31 December 2023, earnings per share were €1.483 (€1.214 at 31 December 2022), calculated as the ratio of the Group profit for the year of €1,922 million to the weighted average of the number of outstanding ordinary shares.

B2 – Share capital (€1,306 million)

Poste Italiane SpA's share capital consists of 1,306,110,000 no-par value ordinary shares, of which Cassa Depositi e Prestiti SpA (CDP) holds 35% and the Ministry of the Economy and Finance holds 29.3%, while the remaining shares are held by institutional and retail investors.

At 31 December 2023, the Company held 10,675,798 treasury shares (representing approximately 0.817% of the share capital) with a total value of approximately €94 million. All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B3 – Shareholder transactions

As approved by the Shareholders' Meeting of 8 May 2023, on 21 June 2023, the Parent Company distributed dividends of €570 million (dividend per share equal to €0.44) as the balance for 2022, taking into account the interim dividend of €273 million (dividend per share equal to €0.21) already paid in November 2022. In addition, on 6 November 2023, the Poste Italiane's Board of Directors resolved to advance part of the ordinary dividend for 2023 as an interim dividend. The interim dividend of €307 million was distributed on 22 November 2023 (dividend per share of €0.237).

B4 – Reserves (€1,083 million)

TAB. B4 – RESERVES

Description (€m)	Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair value reserve	Cash flow hedge reserve	Reserve for insurance contracts issued and outward reinsurance	Translation reserve	Reserve for investments accounted for using equity method	Incentive plans reserve	Total
Balance at 1 January 2023	**299**	**1,210**	**800**	**(10,592)**	**(127)**	**7,876**	**(0)**	**5**	**19**	**(509)**
Increase/(Decrease) in fair value during the year	-	-	-	7,689	80	(5,529)	-	-	-	2,239
Tax effect of changes in fair value	-	-	-	(2,324)	(23)	1,755	-	-	-	(591)
Transfers to profit or loss from realisation	-	-	-	223	(318)	-	-	-	-	(95)
Tax effect of transfers to profit or loss	-	-	-	(63)	90	-	-	-	-	27
Increase/(decrease) for expected losses	-	-	-	5	-	-	-	-	-	5
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-	-	-	-	-	0	-	0
Other changes	-	-	-	-	-	-	(0)	-	-	(0)
Gains/(losses) recognised in equity	-	-	-	5,530	(170)	(3,774)	(0)	0	-	1,586
Incentive plans	-	-	-	-	-	-	-	-	8	8
Other changes	-	-	-	-	-	-	-	(1)	-	(1)
Balance at 31 December 2023	**299**	**1,210**	**800**	**(5,062)**	**(297)**	**4,102**	**(0)**	**4**	**27**	**1,083**

The reserve for Equity instruments - perpetual hybrid bonds includes the issue of the perpetual hybrid bond for an amount of €800 million.

The **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. The increase of €7,689 million in fair value during 2023 reflects:

- a net increase of €1,940 million in financial assets attributable to the Group's Financial Services segment;
- a net increase of €5,749 million in financial assets attributable to the Group's Insurance Services segment;
- a net increase of €2 million in financial assets attributable to the Group's Postal and Business Services segment;
- a net decrease of €1 million in financial assets attributable to the Group's Payments and Mobile segment.

The fair value reserve related to insurance contracts measured with the VFA model showed a negative balance of €4,234 million at 31 December 2023, including expected credit losses on financial instruments related to Separately Managed Accounts (negative €8,084 million at 31 December 2022). The following is a reconciliation of the balance of the reserve related to insurance contracts:

Description (€m)	2023 VFA fair value reserve
Balance at 1 January	**(8,084)**
Changes in fair value	5,578
Net change in amounts reclassified in the statement of profit or loss	-
Effect related to market operations	(12)
Taxation	(1,715)
Balance at 31 December	**(4,234)**

The **cash flow hedge reserve**, attributable to the Parent Company, reflects changes in the fair value of the effective portion of cash flow hedges. In 2023, positive changes in fair value totalling €80 million related entirely to the net positive change in the value of derivative financial instruments of Financial activities.

The **reserve for insurance contracts issued and outward reinsurance** includes the change in the fair value of instruments within the Group's Insurance activities, attributable to policyholders and allocated to insurance liabilities as a result of the adoption of the OCI option on the IFRS 17 liability portfolio, with the intention of aligning the financial and mirroring effects between the OCI reserve and the effects on the statement of profit or loss.

The **Incentive plans reserve** includes the estimate of the valuations for the year relating to the long-term "Performance Share LTIP" and "Deliver" incentive plans and the MBO short-term incentive plans, carried out on the basis of the provisions of IFRS 2.

Liabilities

B5 – Liabilities for insurance contracts (eur 155,338 million)

TAB. B5 – LIABILITIES UNDER INSURANCE CONTRACTS

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022		
	GMM-VFA	PAA	Total	GMM-VFA	PAA	Total
Liability for remaining coverage	154,106	(8)	154,098	140,380	(33)	140,348
Liability for incurred claims	980	261	1,240	824	208	1,032
Total	**155,086**	**252**	**155,338**	**141,205**	**175**	**141,380**
of which:						
Future cash flows	*138,578*	*240*	*138,818*	*125,242*	*159*	*125,401*
Contractual service margin	*13,743*	*-*	*13,743*	*12,902*	*-*	*12,902*
Adjustment for non-financial risk	*2,765*	*12*	*2,777*	*3,061*	*16*	*3,077*

This item refers to liabilities within the scope of the Group's Insurance activities, and includes:

- the **liability for remaining coverage** of €154,098 million, which includes the Contractual Service Margin (CSM) of €13,743 million, the present value of future cash flows of €137,774 million, and the adjustment for non-financial risk of €2,765 million;
- the **liability for incurred claims** amounting to €1,240 million. The following table presents a reconciliation of the liability for remaining coverage and incurred claims of insurance contracts measured by GMM or VFA methods:

TAB. B5.1 – MOVEMENT IN LIABILITIES UNDER INSURANCE CONTRACTS GMM-VFA

Description (€m)	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Liabilities under insurance contracts	140,371	9	824	141,205
Assets under insurance contracts	-	-	-	-
Net carrying amount at 1 January	**140,371**	**9**	**824**	**141,205**
Change in scope of consolidation	**370**	**2**	**11**	**383**
Insurance revenue	(2,137)	-	-	(2,137)
Costs for insurance services				
Incurred claims and other directly attributable costs	-	-	*346*	*346*
Changes in the liability for incurred claims	-	-	*146*	*146*
Losses and related recoveries on onerous contracts	-	*(3)*	-	*(3)*
Amortisation of contract acquisition costs	*214*	-	-	*214*
Result of insurance services	**(1,923)**	**(3)**	**492**	**(1,434)**
Investment and premium refund components	(14,319)	-	14,319	-
Financial costs/revenue relating to insurance contracts issued	11,900	0	0	11,901
Effects associated with exchange rate changes	-	-	-	-
Total changes recognised in the Statement of profit or loss and OCI	**(4,342)**	**(3)**	**14,319**	**10,467**
Cash flows				
Premiums received	*18,004*	-	-	*18,004*
Payments related to contract acquisition costs	*(305)*	-	-	*(305)*
Paid claims and other cash outflows	-	-	*(14,668)*	*(14.668)*
Other changes	-	-	-	-
Net carrying amount at 31 December	**154,098**	**8**	**980**	**155,086**
Liabilities under insurance contracts	154,098	8	980	155,086
Assets under insurance contracts	-	-	-	-

The value of insurance liabilities increased during the course of the year, mainly as a result of inflows for the period and as a result of positive market trends that generated capital gains. The Liability for remaining coverage includes the balance of Assets related to the acquisition of insurance contracts, which amounted to €3 million at 31 December 2023. This amount will be fully released by 31 December 2029.

Again, with reference to insurance liabilities measured using the GMM or VFA methods, a reconciliation is provided below, broken down by elements underlying measurement:

TAB. B5.2 – LIABILITIES/(ASSETS) UNDER INSURANCE CONTRACTS GMM VFA

Description (€m)	Present value of future cash flows	Adjustment for non-financial risk	Contractual service margin	Total
Liabilities under insurance contracts	125,242	3,061	12,902	141,205
Assets under insurance contracts	-	-	-	-
Net carrying amount at 1 January	**125,242**	**3,061**	**12,902**	**141,205**
Change in scope of consolidation	**263**	**23**	**97**	**383**
Changes in current services				
Contractual service margin recognised in the statement of profit or loss	-	-	*(1,285)*	*(1,285)*
Change for overdue non-financial risks	-	*(120)*	-	*(120)*
Adjustments based on past experience	*(1,808)*	-	*1,807*	*(2)*
Changes in future services				
Changes in contractual service margin	*1,796*	*(347)*	*(1,450)*	*(1)*
Losses on groups of onerous contracts and related recoveries	*(4)*	*(0)*	-	*(5)*
Effects of contracts initially recognised in the period	*(1.095)*	*148*	*949*	*2*
Changes in past services				
Adjustments to the liability for incurred claims	*143*	*(0)*	-	*143*
Experience-related changes	(167)	-	-	(167)
Result of insurance services	**(1,136)**	**(319)**	**21**	**(1,434)**
Financial costs/revenue	11,179	-	723	11,901
Effects associated with exchange rate changes	-	-	-	-
Total changes recognised in the Statement of profit or loss and OCI	**10,042**	**(319)**	**744**	**10,467**
Cash flows				
Premiums received	*18,004*	-	-	*18,004*
Payments related to contract acquisition costs	*(305)*	-	-	*(305)*
Paid claims and other cash outflows	*(14,668)*	-	-	*(14,668)*
Other changes	-	-	-	-
Net carrying amount at 31 December	**138,578**	**2,765**	**13,743**	**155,086**
Liabilities under insurance contracts	138,578	2,765	13,743	155,086
Assets under insurance contracts	-	-	-	-

The **present value of future cash flows** increased by €13,336 million from the value recorded at the end of 2022. The change is mainly attributable to the result of financial operations in the amount of €11,179 million and actual cash flows in the amount of €3,031 million, which were slightly offset by experience-related adjustments on future performance.

The component of **Adjustment for non-financial risk** decreased by €296 million compared to the balance at 31 December 2022. This was mainly due to the release of this component for the period in the amount of €120 million and the change in the Group's exposure to non-financial risks, which resulted in a revision of estimates for future services in the amount of €347 million, partially offset by the effect of new production in the amount of €148 million.

The **Contractual service margin** recorded a pre-release growth of €2,126 million, mainly related to the contribution of new production on future margins of €949 million, of which €852 million related to the actual new production recorded in the period and €97 million from the contribution to CSM resulting from the change in scope following the acquisition of the Net Group companies. The Contractual service margin also increased due to the positive performance of the markets, which generated a growth in the fair value of the underlying assets that was more than proportional to the growth in the related liabilities, generating a profit of €723 million.

The release of the Contractual service margin for the period amounted to €1,285 million, of which €116 million related to the additional release and €28 million related to the release of Net Group companies.

The Group expects to release the Contractual service margin, at 31 December 2023, in future years as depicted below:

TAB. B5.3 – CONTRACTUAL SERVICE MARGIN GMM

Description (€m)	Insurance contracts issued	Reinsurance contracts held
1 – 3 years old	3,377	15
4 – 6 years old	2,951	3
Over 6 years	7,415	1

Below is a reconciliation of the liability for remaining coverage and incurred claims of insurance contracts measured according to the PAA method:

TAB. B5.4 – LIABILITIES/(ASSETS) UNDER INSURANCE CONTRACTS PAA

	Liability for remaining coverage		Liability for incurred claims		
Description (€m)	**Excluding loss component**	**Loss component**	**Present value of cash flows**	**Adjustment for non-financial risks**	**Total**
Liabilities under insurance contracts	(46)	13	192	16	175
Assets under insurance contracts	-	-	-	-	-
Net carrying amount at 1 January	**(46)**	**13**	**192**	**16**	**175**
Insurance revenue	(413)	-	-	-	(413)
Costs for insurance services					
Incurred claims and other directly attributable costs	-	-	*255*	-	*255*
Changes in the liability for incurred claims	-	-	*52*	*(4)*	*49*
Losses and related recoveries on onerous contracts	-	*4*	-	-	*4*
Amortisation of contract acquisition costs	*48*	-	-	-	*48*
Result of insurance services	**(388)**	**4**	**307**	**(4)**	**(80)**
Investment and premium refund components	-	-	-	-	-
Financial costs/revenue relating to insurance contracts issued	(0)	-	4	-	4
Effects associated with exchange rate changes	-	-	-	-	-
Total changes recognised in the Statement of profit or loss and OCI	**(388)**	**4**	**311**	**(4)**	**(76)**
Cash flows					
Premiums received	*460*	-	-	-	*460*
Payments related to contract acquisition costs	*(50)*	-	-	-	*(50)*
Paid claims and other cash outflows	-	-	*(255)*	-	*(255)*
Other changes	-	-	-	-	-
Net carrying amount at 31 December	**(26)**	**17**	**249**	**12**	**252**
Liabilities under insurance contracts	(26)	17	249	12	252
Assets under insurance contracts					

With regard to liabilities under insurance contracts measured using the PAA method, these increased by approximately €78 million as a result, primarily, of placements during the financial year, a portion of which will be attributable to the next financial year.

For the sake of full disclosure, the increase in liabilities arising from insurance contracts is detailed below, broken down according to the type of event that generated them.

TAB. B5.5 – INSURANCE CONTRACTS ISSUED AND INITIALLY RECOGNISED IN THE REPORTING PERIOD

Description (€m)	Originated contracts		Contracts acquired in business combinations		Contracts transferred by third parties		Total
	Onerous contracts	Non-onerous contracts	Onerous contracts	Non-onerous contracts	Onerous contracts	Non-onerous contracts	
Estimation of the present value of future cash outflows							
Contract acquisition costs	*1*	*(140)*	*0*	*2*	-	-	*(137)*
Amount of claims and other directly attributable costs	*(58)*	*(11,237)*	*4*	*233*	-	-	*(11,058)*
Estimation of the present value of future cash inflows	59	12,334	(0)	21	-	-	12,413
Estimated adjustment for non-financial risks	1	(122)	3	21	-	-	(97)
Contractual service margin	-	(836)	-	100	-	-	(736)
Other	-	-	-	-	-	-	-
Increase in liability for new insurance contracts issued	**3**	**0**	**7**	**376**	**-**	**-**	**386**

Finally, the table below represents the dynamics of the Contractual service margin of insurance contracts issued broken down by contracts existing at the time of transition to IFRS 17, and insurance contracts issued and initially recognised in the reporting period:

TAB. B5.6 – DYNAMICS OF INSURANCE REVENUE AND CONTRACTUAL SERVICE MARGIN OF INSURANCE CONTRACTS ISSUED BROKEN DOWN BY CONTRACTS EXISTING AT THE TIME OF TRANSITION TO IFRS 17

Description (€m)	New contracts and contracts measured on the transition date with full retroactive application method	Contracts measured on the transition date using the modified retroactive application method	Contracts measured on the transition date using the fair value method	Carve-out contracts	Total
Contractual service margin - Opening balances	**11**	**-**	**115**	**12,776**	**12,902**
Change in scope of consolidation	**97**	**-**	**-**	**-**	**97**
Changes related to current services					
Contractual service margin recognised in the statement of profit or loss to reflect services rendered	(33)	-	(18)	(1,233)	(1,285)
Changes related to future services					
Changes in estimates that modify the Contractual service margin	(25)	-	(8)	390	357
Effects of contracts initially recognised in the reporting period	64	-	-	885	949
Financial revenue/costs	**5**	**-**	**(0)**	**718**	**723**
Total changes recognised in the statement of profit or loss and in the statement of comprehensive income	**10**	**-**	**(27)**	**761**	**744**
Contractual service margin - Closing balances	**117**	**-**	**89**	**13,537**	**13,743**

B6 – Provisions for risks and charges (€1,336 million)

Movements in provisions for risks and charges are as follows:

TAB. B6 – PROVISIONS FOR RISKS AND CHARGES (€1,336 MILLION)

Description (€m)	Balance at 01.01.2023	Provisions	Finance costs	Transfers to profit or loss	Uses	Change in scope of consolidation	Balance at 31.12.2023
Provisions for operational risks	120	6	-	(7)	(17)	-	102
Provisions for disputes with third parties	298	30	4	(42)	(43)	0	248
Provisions for disputes with staff*	35	13	-	(0)	(9)	-	38
Provisions for personnel expenses	109	128	-	(32)	(64)	-	141
Provisions for early retirement incentives	354	159	-	-	(229)	-	285
Provisions for operational risks - tax credits Law no. 77/2020	320	80	-	-	-	-	400
Provisions for taxation/social security contributions	20	3	0	(0)	(0)	-	23
Other provisions for risks and charges	98	15	-	(4)	(10)	(0)	99
Total	**1,355**	**434**	**4**	**(86)**	**(371)**	**0**	**1,336**
Overall analysis of provisions:							
- non-current portion	804						782
- current portion	551						554
	1,335						**1,336**

* Net provisions for Personnel expenses amount to €9 million. Service costs (legal assistance) total €3 million.

Specifically:

- **Provisions for operational risks,** which mainly relate to liabilities arising from BancoPosta's operations, mainly reflect risks related to the distribution of postal savings products issued in past years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly in its capacity as a third party, impairments and adjustments to income from previous years and fraud. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. The changes in the year refer to the update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €128 million during the year to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€32 million) and settled disputes (€64 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2025. The provisions made at 31 December 2022 were utilised for €229 million.
- The **provisions for risks - tax credits Law no. 77/2020** were established to cover probable liabilities analytically described in Note A10 - Tax Credits Law no. 77/2020.
- **Provisions for taxation/social security contributions** have been made to cover potential future tax and social security liabilities.
- **Other provisions for risks and charges** cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Parent Company's assets may be unable to recover the related amounts, claims for rent arrears on properties used free of charge by the Parent Company, claims for payment of accrued interest expense due to certain suppliers and frauds.

B7 – Employee termination benefits (€637 million)

The following movements in employee termination benefits took place in 2023:

TAB. B7 – MOVEMENTS IN PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS

(€m)	FY 2023
Balance at 1 January	**705**
Current service cost	3
Interest component	26
Effect of actuarial (gains)/losses	8
Uses for the period	(106)
Balance at 31 December 2023	**637**

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs.

TAB. B7.1 – ACTUARIAL GAINS AND LOSSES

	31.12.2023 Employee termination benefits
Change in demographic assumptions	0
Change in financial assumptions	15
Other experience-related adjustments	(6)
Total	**8**

The sensitivity of employee termination benefits to changes in the principal actuarial assumptions is analysed below.

TAB. B7.2 – SENSITIVITY ANALYSIS

	31.12.2023 Employee termination benefits
Inflation rate +0.25%	644
Inflation rate -0.25%	630
Discount rate +0.25%	626
Discount rate -0.25%	648
Turnover rate +0.25%	639
Turnover rate -0.25%	635

The following table provides further information in relation to employee termination benefits.

TAB. B7.3 – OTHER INFORMATION

	31.12.2023
Expected service cost	2.5
Average duration of defined benefit plan	8.0
Average employee turnover per annum	2.0%

B8 – Financial liabilities (€95,393 million)

TAB. B8 – FINANCIAL LIABILITIES

Description (€m)	Balance at 31.12.2023 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	8,984	85,098	94,082	10,047	92,534	102,582	(8,500)
Financial liabilities at FVTPL	168	3	171	69	19	88	83
Derivative financial instruments	1,091	47	1,138	823	152	975	163
Financial liabilities vs Subsidiaries	-	2	2	-	1	1	1
Total	**10,243**	**85,150**	**95,393**	**10,939**	**92,706**	**103,644**	**(8,251)**
of which Financial Activities	*7,571*	*74,009*	*81,581*	*7,932*	*82,825*	*90,757*	*(9,177)*
of which Insurance Activities	*108*	*52*	*160*	*0*	*39*	*40*	*120*
Of which Postal and Business Activities	*2,556*	*814*	*3,370*	*2,999*	*380*	*3,379*	*(9)*
Of which Payment Services and Card Payments Activities	*8*	*10,275*	*10,283*	*8*	*9,460*	*9,468*	*815*

Financial liabilities by operating segment break down as follows:

Financial activities

TAB. B8.1 – FINANCIAL LIABILITIES - FINANCIAL SERVICES

Description (€m)	Balance at 31.12.2023 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	6,480	73,962	80,443	7,109	82,673	89,782	(9,340)
Postal current accounts	-	61,908	61,908	-	68,336	68,336	(6,428)
Loans	6,480	1,736	8,217	7,109	3,016	10,125	(1,909)
MEF account held at the Treasury	-	5,371	5,371	-	4,169	4,169	1,202
Other financial liabilities	0	4,946	4,946	0	7,153	7,153	(2,207)
Derivative financial instruments	1,091	47	1,138	823	152	975	164
Total	**7,571**	**74,009**	**81,581**	**7,932**	**82,825**	**90,757**	**(9,177)**

Financial liabilities at amortised cost

Postal current accounts

They represent BancoPosta's direct deposits, and include interest accrued at 31 December 2023, which was settled with customers in January 2024. The decrease in this item with respect to 31 December 2022 is mainly due to the reduction in Public Administration stocks.

Loans

At 31 December 2023, outstanding liabilities of €8,217 million relate to repurchase agreements entered into by the Parent Company with leading financial institutions and Central Counterparties, amounting to a total nominal value of €11,456 million. A total of €7,102 million of this amount regards Long Term Repos and €3,451 million regards ordinary loan operations, the resources from both invested in Italian fixed income government securities and as funding for deposits used as collateral. Repurchase agreements with a nominal value of €3,996 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2023, already included in the exposure to net balances, amounted to €2,337 million (€3,217 million at 31 December 2022).

The fair value238 of the repurchase agreements in question at 31 December 2023 is €7,996 million.

MEF account held at the Treasury

TAB. B8.1.1 – MEF ACCOUNT HELD AT THE TREASURY

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m))	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Balance of cash flows for advances							1,085
Balance of cash flows from management of postal savings	-	30	30	-	(84)	(84)	114
Amounts payable due to theft	-	157	157	-	155	155	2
Amounts payable for operational risks	-	16	16	-	14	14	2
Total	**-**	**5,371**	**5,371**	**-**	**4,169**	**4,169**	**1,202**

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

TAB. B8.1.2 – BALANCE OF CASH FLOWS FOR ADVANCES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Net advances							1,084
MEF postal current accounts and other payables	-	670	670	-	670	670	(0)
Ministry of Justice - Orders for payment	-	1	1	-	0	0	0
MEF - State pensions	-	(670)	(670)	-	(670)	(670)	0
Total	**-**	**5,168**	**5,168**	**-**	**4,083**	**4,083**	**1,085**

The **balance of cash flows from the management of postal savings**, amounting to a negative €30 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2023 consists of €124 million payable to Cassa Depositi e Prestiti, and €94 million of amounts due from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from Post Offices of €157 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate.

Amounts payable for operational risks for €16 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

238. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Other financial liabilities

Other financial liabilities have a fair value that approximates to their carrying amount.

TAB. B8.1.3 – OTHER FINANCIAL LIABILITIES - FINANCIAL SERVICES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Domestic and international money transfers		1,071	1,071		1,108	1,108	(37)
Guarantee deposits	-	2,831	2,831	-	4,824	4,824	(1,993)
Cheques to be credited to savings books	-	230	230	-	183	183	47
Endorsed cheques	-	408	408	-	476	476	(68)
Amounts to be credited to customers	-	83	83	-	87	87	(4)
Other amounts payable to third parties	-	139	139	-	173	173	(33)
Other items in process	-	183	183	-	302	302	(119)
Total	**0**	**4,946**	**4,946**	**0**	**7,153**	**7,153**	**(2,207)**

Payables for guarantee deposits refer for €2,811 million to sums received from counterparties for interest rate swap transactions (collateral provided by specific Credit Support Annexes) and for €20 million to sums received from counterparties for repo transactions (collateral provided by specific Global Master Repurchase Agreements). The decrease in this item compared to 31 December 2022 is mainly attributable to the reduction of fair value hedge derivatives following early extinguishment transactions.

Derivative financial instruments

Movements of the item in question during 2023 are described in note A6 – *Financial assets*.

Insurance activities

TAB. B8.2 – FINANCIAL LIABILITIES - INSURANCE SERVICES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Financial liabilities at amortised cost							19
Loans	10	0	10	-	-	-	10
Lease payables	0	1	1	0	1	1	0
Other financial liabilities	-	48	48	-	39	39	9
Financial liabilities at FVTPL	98	3	101	-	-	-	101
Total	**108**	**52**	**160**	**0**	**39**	**40**	**120**

Within the insurance activities, there are two 10-year subordinated bonds issued by Net Insurance in 2020 and 2021 respectively: the first, convertible, with a nominal value of €200 thousand (fair value at 31 December 2023 of €174 thousand) and the second with a nominal value of €12.5 million (fair value at 31 December 2023 of €10.9 million).

Postal and business activities

TAB. B8.3 – FINANCIAL LIABILITIES - POSTAL AND BUSINESS SERVICES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Financial liabilities at amortised cost	2,486	814	3,300	2,931	361	3,291	9
Loans	1,446	502	1,948	1,823	53	1,876	73
Bonds	498	500	998	997	50	1,048	(50)
Due to financial institutions	948	2	950	825	2	827	123
Other borrowings	-	-	-	1	-	1	(1)
Lease payables	1,037	293	1,330	1,102	295	1,397	(67)
Other financial liabilities	3	19	22	6	13	18	3
Financial liabilities at FVTPL	70	-	70	69	19	88	(18)
Total	**2,556**	**814**	**3,370**	**2,999**	**380**	**3,379**	**(9)**

Financial liabilities at amortised cost

Loans

Loans are unsecured and are not subject to financial covenants, which would require Group companies to comply with economic and financial ratios or maintain a certain minimum rating. For the EIB financing and the CEB financing, a minimum rating level of BBB- (or equivalent) by Moody's and S&P for the EIB and by at least two of the three rating agencies of Poste Italiane for CEB is required. In the event of a rating loss, this is without prejudice to the right of both banks to request additional collateral or, in the case of the EIB, an increase in the margin. If no agreement is reached, immediate early repayment of the loans may be demanded. Standard negative pledge provisions do apply, however[239].

Bonds

The item **Bonds** refers to a senior unsecured loan with a total nominal value of €1 billion issued by Poste Italiane on 10 December 2020 in two tranches, placed in public form to institutional investors as part of the €2.5 billion Euro Medium Term Notes (EMTN) programme deposited with the Luxembourg Stock Exchange. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2023, the fair value[240] of the loan was €916 million.

A loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013 reached maturity in October 2023.

239. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.
240. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 1.

Due to financial institutions

TAB. B8.3.1 – DUE TO FINANCIAL INSTITUTIONS

Description (€m)	Balance at 31.12.2023 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Changes
EIB fixed rate loan maturing 12/03/26	173	-	173	173	-	173	-
EIB fixed rate loan maturing 16/10/26	400	-	400	400	-	400	-
EIB fixed rate loan maturing 19/05/2028	150	-	150	150	-	150	-
EIB fixed rate loan maturing 02/05/2028	100	-	100	100	-	100	-
CEB variable rate loan maturing 28/12/30	125	-	125	-	-	-	125
Other loans	-	1	1	2	1	3	(2)
Accrued interest expense	-	1	1	-	1	1	0
Total	**948**	**2**	**950**	**825**	**2**	**827**	**123**

TV: Variable-rate loan. TF: Fixed-rate loan.

At 31 December 2023, no committed and uncommitted credit lines were used for short-term financing.

On 18 December 2023, a medium-/long-term credit line for a total of €250 million was signed with the CEB "Council of Europe Development Bank", to support projects and investments with the aims of social integration, support for public infrastructure and sustainability. On 28 December 2023, the first tranche of €125 million was disbursed, bearing interest at a variable rate (6-month Euribor rate plus spread), with repayment in constant principal instalments after a three-year grace period and maturity on 28 December 2030.

At 31 December 2023, the fair value[241] of the four EIB loans totalled €778 million and that of the CEB loan was €128 million.

Lease payables

Lease liabilities at 31 December 2023 amounted to €1,330 million. For more details on the change in this item, see Note A4 - *Right-of-use assets*.

Payment services and card payments activities

TAB. B8.4 – FINANCIAL LIABILITIES - PAYMENT SERVICES AND CARD PAYMENTS

Description (€m)	Balance at 31.12.2023 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Changes
Lease payables	8	1	9	8	1	9	(0)
Other financial liabilities	-	10,274	10,274	-	9,459	9,459	815
Management of prepaid cards and other EMI items	-	10,039	10,039	-	9,270	9,270	768
Amounts to be credited to customers	-	60	60	-	45	45	16
RAV, F23, F24 and road tax	-	93	93	-	105	105	(12)
Others	-	81	81	-	39	39	42
Total	**8**	**10,275**	**10,283**	**8**	**9,460**	**9,468**	**815**

Liabilities for **management of prepaid card** refer to the subsidiary PostePay SpA.

241. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Net debt/(funds)

The following table provides an analysis of the net debt/(funds) at 31 December 2023, by operating segment:

NET DEBT/(FUNDS) AT 31 DECEMBER 2023

Balance at 31.12.2023 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations	Consolidated	of which related parties
Financial liabilities	**5,017**	**93,076**	**429**	**10,478**	**(13,606)**	**95,393**	
Financial liabilities at amortised cost	3,300	81,446	59	10,283	(1,004)	94,084	5,532
Postal current accounts	0	62,913	-	-	(1,004)	61,908.424	0
Bonds	998	-	10	-	-	1,008	-
Due to financial institutions	950	8,217	-	-	-	9,167	-
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,330	0	1	9	-	1,341	9
Finance lease liabilities	-	-	-	-	-	-	-
MEF account held at the Treasury	-	5,371	-	-	-	5,371	5,371
Other financial liabilities	22	4,946	48	10,274	-	15,290	152
Financial liabilities at FVTPL	70	-	101	-	-	171	-
Derivative financial instruments	0	1,138	-	-	-	1,138	201
Intersegment financial liabilities	1,646	10,492	269	195	(12,602)	-	-
Liabilities under insurance contracts	**-**	**-**	**155,339**	**-**	**(1)**	**155,338**	**-**
Financial assets	**(1,205)**	**(80,636)**	**(156,394)**	**(11,507)**	**12,582**	**(237,159)**	
Financial instruments at amortised cost	(9)	(42,673)	(2,123)	(299)	(0)	(45,103)	(11,877)
Financial instruments at FVTOCI	(636)	(33,100)	(105,852)	(7)	-	(139,594)	-
Financial instruments at FVTPL	(9)	(26)	(48,170)	(1)	-	(48,205)	(22)
Derivative financial instruments	(0)	(4,257)	-	-	-	(4,257)	(167)
Intersegment financial assets	(552)	(581)	(249)	(11,201)	12,582	-	-
Tax credits Law no. 77/2020	**(407)**	**(7,912)**	**-**	**-**	**-**	**(8,318)**	
Assets for outward reinsurance	**-**	**-**	**(233)**	**-**	**-**	**(233)**	**-**
Net debt/(net financial surplus)	**3,405**	**4,528**	**(859)**	**(1,028)**	**(1,025)**	**5,021**	
Cash and deposits attributable to BancoPosta	**-**	**(4,671)**	**-**	**-**	**-**	**(4,671)**	**-**
Cash and cash equivalents	**(650)**	**(940)**	**(3,561)**	**(65)**	**1,004**	**(4,211)**	**(874)**
Net debt/(funds)	**2,755**	**(1,082)**	**(4,420)**	**(1,093)**	**(21)**	**(3,861)**	

NET DEBT/(FUNDS) AT 31 DECEMBER 2022

Balance at 31.12.2022 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations	Consolidated	of which related parties
Financial liabilities	**4,918**	**100,941**	**303**	**9,557**	**(12,074)**	**103,644**	
Financial liabilities at amortised cost	3,291	90,298	40	9,468	(515)	102,582	4,385
Postal current accounts	-	68,852	-	-	(515)	68,336	1
Bonds	1,048	-	-	-	-	1,048	-
Due to financial institutions	827	10,125	-	-	-	10,952	-
Other borrowings	1	-	-	-	-	1	-
Lease payables	1,397	0	1	9	-	1,407	8
Finance lease liabilities	0	-	-	-	-	0	-
MEF account held at the Treasury	-	4,169	-	-	-	4,169	4,169
Other financial liabilities	18	7,153	39	9,459	-	16,669	207
Financial liabilities at FVTPL	88	-	-	-	-	88	-
Derivative financial instruments	0	975	-	-	-	975	193
Intersegment financial liabilities	1,539	9,668	263	89	(11,559)	-	-
Liabilities under insurance contracts	**-**	**-**	**141,381**	**-**	**(1)**	**141,380**	**-**
Financial assets	**(1,083)**	**(83,701)**	**(142,351)**	**(10,545)**	**11,539**	**(226,141)**	
Financial instruments at amortised cost	(3)	(43,901)	(2,193)	(198)	(0)	(46,295)	(14,838)
Financial instruments at FVTOCI	(536)	(33,190)	(96,501)	(8)	-	(130,235)	(502)
Financial instruments at FVTPL	(1)	(40)	(43,461)	-	-	(43,501)	(21)
Derivative financial instruments	(0)	(6,109)	-	-	-	(6,110)	(203)
Intersegment financial assets	(543)	(460)	(196)	(10,339)	11,539	-	-
Tax credits Law no. 77/2020	**(420)**	**(8,601)**	**-**	**-**	**-**	**(9,021)**	**-**
Assets for outward reinsurance							
Net debt/(net financial surplus)	**3,415**	**8,640**	**(710)**	**(988)**	**(537)**	**9,819**	**-**
Cash and deposits attributable to BancoPosta	**-**	**(5,848)**	**-**	**-**	**-**	**(5,848)**	**-**
Cash and cash equivalents	**(575)**	**(2,018)**	**(2,732)**	**(172)**	**515**	**(4,983)**	**(1,991)**
Net debt/(funds)	**2,839**	**773**	**(3,442)**	**(1,161)**	**(22)**	**(1,012)**	

Total net debt/(funds) at 31 December 2023 showed funds of €3,861 million, up €2,848 million from 31 December 2022 (funds of €1,012 million). The change during the period is largely attributable to the positive valuation effects for the year of approximately €2.1 billion of the investments classified in the FVTOCI category, held mainly by the Financial Services Strategic Business Unit (approximately €1.9 billion) and residually by the Insurance Services Strategic Business Units (roughly €0.2 billion). The change also includes a positive operating result of €2.6 billion (of which €1.9 billion is attributable to profit for the period and €0.9 billion to amortisation/depreciation for the year), the positive effect of the change in working capital and taxes of approximately €0.2 billion, capital expenditure of €0.8 billion, dividend payments totalling €0.9 billion (of which €307 million relates to the interim dividend planned for 2023) and other decreases totalling €0.3 billion, mainly attributable to the increase in financial liabilities for leases falling under IFRS 16. Finally, the change includes the negative effect deriving essentially from the acquisition of Net Insurance (outlay of around €108 million) and Poste Vita's stake in Cronos (roughly €49.5 million including the second capital increase subscribed for approximately €47.8 million).

An analysis of the Net debt/(funds) of the Mail, Parcels and Distribution segment at 31 December 2023, in accordance with ESMA recommendation 32-382-1138, is provided below:

FINANCIAL DEBT ESMA

Description (€m)	At 31.12.2023	At 31.12.2022
A. Cash and cash equivalents	(650)	(575)
B. Cash equivalents	-	-
C. Other current financial assets	(6)	(1)
D. Liquidity (A + B + C)	**(656)**	**(577)**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	813	379
F. Current portion of the non-current financial payable	1	1
G. Current financial debt (E + F)	**814**	**381**
H. Net current financial debt (G + D)	**158**	**(196)**
I. Non-current financial debt (excluding current portion and debt instruments)	2,058	2,001
J. Debt instruments	498	997
K. Trade payables and other non-current payables	15	18
L. Non-current financial debt (I + J + K)	**2,571**	**3,017**
M. Total financial debt (H + L)	**2,729**	**2,821**

RECONCILIATION OF FINANCIAL DEBT ESMA

Description (€m)	At 31.12.2023	At 31.12.2022
M. Total financial debt (H + L)	**2,729**	**2,821**
Non-current financial assets	(647)	(539)
K. Trade payables and other non-current payables	(15)	(18)
Tax credits Law no. 77/2020	(407)	(420)
Net debt/(funds)	**1,661**	**1,843**
Intersegment financial receivables and borrowings	1,094	996
Net debt/(funds) including intersegment transactions	**2,755**	**2,839**

For information regarding the Poste Group's credit lines and available liquidity at 31 December 2023, reference should be made to note 6 - *Risk management - Financial risks - Liquidity risk*.

Changes in financial liabilities arising from financing activities

The following reconciliation of financial liabilities is provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

TAB. B8.4 – CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Description (€m)	Balance at 31.12.2022	Net cash flow from/ (for) financing activities	Net cash flow from/(for) operating activities*	Non-cash flows	Balance at 31.12.2023
Loans	12,000	77	(2,822)	921	10,176
Bonds	1,048	(50)	-	10	1,008
Due to financial institutions	10,952	127	(2,823)	911	9,167
Other borrowings	1	-	1	(0)	2
Lease payables	1,407	(298)	-	231	1,341
Other financial liabilities	16,669	(33)	(190)	(1,160)	15,286
Total	**30,076**	**(254)**	**(3,012)**	**(8)**	**26,803**

B9 – Trade payables (€2,252 million)

TAB. B9 – TRADE PAYABLES

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Due to suppliers	1,625	1,655	(30)
Contract liabilities	563	553	11
Due to subsidiaries	3	3	(0)
Due to associates	61	23	37
Total	**2,252**	**2,234**	**19**

Due to suppliers

TAB. B9.1 – DUE TO SUPPLIERS

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Italian suppliers	1,384	1,402	(18)
Foreign suppliers	106	79	27
Overseas counterparties [1]	135	173	(38)
Total	**1,625**	**1,655**	**(30)**

[1] The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Contract liabilities

TAB. B9.2 – MOVEMENTS IN CONTRACT LIABILITIES

Description (€m)	Balance at 01.01.2023	Change due to recognition of revenue for period	Other changes	Balance at 31.12.2023
Prepayments and advances from customers				
Liabilities for volume discounts	1	-	(0)	0
Liabilities for fees to be refunded	52	35	(43)	43
Other contract liabilities	67	(22)	30	75
Total	**553**	**13**	**(2)**	**563**

Prepayments and advances from customers relate mainly to amounts received from customers for the following services to be rendered:

TAB. B9.2.1 – PREPAYMENTS AND ADVANCES FROM CUSTOMERS

Description (€m)		Balance at 31.12.2023	Balance at 31.12.2022	Changes
Prepayments from overseas counterparties		179	223	(44)
Advances for Publishing from PCM	[tab. A8.1]	195	125	71
Advances for shipments		59	67	(9)
Advances for other services		13	19	(6)
Total		**445**	**434**	**12**

Liabilities for fees to be refunded represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.

Other contract liabilities primarily regard Postamat and "Postepay Evolution" card fees collected in advance.

B10 – Other liabilities (€4,343 million)

TAB. B10 – OTHER LIABILITIES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Due to staff	10	682	692	10	720	731	(38)
Social security payables	16	434	450	20	439	459	(8)
Other taxes payable	1,826	913	2,739	1,790	658	2,448	292
Sundry payables	55	199	254	52	136	187	67
Accrued liabilities and deferred income	150	56	207	133	46	179	28
Total	**2,058**	**2,285**	**4,343**	**2,004**	**1,998**	**4,002**	**340**

Due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2023. The breakdown is as follows:

TAB. B10.1 – DUE TO STAFF

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Fourteenth month salaries	-	211	211	-	208	208	3
Incentives	10	372	382	10	408	418	(36)
Accrued vacation pay	-	43	43	-	41	41	2
Other amounts due to staff	-	55	55	-	63	63	(8)
Total	**10**	**682**	**692**	**10**	**720**	**731**	**(38)**

The decrease in this item compared to the year 2022 is mainly attributable to the extraordinary component due to lower early retirement incentives.

Social security payables

TAB. B10.2 – SOCIAL SECURITY PAYABLES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
INPS	2	333	334	1	330	332	2
Pension funds	-	87	87	-	89	89	(2)
INAIL	15	0	15	18	0	19	(4)
Other agencies	(0)	15	15	0	19	19	(4)
Total	**16**	**434**	**450**	**20**	**439**	**459**	**(8)**

Other taxes payable

TAB. B10.3 – OTHER TAXES PAYABLE

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Stamp duty payable	1,826	132	1,958	1,790	21	1,810	148
Tax due on insurance provisions	-	496	496	-	420	420	76
Withholding tax on employees' and consultants' salaries	-	94	94	-	91	91	3
VAT payable	-	23	23	-	24	24	(1)
Substitute tax	-	40	40	-	32	32	8
Withholding tax on postal current accounts	-	74	74	-	29	29	45
Other taxes due	-	55	55	-	41	41	13
Total	**1,826**	**913**	**2,739**	**1,790**	**658**	**2,448**	**292**

Specifically:

- The **stamp duty payable** includes the balance due to the Treasury for the tax paid virtually in the financial year 2023. The non-current portion of the stamp duty mainly relates to the amount accrued at 31 December 2023 on Interest-bearing Postal Certificates outstanding and on Class III and V insurance policies pursuant to the new law referred to in Note A9 – *Other receivables and assets*.
- **Tax due on insurance provisions** relates to Poste Vita SpA and is described in note A9.

Sundry payables

TAB. B10.4 – SUNDRY PAYABLES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Sundry payables attributable to BancoPosta	-	3	3	-	5	5	(2)
Security deposits	16	0	17	14	0	14	2
Other payables	39	195	234	38	130	168	66
Total	**55**	**199**	**254**	**52**	**135**	**187**	**67**

Accrued liabilities and deferred income

Accrued liabilities and deferred income, which increased by €28 million compared to the year of comparison, include deferred income of €124 million for the non-repayable grant received in advance from the Parent Company for the implementation of the “Polis Project - Home of Digital Services”.

4.3 Notes to the Statement of Profit or Loss

C1 – Revenue From Mail, Parcels And Other (€3,746 million)

This item breaks down as follows:

Description (€m)	FY 2023	FY 2022	Changes
Mail	1,753	1,749	3
Parcels	1,395	1,395	0
Other revenue	281	190	91
Total external revenue	**3.429**	**3.335**	**94**
Universal Service compensation	262	262	-
Publisher tariff subsidies	55	54	1
Total revenue	**3,746**	**3,651**	**95**
of which Revenue from contracts with customers	3,120	3,179	(59)
recognised at a point in time	376	371	5
recognised over time	2,744	2,808	(64)

External revenue showed an increase compared to the financial year 2022, largely attributable to the capital gain of approximately €109 million related to the sale of the controlling interest in the company sennder (see Note 2.8 - Basis of consolidation).

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Annual compensation, amounting to €262 million, is established in the 2020-2024 Contratto di Programma (Service Contract) in force on 1 January 2020.

Publisher tariff subsidies[242] relate to the amount receivable by Poste Italiane from the Cabinet Office - Publishing department as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry of Enterprise and Made in Italy (former MiSE) in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. With AGCom Resolution 454/22/CONS of 30 December 2022, the new universal basic tariffs of the subsidised publishing products included in the Universal Service were defined. The Resolution provided for a gradual increase in the basic tariffs with a consequent increase in the compensation received by the Company per item sent at a subsidised rate. The amount of subsidies that the Company has granted is covered in the 2023 State Budget.

242. Law no. 8 of 28 February 2020 - ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "*for a duration equal to that of the universal postal service*" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

C2 – Net revenue from financial services (€5,229 million)

Net revenue from financial services regards services provided mainly within the Parent Company's BancoPosta RFC and the subsidiary BancoPosta Fondi SGR.

This item breaks down as follows:

TAB. C2 – REVENUE FROM FINANCIAL SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Revenue from financial services	5,516	4,684	832
Income from financial activities	271	428	(157)
Other operating income	7	13	(6)
Expenses from financial activities	(566)	(187)	(379)
Total	**5,229**	**4,938**	**290**
of which Revenue from contracts with customers	2,643	2,520	123
recognised at a point in time	231	233	(2)
recognised over time	2,412	2,288	124

Revenue from financial services breaks down as follows:

TAB. C2.1 – REVENUE FROM FINANCIAL SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Income from investment of postal current account deposits and free cash	2,702	2,008	694
Fees for collection of postal savings deposits	1,740	1,600	140
Other revenue from current account services	426	426	1
Commissions on payment of bills by payment slip	208	216	(8)
Distribution of loan products	157	192	(35)
Income from delegated services	91	89	2
Mutual fund management fees	143	118	25
Money transfers	17	13	4
Other	32	22	10
Total	**5,516**	**4,684**	**832**

Revenue from financial services showed an increase compared to the year 2022, mainly due to income from investment of postal current account deposits and free cash and the remuneration of postal savings deposits.

Specifically:

- **Income from investment of postal current account deposits and free cash** breaks down as follows:

TAB. C2.1.1 – INCOME FROM INVESTMENT OF POSTAL CURRENT ACCOUNT DEPOSITS AND FREE CASH

Description (€m)	FY 2023	FY 2022	Changes
Income from investments in securities	1,962	1,482	480
Interest income on securities at amortised cost	780	677	103
Interest income on securities at FVOCI	936	821	115
Interest income (expense) on asset swaps of CFH on securities at FVOCI and AC	5	20	(15)
Interest income (expense) on asset swaps of FVH on securities at FVOCI and AC	171	(79)	250
Interest income on repurchase agreements	70	43	27
Income from investments in tax credits	309	273	36
Interest income on tax credits at AC	309	189	120
Interest income on tax credits at FVTOCI	-	84	(84)
Income from deposits held with the MEF	446	252	194
Remuneration of current account deposits (deposited with the MEF)	441	323	118
Differential on derivatives stabilising returns	5	(71)	76
Portion of interest income on own liquidity (finance income)	(15)	1	(6)
Other income	0	2	-
Total	**2,702**	**2,008**	**694**

The increase in this item compared to the previous year is mainly attributable to the income from investments in securities and the income from deposits held with the MEF.

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The amount of income includes the impact of the interest rate hedge. The increase in this item compared to financial year 2022 was mainly due to the effects of the upward shift in the interest rate curve, which had a positive effect on the differentials exchanged in fair value hedge transactions, and to the higher profitability of both the new securities that entered the portfolio in financial year 2023, and those subject to the broader restructuring of fair value hedges as described in Note A6 - *Financial assets*.

Income from investments in tax credits relates to interest accrued during the year on the investments described in Note A10 - *Tax Credits Law no. 77/2020*.

Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited at Public Administration entities, remunerated at a variable rate as described in Note A6 - *Financial assets*. The increase compared to 31 December 2022 is mainly due to the rise in the interest rate curve.

- **Fees for the collection of postal savings deposits** relates to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti. The increase in this item reflects the consideration accrued at the relevant date, under the Supplementary and Amending Deed of 30 January 2024, effective retroactively from 1 January 2023 to 31 December 2023, to the Agreement with Cassa Depositi e Prestiti renewed on 23 December 2021 for the period 2021-2024.
- Revenue from **current account services** primarily relates to charges on current accounts, fees on amounts collected and on statements of account sent to customers, annual fees on debit cards and related transactions.
- Revenue from the **distribution of loan products** relates to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties.

Income from financial activities breaks down as follows:

TAB. C2.2 – INCOME FROM FINANCIAL ACTIVITIES

Description (€m)	FY 2023	FY 2022	Changes
Income from financial instruments at FVTOCI	164	262	(98)
Realised gains	164	262	(98)
Income from financial instruments at amortised cost	48	129	(82)
Realised gains	48	129	(82)
Income from financial instruments at FVTPL	8	2	6
Fair value gains	7	1	6
Realised gains	1	-	1
Income from financial instruments - cash flow hedges	-	1	(1)
Fair value gains	-	1	(1)
Income from fair value hedges	0	17	(16)
Fair value gains	0	17	(16)
Foreign exchange gains	3	5	(2)
Fair value gains	1	1	(0)
Realised gains	2	4	(2)
Other income	48	12	36
Total	**271**	**428**	**(157)**

The decrease in **Other income from financial activities,** compared to the previous year, was mainly due to lower realised gains from financial instruments at FVTOCI and at amortised cost, partially offset by higher other income for interest accrued on guarantee deposits paid to counterparties.

Expenses from financial activities breaks down as follows:

TAB. C2.3 – EXPENSES FROM FINANCIAL ACTIVITIES

Description (€m)	FY 2023	FY 2022	Changes
Expenses from financial instruments at FVTOCI	54	4	50
Realised losses	54	4	50
Expenses from financial instruments at amortised cost	-	53	(53)
Realised losses	-	53	(53)
Expenses from financial instruments at FVTPL	7	2	5
Losses from valuation	4	1	3
Realised losses	3	0	2
Interest expense	505	127	378
Interest on customers' deposits	219	85	133
Interest expense on repurchase agreements	128	14	113
Due to the Parent Company	-	4	(4)
on guarantee deposits	158	24	134
Interest expense on own liquid funds (finance costs)	-	(1)	1
Total	**566**	**187**	**379**

Expenses from financial activities increased compared to the year 2022 mainly due to the effect of the change in the interest rate curve, which generated higher interest expenses on collateral deposits received from counterparties, on repurchase agreements and on postal current accounts of public customers.

C3 – Net revenue from insurance services (€1,567 million)

TAB. C3 – NET REVENUE FROM INSURANCE SERVICES (€1,567 MILLION)

Description (€m)	FY 2023	FY 2022	Changes
Revenue from insurance contracts issued	2,550	2,456	94
Costs arising from insurance contracts issued	(1,058)	(805)	(253)
Revenue/(costs) from outward reinsurance	(15)	(8)	(7)
Income and (expenses) from financial operations and other income/expenses	6,458	(1,532)	7,990
Net financial (costs)/revenue relating to insurance contracts issued	(6,373)	1,539	(7,911)
Net financial revenue/(costs) related to outward reinsurance	5	(0)	5
Total	**1,567**	**1,650**	**(83)**

Net revenue from insurance services decreased compared to 2022 from €1,650 million to €1,567 million, mainly due to the lower CSM release recognised during the period: €1,285 million compared to €1,515 million in the year of comparison; in particular, in the year 2022, the release had benefited from the additional yield related to the differential between the risk-neutral curve used to value the CSM and the actual real world curve. This decrease was only partly offset by the positive contribution of income, net of the portion reversed to policyholders, from financial operations (+€79 million compared to financial year 2022), given the improved financial dynamics and the higher release of the Adjustment for non-financial risk (+€31 million) compared to the same period of 2022.

The breakdown of revenue from insurance contracts and costs arising from insurance contracts is shown below.

The breakdown of Revenue from insurance contracts issued is as follows:

TAB. C3.1 – REVENUE FROM INSURANCE CONTRACTS ISSUED

Description (€m)	FY 2023	FY 2022	Changes
Contracts measured according to GMM and VFA	**2,137**	**2,139**	**(2)**
Change in Liability for remaining coverage	1,923	1,965	(41)
Incurred claims and other insurance service costs expected	*516*	*360*	*156*
Changes in the adjustment for non-financial risks	*120*	*89*	*31*
Contractual service margin recognised in the statement of profit or loss for services provided	*1,285*	*1,515*	*(231)*
Other changes	*2*	*0*	*2*
Acquisition costs of recovered insurance contracts	214	174	40
Contracts measured according to the PAA	**413**	**317**	**96**
Total	**2,550**	**2,456**	**94**

At the end of the reporting period, insurance revenue from contracts measured upon transition to IFRS 17 using the Fair Value Approach amounted to €58 million, for contracts subject to carve-out[243] amounted to €1,909 million, with the remainder relating to revenue from new contracts recognised in the period and contracts for which the Full Retrospective Approach was adopted.

243. Contracts for which the *annual cohort* exemption was applied.

The breakdown of **Costs from insurance contracts issued** is as follows:

TAB. C3.2 – COSTS FROM INSURANCE CONTRACTS ISSUED

Description (€m)	FY 2023	FY 2022	Changes
Contracts measured according to GMM and VFA	**703**	**533**	**170**
Incurred claims and other directly attributable costs	346	360	(14)
Changes in the liability for incurred claims	146	(1)	147
Losses on onerous contracts and recovery of such losses	(3)	0	(3)
Amortisation of insurance contract acquisition costs	214	174	40
Other	(1)	-	(1)
Contracts measured according to the PAA	**355**	**271**	**84**
Total	**1,058**	**805**	**253**

The breakdown of revenue/(costs) from outward reinsurance is as follows:

TAB. C3.3 – REVENUE/(COSTS) FROM OUTWARD REINSURANCE

Description (€m)	FY 2023	FY 2022	Changes
Outward reinsurance measured under GMM	**(48)**	**0**	**(48)**
Change in asset for remaining coverage	(48)	0	(48)
Amount of claims and other recoverable costs expected	*(35)*	*0*	*(35)*
Changes in the adjustment for non-financial risks	*(4)*	*(0)*	*(4)*
Contractual service margin recognised in the statement of profit or loss for services received	*(6)*	*(0)*	*(6)*
Other	*(3)*	*0*	*(3)*
Other costs directly attributable to outward reinsurance	0	0	0
Total costs from outward reinsurance	**(89)**	**(7)**	**(82)**
Effects of changes in default risk by reinsurers	0	0	0
Amount of claims and other expenses recovered	0	0	(0)
Changes in the asset for incurred claims	38	(1)	39
Other recoveries	2	0	2
Revenue from outward reinsurance measured under PAA	**33**	**(0)**	
Total	**(15)**	**(8)**	**(7)**

The breakdown of **Income and (Expenses) from financial operations and other income/expenses** is as follows:

TAB. C3.4 – INCOME AND (EXPENSES) FROM FINANCIAL OPERATIONS AND OTHER INCOME/EXPENSES

Description (€m)	FY 2023	FY 2022	Changes
Income from financial operations and other income	6,982	4,434	2,549
Expenses from financial operations and other expenses	(525)	(5,966)	5,441
Total	**6,458**	**(1,532)**	**7,990**

TAB. C3.4.1 – INCOME FROM FINANCIAL OPERATIONS AND OTHER INCOME

Description (€m)	FY 2023	FY 2022	Changes
Income from financial instruments at FVTOCI	3,217	3,613	(396)
Interest	3,202	3,549	(347)
Realised gains	15	64	(49)
Dividends	0	-	
Income from financial instruments at amortised cost	6	6	0
Interest	6	6	0
Realised gains	-	-	-
Income from financial instruments at FVPL	3,600	693	2,907
Interest	553	321	233
Fair value gains	2,893	335	2,557
Realised gains	154	37	117
Other income	160	122	38
Total	**6,982**	**4,434**	**2,549**

The increase in **Income from financial operations and other income** is mainly attributable to valuation gains from financial instruments at FVPL.

TAB. C3.4.2 – EXPENSES FROM FINANCIAL OPERATIONS AND OTHER EXPENSES

Description (€m)	FY 2023	FY 2022	Changes
Expenses from financial instruments at FVOCI	46	252	(206)
Interest	0	5	(5)
Realised losses	46	247	(202)
Expenses from financial instruments at FVPL	469	5,711	(5,242)
Losses from valuation	289	5,382	(5,093)
Realised losses	181	329	(149)
Impairment losses/(reversals of impairment losses) due to credit risk	7	(4)	11
Other expenses	3	(14)	17
Total	**525**	**5,966**	**(5,441)**

The decrease in **Expenses from financial operations and other expenses** is mainly attributable to expenses from the valuation of financial instruments at FVPL.

These valuation gains and losses, related almost entirely to the investments included in the separately managed accounts, were almost entirely relegated to policyholders through the mirroring mechanism and included in the item "Net financial (costs)/ revenue relating to insurance contracts issued".

TAB. C3.5 – NET FINANCIAL (COSTS)/REVENUE RELATING TO INSURANCE CONTRACTS ISSUED

Description (€m)	FY 2023	FY 2022	Changes
Accrued interest	(12)	0	(12)
Effects of changes in interest rates and other financial assumptions	(1)	1	(2)
Change in fair value of underlying assets of contracts measured under VFA	(6,359)	1,538	(7,897)
Effects of exchange rate changes	0	0	0
Other	0	0	0
Total	**(6,373)**	**1,539**	**(7,911)**

TAB. C3.6 – NET FINANCIAL REVENUE/(COSTS) RELATED TO OUTWARD REINSURANCE

Description (€m)	FY 2023	FY 2022	Changes
Accrued interest	5	0	5
Effects of changes in interest rates and other financial assumptions	0	(0)	0
Effects of exchange rate changes	0	0	0
Other	0	0	0
Total	**5**	**(0)**	**5**

C4 – Revenue from payments and mobile services (€1,586 million)

This item breaks down as follows:

TAB. C4 – REVENUE FROM PAYMENTS AND MOBILE

Description (€m)	FY 2023	FY 2022	Changes
Electronic money	623	581	42
Fees for issue and use of prepaid cards	409	423	(14)
Acquiring	60	47	13
Other fees	154	111	44
Mobile	327	317	11
Payments services	473	233	240
Payment Slips	280	68	212
Commissions for processing tax payments using forms F23/F24	46	48	(1)
Money transfers	147	109	38
Other products and services	(0)	9	(9)
Revenue from energy services	157	12	145
Other operating income	6	4	1
Total	**1,586**	**1,147**	**440**
of which Revenue from contracts with customers	1,306	1,127	179
recognised at a point in time	438	485	(47)
recognised over time	868	642	226

These consist of revenue from card payment products and payment services, revenue from mobile telephony services and revenue from the energy segment, which are mainly generated by PostePay SpA and its direct subsidiaries.

Revenue from payments and mobile services posted an increase of €440 million compared to the same period of last year, with a positive contribution from all segments. Of particular note is the growth in revenue from collection and reporting services, taking into account the full 2023 contribution of LIS Holding and Lis Pay (consolidated from September 2022), and revenue from the energy segment.

C5 – Cost of goods and services (€3,237 million)

TAB. C5 – COST OF GOODS AND SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Service costs	2,906	2,619	287
Lease expense	163	137	26
Raw, ancillary and consumable materials and goods for resale	303	190	113
Allocation of costs directly attributable to insurance contracts	(135)	(119)	(16)
Total	**3,237**	**2,827**	**410**

Costs of goods and services (adjusted for costs directly attributable to insurance contracts) increased by a total of €410 million compared to the financial year 2022, mainly due to the generalised increase in prices resulting from the international inflationary scenario and the expansion of the company perimeter that occurred mainly in the second half of the previous year.

Service costs

TAB. C5.1 – SERVICE COSTS

Description (€m)	FY 2023	FY 2022	Changes
Transport of mail, parcels and forms	1,146	1,084	62
Credit and debit card fees and charges	322	218	105
Outsourcing fees and external service charges	281	243	38
Routine maintenance and technical assistance	247	250	(3)
Mobile telecommunication services for customers	182	169	13
Personnel services	141	129	12
Energy and water	101	80	21
Cleaning, waste disposal and security	95	109	(15)
Advertising and promotions	78	62	16
Transport of cash	57	62	(5)
Exchange of mail and telegraphy	44	42	2
Asset management fees	43	43	(0)
Telecommunications and data transmission	40	43	(3)
Electricity and gas transmission costs	34	0	33
Consultants' fees and legal expenses	19	18	1
Electronic document management, printing and enveloping services	10	12	(1)
Remuneration and expenses of Statutory Auditors	2	1	0
Other	66	54	12
Total	**2,906**	**2,619**	**287**

The rise in service costs was mainly due to the increase in credit/debit card management fees and charges, costs for logistics and delivery services related to the parcels segment, fees related to the increased use of cloud technology, and electricity and gas transmission costs of the energy segment.

Lease expense

TAB. C5.2 – LEASE EXPENSE

Description (€m)	FY 2023	FY 2022	Changes
Real estate leases and ancillary costs	113	86	27
Vehicle leases	33	36	(3)
Equipment hire and software licences	4	3	1
Other lease expense	13	12	1
Total	**163**	**137**	**26**

Raw, ancillary and consumable materials and goods for resale

TAB. C5.3 – RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

Description (€m)	FY 2023	FY 2022	Changes
Consumables, advertising materials and goods for resale	109	87	22
Fuels and lubricants	68	74	(6)
Electricity and gas costs	115	13	102
Printing of postage and revenue stamps	6	4	2
Electronic money card	15	9	6
SIM cards and scratch cards	1	1	(1)
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	(8)	(5)	(3)
Change in inventories of raw, ancillary and consumable materials	1	6	(5)
Change in property held for sale	(7)	1	(7)
Others	3	0	3
Total	**303**	**190**	**113**

The increase compared to the financial year 2022 was mainly affected by the generalised increase in the purchase prices of fuel and raw materials, higher costs in the energy segment as a result of the launch of the commercial offer during the year, and the expansion of the company scope.

C6 – Personnel expenses (€5,170 million)

Personnel expenses include the cost of personnel seconded to other organisations. The recovery of such expenses is posted to Other operating income. Personnel expenses break down as follows:

TAB. C6 – PERSONNEL EXPENSES

Description (€m)	Note	FY 2023	FY 2022	Changes
Wages and salaries		4,076	3,856	220
Social security contributions		1,157	1,099	58
Employee termination benefits: current service cost	[tab. B7]	3	2	1
Employee termination benefits: supplementary pension funds and INPS		238	234	4
Agency staff		4	3	1
Remuneration and expenses paid to Directors		5	3	1
Early retirement incentives		12	22	(11)
Net provisions (reversals) for disputes with staff	[tab. B6]	10	(3)	13
Allocations to the provisions for early retirement incentives	[tab. B6]	159	54	105
Amounts recovered from staff due to disputes		(3)	(4)	1
Share-based payments		12	9	3
Other personnel expenses/(cost recoveries)		(29)	(48)	19
Allocation of costs directly attributable to insurance contracts		(473)	(404)	(69)
Total		**5,170**	**4,823**	**347**

Personnel expenses (adjusted for costs directly attributable to insurance contracts) increased by €347 million compared to the year 2022 attributable, for the ordinary component, primarily to the increase in the unit cost and, for the extraordinary component, to higher early retirement incentives and the additional and extraordinary performance bonus, paid in November 2023, for approximately €130 million. The increase in the unit cost is mainly attributable to the increase on contractual minimums triggered in July 2022 in connection with the National Collective Labour Agreement renewed in June 2021 and the increase in the variable component driven by the share linked to commercial action.

Net provisions for disputes with staff and provisions for early retirement incentives are described in note B6 – *Provisions for risks and charges*.

The following table shows the Group's average and year-end headcount:

TAB. C6.1 – NUMBER OF EMPLOYEES

	Average		Year end	
Category	**FY 2023**	**FY 2022**	**31.12.23**	**31.12.22**
Executives	692	660	688	679
Middle managers	15,338	15,136	15,279	15,161
Operational staff	88,540	89,871	86,349	89,896
Back-office staff	6,334	4,619	6,475	6,080
Total employees on permanent contracts*	**110,904**	**110,286**	**108,791**	**111,816**

* Figures expressed in full time equivalent terms

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 119,310 (in 2022: 119,806).

C7 – Depreciation, amortisation and impairments (€811 million)

This item breaks down as follows:

TAB. C7 – DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Description (€m)	FY 2023	FY 2022	Changes
Depreciation of property, plant and equipment	239	230	9
Impairments/recoveries/adjustments of property, plant and equipment	3	(4)	7
Depreciation of investment property	1	1	(0)
Amortisation and impairments of intangible assets	366	354	12
Depreciation of right-of-use assets	272	251	21
Allocation of costs directly attributable to insurance contracts	(72)	(61)	(11)
Total	**811**	**769**	**42**

Depreciation, amortisation and impairments (adjusted for costs directly attributable to insurance contracts) increased by €42 million compared to the financial year 2022. The increase is attributable to rights of use (€21 million) mainly for the expansion of the leased fleet held by the Parent Company, to intangible assets (€12 million) for investments in software applications that have become available for use and for assets identified as part of the purchase price allocation processes on acquisitions made during 2022, and to property, plant and equipment (€9 million).

C8 – Capitalised costs and expenses (€56 million)

Capitalised costs and expenses break down as follows:

TAB. C8 – INCREASES RELATING TO ASSETS UNDER CONSTRUCTION

Description (€m)	FY 2023	FY 2022	Changes
Property, plant and machinery:	**2**	**3**	**(2)**
Cost of goods and services	2	3	(2)
Intangible assets:	**54**	**38**	**16**
Cost of goods and services	14	3	12
Personnel expenses	39	33	5
Depreciation and amortisation	1	2	(1)
Total	**56**	**41**	**14**

C9 – Other operating costs (€275 million)

Other operating costs break down as follows:

TAB. C9 – OTHER OPERATING COSTS

Description (€m)	FY 2023	FY 2022	Changes
Net provisions for risks and charges made/(released)	81	323	(241)
for disputes with third parties	(12)	24	(36)
for operational risks	(1)	(11)	10
for other risks and charges	11	(10)	21
for taxation	3	(1)	4
for risks on tax credit - Law no. 77/2020	80	320	(240)
Operational risk events	28	25	3
Thefts	4	2	2
Loss of BancoPosta assets, net of recoveries	3	4	(1)
Other operating losses of BancoPosta	21	19	2
Capital losses	3	2	1
Municipal property tax, urban waste tax and other taxes and duties	113	107	6
Other current expenses	71	62	9
Allocation of costs directly attributable to insurance contracts	(22)	(10)	(11)
Total	**275**	**508**	**(233)**

Other operating costs (adjusted for costs directly attributable to insurance contracts) decreased compared to the year of comparison due to lower provisions for risks and charges, see in this regard Note B6 - *Provisions for risks and charges* and *Note A10 - Tax credits Law no. 77/2020*.

C10 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€71 million)

TAB. C10 – IMPAIRMENT LOSSES/(REVERSALS OF IMPAIRMENT LOSSES) ON DEBT INSTRUMENTS, RECEIVABLES AND OTHER ASSETS

Description (€m)	FY 2023	FY 2022	Changes
Net impairments and losses on receivables and other assets	64	97	(33)
Impairment losses/(reversals of impairment losses) on financial activities	(0)	1	(1)
Impairment losses/(reversals of impairment losses) on debt instruments at FVTOCI	3	4	(1)
Impairment losses/(reversals of impairment losses) on debt instruments at amortised cost	4	2	3
Total	**71**	**104**	**(34)**

C11 – Finance income (€181 million) and costs (€119 million)

Income from and costs incurred on financial instruments relate to assets other than those in which deposits collected by BancoPosta and the financial and insurance businesses are invested.

Finance income

TAB. C11.1 – FINANCE INCOME

Description (€m)	FY 2023	FY 2022	Changes
Income from financial instruments at FVTOCI	60	66	(7)
Interest	55	64	(9)
Accrued differentials on fair value hedges	0	1	(1)
Realised gains	0	1	(1)
Dividends	4	0	4
Income from financial instruments at amortised cost	62	64	(3)
Interest	62	64	(3)
Income from financial instruments at FVPL	10	8	2
Fair value gains	9	3	6
Accrued differentials on derivative financial instruments at FVPL	1	5	(4)
Income from financial liabilities at FVTPL	2	11	(9)
Income from financial instruments - cash flow hedges	6	0	6
Realised gains	6	0	6
Other finance income	35	10	25
Remuneration of own liquid funds of Poste Italiane	15	1	14
Interest on bank accounts	9	4	5
Finance income on discounted receivables	2	2	(0)
Late payment interest	30	23	8
Impairment of amounts due as late payment interest	(29)	(22)	(7)
Other income	8	2	6
Foreign exchange gains	8	11	(3)
Total	**181**	**169**	**12**

For the purposes of reconciliation with the statement of cash flows, in 2023 finance income after both realised gains, foreign exchange gains and dividends, amounted to €169 million (€157 million in 2022).

Finance income increased by €12 million compared to the previous year, mainly due to the remuneration accrued on postal current accounts in the name of Poste Italiane as a result of the rise in the interest rate curve (€14 million).

Finance costs

TAB. C11.2 – FINANCE COSTS

Description (€m)	FY 2023	FY 2022	Changes
Finance costs on financial liabilities	38	33	5
on bonds	5	4	1
on due to financial institutions	6	4	2
on lease payables	28	24	5
from derivative financial instruments	0	1	(1)
Sundry costs on financial assets	4	18	(15)
Realised losses on financial instruments at FVOCI	3	-	3
Losses from valuation on financial instruments at FVTPL	0	18	(18)
Expenses from financial liabilities at FVPL	5	-	
Finance costs on provisions for employee termination benefits and pension plans	26	16	10
Finance costs on provisions for risks	4	(0)	5
Interest expense on own liquid funds	-	1	(1)
Other finance costs	34	50	(16)
Foreign exchange losses	8	9	(1)
Total	**119**	**126**	**(7)**

For the purposes of reconciliation with the statement of cash flows, in 2023 finance costs after foreign exchange losses amounted to €110 million (€118 million in 2022).

C12 – Income tax expense (€794 million)

TAB. C12 – INCOME TAX EXPENSE

Description (€m)	FY 2023				FY 2022				Changes
	IRES	IRAP	Other	Total	IRES	IRAP	Other	Total	
Current tax expense	597	148	2	746	408	111	1	520	226
Deferred tax assets	(3)	1	-	(2)	43	8	-	52	(54)
Deferred tax liabilities	43	7	-	50	222	56	-	278	(228)
Total	**637**	**156**	**2**	**794**	**672**	**176**	**1**	**850**	**(56)**

Below is the reconciliation of the Parent Company's theoretical IRES tax rate and the effective tax rate of 29.11%:

TAB. C12.1 – RECONCILIATION BETWEEN THEORETICAL AND EFFECTIVE IRES RATE

Description (€m)	FY 2023		FY 2022	
	Tax	Impact %	Tax	Impact %
Profit before tax	2,727		2,433	
Theoretical tax charge	655	24.0%	584	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Realised gains on investments	(25)	-0.92%	-	0.00%
Non-deductible out-of-period losses	8	0.30%	6	0.24%
Net provisions for risks and charges and impairment of receivables	23	0.83%	99	4.06%
Realignment of tax bases and carrying amounts and taxation for previous years	(11)	-0.39%	(10)	-0.43%
Patent Box and ACE (aid for economic growth) tax effect - previous years	-	0.00%	(6)	-0.25%
Other differences	(11)	-0.40%	(0)	-0.02%
IRAP Italian companies	155	5.69%	178	7.33%
Effective tax charge	**794**	**29.11%**	**850**	**34.92%**

With regard to the deductibility of losses related to the non-compensation of tax credits, and the provision for risks on tax credits (see also Note A10 - Tax Credits Law no. 77/2020), on 25 January 2024, the Agenzia delle Entrate's response was received to the request for a tax ruling presented by the Parent Company; the response received provides indications that lend themselves to different interpretations and discussions are currently under way with the Agenzia delle Entrate to define the correct interpretation and the consequent impact on the various applicable cases. Given the continuing situation of interpretative uncertainty, based on the provisions of IFRIC 23 - Uncertainty in Income Tax Treatments, these items have been conservatively evaluated as non-deductible. The possible positive tax effects that may emerge as a result of potential developments in the interpretation of the cases in question, following the conclusion of discussions with the Agenzia delle Entrate will be reflected in financial statements after 2023.

Current tax expense

TAB. C12.2 – MOVEMENTS IN CURRENT TAX ASSETS/(LIABILITIES)

Description (€m)	Current tax 2023			
	IRES	IRAP	Foreign companies	
	Assets/ (Liabilities)	Assets/ (Liabilities)	Assets/ (Liabilities)	Total
Balance at 1 January	**70**	**12**	**(2)**	**80**
Payments	131	63	3	197
Collection of ACE 2013 credit	(6)	-	-	(6)
Claim for IRAP refund	-	(1)	-	(1)
Offsetting tax credits Law no. 77/2020	340	39	-	379
Provisions to profit or loss	(597)	(148)	(2)	(746)
Provisions to equity	7	0	-	7
Other*	63	5	(0)	68
Balance at 31 December	**8**	**(30)**	**(1)**	**(23)**
of which:				
Current tax assets	156	10	-	167
Current tax liabilities	(149)	(40)	(1)	(189)

* This item mainly refers to receivables for withholding taxes.

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

At 31 December 2023, current tax assets/(liabilities) include:

- the liability of €175 million determined by mainly IRES and IRAP provisions for the year 2023 net of IRES and IRAP advances paid and IRES and IRAP receivables from the previous year and receivables for withholding taxes;
- receivables referred to the Parent Company of a residual €14 million related to the adhesion to the Patent Box regime for the years 2017-2019. Following the submission of the relevant supplementary tax return, the IRES credit related to the Aid for Economic Growth (ACE) for the financial year 2013 of €6 million was collected in the year under review;
- assets for a total of €14 million related to a request for a tax ruling referring to the tax recognition of income components arising from the management of postal current account balances;
- the substitute tax credit of a residual €13 million relating to the redemption carried out by the Parent Company during 2018, pursuant to art. 15, paragraph 10 *ter* of Law Decree no. 185 of 29 November 2008, of the higher values resulting from the notes to the consolidated financial statements at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl;
- the substitute tax credit for a residual €7 million relating to the redemption carried out by the Parent Company during 2022, pursuant to art. 15, paragraphs 10 *bis* and 10 *ter* of Law Decree no. 185 of 29 November 2008, of the goodwill arising from the acquisition of the Nexive Group and Sengi HK investments;
- assets for a residual €9 million recognised as a result of the responses received to two requests for a tax ruling filed with the Agenzia delle Entrate concerning the tax effects of application of IFRS 9 and 15. These assets will become offsettable after the submission of the relevant supplementary tax returns.

It should be noted that during the year, the companies PostePay SpA and Poste Italiane SpA recognised substitute tax credits of approximately €90 million and €6 million, respectively, in connection with the franking, pursuant to Article 15, paragraph 10-ter, of Law Decree no. 185 of 29 November 2008, of the goodwill and other intangible assets identified in the Purchase Price Allocation ("PPA") arising from the acquisition of the investments in LIS Holding, Agile and Sourcesense. The payment of the substitute tax will allow the franked amounts to be deducted for tax purposes as of the financial year 2025.

Deferred tax assets and liabilities

TAB. C12.3 – DEFERRED TAX ASSETS AND LIABILITIES

Description (€m)	Balance at 31 December 2023	Balance at 31 December 2022	Changes
Deferred tax assets	2,109	2,601	(492)
Deferred tax liabilities	(900)	(815)	(85)
Total	**1,208**	**1,786**	**(578)**

Movements in deferred tax assets and liabilities are shown below:

TAB. C12.4 – MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES

Description (€m)	FY 2023
Balance at 1 January	**1,786**
Net income/(expense) recognised in profit or loss	(48)
Net income/(expense) recognised in equity	(565)
Change in scope of consolidation and other	34
Balance at 31 December	**1,208**

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

TAB. C12.5 – MOVEMENTS IN DEFERRED TAX ASSETS

Description (€m)	Property, plant and equipment and intangible assets	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Insurance assets and liabilities	Other	Total
Balance at 1 January 2023	**49**	**1,118**	**95**	**237**	**913**	**189**	**2,601**
Income/(expense) recognised in profit or loss	(1)	4	1	(19)	3	14	2
Income/(expense) recognised in equity	0	(525)	-	(0)	(1)	(0)	(525)
Change in scope of consolidation	-	2	-	0	25	2	29
Balance at 31 December 2023	**49**	**601**	**97**	**218**	**939**	**206**	**2,109**

TAB. C12.6 – MOVEMENTS IN DEFERRED TAX LIABILITIES

Description (€m)	Financial assets and liabilities	Intangible assets	Other	Total
Balance at 1 January 2023	**674**	**63**	**78**	**815**
Expense/(income) recognised in profit or loss	47	(3)	7	50
Expense/(income) recognised in equity	30	-	(0)	30
Change in scope of consolidation	-	5	0	5
Reclassifications	-	-	0	0
Balance at 31 December 2023	**751**	**64**	**86**	**900**

Movements in deferred tax assets and liabilities recognised directly in equity during the year are as follows:

TAB. C12.7 – DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED IN EQUITY

Description (€m)	FY 2023
Fair value reserve for financial assets at FVTOCI	(2,387)
Reserve for insurance contracts issued and outward reinsurance	1,755
Cash flow hedge reserve for hedging instruments	68
Actuarial gains/(losses) on employee termination benefits	(0)
Total	**(565)**

4.4 Operating segments

The identified operating segments, which are in line with the Group's strategic guidelines, are as follows:

- Mail, Parcels and Distribution
- Financial Services
- Insurance Services
- Payments and Mobile

For a description of the operating segments as well as the types of products and/or services from which each reportable segment derives its revenue, please refer to the "Introduction" section of this Annual Report.

The result for each segment is based on operating profit/(loss) and gains/losses on intermediation.

In order to provide an understanding of the energy business, included in the Payments and Mobile operating segment, according to an approach based on the net interest and other banking income, since the Group is not an energy producer, the values marked with an asterisk include a management reclassification that provides for the presentation of revenue related to the energy business net of costs related to the purchase of raw materials and the transport of electricity and gas. Therefore, values that deviate from the accounting data are specially marked and reconciled with the figures in the accounting statements.

The following results, which are shown separately in accordance with the management view and with applicable accounting standards, should be read in light of the integration of the services offered by the distribution network within the businesses allocated to all four identified operating segments, also considering the obligation to carry out the Universal Postal Service.

ECONOMIC DATA BY OPERATING SEGMENT

FY 2023 (€m)	**Mail, Parcels and Distribution**	**Financial Services**	**Insurance Services**	**Payments and Mobile**	**Adjustments and eliminations**	**Total**
Net external revenue from ordinary activities	3,746	5,229	1,567	1,447*	-	11,989*
Net intersegment revenue from ordinary activities	5,245	866	(148)	264	(6,227)	0
Net operating revenue	**8,991**	**6,095**	**1,419**	**1,710***	**(6,227)**	**11,989***
Total costs	**(9,033)**	**(5,232)**	**(59)**	**(1,271)***	**6,227**	**(9,368)***
of which: Depreciation, amortisation and impairments	*(844)*	*(0)*	*(2)*	*(36)*	*71*	*(811)*
of which: Other non-cash expenses	*(291)*	*(12)*	*(1)*	*(24)*	-	*(328)*
Operating profit/(loss)	**(43)**	**863**	**1,360**	**440**	**0**	**2,620**
Finance income/(costs)	(41)	(1)	102	2	-	62
(Impairment losses)/reversals of impairment losses on financial assets	25	0	(0)	(0)	-	25
Profit/(Loss) on investments accounted for using the equity method	2	18	-	-	-	20
Intersegment finance income/(costs)	8	13	(51)	30	0	-
Income tax expense	2	(246)	(417)	(134)	-	(794)
Net profit/(loss) for the year	**(46)**	**647**	**994**	**338**	**0**	**1,933**

FY 2022 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,651	4,939	1,650	1,134*	-	11,374*
Net intersegment revenue from ordinary activities	4,862	820	(148)	264	(5,798)	0
Net operating revenue	**8,512**	**5,759**	**1,502**	**1,398***	**(5,798)**	**11,374 ***
Total costs	**(8,838)**	**(4,872)**	**(48)**	**(1,019)***	**5,798**	**(8,978)***
of which: Depreciation, amortisation and impairments	*(805)*	*(0)*	*(3)*	*(23)*	*63*	*(769)*
of which: Other non-cash expenses	*(498)*	*21*	*(1)*	*(7)*	*-*	*(486)*
Operating profit/(loss)	**(326)**	**887**	**1,455**	**379**	**(0)**	**2,396**
Finance income/(costs)	(31)	(13)	87	(0)	-	43
(Impairment losses)/reversals of impairment losses on financial assets	1	0	(0)	(0)	-	0
Profit/(Loss) on investments accounted for using the equity method	1	(7)	-	-	-	(6)
Intersegment finance income/(costs)	46	(2)	(45)	1	0	0
Income tax expense	(52)	(243)	(445)	(110)	-	(850)
Net profit/(loss) for the year	**(361)**	**622**	**1,051**	**270**	**0**	**1,583**

Below is the reconciliation between the accounting figure and the management figure for the year under review and the comparative figure, reclassified to reflect the new exposure:

Description (€m)		FY 2023		FY 2022	
		Payments and Mobile	Poste Italiane	Payments and Mobile	Poste Italiane
Net external revenue from ordinary activities	Accounting figure	1,586	12,128	1,147	11,386
	Reclassification	(140)	(140)	(12)	(12)
	Management figure	1,447	11,989	1,134	11,374
Net intersegment revenue from ordinary activities	Accounting figure	275		264	
	Reclassification	(11)		0	
	Management figure	264		264	
Net operating revenue	Accounting figure	1,861	12,128	1,410	11,386
	Reclassification	(150)	(140)	(12)	(12)
	Management figure	1,710	11,989	1,398	11,374
Total costs	Accounting figure	1,421	9,508	1,031	8,990
	Reclassification	(150)	(140)	(12)	(12)
	Management figure	1,271	9,368	1,018	8,978

STATEMENT OF FINANCIAL POSITION DATA BY OPERATING SEGMENT

31 December 2023 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Assets	**13,223**	**98,450**	**164,024**	**12,712**	**(17,633)**	**270,777**
Non-current assets	9,934	73,325	144,516	737	(3,698)	224,814
Current assets	3,289	25,125	19,508	11,975	(13,936)	45,963
Non-current assets and disposal groups held for sale	-	-	50	-	-	50
Liabilities	**10,340**	**95,640**	**157,634**	**11,269**	**(14,496)**	**260,388**
Non-current liabilities	4,125	10,014	156,402	85	(669)	169,958
Current liabilities	6,215	85,626	1,232	11,185	(13,827)	90,430
Other information						
Capital expenditure	814	0	6	25	-	845
Investments accounted for using the equity method	27	267	-	-	-	294

31 December 2022 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Assets	**12,902**	**104,744**	**148,943**	**11,743**	**(16,258)**	**262,074**
Non-current assets	9,701	72,202	132,982	742	(3,699)	211,928
Current assets	3,201	32,542	15,961	11,001	(12,559)	50,146
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Liabilities	**10,393**	**103,406**	**143,186**	**10,332**	**(13,121)**	**254,195**
Non-current liabilities	4,623	10,339	142,163	83	(560)	156,647
Current liabilities	5,770	93,067	1,023	10,249	(12,560)	97,548
Other information						
Capital expenditure	788	0	0	23	-	810
Investments accounted for using the equity method	4	262	-	-	-	267

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers, is of no material significance. At 31 December 2023, the entities consolidated on a line-by-line basis are mainly based in Italy and, on a residual and insignificant basis in China and the United Kingdom[244]; customers are mainly located in Italy: revenue from foreign customers does not account for a significant percentage of total revenue. Assets include those deployed by the segment in the course of ordinary business activities and those that could be allocated to it for the performance of such activities.

244. Total net revenue from ordinary operations by third parties recognised by the fully consolidated companies based in China and the United Kingdom amounted to €149 million, while EBIT and net trading income amounted to €11 million.

4.5 Related party transactions

Impact of related party transactions on the financial position and profit or loss

The impact of related party transactions on the financial position and profit or loss is shown below.

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2023

Description (€m)	Balance at 31.12.2023						
	Financial assets	Trade receivable	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	0	-	-	0	1	0
Kipoint SpA	-	1	0	-	2	2	0
Indabox	-	0	-	-	0	0	0
Associated							
Anima Holding Group	-	0	-	-	-	7	-
Italia Camp Srl	-	1	-	-	-	0	-
Financit SpA	-	3	-	-	-	17	-
Eurizon Capital Real Asset SGR	-	-	-	-	-	0	-
sennder Italia Srl	-	1	-	-	-	36	(0)
Cronos Vita Assicurazioni SpA	-	0	-	-	-	-	-
Related parties external to the Group							
MEF	8,937	370	19	873	5,376	4	1
Cassa Depositi e Prestiti Group	2,913	253	1	-	0	24	-
Enel Group	-	27	-	-	-	3	0
Eni Group	-	5	-	-	-	3	-
Equitalia Group	-	1	-	-	-	-	-
Sace Group	-	0	-	-	-	-	-
Leonardo Group	-	0	-	-	-	11	-
Montepaschi Group	224	2	-	0	351	(0)	-
Other related parties external to the Group	20	50	2	-	4	4	88
Provision for doubtful debts due from related parties external to the Group	(27)	(32)	(6)	(0)	-	-	-
Total	**12,066**	**681**	**17**	**874**	**5,734**	**113**	**90**

At 31 December 2023, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable mainly to trading relations amounted to €59 million (€67 million at 31 December 2022).

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2022

	Balance at 31.12.2022						
Description (€m)	Financial assets	Trade receivable	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	0	-	-	0	1	-
Kipoint SpA	-	1	0	-	1	2	0
Indabox	-	0	-	-	0	0	0
Associated							
Anima Holding Group	-	0	-	-	-	7	-
Italia Camp Srl	-	0	-	-	-	(0)	-
Telma-Sapienza Scarl	-	(0)	-	-	-	-	-
Financit SpA	-	3	-	-	-	16	-
Eurizion Capital Real Asset SGR	-	-	-	-	-	1	-
Related parties external to the Group							
MEF	11,907	384	17	1,991	4,176	4	1
Cassa Depositi e Prestiti Group	3,388	26	-	-	0	16	-
Enel Group	-	23	-	-	-	0	-
Eni Group	-	5	-	-	-	7	-
Equitalia Group	-	0	-	-	-	(0)	-
Sace Group	-	0	-	-	-	-	-
Leonardo Group	-	1	-	-	-	15	-
Montepaschi Group	276	1	-	0	397	(0)	-
Other related parties external to the Group	20	21	1	-	4	4	68
Provision for doubtful debts due from related parties external to the Group	(27)	(31)	(6)	(0)	-	-	-
Total	**15,564**	**435**	**12**	**1,991**	**4,578**	**72**	**69**

At 31 December 2023, net provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group primarily attributable to trading relations amounted to about €0.1 million (€0.7 million at 31 December 2022).

IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS IN FY 2023

	Balance at 31.12.2023												
	Revenue					Costs							
						Capital expenditure		Current expenses					
Name	Revenue and income from Mail, Parcels and other	Revenue from Payments and Mobile	Revenue from Financial Services	Net revenue from insurance services	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/ (reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Subsidiaries													
Address Software Srl	0	-	-	-	-		-	1	(0)	-	-	-	-
Kipoint SpA	1	-	-	-	-		-	3	(0)	-	-	-	0
Associates													
Anima Holding Group	2	-	-	-	-	-	-	8	-	-	-	-	-
Indabox	0	-	-	-	-		-	0	-	-	-	-	-
Italia Camp Srl	-	-	-	-	-		-	0	(0)	-	-	-	-
Other SDA Group associates	0	-	-	-	(0)	-	-	-	-	-	-	-	-
Financit SpA	30	-	-	-	-	-	-	-	(0)	-	-	-	-
sennder Italia Srl	0	-	-	-	-	-	-	122	(0)	-	-	-	0
Cronos Vita Assicurazioni SpA	0	-	-	-	-	-	-	-	(0)	-	-	-	-
Related parties external to the Group													
MEF	817	46	503	-	15	-	-	1	-	1	-	(0)	0
Cassa Depositi e Prestiti Group	19	3	1,813	18	-	8	2	69	0	0	-	(0)	0
Enel Group	37	-	0	-	-	0	-	18	-	-	-	-	-
Eni Group	22	-	0	-	-	0	-	42	-	-	-	-	-
Equitalia Group	2	-	-	-	-	-	-	-	-	-	-	-	-
SACE Group	0	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	0	-	-	-	-	-	3	24	-	0	-	-	-
Montepaschi Group	17	-	1	-	-	-	-	0	-	0	7	-	0
Other related parties external to the Group	60	5	0	-	-	-	-	20	74	2	5	0	0
Total	**1,007**	**54**	**2,317**	**18**	**15**	**8**	**6**	**308**	**74**	**3**	**12**	**(0)**	**1**

IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS IN FY 2022

	Balance at 31.12.2022												
	Revenue					Costs							
	Revenue and income from Mail, Parcels and other	Revenue from Payments and Mobile	Revenue from Financial Services	Net revenue from insurance services	Finance income	Capital expenditure		Current expenses					
Name						Property, plant and equipment	Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/ (reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Subsidiaries													
Address Software Srl	-	-	-	-	-	-	-	1	-	-	-	-	-
Kipoint SpA	0	-	-	-	-	-	-	2	(0)	-	-	-	(0)
Associates													
Anima Holding Group	2	-	-	-	-	-	-	29	-	-	-	-	-
Financit SpA	40	-	-	-	-	-	-	-	(0)	-	-	-	-
Eurizon Capital Real Asset SGR	-	-	-	-	-	-	-	2	-	-	-	-	-
Related parties external to the Group													
MEF	730	48	385	-	1	0	-	1	-	3	3	1	1
Cassa Depositi e Prestiti Group	16	0	1,665	16	-	9	3	48	0	0	-	0	1
Enel Group	41	-	1	0	-	-	0	1	-	0	-	0	-
Eni Group	10	-	1	-	-	0	-	41	-	0	-	-	-
Equitalia Group	1	-	-	-	-	-	-	-	-	-	-	-	-
SACE Group	1	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	1	-	-	-	-	0	2	25	-	-	-	-	-
Montepaschi Group	16	-	1	-	-	-	-	0	-	-	1	-	0
Other related parties external to the Group	35	2	0	-	-	-	-	16	71	1	-	-	0
Total	**893**	**51**	**2,052**	**16**	**1**	**9**	**6**	**167**	**71**	**5**	**4**	**1**	**2**

The tables also show existing relations with subsidiaries that, due to their insignificance, are valued at equity and not consolidated on a line-by-line basis.

The nature of the Parent Company's principal related party transactions external to the Group is summarised below in order of relevance:

- Amounts received from the MEF relate primarily to payment for carrying out the USO, the management of postal current accounts, as payment for delegated services, the franking of mail on credit, and for the integrated notification service;
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits;
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail. The costs incurred primarily relate to the supply of gas and electricity;
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles;
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting services and software maintenance, and the supply of software licences and of hardware;
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions or positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

IMPACT OF RELATED PARTY TRANSACTIONS

Description (€m)	Total in financial statement	Total related parties	Impact (%)	Total in financial statement	Total related parties	Impact (%)
	Balance at 31.12.2023			Balance at 31.12.2022		
Financial position						
Financial assets	237,159	12,066	5.1	226,140	15,564	6.9
Trade receivables	2,407	681	28.3	2,182	435	19.9
Other receivables and assets	5,135	17	0.3	5,105	12	0.2
Cash and cash equivalents	4,211	874	20.8	4,983	1,991	40.0
Provisions for risks and charges	1,336	59	4.4	1,355	67	5.0
Financial liabilities	95,393	5,734	6.0	103,644	4,578	4.4
Trade payables	2,252	113	5.0	2,234	72	3.2
Other liabilities	4,343	90	2.1	4,003	69	1.7

	Balance at 31.12.2023			Balance at 31.12.2022		
Profit or loss						
Revenue from Mail, Parcels & other	3,746	1,007	26.9	3,651	893	24.5
Net revenue from Financial Services	5,229	2,305	44.1	4,938	2,048	41.5
Net revenue from insurance services	1,567	18	1.2	1,650	16	1.0
Revenue from Payments and Mobile services	1,586	54	3.4	1,147	51	4.4
Cost of goods and services	3,237	308	9.5	2,827	167	5.9
Personnel expenses	5,170	74	1.4	4,823	71	1.5
Other operating costs	275	3	1.2	508	5	1.0
Finance costs	119	1	0.5	126	2	1.6
Finance income	181	15	8.1	169	1	0.6
Cash flows						
Net cash flow from/(for) operating activities	1,414	4,420	0	180	1,981	1
Net cash flow from/(for) investing activities	(994)	14	n.a.	(1,606)	(18)	0
Net cash flow from/(for) financing activities and shareholder transactions	(1,192)	(564)	0	(1,549)	(512)	n.a.

Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors and the Supervisory Board, managers at the first organisational level of the Parent Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, of such key management personnel as defined above is as follows:

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Description (€k)	Balance at 31.12.2023	Balance at 31.12.2022
Remuneration to be paid in short/medium term	14,345	13,164
Post-employment benefits	580	571
Other benefits to be paid in longer term	(787)	1,871
Termination benefits	-	-
Share-based payments	4,936	2,469
Total	**19,074**	**18,075**

REMUNERATION AND EXPENSES OF STATUTORY AUDITORS

Description (€k)	Balance at 31.12.2023	Balance at 31.12.2022
Remuneration	1,439	1,275
Expenses	77	71
Total	**1,516**	**1,346**

The remuneration paid to members of the Parent Company's Supervisory Board for 2023 amounts to approximately €96 thousand. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the period and, at 31 December 2023, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with personnel pensions funds

The Parent Company and the subsidiaries that apply the National Collective Labour Agreement are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the Shareholders' Meeting.


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Poste Italiane SpA

Financial Statements
at 31 December **2023**

5. Poste Italiane SpA - Financial Statements at 31 December 2023

5.1 Financial Statements

STATEMENT OF FINANCIAL POSITION

ASSETS (figures in €)	Notes	31 December 2023	*of which related parties*	31 December 2022	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,320,675,265	-	2,203,281,482	-
Investment property	[A2]	27,590,204	-	30,622,319	-
Intangible assets	[A3]	1,052,853,632	-	944,624,830	-
Right-of-use assets	[A4]	970,107,550	-	1,039,707,878	-
Investments	[A5]	3,694,633,104	*3,694,633,104*	3,676,236,144	*3,676,236,144*
Financial assets	[A6]	65,384,975,707	*3,398,784,099*	62,775,153,352	*3,391,476,890*
Trade receivables	[A8]	961,404	-	762,775	-
Deferred tax assets	[C11]	928,434,002	-	1,455,493,776	-
Other receivables and assets	[A9]	1,794,867,584	*1,586,649*	1,788,073,590	*1,586,649*
Tax credits Law no. 77/2020	[A10]	6,533,849,874	-	7,457,745,566	-
Total		**82,708,948,326**		**81,371,701,712**	
Current assets					
Inventories	[A7]	3,999,649	-	4,157,570	-
Trade receivables	[A8]	2,773,751,097	*1,397,196,251*	2,656,054,944	*1,206,342,400*
Current tax assets	[C11]	68,367,034	-	98,312,324	-
Other receivables and assets	[A9]	982,339,159	*153,715,638*	832,135,995	*32,974,635*
Tax credits Law no. 77/2020	[A10]	1,784,345,995	-	1,563,051,854	-
Financial assets	[A6]	15,886,658,882	*9,244,322,718*	21,421,328,172	*12,095,426,518*
Cash and deposits attributable to BancoPosta	[A11]	4,670,570,165	-	5,848,037,590	-
Cash and cash equivalents	[A12]	1,222,518,576	*873,963,904*	2,257,992,640	*1,991,118,738*
Total		**27,392,550,557**		**34,681,071,089**	
TOTAL ASSETS		**110,101,498,883**		**116,052,772,801**	

LIABILITIES AND EQUITY (figures in €)	Notes	31 December 2023	*of which related parties*	31 December 2022	*of which related parties*
Equity					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Treasury shares		(94,095,509)	-	(62,850,781)	-
Reserves	[B2]	1,549,302,533	-	162,829,069	-
Retained earnings/(Accumulated losses)		2,891,588,865	-	2,401,421,381	-
Total		**5,652,905,889**		**3,807,509,669**	
Non-current liabilities					
Provisions for risks and charges	[B4]	717,764,517	*49,633,252*	740,904,188	*55,226,126*
Employee termination benefits	[B5]	608,135,775	-	677,640,667	-
Financial liabilities	[B6]	9,788,656,363	*245,808,233*	10,600,138,427	*231,168,307*
Deferred tax liabilities	[C11]	272,210,100	-	231,802,483	-
Other liabilities	[B8]	1,924,980,483	*451,887*	1,907,044,515	*889,202*
Total		**13,311,747,238**		**14,157,530,280**	
Current liabilities					
Provisions for risks and charges	[B4]	510,520,473	*9,512,415*	515,658,933	*12,097,961*
Trade payables	[B7]	1,967,197,951	*496,526,842*	1,969,876,704	*478,400,954*
Current tax liabilities	[C11]	149,024,753	-	44,379,053	-
Other liabilities	[B8]	1,435,507,835	*93,845,904*	1,455,075,322	*214,726,262*
Financial liabilities	[B6]	87,074,594,744	*17,849,916,136*	94,102,742,840	*15,345,654,065*
Total		**91,136,845,756**		**98,087,732,852**	
TOTAL LIABILITIES AND EQUITY		**110,101,498,883**		**116,052,772,801**	

STATEMENT OF FINANCIAL POSITION (CONTINUED)

SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC AT 31.12.2023

ASSETS (figures in €)	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Non-current assets					
Property, plant and equipment		2,320,675,265	-	-	2,320,675,265
Investment property		27,590,204	-	-	27,590,204
Intangible assets		1,052,853,632	-	-	1,052,853,632
Right-of-use assets		970,107,550	-	-	970,107,550
Investments		3,694,633,104	-	-	3,694,633,104
Financial assets		1,000,663,519	64,384,312,188	-	65,384,975,707
Trade receivables		961,404	-	-	961,404
Deferred tax assets	[C11]	286,207,321	642,226,681	-	928,434,002
Other receivables and assets	[A9]	42,579,876	1,752,287,708	-	1,794,867,584
Tax credits Law no. 77/2020	[A10]	287,172,636	6,246,677,238		6,533,849,874
Total		**9,683,444,511**	**73,025,503,815**	**-**	**82,708,948,326**
Current assets					
Inventories		3,999,649	-	-	3.999.649
Trade receivables	[A8]	1,767,744,995	1,006,006,102	-	2.773.751.097
Current tax assets		68,367,034	-	-	68.367.034
Other receivables and assets	[A9]	374,611,630	607,727,529	-	982.339.159
Tax credits Law no. 77/2020	[A10]	119,500,953	1,664,845,042		1.784.345.995
Financial assets		61,261,933	15,825,396,949	-	15.886.658.882
Cash and deposits attributable to BancoPosta	[A11]	-	4,670,570,165	-	4.670.570.165
Cash and cash equivalents	[A12]	288,017,917	934,500,659	-	1.222.518.576
Total		**2,683,504,111**	**24,709,046,446**	**-**	**27.392.550.557**
Intersegment relations net amount		**-**	**127,891,161**	**(127,891,161)**	**-**
TOTAL ASSETS		**12,366,948,622**	**97,862,441,422**	**(127,891,161)**	**110,101,498,883**

LIABILITIES AND EQUITY	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(94,095,509)	-	-	(94,095,509)
Reserves	[B2]	726,326,961	822,975,572	-	1,549,302,533
Retained earnings/(Accumulated losses)		935,631,197	1,955,957,668	-	2,891,588,865
Total		**2,873,972,649**	**2,778,933,240**	**-**	**5,652,905,889**
Non-current liabilities					
Provisions for risks and charges	[B4]	592,594,349	125,170,168	-	717,764,517
Employee termination benefits	[B5]	606,052,711	2,083,064	-	608,135,775
Financial liabilities		2,217,477,910	7,571,178,453	-	9,788,656,363
Deferred tax liabilities	[C11]	6,017,017	266,193,083	-	272,210,100
Other liabilities	[B8]	172,524,252	1,752,456,231	-	1,924,980,483
Total		**3,594,666,239**	**9,717,080,999**	**-**	**13,311,747,238**
Current liabilities					
Provisions for risks and charges	[B4]	472,191,153	38,329,320	-	510,520,473
Trade payables	[B7]	1,834,303,151	132,894,800	-	1,967,197,951
Current tax liabilities		149,024,753	-	-	149,024,753
Other liabilities	[B8]	1,208,478,386	227,029,449	-	1,435,507,835
Financial liabilities		2,106,421,130	84,968,173,614	-	87,074,594,744
Total		**5,770,418,573**	**85,366,427,183**	**-**	**91,136,845,756**
Intersegment relations net amount		**127,891,161**	**-**	**(127,891,161)**	**-**
TOTAL LIABILITIES AND EQUITY		**12,366,948,622**	**97,862,441,422**	**(127,891,161)**	**110,101,498,883**

STATEMENT OF FINANCIAL POSITION (CONTINUED)

SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC AT 31.12.2022

ASSETS (figures in €)	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Non-current assets					
Property, plant and equipment		2,203,281,482	-	-	2,203,281,482
Investment property		30,622,319	-	-	30,622,319
Intangible assets		944,624,830	-	-	944,624,830
Right-of-use assets		1,039,707,878	-	-	1,039,707,878
Investments		3,676,236,144	-	-	3,676,236,144
Financial assets		874,904,811	61,900,248,541	-	62,775,153,352
Trade receivables		762,775	-	-	762,775
Deferred tax assets	[C11]	298,182,186	1,157,311,590	-	1,455,493,776
Other receivables and assets	[A9]	50,180,229	1,737,893,361	-	1,788,073,590
Tax credits Law no. 77/2020	[A10]	330,431,856	7,127,313,710		7,457,745,566
Total		**9,448,934,510**	**71,922,767,202**	**-**	**81,371,701,712**
Current assets					
Inventories		4,157,570	-	-	4,157,570
Trade receivables	[A8]	1,836,768,708	819,286,236	-	2,656,054,944
Current tax assets		98,312,324	-	-	98,312,324
Other receivables and assets	[A9]	259,503,121	572,632,874	-	832,135,995
Tax credits Law no. 77/2020	[A10]	89,847,114	1,473,204,740		1,563,051,854
Financial assets		29,409,273	21,391,918,899	-	21,421,328,172
Cash and deposits attributable to BancoPosta	[A11]	-	5,848,037,590	-	5,848,037,590
Cash and cash equivalents	[A12]	241,439,753	2,016,552,887	-	2,257,992,640
Total		**2,559,437,863**	**32,121,633,226**	**-**	**34,681,071,089**
Intersegment relations net amount		**-**	**129,677,856**	**(129,677,856)**	**-**
TOTAL ASSETS		**12,008,372,373**	**104,174,078,284**	**(129,677,856)**	**116,052,772,801**

LIABILITIES AND EQUITY	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(62,850,781)	-	-	(62,850,781)
Reserves	[B2]	822,795,833	(659,966,764)	-	162,829,069
Retained earnings/(Accumulated losses)		427,374,281	1,974,047,100	-	2,401,421,381
Total		**2,493,429,333**	**1,314,080,336**	**-**	**3,807,509,669**
Non-current liabilities					
Provisions for risks and charges	[B4]	595,887,291	145,016,897	-	740,904,188
Employee termination benefits	[B5]	675,658,094	1,982,573	-	677,640,667
Financial liabilities		2,668,161,530	7,931,976,897	-	10,600,138,427
Deferred tax liabilities	[C11]	6,227,317	225,575,166	-	231,802,483
Other liabilities	[B8]	168,859,648	1,738,184,867	-	1,907,044,515
Total		**4,114,793,880**	**10,042,736,400**	**-**	**14,157,530,280**
Current liabilities					
Provisions for risks and charges	[B4]	472,615,588	43,043,345	-	515,658,933
Trade payables	[B7]	1,788,311,580	181,565,124	-	1,969,876,704
Current tax liabilities		44,379,053	-	-	44,379,053
Other liabilities	[B8]	1,374,614,838	80,460,484	-	1,455,075,322
Financial liabilities		1,590,550,245	92,512,192,595	-	94,102,742,840
Total		**5,270,471,304**	**92,817,261,548**	**-**	**98,087,732,852**
Intersegment relations net amount		**129,677,856**	**-**	**(129,677,856)**	**-**
TOTAL LIABILITIES AND EQUITY		**12,008,372,373**	**104,174,078,284**	**(129,677,856)**	**116,052,772,801**

STATEMENT OF PROFIT OR LOSS

(figures in €)	Notes	FY 2023	*of which related parties*	FY 2022	*of which related parties*
Revenue from sales and services	[C1]	9,880,028,944	*4,813,933,966*	8,903,676,705	*4,285,273,955*
Other income from financial activities	[C2]	271,362,769	-	427,964,847	-
Other operating income	[C3]	1,003,329,454	*943,291,727*	721,244,219	*667,154,668*
Total revenue		**11,154,721,167**		**10,052,885,771**	
Cost of goods and services	[C4]	2,640,542,432	*1,539,149,738*	2,497,560,589	*1,414,663,808*
Expenses from financial activities	[C2]	633,159,282	*74,160,132*	215,134,855	*32,681,434*
Personnel expenses	[C5]	5,347,874,172	*68,488,941*	4,986,728,183	*65,312,252*
Depreciation, amortisation and impairments	[C6]	773,454,752	*6,107,896*	743,981,131	*4,914,188*
Capitalised costs and expenses		(41,069,643)	-	(36,895,738)	-
Other operating costs	[C7]	222,661,084	*7,783,651*	473,146,063	*7,525,172*
of which non-recurring costs		-	-	320,000,000	-
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C8]	49,635,264	*413,925*	97,051,092	*950,386*
Operating profit/(loss)		**1,528,463,824**		**1,076,179,596**	
Finance costs	[C9]	110,852,266	*38,744,067*	71,125,774	*4,674,892*
Finance income	[C9]	175,931,649	*148,356,685*	94,605,058	*77,618,762*
Impairment losses/(reversals of impairment losses) on financial assets	[C10]	(25,116,485)	*(54,241)*	(598,953)	*(48,335)*
Profit/(Loss) before tax		**1,618,659,692**		**1,100,257,833**	
Income tax expense	[C11]	229,154,284	-	253,145,095	-
PROFIT FOR THE YEAR		**1,389,505,408**		**847,112,738**	

STATEMENT OF CHANGES IN EQUITY

(figures in €)	Notes	FY 2023	FY 2022
Net profit/(loss) for the year		**1,389,505,408**	**847,112,738**
Items to be reclassified in the Statement of profit or loss for the year			
FVTOCI debt instruments			
Increase/(decrease) in fair value during the year		1,944,160,743	(4,405,691,981)
Transfers to profit or loss from realisation	[tab. B2]	222,536,576	(150,548,691)
Increase/(decrease) for expected losses	[tab. B2]	2,626,727	4,153,828
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B2]	80,032,594	278,515,402
Transfers to profit or loss	[tab. B2]	(317,798,819)	(408,797,835)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(548,751,276)	1,334,512,522
Items not to be reclassified in the Statement of profit or loss for the year			
FVOCI equity instruments			
FVOCI equity instruments		(3,906,456)	(71,808,237)
Increase/(decrease) in fair value during the year		-	-
Actuarial gains/(losses) on employee termination benefits	[tab. B5]	(8,262,869)	119,481,198
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		2,029,966	(32,308,009)
Total other comprehensive income		**1,372,667,186**	**(3,332,491,803)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,762,172,594**	**(2,485,379,065)**

STATEMENT OF COMPREHENSIVE INCOME

	Equity										
			Reserves								
(figures in €)	**Share capital**	**Treasury shares**	**Legal reserve**	**BancoPosta RFC reserve**	**Equity instruments - perpetual hybrid bonds**	**Fair value reserve**	**Riserva *Cash flow hedge***	**Incentive plans reserve**	**Merger surplus (deficit) reserve**	**Retained earnings/ (Accumulated losses)**	**Total**
Balance at 1 January 2022	**1,306,110,000**	**(39,809,472)**	**299,234,320**	**1,210,000,000**	**800,000,000**	**1,191,311,140**	**(33,386,960)**	**13,479,038**	**5,128,817**	**2,282,303,950**	**7,034,370,833**
Total comprehensive income for the year	-	-	-	-	-	(3.325.640.562)	(93.162.731)	-	-	933,424,228	(2,485,379,065)
Balance dividends paid on FY 2021 profits	-	-	-	-	-	-	-	-	-	(525,922,474)	(525,922,474)
Interim dividend on FY 2022 profits	-	-	-	-	-	-	-	-	-	(272,700,542)	(272,700,542)
Purchase of treasury shares	-	(25,300,205)	-	-	-	-	-	-	-	(1,923)	(25,302,128)
Coupons paid to holders of perpetual hybrid bonds	-	-	-	-	-	-	-	-	-	(15,960,000)	(15,960,000)
Merger contribution	-	-	-	-	-	(239.911.300)	-	-	330.001.682	-	90.090.382
Incentive plans	-	2,258,896	-	-	-	-	-	5.775.625	-	273.137	8.307.658
Other movements	-	-	-	-	-	-	-	-	-	5.005	5.005
Balance at 31 December 2022	**1,306,110,000**	**(62,850,781)**	**299,234,320**	**1,210,000,000**	**800,000,000**	**(2,374,240,722)**	**(126,549,691)**	**19,254,663**	**335,130,499**	**2,401,421,381**	**3,807,509,669**
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	350,000,000	(2.092.203.851)	(129,496,216)	1,733,303	-	1,974,047,100	1,314,080,336
Total comprehensive income for the year	-	-	-	-	-	1,549,043,156	(170,096,190)	-	-	1,383,225,628 *	2,762,172,594
Balance dividends paid on FY 2022 profits	-	-	-	-	-	-	-	-	-	(569,991,049)	(569,991,049)
Interim dividend on FY 2023 profits	-	-	-	-	-	-	-	-	-	(307,017,906)	(307,017,906)
Purchase of treasury shares	-	(33,984,898)	-	-	-	-	-	-	-	(2,583)	(33,987,481)
Coupons paid to holders of perpetual hybrid bonds	-	-	-	-	-	-	-	-	-	(15,960,000)	(15,960,000)
Merger contribution	-	-	-	-	-	-	-	-	-	-	-
Incentive plans	-	2,740,170	-	-	-	-	-	7,526,498	-	(86,889)	10,179,779
Other movements	-	-	-	-	-	-	-	-	-	283	283
Balance at 31 December 2023	**1,306,110,000**	**(94,095,509)**	**299,234,320**	**1,210,000,000**	**800,000,000**	**(825,197,566)**	**(296,645,881)**	**26,781,161**	**335,130,499**	**2,891,588,865**	**5,652,905,889**
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	450,000,000	(543,735,961)	(295,310,915)	2,022,448	-	1,955,957,668	2,778,933,240

* This item includes profit for the period of €1,390 million and actuarial losses on provisions for employee termination benefits of €8 million, after the related current taxation.

STATEMENT OF CASH FLOWS

(€k)	Notes	FY 2023	FY 2022
Cash and cash equivalents at beginning of year		**2,257,993**	**3,869,639**
Profit/(Loss) before tax		1,618,660	1,100,258
Depreciation, amortisation and impairments	[tab. C6]	773,075	743,981
Net provisions for risks and charges	[tab. B4]	320,914	430,181
Use of provisions for risks and charges	[tab. B4]	(352,780)	(343,332)
Employee termination benefits paid	[tab. B5]	(102,684)	(114,332)
(Gains)/losses on disposals	[tab. C7]	(93,410)	(1,129)
Impairment losses/(reversals of impairment losses) on financial assets		(25,114)	(597)
(Dividends)		(16,403)	(10,694)
Dividends received		16,403	10,694
(Finance income in form of interest)	[tab. C9.1]	(154,120)	(77,350)
Interest received		150,462	73,002
Interest expense and other finance costs	[tab. C9.2]	105,626	66,421
Interest paid		(54,190)	(31,706)
Losses and impairment losses/(reversals of impairment losses) on receivables	[tab. C8]	42,908	89,799
Income tax paid	[tab. C11.3]	(44,602)	(360,660)
Other changes		(1,780)	(12,334)
Cash flow generated by operating activities before movements in working capital	**[a]**	**2,182,965**	**1,562,202**
Movements in working capital:			
(Increase)/decrease in Inventories	[A7]	158	6,735
(Increase)/decrease in Trade receivables		(160,456)	246,678
(Increase)/decrease in Other receivables and assets		263,097	409,366
Increase/(decrease) in Trade payables		(2,681)	(61,457)
Increase/(decrease) in Other liabilities		(16,369)	229,600
Change in tax credits Law no. 77/2020		(351,584)	10,613
Cash flow generated by/(used in) movements in working capital	**[b]**	**(267,835)**	**841,535**
Increase/(decrease) in Financial liabilities attributable to BancoPosta RFC		(8,983,074)	4,821,908
Net cash generated by/(used in) financial assets attributable to BancoPosta RFC		916,625	(5,180,205)
(Increase)/decrease in other financial assets attributable to BancoPosta RFC and tax credits Law No. 77/2020		5,671,131	(2,176,925)
(Increase)/decrease in Cash and deposits attributable to BancoPosta		1,177,468	1,810,487
(Income)/expense and other non-cash components from financial activities		153,099	383,864
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta RFC	**[c]**	**(1,064,751)**	**(340,871)**
Net cash flow from/(for) operating activities	**[d]=[a+b+c]**	**850,379**	**2,062,866**
- of which related party transactions		***4,970,379***	***2,766,191***
Investing activities:			
Property, plant and equipment	[tab. A1]	(324,890)	(286,809)
Investment property	[tab. A2]	(303)	(375)
Intangible assets	[tab. A3]	(455,251)	(463,536)
Investments		(19,973)	(1,373,120)
Other financial assets		(76,941)	(175,131)
Disposals:			
Property, plant and equipment, investment property and assets held for sale		10,064	5,512
Other financial assets		23,636	36,645
Mergers		-	975
Net cash flow from/(for) investing activities	**[e]**	**(843,658)**	**(2,255,839)**
- of which related party transactions		***(43,500)***	***(1,095,880)***

(€k)		Notes	FY 2023	FY 2022
Proceeds from/(Repayments of) long-term borrowings		[B6.5]	125,000	100,000
Increase/(decrease) in short-term borrowings		[B6.5]	(235,201)	(673,750)
Dividends paid		[B3]	(877,009)	(798,623)
Sale/(purchase) of treasury shares			(33,985)	(25,300)
Equity instruments - perpetual hybrid bonds			(21,000)	(21,000)
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**		**(1,042,195)**	**(1,418,673)**
- of which related party transactions			***758,468***	***(416,770)***
Net increase/(decrease) in cash	**[g]=[d+e+f]**		**(1,035,474)**	**(1,611,646)**
Cash and cash equivalents at end of year		**[tab. A12]**	**1,222,519**	**2,257,993**
Cash and cash equivalents at end of year		**[tab. A12]**	**1,222,519**	**2,257,993**
Restricted net cash and cash equivalents at end of year			(550,848)	(1,724,336)
Unrestricted net cash and cash equivalents at end of year			**671,671**	**533,657**

5.2 Information on BancoPosta RFC

As required by art. 2, paragraphs 17-octies et seq. of Law 10 of 26 February 2011, converting Law Decree 225 of 29 December 2010, in order to identify ring-fenced capital for the purposes of applying the Bank of Italy's prudential requirements to BancoPosta's operations and for the protection of creditors, at the Shareholders' Meeting held on 14 April 2011 Poste Italiane SpA's shareholder approved the creation of ring-fenced capital to be used exclusively in relation to BancoPosta's operations (BancoPosta Ring-fenced Capital or BancoPosta RFC), as governed by Presidential Decree 144 of 14 March 2001, and established the assets and contractual rights to be included in the ring-fence as well as By-laws governing its organisation, management and control. BancoPosta RFC was provided originally with an initial reserve of €1 billion through the attribution of Poste Italiane SpA's retained earnings. The resolution of 14 April 2011 became effective on 2 May 2011, the date on which it was filed with the Companies' Register. Following on from the Board of Directors' resolution of 25 January 2018 and the subsequent Extraordinary Shareholders' Meeting of Poste Italiane SpA's shareholders, on 27 September 2018, Poste Italiane injected €210 million of fresh capital into BancoPosta RFC.

In 2021, Poste Italiane SpA placed a hybrid subordinated perpetual bond issue with a non-call period of 8 years aimed at institutional investors. Following this issue, on 30 June 2021 and on 30 June 2023, there was an injection of capital into BancoPosta RFC, via the granting of two perpetual subordinated loans of €350 million with an 8-year non-call period and €100 million with a 5-year non-call period, respectively, under terms and conditions that allow them to be counted as Additional Tier 1 ("AT1") capital, designed to strengthen its leverage ratio.

The separation of BancoPosta from Poste Italiane SpA is only partly comparable to other ring-fenced capital solutions. Indeed, BancoPosta is not expected to meet the requirements of articles 2447 *bis* et seq. of the Italian Civil Code or for other special purpose entities, in that it has not been established for a single specific business but rather, pursuant to Presidential Decree 144 of 14 March 2001, for several types of financial activities to be regularly carried out for an unlimited period of time. For this reason, the above legislation does not impose the 10% limit on BancoPosta's equity, waiving the provisions of the Italian Civil Code unless expressly cited as applicable.

Nature of assets and contractual rights and authorisations

BancoPosta's assets, contractual rights and authorisations pursuant to notarial deed were conferred on BancoPosta RFC exclusively by Poste Italiane SpA without third-party contributions. BancoPosta's operations consist of those listed in Presidential Decree 144 of 14 March 2001, as amended[245], with the exception of activities linked to card payments and payment services, carried out by the subsidiary, PostePay SpA. More details on this aspect are provided below:
- the collection of all forms of savings deposit from the public in accordance with art. 11, para. 1 of Legislative Decree no. 385/1993 of 1 September 1993 - Consolidated Law on Banking (Testo Unico Bancario, or TUB) - and all related and consequent activities;
- the collection of savings through postal securities and deposits;
- payment services, including the issuance, administration and sale of prepaid cards and other payment instruments pursuant to art. 1, para. 2, letter f) numbers 4) and 5), TUB;
- foreign currency exchange services;
- promotion and arrangement of loans issued by approved banks and financial brokers;
- investment and related services pursuant to art. 12, Presidential Decree 144/2001;
- debt collection services;
- professional gold trading, on own behalf or on behalf of third parties, in accordance with the requirements of Law 7 of 17 January 2000.

All of the assets and rights arising out of various contracts, agreements and legal transactions related to the above activities have also been conferred on BancoPosta RFC.

245. As revised on the issuance of Law Decree 179 of 18 October 2012 converted into law with amendments by Law 221 of 17 December 2012.

Following the receipt of clearance from the Bank of Italy, the Shareholders' Meeting of Poste Italiane held on 29 May 2018 approved the proposed removal of the assets, liabilities and contractual rights attributable to the card payments and payment services business unit from the ring-fence that applies to BancoPosta RFC. On 1 October 2018, this business unit was transferred to the subsidiary PostePay SpA, in assets earmarked for card payments and payment services, in order to enable the latter to operate as an Electronic Money Institution (EMI)[246]. In addition, in order to complete the process of centralising e-money on the above-mentioned EMI, on 28 May 2021, Poste Italiane's Extraordinary Shareholders' Meeting, after obtaining all the authorisations required by law, approved the removal of the restriction on the allocation of BancoPosta RFC, assets and legal relations constituting the so-called "Debit Branch", with the deed of contribution in favour of Postepay SpA taking effect from 1 October 2021.

BancoPosta RFC's operations

BancoPosta RFC's operations consist of the investment of cash held in postal current accounts, in the name of BancoPosta but subject to statutory restrictions, and the management of third parties' collections and remittances. This latter activity includes the collection of postal savings (Postal Savings Books and Interest-bearing Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Administration entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of financial items awaiting settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, with a delay of two bank working days with respect to the transaction date.

In compliance with the 2007 Budget Law, from 2007 the Company is required to invest the funds raised from deposits paid into postal current accounts by private customers in Eurozone government securities[247]. Funds deposited by Public Administration entities are, instead, deposited with the Ministry of the Economy and Finance and earn a variable rate of return linked to a basket of government securities, in accordance with a specific agreement with the MEF regarding treasury services, renewed on 19 May 2023 and covering the two-year period 2023-2024. In addition, under the agreement with the MEF, renewed on 29 May 2023 for the three-year period 2023-2025, a percentage of the funds deriving from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a variable rate equal to the Euro Short Term Rate (ESTR)[248].

Cost and revenue allocation and measurement of operations contracted out by BancoPosta RFC

Given the fact that Poste Italiane is a single legal entity, the Company's general accounting system maintains its uniform characteristics and capabilities. In this context, the general principles governing administrative and accounting aspects of BancoPosta RFC are as follows:

- Identification of transactions in Poste Italiane SpA's general ledgers relating to BancoPosta's ring-fenced operations which are then extracted for recording in BancoPosta's separate ledgers.
- Allocation to BancoPosta RFC of all relevant revenue and costs; in particular the services rendered by the different functions of Poste Italiane SpA to BancoPosta RFC, are exclusively recorded as payables in BancoPosta's separate books, in special intersegment accounts only, and subsequently settled.
- Settlement of all incoming and outgoing third party payments by Poste Italiane SpA's Chief Financial Office.

246. The business unit consists of assets and contractual rights linked to:
Own products: prepaid cards (card payments), debit cards, payment services, acquiring services, tax payments using forms F23/F24 and international money transfers (Moneygram) forming part of the operations carried out independently by the EMI. In particular, these products are issued by the EMI, which is responsible for their conception, development and management, whilst BancoPosta RFC acts as distributor of the products through the Group's physical distribution network.
Products handled under Service Contracts: payment products and services and money transfers carried out exclusively within the scope of BancoPosta RFC's operations, as they are "reserved to" the ring-fence by Presidential Decree 144/01. In particular, with the aim of leveraging the infrastructure of the hybrid EMI, BancoPosta has outsourced operations relating to payment products and services issued by BancoPosta, and distributed by BancoPosta through Poste Italiane's physical network, to the EMI under an outsourcing agreement between BancoPosta and the EMI.

247. Moreover, following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government. Lastly, with the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits pursuant to Law Decree no. 34/2020 (the so-called "Relaunch Decree") or other transferable tax credits pursuant to current legislation.

248. Rate calculated and published by the ECB using a new methodology consistent with ECB Regulation (EU) no. 1333/2014 of 26 November 2014 and based on uncollateralised fixed-rate overnight deposit facility transactions exceeding €1 million.

- Allocation of income taxes based on BancoPosta RFC's separate report after adjusting for deferred taxation.
- Reconciliation of BancoPosta's separate books to Poste Italiane's general ledger.

Part IV of Chapter 1 of the Supervisory Standards in Bank of Italy Circular 285/2013, addressing specific aspects relating to Poste Italiane in respect of BancoPosta RFC's operations, govern the process of contracting out BancoPosta's corporate functions to Poste Italiane, whilst the outsourcing of operations to entities external to Poste Italiane is covered by the regulations applicable to banks.

In compliance with the Circular, the Regulation governing BancoPosta RFC's contracting out and outsourcing process approved by the Board of Directors[249] makes provision for a distinction between control functions and essential or important functions and non-essential or important control functions.

BancoPosta RFC may therefore both outsource operating activities, entering into agreements with third parties, and contract out certain operating or control activities to Poste Italiane functions, agreeing "Specific Operating Guidelines" with the heads of the various functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant functions, the Chief Executive Officer and, where required, the Company's Board of Directors. The transfer prices set out in the Operating Guidelines are determined according to objective criteria that reflect the real contribution of the various management activities to BancoPosta RFC's results. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by one of the Issuer's functions do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In such a case, an adequate mark-up, defined on the basis of appropriate analyses of comparable subjects, shall be applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Operating Guidelines, in force until 31 December 2025, are reviewed every two years.

The following table includes a summary of the services provided to BancoPosta RFC by the Issuer's functions, with a brief indication of how the transfer prices are determined.

Function	**Allocation key**
Post Office Network	Percentage of net income generated by product/service category
Information Technology	Fixed component: recharge of costs based on direct and indirect drivers Variable component: determined with reference to the maintenance of operating performance
Back-office and Customer Care	Fees by professional role based on market benchmarks + recharge of external costs Market prices for similar services
Postal and logistics services	Prices for mail sent to customers and internal mail
Real Estate	Market prices with reference to floor space and maintenance costs
Legal Affairs	Fees by professional role based on market benchmarks + recharge of external costs
Administration, Finance and Control	
Group Risk Governance and Security and Safety	
Human Resources and Organisation	
Anti-Money Laundering	
Purchases	
Group Strategic Marketing *	
External Relations	
Operational Continuity	Fees by professional role based on market benchmarks
Internal Auditing	
Compliance	

Essential or important functions   Control Functions

* Following corporate reorganisations, it became necessary to formalise new regulations concerning the contribution of the Group Strategic Marketing function.

249. The Regulation was revised on 28 June 2023.

The relevant transactions, profit or loss and statement of financial position amounts, generated by these relationships are only recorded in BancoPosta RFC's Separate Report. In Poste Italiane SpA's comprehensive accounts intersegment transactions are on the other hand eliminated, and are not presented. The accounting treatment adopted is similar to that provided for by the accounting standards regulating the preparation of the Group's consolidated financial statements.

Obligations

Poste Italiane SpA's liability, pursuant to art. 2, paragraph 17-nonies of Law Decree 225 of 29 December 2010 converted into Law 10, to creditors of BancoPosta RFC is limited to the ring-fenced capital, represented by the assets and contractual rights originally allocated or arisen after the separation. Poste Italiane's liability is, however, unlimited with respect to claims arising from actions in tort relating to the management of BancoPosta or for transactions for which no indication was made that the obligation was taken specifically by BancoPosta RFC.

The Regulation approved at the Extraordinary Shareholders' Meeting of Poste Italiane SpA's shareholder on 14 April 2011 SpA, and subsequently amended on 12 May 2020, provides that, where necessary, BancoPosta RFC's equity shall be sufficient to ensure that it is able to comply with supervisory capital requirements and is aligned with the risk profile of its operations.

Separate Report

BancoPosta RFC's Separate Report is prepared in application of Bank of Italy Circular 262 of 22 December 2005 - *Banks' Financial Statements*: Layouts and Preparation, as amended. The application of these regulations, whilst in compliance with the same accounting standards adopted by Poste Italiane SpA, requires the use of a different basis of presentation for certain components of profit or loss and the statement of financial position compared with the basis of presentation adopted for the statutory financial statements.

In this regard, the following table shows a reconciliation of the components of BancoPosta RFC's equity, as shown in the Company's statement of financial position and in the Separate Report[250].

RECONCILIATION OF SEPARATE EQUITY

	Separate Report item	110	130	140	180
Item in supplementary statement (€m)		**Valuation reserves**	**Equity instruments**	**Reserves**	**Profit for the year**
Reserves	823	(839)	450	1,212	-
BancoPosta RFC reserve	1,210	-	-	1,210	-
Equity instruments - perpetual hybrid bonds	450	-	450	-	-
Fair value reserve	(544)	(544)	-	-	-
Cash flow hedge reserve	(295)	(295)	-	-	-
Incentive plans reserve	2	-	-	2	-
Retained earnings/(Accumulated losses)	1,956	(2)	-	1,358	600
Profits	1,958	-	-	1,358	600
Cumulative actuarial gains/(losses) on defined benefit plans	(2)	(2)	-	-	-
Total	**2,779**	**(841)**	**450**	**2,570**	**600**

Exclusively for the purposes of the presentation of the Separate Report, the transactions between BancoPosta RFC and the Company's functions not included therein are reported. In this document they are accurately and completely represented, together with the positive and negative income components that generated them.

250. Actuarial gains and losses on defined benefit plans, which in the Company' s financial statements are accounted for in retained earnings, are accounted for in the valuation reserves in the Separate Report (Item 110 of Liabilities).

Further regulatory aspects

Pursuant to art. 2, paragraph 17-undecies of Law Decree 225251 of 29 December 2010, which states that "the assets and contractual rights included in BancoPosta's ring-fenced capital shall be shown separately in the Company's statement of financial position", Poste Italiane SpA's statement of financial position includes a *Supplementary statement showing BancoPosta RFC.*

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC, which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. These include regulations covering the organisational structure and governance, the system of internal controls and the requirements regarding capital adequacy and risk containment.

Furthermore, BancoPosta RFC's Regulation states that "In view of the absence of non-controlling interests in BancoPosta RFC, on approval of Poste Italiane SpA's financial statements, the Shareholders' Meeting shall – on the recommendation of the Board of Directors – vote on the appropriation of the Company's profit for the year, and in particular: the portion of BancoPosta RFC, as shown in the related statement, taking account of its specific rules and, in particular, the need to comply with prudential supervisory capital requirements (...)".

5.3 Notes to the Statement of Financial Position

Assets

A1 – Property, plant and equipment (€2,321 million)

Movements in property, plant and equipment are as follows:

TAB. A1 – MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

(€m)	Land	Properties used in operations	Plant and equipment	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	75	3,124	2,287	348	688	1,877	108	8,507
Accumulated depreciation	-	(1,985)	(1,803)	(319)	(454)	(1,724)	-	(6,285)
Impairment losses	-	(16)	(1)	(1)	-	(1)	-	(19)
Balance at 1 January 2023	**75**	**1,123**	**483**	**28**	**234**	**152**	**108**	**2,203**
Changes during the year								
Acquisitions	-	46	59	9	46	43	122	325
Reclassifications	-	35	25	-	13	5	(78)	-
Disposals	-	-	-	-	-	(1)	(1)	(2)
Depreciation	-	(32)	(54)	(9)	(47)	(63)	-	(205)
Total changes	**-**	**49**	**30**	**-**	**12**	**(16)**	**43**	**118**
Cost	75	3,205	2,367	356	745	1,906	151	8,805
Accumulated depreciation	-	(2,017)	(1,853)	(327)	(499)	(1,769)	-	(6,465)
Impairment losses	-	(16)	(1)	(1)	-	(1)	-	(19)
Balance at 31 December 2023	**75**	**1,172**	**513**	**28**	**246**	**136**	**151**	**2,321**

None of the above items is attributable to BancoPosta RFC.

251. Converted into Law 10 of 26 February 2011.

At 31 December 2023, property, plant and equipment includes assets located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €52 million.

Investments of €325 million in 2023 consists largely of:

- €46 million relating to extraordinary maintenance of Post Offices around the country (€27 million), personnel and management offices (€10 million) and mail and parcel sorting offices (€9 million);
- €59 million for plants, of which €33 million for the construction of plants related to buildings, €14 million for the construction and extraordinary maintenance of connectivity and video-surveillance systems, €8 million for the creation and extraordinary maintenance of systems for mail sorting and parcel processing at industrial facilities and €4 million for the installation of ATMs (automated teller machines);
- €46 million invested in the upgrade of plant (€20 million) and the structural part (€26 million) of properties held under lease;
- €43 million relating to "Other assets", including €33 million for the purchase of hardware for the upgrade of technological equipment at Post Offices and head offices, the strengthening of storage systems and €10 million for the purchase of furniture and fittings;
- €122 million for Investments in progress, of which €93 million is for extraordinary maintenance works and infrastructural equipment of the sales and production network and €23 million for the purchase of hardware and other technological equipment that has not yet been incorporated into the production process.

Reclassifications from property, plant and equipment under construction amounted to €78 million and refer mainly to the purchase cost of assets that became available and ready for use during the year; in particular, €65 million refer to the completion of extraordinary renovations of owned properties and improvements of leased properties and €5 million for the activation of hardware and other technological equipment.

Within the framework of the Polis Project - Home of Digital Services, with reference to the two lines of action envisaged in the project, the investments for the financial year 2023 totalling €95 million are shown below:

POLIS PROJECT - INVESTMENTS

Lines of intervention	Properties used in operations	Plant and equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
One-stop shop	12	8	20	12	28	80
Spaces for Italy	2	3	-	-	10	15
Total	**14**	**11**	**20**	**12**	**38**	**95**

In detail, the investments are related:

- for €14 million to extraordinary maintenance of Post Offices around the country;
- for €11 million to the construction of plants related to buildings;
- for €20 million to investments in the upgrade of plant and the structure of properties held under lease;
- for €12 million to the purchase of hardware for the upgrade of technological equipment of Post Offices and head offices and the purchase of furniture and fittings;
- for €38 million to investments in progress, of which €33 million for extraordinary maintenance of both owned and leased premises and €5 million for the purchase of hardware.

Lastly, it should be noted that during the year under review, investments of €31 million classified as "green", i.e., aimed at reducing the impact that Poste Italiane has on the environment in which it operates, were made. The main projects include the installation of photovoltaic systems and electricity columns, as well as energy efficiency measures on real estate.

A2 – Investment property (€28 million)

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, and residential accommodation previously used by post office directors. None of the above items is attributable to BancoPosta RFC.

TAB. A2 – MOVEMENTS IN INVESTMENT PROPERTY

(€m)	FY 2023
Cost	88
Accumulated depreciation	(57)
Impairment losses	-
Balance at 1 January	**31**
Changes during the year	
Acquisitions	-
Disposals	(3)
Depreciation	(1)
Total changes	**(4)**
Cost	81
Accumulated depreciation	(53)
Balance at 31 December	**28**
Fair value at 31 December	*66*

The fair value of investment property at 31 December 2023 includes €54 million representing the sale price applicable to the Parent Company's accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company252.

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that Poste Italiane SpA retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

252. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation and other investment property qualify for Level 3.

A3 – Intangible assets (€1,053 million)

The following table shows movements in intangible assets:

TAB. A3 – MOVEMENTS IN INTANGIBLE ASSETS

(€m)	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Total
Cost	4,514	2	256	33	4,805
Accumulated amortisation and impairments	(3,858)	(2)	-	-	(3,860)
Balance at 1 January 2023	**656**	**-**	**256**	**33**	**945**
Changes during the year					
Acquisitions	232	-	223	-	455
Reclassifications	207	-	(207)	-	-
Disposals	-	-	(3)	-	(3)
Depreciation, amortisation and impairments	(344)	-	-	-	(344)
Total changes	**95**	**-**	**13**	**-**	**108**
Cost	4,952	2	270	33	5,257
Accumulated amortisation and impairments	(4,202)	(2)	-	-	(4,204)
Balance at 31 December 2023	**750**	**-**	**270**	**33**	**1,053**

None of the above items is attributable to BancoPosta RFC.

Investments in Intangible assets during 2023 amounted to €455 million, including €41 million in internal software development activities and the related accessory expenses, primarily relating to personnel expenses (€39 million). Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Company, are not capitalised.

The increase in **industrial patents and intellectual property rights**, totalling €232 million, before amortisation for the year, relates primarily to the purchase and entry into service of new software programs following the purchase of software licences.

The acquisitions of **intangible assets under construction** (€223 million) include activities mainly regarding the development for software relating to the infrastructure platform (€105 million), for BancoPosta services (€50 million), for support to the sales network (€29 million), for the postal products platform (€26 million) and for the engineering of reporting processes for other Business and personnel functions (€13 million).

The balance of **intangible assets under construction** (€270 million) includes activities regarding the development for software relating to the infrastructure platform (€119 million), for BancoPosta services (€61 million), for support to the sales network (€41 million), for the postal products platform (€32 million) and for the engineering of reporting processes for other Business and personnel functions (€17 million).

During the year, reclassifications were made from Intangible assets under construction to Industrial patents and intellectual property rights amounting to €207 million, due to the completion and start-up of new software programs and the development of existing ones, relating to the infrastructure platform (€93 million), BancoPosta services (€58 million), support for the sales network (€30 million), the postal products platform (€14 million) and the engineering of reporting processes for other Business and personnel functions (€12 million).

Lastly, during the year 2023, as part of the Energy Project, Poste Italiane made investments in application software for about €43 million, of which €9 million has not yet entered into production, and as part of the Polis Project - Home of Digital Services, with reference to the "One-stop shop" line of intervention, it made investments of about €3 million, of which €2 million has not yet entered into production.

A4 – Right-of-use assets (€970 million)

Changes in right-of-use assets are as follows:

TAB. A4 – MOVEMENTS IN RIGHT-OF-USE ASSET

(€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,315	329	25	36	1,705
Accumulated depreciation	(498)	(119)	(14)	(32)	(663)
Impairment losses	(1)	(4)	-	3	(2)
Balance at 1 January 2023	**816**	**206**	**11**	**7**	**1,040**
Changes during the year					
New contract acquisitions	57	53	8	16	134
Adjustments	40	10	4	-	54
Disposals	(35)	-	-	-	(35)
Depreciation	(128)	(81)	(7)	(7)	(223)
Total changes	**(66)**	**(18)**	**5**	**9**	**(70)**
Cost	1,367	344	29	32	1,772
Accumulated depreciation	(617)	(155)	(14)	(16)	(802)
Impairment losses	-	(1)	1	-	-
Balance at 31 December 2023	**750**	**188**	**16**	**16**	**970**

Acquisitions during the year totalling €134 million refer to new contracts (€39 million) and renewals of contracts existing at the beginning of the year for real estate (€18 million), the rental of company vehicles used for mail and parcel delivery activities (€53 million), mixed-use vehicles (€8 million) and the rental of computer equipment (€16 million). The item Adjustments refers to contractual changes during the year in question, e.g. for changes in duration due to extension, revision of economic conditions, etc. The item terminations refers to the early termination of existing contracts with respect to their natural maturity.

The increase in Right-of-Use Assets recognised during the year and related to lease contracts for electric, hybrid and endo-thermic vehicles considered to be "green" amounted to approximately €39 million.

Changes in lease payables are as follows:

TAB. A4.1 – MOVEMENTS IN LEASE LIABILITIES

(€m)	FY 2023
Balance at 1 January 2023	**1,101**
New contract increases	134
Payments	(243)
Finance costs/(income)	21
Other changes	19
Balance at 31 December	**1,032**
of which medium/long-term	772
of which short-term	260

The table below summarises the effects recognised in the statement of profit or loss:

TAB. A4.2 – ECONOMIC EFFECTS OF LEASE AGREEMENTS

(€m)	FY 2023
Depreciation of right-of-use assets	223
Impairments/recoveries/adjustments of right of use	-
Financial charges/(income) on lease payables	21
Costs related to short-term leases	4
Costs related to lease of low-value assets	9
Costs relating to intangible asset leases	102
Total	**359**

A5 – Investments (€3,695 million)

This item includes the following:

TAB. A5 – INVESTMENTS

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Investments in subsidiaries	3,440	3,423	17
Investments in associates	255	253	2
Total	**3,695**	**3,676**	**19**

No investments are attributable to BancoPosta RFC.

Changes in equity investments in subsidiaries and associates are shown below:

TAB. A5.1 – MOVEMENTS IN INVESTMENTS IN FY 2023

Investments (€m)	Balance at 01.01.2023	Additions				Reductions		Impairment losses		Balance at 31.12.2023
		Subscriptions/ Payments on capital a/c	Acquisitions, mergers, liquidations, spin-offs, transfers	Reclass. Non-current assets held for sale	Incentive plans	Sales, liquidations, mergers, spin-offs, transfers	Reclass. Non-current assets held for sale	Write-back	(Write-down)	
in subsidiaries										
Agile Lab Srl	-	-	18	-	-	-	-	-	-	18
Agile Power Srl	18	-	(18)	-	-	-	-	-	-	-
BancoPosta Fondi SpA SGR	9	-	-	-	-	-	-	-	-	9
CLP ScpA	-	-	-	-	-	-	-	-	-	-
Consorzio PosteMotori	-	-	-	-	-	-	-	-	-	-
Consorzio Servizi ScpA	-	-	-	-	-	-	-	-	-	-
EGI SpA	170	-	-	-	-	-	-	-	-	170
MLK Deliveries SpA	15	-	20	-	-	-	-	-	-	35
Nexive Network Srl	16	-	-	-	-	-	-	-	-	16
Nexive Scarl	-	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-	-
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	1
Poste Vita SpA	2,070	-	-	-	-	-	-	-	-	2,070
Poste Welfare Servizi Srl	76	-	-	-	-	-	-	-	-	76
Postel SpA	83	-	-	-	-	-	-	-	-	83
PostePay SpA	902	-	-	-	-	-	-	-	-	902
SDA Express Courier SpA	14	-	-	-	-	-	-	-	-	14
sennder Italia Srl	3	-	-	-	-	(3)	-	-	-	-
Sengi Express Limited	16	-	-	-	-	-	-	-	-	16
Sourcesense SpA	30	-	-	-	-	-	-	-	-	30
Total subsidiaries	**3,423**	**-**	**20**	**-**	**-**	**(3)**	**-**	**-**	**-**	**3,440**
in associates										
Anima Holding SpA	203	-	-	-	-	-	-	-	-	203
Conio Inc.	-	-	-	-	-	-	-	-	-	-
Financit SpA	40	-	-	-	-	-	-	-	-	40
ItaliaCamp Srl	-	-	-	-	-	-	-	-	-	-
Replica SIM SpA	10	-	-	-	-	-	-	-	-	10
sennder Italia Srl	-	-	2	-	-	-	-	-	-	2
Total associates	**253**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**255**
Total	**3,676**	**-**	**22**	**-**	**-**	**(3)**	**-**	**-**	**-**	**3,695**

The following movements occurred in 2023:

- Corporate reorganisation, on 28 November 2023, of the Agile Group by reverse merger of the parent company Agile Power Srl into Agile Lab Srl and simultaneous merger into the latter of the companies AIM2, Agile Next and Agile Skill, effective for accounting and tax purposes from 1 July 2023 and for legal purposes from 1 December 2023. Therefore, as of that date, Poste Italiane holds a 70% stake in the company resulting from the reverse merger of Agile Lab Srl.
- Purchase, on 19 July 2023, of the remaining 30% of the share capital of MLK Deliveries SpA for a total of €20 million, following the exercise by Poste Italiane of its purchase option on the shares held by Milkman SpA in MLK Deliveries SpA. With the transfer of the investment, Poste Italiane acquired full control of MLK Deliveries SpA.
- Transfer, on 29 June 2023, of 35% of the stake held in sennder italia Srl to the shareholder sennder Technologies GmbH as part of the broader renegotiation of the current partnership between the company and Poste Italiane. Following the completion of the transaction, which resulted in the recognition in the statement of profit or loss of a total capital gain of approximately €91 million, Poste Italiane holds a 25% stake in sennder Italia Srl[253] which, therefore, lost its status as a subsidiary and assumed that of an associate.

253. Prior to the described transfer, in April 2023 the company sennder Italia Srl carried out a reserved capital increase for sennder Technologies GmbH. Following this increase, Poste Italiane's stake in sennder Italia went from 65% to 60%.

Finally, the company Consorzio per i Servizi di Telefonia Mobile ScpA changed its name to ConsorzioServizi ScpA. The change was entered in the Rome Companies Register on 29 March 2023.

Further details of the main corporate actions during 2023 are provided in Note 3.1 – *Principal corporate actions*.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. Based on the available information and the impairment test results254, there was no need to adjust the carrying amount of the investments.

The following table shows a list of investments in subsidiaries and associates at 31 December 2023:

TAB. A5.2 – LIST OF INVESTMENTS

Name (€k)	% share	Share capital(1)	Net profit/ (loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31.12.2023	Difference between equity and carrying amount
in subsidiaries							
Agile Lab Srl(2)	70.00	54	73	4,496	3,147	17,951	(14,804)
BancoPosta Fondi SpA SGR	100.00	12,000	28,650	58,721	58,721	8,592	50,129
CLP ScpA	51.00	516	-	788	402	313	89
Consorzio PosteMotori	58.12	120	-	120	70	70	-
Consorzio Servizi ScpA	51.00	120	-	116	59	61	(2)
EGI SpA	55.00	103,200	1,097	239,800	131,890	169,893	(38,003)
MLK Deliveries SpA	100.00	335	894	14,456	14,456	35,061	(20,605)
Nexive Network Srl	100.00	50	2,965	10,994	10,994	16,000	(5,006)
Nexive Scarl	85.89	28	-	26	22	-	22
PatentiViaPoste ScpA	69.65	120	96	220	153	84	69
Poste Air Cargo Srl	100.00	1,000	554	6,527	6,527	845	5,682
Poste Vita SpA	100.00	1,216,608	942,592	6,413,350	6,413,350	2,069,606	4,343,744
Poste Welfare Servizi Srl	100.00	16	3,511	79,513	79,513	75,921	3,592
Postel SpA	100.00	20,400	(3,270)	78,286	78,286	82,617	(4,331)
PostePay SpA	100.00	7,561	328,796	1,426,293	1,426,293	902,428	523,865
SDA Express Courier SpA	100.00	5,000	18,701	42,614	42,614	14,177	28,437
Sengi Express Limited(3)	51.00	541	7,923	8,863	4,520	16,000	(11,480)
Sourcesense SpA(2)	70.00	880	316	7,310	5,117	30,169	(25,052)
in associates							
Anima Holding SpA(4)	11.60	7,292	96,390	1,393,653	161,664	203,001	(41,337)
Conio Inc.(2) (5)	16.29	12,087	(321)	9,847	1,604	486	1,118
Financit SpA	40.00	14,950	15,554	68,314	27,326	40,000	(12,674)
ItaliaCamp Srl(6)	19.40	155	173	2,893	561	2	559
Replica SIM SpA	45.00	10,500	(235)	9,420	4,239	10,000	(5,761)
sennder Italia Srl	25.00	50	6,208	11,327	2,832	1,356	1,476

(1) Consortium fund in the case of consortia. The companies all have their registered offices in Rome, with the exception of Anima Holding SpA, Nexive Network Srl, Nexive Scarl, sennder Italia Srl, Replica SIM SpA and Agile Power Srl with registered offices in Milan; Conio Inc. with registered offices in California (USA) and Sengi Express Limited with registered offices in Hong Kong (China).
(2) These amounts have been calculated under IFRS and, therefore, may not be consistent with those included in the investee company's annual financial statements prepared in accordance with the Civil Code and Italian GAAP and, in the case of Conio Inc., in accordance with US GAAP.
(3) The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the Annual Report of the company in compliance with Local GAAP.
(4) Figures taken from the company's latest interim consolidated financial statements at 30 September 2023, as approved by its board of directors.
(5) Data derived from the latest Half-Yearly Financial Report approved by the company on 30 June 2023.
(6) Data derived from the financial statements approved by the company on 31 December 2022.

254. The method applied and the criteria used in conducting impairment tests at 31 December 2023, are described in note 2.6 – *Use of estimates*, with regard to the *impairment testing of goodwill, cash generating units and investments*.

A6 – Financial assets (€81,272 million)

TAB. A6 – FINANCIAL ASSETS

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	30,481	12,794	43,275	27,812	16,538	44,350	(1,075)
Financial assets at FVTOCI	30,689	3,016	33,705	29,160	4,537	33,697	8
Financial assets at FVTPL	35	-	35	40	-	40	(5)
Derivative financial instruments	4,180	77	4,257	5,764	346	6,110	(1,853)
Total	**65,385**	**15,887**	**81,272**	**62,776**	**21,421**	**84,197**	**(2,925)**
of which attributable to BancoPosta RFC	64,384	15,826	80,210	61,901	21,392	83,293	(3,083)
of which Capital outside the ring-fence	1,001	61	1,062	875	29	904	158

FINANCIAL ASSETS ATTRIBUTABLE TO BANCOPOSTA RFC

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	30,124	12,734	42,858	27,473	16,509	43,982	(1,124)
Loans and receivables	-	12,460	12,460	-	16,283	16,283	(3,823)
Loans	-	1,769	1,769	-	1,358	1,358	411
Receivables	-	10,691	10,691	-	14,925	14,925	(4,234)
Deposits with the MEF	-	8,932	8,932	-	11,902	11,902	(2,970)
Receivables	-	8,937	8,937	-	11,907	11,907	(2,970)
Provisions for doubtful amounts deposited with MEF	-	(5)	(5)	-	(5)	(5)	-
Other financial receivables	-	1,759	1,759	-	3,023	3,023	(1,264)
Fixed income instruments	30,124	274	30,398	27,473	226	27,699	2,699
Financial assets at FVTOCI	30,054	3,015	33,069	28,624	4,537	33,161	(92)
Fixed income instruments	30,054	3,015	33,069	28,624	4,537	33,161	(92)
Financial assets at FVTPL	26	-	26	40	-	40	(14)
Equity instruments	26	-	26	40	-	40	(14)
Derivative financial instruments	4,180	77	4,257	5,764	346	6,110	(1,853)
Total	**64,384**	**15,826**	**80,210**	**61,901**	**21,392**	**83,293**	**(3,083)**

The activities in question concern the financial transactions carried out by the Company pursuant to Presidential Decree no. 144 of 14 March 2001, as amended, which, as from 2 May 2011, fall within the scope of RFC (see note 5.2 - *Information on BancoPosta* RFC).

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

TAB. A6.1 – MOVEMENTS IN FINANCIAL ASSETS AT AMORTISED COST

Description (€m)	Loans and receivables	Fixed income instruments		Total
	Carrying amount	Nominal value	Carrying amount	Carrying amount
Balance at 1 January 2023	**16,283**	**28,304**	**27,699**	**43,982**
Purchases	-	2,828	2,754	2,754
Changes in amortised cost	-	-	(52)	(52)
Transfers to equity reserves	-	-	(76)	(76)
Changes in fair value through profit or loss	-	-	340	340
Changes due to cash flow hedges*	-	-	53	53
Changes due to impairment	-	-	(5)	(5)
Net changes	(4,709)	-	-	(4,709)
Effects of sales on profit or loss	-	-	47	47
Accruals	5	-	233	238
Sales, redemptions and settlement of accruals	-	(255)	(595)	(595)
Other changes	881	-	-	881
Balance at 31 December 2023	**12,460**	**30,877**	**30,398**	**42,858**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase of the derivative contract and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

Loans and receivables

The item **Loans** refers to reverse repurchase agreements of €4,106 million (€4,575 million at 31 December 2022), of which €3,956 million entered into with Cassa di Compensazione e Garanzia SpA (hereinafter CC&G) and €150 million with leading financial operators, both for the temporary use of liquidity from private inflows. These transactions are guaranteed by securities for a total notional amount of €3,874 million. Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2023, already included in the exposure to net balances, amounted to €2,337 million (€3,217 million at 31 December 2022). At 31 December 2023, the fair value[255] of said item was €1,769 million.

Receivables include:

- **Deposits with the MEF** for €8,937 million, including public customers' postal current account deposits, which earn a variable rate of return, calculated on a basket of government bonds[256]. The deposit has been adjusted to reflect accumulated impairments of approximately €5 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2022). The decrease in deposits of €2,970 million was mainly due to the typical operations of some customers in the Public Administration, which generated a contraction in deposits from postal current accounts. During the financial year 2023, hedging derivative contracts were concluded on the 10-year index-linked remuneration component. The hedging transaction (Cash Flow Hedge) was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value. These transactions, completed at 31 December 2023, generated positive effects of €5 million, which was recognised in profit or loss under the item Income from investment in postal current accounts and free cash.

255. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
256. The variable rate in question is calculated as follows: 40% is based on the average return on six-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.

- **Other financial receivables:**
  - €1,223 million from amounts due for guarantee deposits, of which: €772 million for sums paid to counterparties for repo transactions on fixed income instruments (collateral under specific Global Master Repurchase Agreements), €323 million for sums paid to CC&G (of which €234 million for outstanding repo transactions and €89 million as a pre-funded contribution to the Default Fund[257]), €82 million for amounts paid to counterparties for interest rate swap transactions (collateral provided for in specific Credit Support Annexes) and €46 million in sums paid as collateral in relation to clearing systems with central counterparties for over-the-counter transactions in derivatives[258];
  - €185 million relating to amounts due from the subsidiary PostePay SpA, for sums settled in the first few days of 2024.

The year-on-year decrease in guarantee deposits is mainly due to the reduction in amounts paid to counterparties with whom repo transactions are in place as a result of the combined effect of the change in the interest rate curve, which generated an increase in the fair value of the securities as collateral, and the lower amount of transactions outstanding at the date.

Fixed income instruments

These are euro area **fixed income instruments** held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €30,877 million. Their carrying amount of €30,398 million reflects the amortised cost of unhedged fixed income instruments, totalling €19,325 million, the amortised cost of fair-value hedged fixed income instruments, totalling €13,017 million, decreased by €1,944 million to take into account the effects of the hedge (€2,714 in 2022). Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2023 amount to approximately €18 million (€13 million at 31 December 2022). At 31 December 2023, the fair value[259] of these securities was €28,318 million (including €233 million in accrued income).

This category of financial asset includes fixed rate instruments, for a total nominal amount of €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2023, their carrying amount totals €2,889 million).

Financial assets at fair value through other comprehensive income

Movements in financial assets measured at fair value through other comprehensive income (FVTOCI) are shown below:

TAB. A6.2 – MOVEMENTS IN FINANCIAL ASSETS AT FVTOCI

Securities (€m)	Fixed income securities	
	Nominal value	*Fair value*
Balance at 1 January 2023	**37,489**	**33,161**
Purchases	3,890	3,857
Transfers to equity reserves	-	-
Changes in amortised cost	-	35
Changes in fair value through equity	-	1.938
Changes in fair value through profit or loss	-	383
Changes due to cash flow hedges*	-	242
Effects of sales on profit or loss	-	110
Accruals	-	253
Sales, redemptions and settlement of accruals	(6,520)	(6,910)
Balance at 31 December 2023	**34,859**	**33,069**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase of the derivative contract and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

257. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
258. These are transactions carried out outside the regulated securities markets and therefore not subject to any specific regulation concerning the organisation and operation of the market itself.
259. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €25,231 million of the total amount qualifies for inclusion in Level 1 and €3,087 million for inclusion in Level 2.

Fixed income instruments

These are Euro area **fixed income instruments**, consisting of government securities issued by the Italian government with a nominal value of €34,859 million. The overall fluctuation in fair value in the year in question was a positive €2,321 million, recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges (positive for €1,938 million) and recognised through profit or loss in relation to the hedged portion (positive for €383 million). These instruments are subject to impairments recognised in profit or loss with a matching entry in the relevant equity reserve. Accumulated impairments at 31 December 2023 amount to €19 million (€16 million at 31 December 2022). The decrease in this item is mainly due to higher sales/reimbursements made during the year compared to purchases, partially offset by the positive change in fair value mentioned above.

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans and hedging transactions, as described in note 13 – *Additional information*.

Financial assets at fair value through profit or loss

Equity instruments

The item Equity instruments refers to the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock). These shares are convertible at the rate of 3.625[260] ordinary shares for each C share, minus a suitable illiquidity discount.

Net fair value gains in the year under review, amounting to €6 million, have been recognised in profit or loss in the items Income and Expenses from financial activities.

On 1 March 2023, the forward sale of 198,000 Visa Incorporated ordinary shares outstanding at 31 December 2022 was settled without exchange of the underlying, the economic effect of which, in the amount of approximately €2 million, was recognised in Expenses from financial activities.

In addition, two separate forward sales contracts were concluded during the financial year 2023:
- the forward sale of 101,900 Visa Incorporated ordinary shares[261], settled on 3 April 2023, for a total consideration of €20.8 million with insignificant effects on the statement of profit or loss;
- the outstanding forward sale of 95,000 Visa Incorporated ordinary shares with a total consideration of €20.5 million and a settlement date of 3 March 2025[262]. Fair value fluctuations in the year under review, amounting to a negative €2.6 million, have been recognised in profit or loss in "Expenses from financial activities".

260. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, at the reporting date, were considered as merely contingent.
261. On 20 March 2023, the 1,019 shares of Series A Preferred Stock held at 31 December 2022 were converted into ordinary shares, based on the conversion ratio of 100 ordinary shares for every share of Class A Preferred Stock.
262. The ordinary shares involved in the forward sale amount to approximately 26,207 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2023.

Derivative financial instruments

TAB. A6.3 – MOVEMENTS IN FINANCIAL DERIVATIVES

Description (€m)	Balance at 31.12.2023		Balance at 31.12.2022	
	Nominal	*Fair value*	Nominal	*Fair value*
Cash flow hedges				
Forward purchases - securities	-	-	3,433	(92)
Forward sales - securities	-	-	1,099	346
Interest rate swaps	3,287	(513)	2,943	(531)
Fair value hedges				
Interest rate swaps on securities at FVTOCI and CA	25,031	3,718	27,940	5,571
Interest rate swaps on repos	3,996	(83)	3,996	(155)
FVTPL				
Forward sales	-	(3)	-	(4)
Total	**32,314**	**3,119**	**39,411**	**5,135**
Of which:				
Derivative assets	19,665	4,257	27,404	6,110
Derivative liabilities	12,649	(1,138)	12,007	(975)

Interest rate swap cash flow hedges relate exclusively to securities valued at FVTOCI. Interest rate risk cash flow hedges recorded a net negative change of €236 million during the year, of which €80 million related to the net positive change in fair value of the effective component of the hedge, reflected in the cash flow hedge reserve, and €316 million related to the net negative change in completed transactions[263] during the year and the ineffective component of hedging contracts.

Fair value hedges in interest rate swaps are used to hedge:

- securities measured at amortised cost with a nominal value of €12,011 million and securities measured at FVTOCI with a nominal value of €13,020 million; in total, they underwent a net negative change of €1,853 million during the year, of which €538 million related to the net negative change in fair value of the effective component of the hedge and €1,315 million related to the net negative change in transactions completed during the year and the ineffective component of hedging contracts;
- repurchase agreements classified at amortised cost with a nominal value of €3,996 million, whose net positive change was €72 million, of which €32 million related to the net positive change in fair value of the effective hedging component and €40 million related to the net positive change in completed transactions.

In the year under review, the Company carried out the following transactions:

- settlement of forward purchases of securities outstanding at 1 January 2023 for a nominal value of €3,433 million;
- forward purchases of securities to hedge, as of 1 January 2023, the yield of the MEF Deposit and settlement for a nominal amount of €290 million;
- settlement of forward sales of securities outstanding at 1 January 2023 for a nominal value of €1,099 million;
- the stipulation of new cash flow interest rate swaps with a nominal value of €484 million and the adjustment of those outstanding on 1 January 2023 for a nominal amount of €140 million;
- the stipulation of new fair value interest rate swaps to hedge the securities portfolio with a nominal value of €3,596 million;
- early settlements of fair value hedge interest rate swaps with a nominal value of €6,505 million (of which: €980 million related to hedging transactions for which the underlying security was also sold, €3,015 million related to hedging transactions without sale of the underlying security, and €2,510 million related to hedging transactions for which new asset swaps were entered into) with the aim of consolidating a fixed yield in line with the market situation, while at the same time improving the income profile of a portion of the portfolio for subsequent years.

263. Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

FINANCIAL ASSETS OUTSIDE RING-FENCE

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	356	61	417	339	29	368	49
Loans and receivables	356	61	417	339	29	368	49
Loans	354	54	408	337	28	365	43
Receivables	2	7	9	2	1	3	6
Due from the purchasers of service accommodation	2	2	4	2	1	3	1
Due from others	-	25	25	-	20	20	5
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)	-
Financial assets at FVTOCI	636	-	636	536	-	536	100
Fixed income instruments	99	-	99	91	-	91	8
Equity instruments	537	-	537	445	-	445	92
Financial assets at FVTPL	9	-	9	-	-	-	9
Convertible bond	9	-	9	-	-	-	9
Derivative financial instruments	-	-	-	-	-	-	-
Total	**1,001**	**61**	**1,062**	**875**	**29**	**904**	**158**

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

TAB. A6.4 – MOVEMENTS IN FINANCIAL ASSETS AT AMORTISED COST

	Loans	Receivables	Total
(€m)	**Carrying amount**	**Carrying amount**	**Carrying amount**
Balance at 1 January 2023	**365**	**3**	**368**
Purchases	65	-	65
Net changes	-	6	6
Accruals	5	-	5
Sales, redemptions and settlement of accruals	(27)	-	(27)
Balance at 31 December 2023	**408**	**9**	**417**

Loans

Details are shown below:

TAB. A6.4.1 – LOANS AT AMORTISED COST

Name (€m)	Balance at 31.12.2023 Loans	correspondence a/c	Total	Balance at 31.12.2022 Loans	correspondence a/c	Total	Changes
Direct subsidiaries							
Poste Vita SpA	254	-	254	253	-	253	1
SDA Express Courier SpA	62	7	69	48	-	48	21
Postel SpA	17	2	19	-	-	-	19
Nexive Network Srl	-	9	9	-	17	17	(8)
Poste Air Cargo Srl	-	5	5	-	5	5	-
Sourcesense SpA	-	4	4	-	-	-	4
Consorzio Servizi ScpA	-	2	2	-	-	-	2
Agile Lab Srl	-	1	1	-	-	-	1
Controllate indirette							
Plurima SpA	**45**	**1**	**46**	**-**	**-**	**-**	**46**
Plurima Bidco Srl	**-**	**-**	**-**	**43**	**-**	**43**	**(43)**
	378	**31**	**409**	**344**	**22**	**366**	**43**
Provision for impairment of intercompany loans	(1)	-	(1)	(1)	-	(1)	-
Total	**377**	**31**	**408**	**343**	**22**	**365**	**43**

The item includes:
- €254 million relating to an irredeemable subordinated loan, issued to Poste Vita SpA in order to bring the subsidiary's capitalisation into line with expected growth in earned premiums, in compliance with the specific regulations governing the insurance sector;
- €17 million for the full utilisation of the committed revolving credit line granted during the year to the subsidiary Postel SpA, maturing on 4 July 2026;
- €62 million for a total of five loans granted to the subsidiary SDA Express Courier SpA in the financial years 2019, 2020, 2021 and 2023, to support the construction of the new automated HUB facilities in Bologna, "North" and "Centre", Piacenza and Naples, repayable in a lump sum on 2 August 2027, 16 April 2029, 5 August 2030, 6 April 2032 and 19 April 2032 respectively;
- €45 million for two loans granted to the subsidiary Plurima SpA, the first for €41 million, repayable in a lump sum on 27 April 2029[264], the second for €4 million granted to meet short-term operating needs and to support the exercise of the option to purchase the remaining 40% of the share capital of Bridge Technologies Srl, repayable in a lump sum on 6 April 2027;
- €31 million regarding overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

These loans have been adjusted to reflect accumulated impairments of approximately €1 million, to reflect the risk of counter-party default, unchanged from 31 December 2022.

Receivables

Due from others include a nominal value of €20 million for the residual receivable from Invitalia SpA for the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA (BdM), fully written off, and €5 million from Poste Vita SpA for interest accrued on Ancillary Own Funds at 31 December 2023, as described in Note 3.2 - *Other material events*.

264. On 29 September 2022, the reverse merger of Plurima Bidco Srl into Plurima SpA was approved, effective 1 January 2023. Consequently, the loan granted in the year 2022 in favour of Plurima Bidco Srl to support the corporate transaction for the acquisition of a majority stake in Plurima SpA was reclassified.

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

TAB. A6.5 – MOVEMENTS IN FINANCIAL ASSETS AT FVTOCI

	Fixed income securities		Equity instruments	Total	
(€m)	Nominal value	*Fair value*	*Fair value*	Nominal value	*Fair value*
Balance at 1 January 2023	**110**	**91**	**445**	**110**	**536**
Purchases	-	-	3	-	3
Changes in amortised cost	-	2	-	-	2
Changes in fair value through equity	-	6	(4)	-	2
Extraordinary transactions	-	-	93	-	93
Balance at 31 December 2023	**110**	**99**	**537**	**110**	**636**

Fixed income instruments

This item includes one Italian government bond with a nominal value of €110 million purchased during 2022. The fluctuation in fair value at 31 December 2023 was positive for €6 million and recognised in the specific equity reserve.

Equity instruments

This item breaks down as follows:

TAB. A6.5.1 – SHARES AT FVTOCI

Name (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Nexi SpA	345	343	2
sennder Technologies GmbH	112	19	93
MFM Holding Ltd	55	57	(2)
Scalapay Limited	25	25	-
Milkman SpA	-	2	(2)
Total	**537**	**446**	**91**

In June 2023, following the completion of the renegotiation of the current partnership with sennder Technologies GmbH, Poste Italiane acquired an additional stake in the company for a total of €93 million. For further details on the transaction, see the section *Main changes to the scope of consolidation*.

In July 2023, Poste Italiane participated in a new capital increase promoted by MFM Holding Ltd with an investment of €3 million.

The overall fluctuation in fair value of the item in question was negative for €4 million and recognised in the specific equity reserve.

Lastly, the item includes, for €75 million the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and fully written off in 2014.

Further details of the main corporate actions during 2023 are provided in notes 3.1 – *Principal corporate actions*.

Financial assets at fair value through profit or loss

The item includes a portion of the convertible bond issued by sennder Technologies GmbH and subscribed by Poste Italiane in July 2023 for about €8.5 million, representing the fair value at 31 December 2023, as well as participating financial instruments arising from the conversion of Contingent Convertible Notes[265] - issued by Midco SpA - whose value, at 31 December 2023, was zero.

Derivative financial instruments

The following transactions took place during 2023:
- stipulation and settlement of three commodity swaps for the operational hedging of fuel costs relating to the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl;
- stipulation and settlement of forty-two non-deliverable forward contracts to operationally hedge the currency risk (euro/dollar) mainly related to aircraft leasing fees for air mail transport, carried out through the subsidiary Poste Air Cargo Srl.

Finally, in October 2023, a cash flow hedge interest rate swap contract entered into in 2013 to hedge the cash flows of a €50 million bond issued on 25 October 2013 (note B.6 *Financial liabilities*) reached maturity. The closing of the derivative resulted in the release to the statement of profit or loss, recognised under Finance Income, of the cash flow hedge reserve of approximately €6 million, which was established as of 25 October 2015, the date from which the cash flow hedge became operative.

A7 – Inventories (€4 million)

This item includes inventories of Raw, ancillary and consumable materials related to protective devices, disinfectant gel and other materials purchased in the year 2020, as a result of the SARS-Covid health emergency.

A8 – Trade receivables (€2,775 million)

TAB. A8 – TRADE RECEIVABLES

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Due from customers	1	1,762	1,763	1	1,608	1,609	154
Due from subsidiaries and associates	-	763	763	-	791	791	(28)
Due from the Parent company	-	249	249	-	257	257	(8)
Total	**1**	**2,774**	**2,775**	**1**	**2,656**	**2,657**	**118**
of which attributable to BancoPosta RFC	-	1,006	1,006	-	819	819	187

265. These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the company Alitalia SAI SpA. The Notes were subscribed by Poste Italiane SpA in December 2014, as part of the transaction aimed at Etihad Airways' acquisition of an equity interest in Alitalia SAI. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into participating financial instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same rights associated with the Notes.

Due from customers

TAB. A8.1 – AMOUNTS DUE FROM CUSTOMERS

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Ministries and Public Administration entities	-	548	548	-	565	565	(17)
Due from private individuals for parcel delivery services	-	453	453	-	418	418	35
Overseas counterparties	-	322	322	-	386	386	(64)
Due from private individuals for mail services	-	251	251	-	275	275	(24)
Cassa Depositi e Prestiti	-	247	247	-	22	22	225
Amounts due for other BancoPosta services	-	58	58	-	62	62	(4)
Overdrawn current accounts	-	45	45	-	40	40	5
Other amounts due from customers	1	231	232	1	233	234	(2)
Provisions for doubtful debts due from customers	-	(393)	(393)	-	(393)	(393)	-
Total	**1**	**1,762**	**1,763**	**1**	**1,608**	**1,609**	**154**
of which attributable to BancoPosta RFC	-	322	322	-	108	108	214

The increase in Due from customers is mainly attributable to the increase in amounts due from Cassa Depositi e Prestiti for amounts accrued to be invoiced at the relevant date, based on the Supplementary and Amending Deed of 30 January 2024, effective retroactively from 1 January 2023 to 31 December 2023, to the Agreement with Cassa Depositi e Prestiti renewed on 23 December 2021 for the period 2021-2024.

Specifically[266]:

- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Compensation for Publisher tariff subsidies, due from the Cabinet Office – Publishing Department, amounting to €215 million, of which €55 million accrued during the year. At 31 December 2023, these receivables are shown gross of the collection of an unavailable amount of €195 million, relating to the tariff subsidies applied in 2020, 2021, 2022 and until the third quarter of 2023, deposited by the Cabinet Office - Publishing Department, in a non-interest-bearing account held by the Company with the State Treasury and for this reason recorded under Payables for advances received. On 29 January 2024, the European Commission, in the matter of State aid, anticipated the formal decision to authorise the compensatory mechanism in favour of Poste Italiane for the tariff subsidies granted to publishing companies; consequently, with the communication of 31 January 2024, the Cabinet Office, in consideration of the need to guarantee the economic sustainability of the postal service for the delivery of publishing publications at subsidised rates, authorised the release of the credited sums. In December 2023, €13 million was collected related to tariff subsidies charged in the years 2018-2019.
  - Integrated Notification and mailroom services rendered to central and local government authorities, amounting to €51 million.
  - Reimbursement of building, vehicle and security costs, postage and other services incurred on behalf of the Ministry of Enterprise and Made in Italy (MIMIT)[267] in the amount of €51 million. This receivable is made up for the remaining €28 million of the original €62 million receivable for charges arising from the use of real estate and other services provided until 2012. This position, which was the subject of a legal dispute between the parties, in compliance with the first instance ruling, was partially collected in 2021 for €34 million. The addition to the balance consists of €23 million mainly related to charges for the use of real estate for the period 2013-2023 for which negotiations with the counterparty are ongoing.
  - Mail forwarding and notification services provided following a tender procedure for a total of €49 million.
  - Mail services provided on credit, totalling €36 million, to central and local government authorities.

266. At 31 December 2023, the balance of trade receivables includes €6 million, net of the related provisions for doubtful debts, relating to rental income falling within the scope of IFRS 15 – *Revenue from Contracts with Customers*.
267. Former Ministry of Economic Development.

   - Market Registered Mail services, totalling €33 million, provided to central and local government entities.
   - Unfranked mail services, totalling €18 million, provided to central and local Public Administrations.
   - The payment of pensions on behalf of INPS (the National Institute of Social Security), totalling €11 million.
- Amounts due for **parcel delivery services** refer to receivables from customers using the "national and international express courier" range of services.
- Amounts due from **overseas counterparties** primarily relates to postal services carried out for overseas postal operators.
- Amounts due for **mail services** refer to receivables to private customers who use the "delivery and mailing" range of services.
- Amounts due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta's deposit-taking activities.
- Amounts due for **other BancoPosta services** mainly refer to intermediation services (banking, personal loans, mortgages) provided totalling 29 million euros.
- Amounts due for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees.

Due from subsidiaries and associates

TAB. A8.2 – DUE FROM SUBSIDIARIES AND ASSOCIATES

Name (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	29	20	9
CLP ScpA	3	3	-
Consorzio PosteMotori	3	3	-
EGI SpA	-	1	(1)
MLK Deliveries SpA	-	1	(1)
PatentiViaPoste ScpA	1	4	(3)
Poste Air Cargo Srl	1	1	-
Poste Vita SpA	355	333	22
Postel SpA	58	47	11
PostePay SpA	189	282	(93)
Poste Welfare Servizi Srl	5	5	-
SDA Express Courier SpA	19	17	2
Sengi Express Limited	66	33	33
Nexive Network Srl	1	3	(2)
Nexive Scarl	13	11	2
Indirect subsidiaries			
Kipoint SpA	1	1	-
Poste Assicura SpA	16	23	(7)
Poste Insurance Broker Srl	-	1	(1)
Lis Pay SpA	1	-	1
Associates			
Financit SpA	3	3	-
Italia Camp Srl	1	-	1
Provision for doubtful debts	(2)	(1)	(1)
Total	**763**	**791**	**(28)**
of which attributable to BancoPosta RFC	436	454	(18)

These trade receivables include:
- Poste Vita SpA: primarily regarding fees deriving from the sale of insurance policies through Post Offices and attributable to BancoPosta RFC (€324 million);
- PostePay SpA: mainly for product placement services related to the payments business (€72 million), for the SMA service on its own account and on behalf of third parties (€26 million) and for "sim" placement services performed at Post Offices (€23 million);
- Sengi Express Limited: entirely for parcel delivery services.

Due from the Parent Company

This item relates to trade receivables due from the Ministry of the Economy and Finance:

TAB. A8.3 – DUE FROM THE PARENT COMPANY

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Remuneration of current account deposits	218	227	(9)
Universal Service	31	31	-
Delegated services	30	30	-
Publisher tariff and electoral subsidies	1	1	-
Other	2	1	1
Provision for doubtful debts due from the Parent Company	(33)	(33)	-
Total	**249**	**257**	**(8)**
of which attributable to BancoPosta RFC	248	257	248

- The **remuneration of current account deposits** refers entirely to amounts accrued in 2023 and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Receivables for **Universal Service** compensation includes:

TAB. A8.3.1 – UNIVERSAL SERVICE COMPENSATION RECEIVABLE

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Remaining balance for 2012	23	23	-
Remaining balance for 2005	8	8	-
Total	**31**	**31**	**-**

In the year under review, the Group received €262 million in accrued compensation for the period. The amount of compensation was recognised based on the terms of the new 2020-2024 Service Contract, effective 1 January 2020.

With reference to the amount receivable for 2012, AGCom has recognised a net cost incurred by the Company of €327 million, compared with compensation of €350 million originally recognised. Provision has not been made in the state budget for the remaining €23 million. The Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

The outstanding receivable relating to compensation for 2005 was subject to cuts in the budget laws for 2007 and 2008.

Provisions for doubtful debts have been made for the full amount of the above receivables.

- Amounts due for **delegated services**, refer exclusively to the amount accrued in 2023 and relating to the remuneration of services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, expired on 19 May 2023 for the two-year period 2023-2024.
- Receivables arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

Provisions for doubtful trade debts

Movements in the **provisions for doubtful debts** (due from customers, the Parent Company and subsidiaries and associates) are as follows:

TAB. A8.4 – DETAIL OF PROVISION FOR DOUBTFUL TRADE RECEIVABLES

(€m)	Balance at 01.01.2023	Net provisions	Uses	Balance at 31.12.2023
Trade receivables				
Due from customers	318	14	(22)	310
Private customers	225	18	(19)	224
Public administration entities	80	(3)	(3)	74
Overseas postal operators	13	(1)	-	12
Interest on late payments	75	26	(18)	83
Interest on late payments	33	-	-	33
Due from subsidiaries and associates	1	1	-	2
Total	**427**	**41**	**(40)**	**428**
of which attributable to BancoPosta RFC	40	8	(3)	45

Net provisions of €18 million for amounts due from private customers refer mainly to receivables subject to bankruptcy proceedings and receivables entrusted to the legal department for recovery. Utilisations for the year mainly refer to the write-off of receivables following the conclusion of bankruptcy proceedings and agreements, and to the write-off of receivables for current accounts with a debtor balance, for which it was ascertained that recovery actions were not cost effective, also taking into account the small amount of the individual credit positions.

The provisions for doubtful debts due from the MEF reflect the absence of funds in the state budget, meaning it is not possible to collect certain amounts receivable, recognised on the basis of legislation or contracts and agreements in effect at the time of recognition, largely relating to the Universal Service.

For the sake of completeness, the following tables present details of the gross carrying amount and the provision to cover expected losses for each class of **trade receivables**. This detail is provided separately depending on whether the model used to estimate the ECL is based on an analytical or a lump-sum valuation. For more details on the inputs, assumptions and estimation techniques used to calculate the impairment of financial assets, as well as for information on how collateral and other credit risk mitigation instruments are considered in the calculation of the provisions for doubtful trade debts, see *Note 2.6 - Use of estimates - Impairment and stage allocation for financial instruments*.

TAB. A8.4.1 – TRADE RECEIVABLES IMPAIRED ON AN ANALYTICAL BASIS

	31.12.2023		31.12.2022	
Description (€m)	Gross carrying amount	Provision for doubtful debts	Gross carrying amount	Provision for doubtful debts
Trade receivables				
Due from customers	1,224	(183)	822	(182)
Private customers	381	(149)	327	(147)
Ministries and Public Administration entities	379	(34)	376	(35)
Cassa Depositi e Prestiti	247	-	22	-
Overseas counterparties	217	-	97	-
Due from the Parent Company	279	(31)	288	(31)
Due from subsidiaries and associates	765	(2)	792	(1)
Total	**2,268**	**(216)**	**1,902**	**(214)**

TAB. A8.4.2 – TRADE RECEIVABLES WRITTEN DOWN ON THE BASIS OF THE PROVISION MATRIX

Range of past due (€m)	31.12.2023 Gross carrying amount	31.12.2023 Provision for doubtful debts	31.12.2022 Gross carrying amount	31.12.2022 Provision for doubtful debts
Not past due trade receivables	534	(13)	699	(12)
Past due 0 - 1 year	91	(10)	176	(8)
Past due 1 - 2 years	43	(6)	55	(6)
Past due 2 - 3 years	43	(6)	42	(5)
Past due 3 - 4 years	25	(6)	24	(13)
Past due > 4 years	36	(28)	49	(49)
Positions subject to legal recovery and/or insolvency proceedings	163	(143)	137	(120)
Total	**935**	**(212)**	**1,182**	**(213)**

A9 – Other receivables and assets (€2,777 million)

This item breaks down as follows:

TAB. A9 – OTHER RECEIVABLES AND ASSETS

Description (€m)	Notes	Balance at 31.12.2023 Non-current assets	Balance at 31.12.2023 Current assets	Balance at 31.12.2023 Total	Balance at 31.12.2022 Non-current assets	Balance at 31.12.2022 Current assets	Balance at 31.12.2022 Total	Changes
Substitute tax paid		1,752	572	2,324	1,738	525	2.263	61
Due from subsidiaries and associates		-	150	150	-	32	32	118
Receivables relating to fixed-term contract settlements		29	73	102	36	76	112	(10)
Due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	72	72	-	137	137	(65)
Receivables for amounts that cannot be drawn on due to court rulings		-	58	58	-	71	71	(13)
Interest accrued on IRES refund	[C12]	-	46	46	-	46	46	-
Tax assets		-	26	26	-	43	43	(17)
Accrued income and prepaid expenses from trading transactions		-	10	10	-	9	9	1
Sundry receivables		17	57	74	17	42	59	15
Provisions for doubtful debts due from others		(3)	(82)	(85)	(3)	(149)	(152)	67
Total		**1,795**	**982**	**2,777**	**1.788**	**832**	**2,620**	**157**
of which attributable to BancoPosta RFC		1,752	608	2,360	1,738	573	2,311	49

Specifically:

- **Substitute tax** paid, attributable to BancoPosta RFC, primarily regards:
  - €1,752 million charged to holder of Interest-bearing Postal Certificates for stamp duty at 31 December 2023[268]; this amount is balanced by a matching entry in "Other taxes payable" until expiration or early extinguishment of the Interest-bearing Postal Certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €407 million relating to advances paid to the tax authorities for stamp duty to be paid in virtual form in 2024 and to be recovered from customers;
  - €96 million relating to stamp duty to be charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
  - €30 million in advances on withholding tax on interest paid to current account holders for 2023, which is to be recovered from customers.

268. Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

- Amounts due from **subsidiaries and associates** include €129 million in amounts receivable from subsidiaries by Poste Italiane SpA, as the consolidating entity (note 2.5 – *Material information on accounting standards*). The related amounts are mainly due from the subsidiaries Poste Vita SpA, PostePay SpA and Poste Assicura SpA.
- Receivables relating to **fixed-term contract settlements** consist of salaries to be recovered following the agreements[269] between Poste Italiane SpA and the trade unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item refers to receivables with a present value of €102 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. The item also includes amounts due from INPS (formerly IPOST) of €42 million, covered by a specific agreement with IPOST dated 23 December 2009. Payment of this amount consists of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014; negotiations are in progress with the debtor for their recovery.
- Due from **social security agencies and pension funds** totalling €72 million decreased compared to 31 December 2022, mainly as a result of the derecognition of receivables related to past items and the recovery of the residual amounts related to the periods of suspension or reduction of work for Covid-19 by means of a reconciliation with the contributions due to the Social Security Institute.
- Receivables for **amounts that cannot be drawn on due to court rulings** refer to amounts attached and not assigned to creditors, which are in the process of being recovered. In January 2023, following the signing of a settlement agreement, the receivable of €12 million relating to sums embezzled from the Company in December 2007 as a result of an attempted fraud and held at a foreign bank was collected.
- **Accrued interest on IRES refund**, refers to interest accruing up to 31 December 2023 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on personnel expenses. Two disputes have been initiated to recover said amount due *(i.e., one under Law Decree no. 185/2008 and the other, under Law Decree no. 201/2011*) brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the Agenzia delle Entrate in Rome to refund the amounts claimed. The Agenzia delle Entrate appealed both rulings before the Regional Tax Tribunal which upheld the tax authorities' appeal against both of the rulings. Poste Italiane has appealed these rulings before the Supreme Court of Cassation. On 5 July 2023, the judgement of the Court of Cassation in the case pursuant to Law Decree no. 201/2011 was published, in which the most relevant grounds of Poste Italiane's appeal were upheld concerning the starting date of the interest accrued on the IRES credit resulting from the non-deduction of labour costs for IRAP purposes. As a result of this ruling, the case will have to be resumed before the Tax Court of Second Instance to settle the amount of interest actually due to the Group. The judgement concerning Law Decree no. 185/2008 is currently pending before the Supreme Court of Cassation. Elements of uncertainty about the final outcome of the case are taken into account in the provision for doubtful debts due from others.

Movements in the **provisions for doubtful debts due from others** are shown below:

TAB. A9.1 – DETAILED PROVISION FOR DOUBTFUL DEBTS DUE FROM OTHERS

(€m)	Balance at 01.01.2023	Net provisions	Uses	Balance at 31.12.2023
Interest accrued on IRES refund	44	(25)	-	19
Receivables relating to fixed-term contract settlements	24	-	-	24
Other receivables	84	(5)	(37)	42
Total	**152**	**(30)**	**(37)**	**85**
of which attributable to BancoPosta RFC	16	(3)	-	13

The provisions for doubtful debts due from others for interest income on IRES refunds shows a release of €25 million following the ruling of the Supreme Court of Cassation in Law Decree no. 201/2011.

During the year under review, having ascertained the non-recoverability of certain prior items referring to labour costs, credit items were written off by using the provision.

269. CTD contract settlements were signed on 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018

A10 – Tax credits law no. 77/2020 (€8,318 Million)

TAB. A10 – TAX CREDITS LAW NO. 77/2020

Description (€m)	Balance at 31.12.2023 Non-current assets	Current assets	Total	Balance at 31.12.2022 Non-current assets	Current assets	Total	Changes
Tax credits at amortised cost	6,534	1,784	8,318	7.458	1,563	9,021	(703)
Total	**6,534**	**1,784**	**8,318**	**7,458**	**1,563**	**9,021**	**(703)**
of which attributable to BancoPosta RFC	6,246	1,665	7,911	7,127	1,473	8,600	(689)

This item refers to tax credits acquired by Poste Italiane SpA against free capital resources or transferred to BancoPosta RFC for resources subject to and not subject to the restriction on their use, in accordance with the provisions of the Relaunch Decree (Law Decree no. 34/2020 converted with amendments by Law no. 77/2020) by which tax breaks were introduced to support Citizens and Businesses to encourage economic recovery following the Covid-19 health emergency.

These receivables are measured at amortised cost as they are acquired to be used primarily for the purpose of offsetting social security or tax payables, based on the provisions of the regulations issued with reference to the characteristics of the individual receivables.

Changes in these tax credits during 2023 are shown below:

TAB. A10.1 – MOVEMENTS IN TAX CREDITS L.77/2020

(€m)	Carrying amount
Balance at 1 January 2023	**9,021**
Purchases	691
Changes in amortised cost	320
Other changes	(1,714)
Balance at 31 December 2023	**8,318**

The main changes in the year under review refer to:
- Purchases of €691 million, of which €518 million pertaining to BancoPosta RFC[270];
- accrued income for the year amounting to €320 million, of which €309 million pertaining to BancoPosta RFC;
- other changes of €1,714 million, of which €1,682 million related to offsets during the year.

At 31 December 2023, the fair value[271] of tax credits at amortised cost is €7,823 million.

As part of the actions aimed at combating tax fraud perpetrated by third parties through the monetisation of tax credits, starting from the end of the 2021 financial year, a number of Public Prosecutors' Offices have implemented preventive seizures that, in some cases also involved tax credits acquired by Poste Italiane (some of which were subsequently released from seizure during the course of 2022) for a total nominal value of approximately €530 million at the date of preparation of these financial statements, against a value paid of roughly €451 million.

270. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.
271. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 3.

The Company has put in place an operational process aimed at constantly analysing the potential economic, financial and equity risks to which it could be exposed in the event that, following legal proceedings involving third parties, it is ascertained that part of the tax credits acquired over time are the result of fraudulent conduct perpetrated by the aforementioned third parties. In particular, a legal and accounting analysis was conducted to generally assess said risks and determine the accounting impact related to these potential risks, making reference to the provisions of IAS 37 - Provisions, Contingent Assets and Contingent Liabilities (as better illustrated in the section Use of estimates), as the possible non-recovery of the carrying amount of the tax credits would not derive from a characteristic of the asset being measured or from significant increases in the credit risk after the initial recognition of the asset or, more simply, from the ascertained default of the debtor, as envisaged by the impairment model set forth in IFRS 9, but rather from the possibility that, for those ascertained cases of fraud, the liability of the assignee - even if a third party in good faith or an offended party to the crime - will also be called to account for assumptions other than the possible irregular use of the tax credit or for a use in excess of the tax credit received. On the basis of the analyses carried out of all facts and circumstances known at the date of preparation of these financial statements, including, inter alia, requests for information received from the authorities (Public Prosecutor's Office and Agenzia delle Entrate) and orders issued by them, also with the support of external consultants, a provision of €80 million was recognised in the year 2023, bringing the provision – liability item "Provisions for risks and charges" – to €400 million.

It should be noted, however, that the current situation of significant uncertainty as to the possible outcome of the proceedings and initiatives underway by the Judicial Authorities and the Agenzia delle Entrate and the actions undertaken by the Company to protect its interests, necessarily entailed the use of a significant degree of professional judgement in determining the aforesaid provision; therefore, it cannot be excluded that it may be necessary to recognise further charges in the future.

A11 – Cash and deposits attributable to BancoPosta (€4,671 million)

This item breaks down as follows:

TAB. A11 – CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Cash and cash equivalnts in hand	3,909	3,960	(51)
Bank deposit	762	1,888	(1,126)
Total	**4,671**	**5,848**	**(1,177)**

This item relates exclusively to BancoPosta RFC assets.

The cash and cash equivalents on hand are derived from deposits made in postal current accounts and postal savings products (subscription of postal savings bonds and payments into post office savings books), or from advances withdrawn from the State Treasury to guarantee the operations of post offices. These funds, which are held at Post Offices (€1,298 million) and at service[272] companies (€2,611 million), may not be used for purposes other than to repay obligations contracted in the transactions described above.

272. They carry out transport and custody of valuables awaiting payment to the State Treasury.

A12 – Cash and cash equivalents (€1,222 million)

This item breaks down as follows:

TAB. A12 – CASH AND CASH EQUIVALENTS

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Bank deposits and amounts held at the Italian Treasury	288	243	45
Deposits with the MEF	873	1,991	(1,118)
Cash and cash equivalents in hand	61	24	37
Total	**1,222**	**2,258**	**(1,036)**
of which attributable to BancoPosta RFC	935	2,017	(1,082)

Bank deposits and amounts held at the Italian Treasury include €195 million deposited by the Cabinet Office – Publishing Department in a non-interest bearing escrow account with the Italian Treasury as advance payment for publisher tariff subsidies due to the Company (note A8). In addition, bank deposits and amounts held at the Italian Treasury include €14 million whose use is restricted by court orders related to different disputes.

The decrease in **deposits with the MEF** compared to the previous year is mainly due to a change in the allocation of loans, in order to optimise the yields on deposits.

Equity

B1 – Share capital (€1,306 million)

The share capital consists of 1,306,110,000 no-par value ordinary shares, of which Cassa Depositi e Prestiti SpA (CDP) holds 35% and the Ministry of the Economy and Finance holds 29.3%, while the remaining shares are held by institutional and retail investors.

At 31 December 2023, the Company held 10,675,798 treasury shares (representing approximately 0.817% of the share capital) with a total value of approximately €94 million. All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B2 – Reserves (€1,549 million)

This item breaks down as follows:

TAB. B2 – RESERVES

(€m)	Legal reserve	Equity instruments - perpetual hybrid bonds	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus/ deficit reserve	Total
Balance at 1 January 2022	**299**	**800**	**1,210**	**1,192**	**(33)**	**13**	**5**	**3,486**
Increase/(decrease) in fair value during the year	-	-	-	(4,608)	279	-	-	(4,329)
Tax effect of changes in fair value	-	-	-	1,292	(79)	-	-	1,213
Transfers to profit or loss	-	-	-	(150)	(409)	-	-	(559)
Tax effect of transfers to profit or loss	-	-	-	43	116	-	-	159
Increase/(decrease) for expected losses	-	-	-	4	-	-	-	4
Transfer of tax credits portfolio (net of tax effect)	-	-	-	93	-	-	-	93
Gains/(losses) recognised in equity	-	-	-	(3,326)	(93)	-	-	(3,419)
Merger contribution	-	-	-	(240)	-	-	330	90
Incentive plans	-	-	-	-	-	6	-	6
Balance at 31 December 2022	**299**	**800**	**1,210**	**(2,374)**	**(126)**	**19**	**335**	**163**
of which attributable to BancoPosta RFC	-	350	1,210	(2,092)	(130)	2	-	(660)
Increase/(decrease) in fair value during the year	-	-	-	1,940	80	-	-	2,020
Tax effect on changes in fair value	-	-	-	(553)	(23)	-	-	(576)
Transfers to profit or loss	-	-	-	222	(318)	-	-	(96)
Tax effect of transfers to profit or loss	-	-	-	(63)	90	-	-	27
Increase/(decrease) for expected losses	-	-	-	3	-	-	-	3
Gains/(losses) recognised in equity	-	-	-	1,549	(171)	-	-	1,378
Incentive plans	-	-	-	-	-	8	-	8
Balance at 31 December 2023	**299**	**800**	**1,210**	**(825)**	**(297)**	**27**	**335**	**1,549**
of which attributable to BancoPosta RFC	-	450	1,210	(544)	(295)	2	-	823

- The **reserve for equity instruments-perpetual hybrid bond**s273 includes the perpetual hybrid bond with a non-call period of 8 years for institutional Investors, with a total nominal value of €800 million, issued by Poste Italiane SpA on 24 June 2021, with the aim of strengthening the Group's capital structure, and, in particular, BancoPosta's Leverage Ratio (Basel III) and Tier 1 ratio, as well as Poste Vita's Solvency II ratio, thus helping to support the Group's long-term growth in accordance with the guidelines of the Strategic Plan. During the year under review, there was another injection of capital into BancoPosta RFC, via the granting of a €100 million perpetual subordinated loan with a 5-year non-call period, under terms and conditions that allow it to be counted as Additional Tier 1 (hereafter "AT1") capital, designed to strengthen its leverage ratio.
- The **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. In 2023, the increase of €1,940 million in the fair value refers to:
  - a net increase of €1,938 million in financial assets measured at fair value through other comprehensive income and attributable to BancoPosta RFC;
  - a net increase of €2 million in financial assets measured at fair value through other comprehensive income held outside the ring-fence.
- The **cash flow hedge reserve** represents changes in the fair value of the effective portion of cash flow hedges outstanding. In 2023, positive changes in fair value totalling €80 million related entirely to the net positive change in the value of BancoPosta RFC's derivative financial instruments;

273. The main features of the issue are:
- The bonds have no fixed maturity and must be redeemed only in the event of the dissolution or liquidation of the Company, as specified in the relevant terms and conditions, subject to the right of early redemption (call) in the cases provided for. Specifically, the call is scheduled to occur at any time from the First Call Date of 24 March 2029 through 24 June 2029 and on each interest payment date thereafter.
- The fixed annual coupon is 2.625% until the first Reset Date set for 24 June 2029. From that date, the annual interest is determined on the basis of the 5-year Euro Mid Swap rate, plus an initial spread of 267.7 basis points, increased by a further 25 basis points from 24 June 2034 and by a further 75 basis points from 24 June 2049. Interest is payable at the option of the issuer and on a cumulative basis, commencing 24 June 2022. The issue price was set at 100%.

- the **Incentive Plans reserve** includes the estimate of the valuations for the year relating to the long-term "Performance Share LTIP" and "Deliver" incentive plans and the MBO short-term incentive plans, carried out on the basis of the provisions of IFRS 2;
- the **Merger Surplus/Deficit Reserve** refers for €330 million to the merger surplus generated following the merger by incorporation into Poste Italiane SpA of the subsidiary PSIA Srl in 2022.

B3 – Availability and distributability of reserves

The following table shows the availability and distributability of Poste Italiane SpA's reserves. Retained earnings include the profit for 2023 of €1,390 million.

During the year, dividends were distributed for a total of €877 million, based on the following resolutions:
- on 8 May 2023, the Shareholders' Meeting resolved the distribution dividends of €570 million (dividend per share equal to €0.440), which took place on 21 June 2023 as the balance for 2022, taking into account the interim dividend of €273 million (dividend per share equal to €0.210) already paid in November 2022;
- on 6 November 2023, Poste Italiane's Board of Directors, in line with the Group's dividend policy, resolved to advance part of the ordinary dividend for 2023 as an interim dividend. The interim dividend of €307 million was distributed on 22 November 2023 (dividend per share of €0.237).

TAB. B3 – AVAILABILITY AND DISTRIBUTABILITY OF RESERVES

(€m)		31.12.2023	Potential use
Share capital		**1,306**	
Treasury shares		**(94)**	
Reserves			
- legal reserve		**299**	
legal reserve	*261*		*B*
legal reserve	*38*		*A B D*
- BancoPosta RFC reserve		**1,210**	**- -**
- equity instruments reserve - perpetual hybrid bonds		**800**	**- -**
- fair value reserve		**(825)**	**- -**
- cash flow hedge reserve		**(297)**	**- -**
- incentive plans reserve		**27**	**- -**
- merger surplus		**335**	**A B D**
Retained earnings/(Accumulated losses)		**2,892**	
retained earnings/(accumulated losses)	*65*		*- -*
retained earnings - BancoPosta RFC	*1,437*		*C*
retained earnings/(accumulated losses)	*1,471*		*A B D*
unrealised gains/(losses) on financial instruments at FVTPL net of tax effect	*19*		*B C*
after-tax actuarial gains/(losses)	*(100)*		*- -*
Total		**5,653**	
of which distributable		**1,844**	

A: for capital increases.
B: to cover losses.
C: to cover BancoPosta losses.
D: for shareholder distributions.

Liabilities

B4 – Provisions for risks and charges (€1,228 million)

Movements in provisions for risks and charges are as follows:

TAB. B4 – MOVEMENTS IN PROVISIONS FOR RISKS AND CHARGES FOR FY 2023

Description (€m)	Balance at 01.01.2023	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31.12.23
Provisions for operational risks	109	5	-	(7)	(12)	95
Provisions for disputes with third parties	265	14	3	(33)	(40)	209
Provisions for disputes with staff(1)	34	12	-	-	(8)	38
Provisions for personnel expenses	101	121	-	(31)	(60)	131
Provisions for early retirement incentives	352	158	-	-	(227)	283
Provisions for risks - tax credits Law no. 77/2020	320	80	-	-	-	400
Provisions for taxation	4	1	-	-	-	5
Other provisions for risks and charges	72	2	-	(1)	(6)	67
Total	**1,257**	**393**	**3**	**(72)**	**(353)**	**1,228**
of which attributable to BancoPosta RFC	188	7	1	(15)	(18)	163
Overall analysis of provisions:						
- non-current portion	741					718
- current portion	516					510
	1,257					**1,228**

(1) Net provisions for Personnel expenses amount to €9 million. Service costs (legal assistance) total €3 million.

Specifically:

- **Provisions for operational risks,** which relate to liabilities arising from BancoPosta's operations, mainly reflect risks related to the distribution of postal savings products issued in past years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly in its capacity as a third party, impairments and adjustments to income from previous years and fraud. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. The changes in the year refer to the update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €121 million during the year to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€31 million) and settled disputes (€60 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's bonding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2025. The provisions made at 31 December 2022 were utilised for €227 million.
- The **provisions for risks - tax credits Law no. 77/2020** were established to cover probable liabilities analytically described in Note A10 - *Tax Credits Law no. 77/2020*.
- **Other provisions for risks and charges** cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Company's assets may be unable to recover the related amounts, claims for rent arrears on properties used free of charge by the Company, claims for payment of accrued interest expense due to certain suppliers and fraud, and probable tax risks.

B5 – Employee termination benefits (€608 million)

Movements in employee termination benefits are as follows:

TAB. B5 – MOVEMENTS IN PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS

(€m)		FY 2023
Balance at 1 January		**678**
interest component	25	
effect of actuarial gains/(losses)	8	
Provisions for the year		3
Uses for the period		(103)
Balance at 31 December		**608**
of which attributable to BancoPosta RFC		2

The interest component is recognised in finance costs. The current service cost, which from 2007 is paid to pension funds or third-party social security agencies and is no longer included in the employee termination benefits managed by the Company, is recognised in personnel expenses. Net uses of provisions for employee termination benefits amount to €101 million and €2 million for substitute tax.

Actuarial gains and losses are generated by the following factors:

TAB. B5.1 – ACTUARIAL GAINS AND LOSSES

(€m)	31.12.2023
Change in demographic assumptions	-
Change in financial assumptions	14
Other experience-related adjustments	(6)
Total	**8**

The sensitivity of employee termination benefits to changes in the principal actuarial assumptions is analysed below:

TAB. B5.2 – SENSITIVITY ANALYSIS

(€m)	Employee termination benefits at 31.12.2023
Inflation rate +0.25%	615
Inflation rate -0.25%	602
Discount rate +0.25%	598
Discount rate -0.25%	619
Turnover rate +0.25%	610
Turnover rate -0.25%	606

TAB. B5.3 – OTHER INFORMATION

	31.12.2023
Expected service cost	-
Average duration of defined benefit plan	7.60
Average employee turnover	2.00%

B6 – Financial liabilities (€96,863 million)

TAB. B6 – FINANCIAL LIABILITIES

Description (€m)	Balance at 31.12.2023 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	8,698	87,027	95,725	9,777	93,951	103,728	(8,003)
Derivative financial instruments	1,091	47	1,138	823	152	975	163
Total	**9,789**	**87,074**	**96,863**	**10,600**	**94,103**	**104,703**	**(7,840)**
of which attributable to BancoPosta RFC	7,571	84,968	92,539	7,932	92,512	100,444	(7,905)
of which Capital outside the ring-fence	2,218	2,106	4,324	2,668	1,591	4,259	65

Financial liabilities attributable to BancoPosta RFC

FINANCIAL LIABILITIES ATTRIBUTABLE TO BANCOPOSTA RFC

Description (€m)	Balance at 31.12.2023 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	6.480	84.921	91.401	7.109	92.360	99.469	(8.068)
Postal current accounts	-	72.797	72.797	-	78.004	78.004	(5.207)
Loans	6.480	1.736	8.216	7.109	3.016	10.125	(1.909)
Due to financial institutions	6.480	1.736	8.216	7.109	3.016	10.125	(1.909)
MEF account held at the Treasury	-	5.371	5.371	-	4.168	4.168	1.203
Other financial liabilities	-	5.017	5.017	-	7.172	7.172	(2.155)
Derivative financial instruments[(1)]	1.091	47	1.138	823	152	975	163
Cash flow hedges	530	(12)	518	490	137	627	(109)
Fair value hedges	558	59	617	333	11	344	273
Fair value through profit or loss	3	-	3	-	4	4	(1)
Total	**7.571**	**84.968**	**92.539**	**7.932**	**92.512**	**100.444**	**(7.905)**

(1) In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Postal current accounts

These payables include net amounts accrued at 31 December 2023 and settled with customers in January 2024. The balance includes amounts due to Poste Italiane Group companies, totalling €10,912 million, of which €10,152 million relating to postal current accounts held by PostePay SpA relating primarily to customer current account deposits from prepaid cards and €695 million represented by postal current accounts held by Poste Vita SpA. The decrease in this item with respect to 31 December 2022 is mainly due to the reduction in Public Administration stocks.

Loans

Due to financial institutions

At 31 December 2023, outstanding liabilities of €10,553 million relate to repurchase agreements entered into by the Company with leading financial institutions and Central Counterparties, amounting to a total nominal value of securities committed for €11,456 million. A total of €7,102 million of this amount regards Long Term Repos and €3,451 million regards ordinary loan operations, the resources from both invested in Italian fixed income government securities and as funding for deposits used as collateral. At 31 December 2023, repurchase agreements with a nominal value of €3,996 million are the subject of fair value hedge transactions executed to hedge interest rate risk.

Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2023, already included in the exposure to net balances, amounted to €2,337 million (€3,217 million at 31 December 2022). At 31 December 2023, the fair value[274] of the above payables amounts to €7,996 million.

MEF account held at the Treasury

TAB. B6.1 – MEF ACCOUNT HELD AT THE TREASURY

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Balance of cash flows for advances	-	5,168	5,168	-	4,083	4,083	1,085
Balance of cash flows from management of postal savings	-	30	30	-	(84)	(84)	114
Amounts payable due to theft	-	157	157	-	155	155	2
Amounts payable for operational risks	-	16	16	-	14	14	2
Total	**-**	**5,371**	**5,371**	**-**	**4,168**	**4,168**	**1,203**

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

TAB. B6.1.1 – BALANCE OF CASH FLOWS FOR ADVANCES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Net advances	-	5,167	5,167	-	4,083	4,083	1,084
MEF postal current accounts and other payables	-	670	670	-	670	670	-
Ministry of Justice - Orders for payment	-	1	1	-	-	-	1
MEF - State pensions	-	(670)	(670)	-	(670)	(670)	-
Total	**-**	**5,168**	**5,168**	**-**	**4,083**	**4,083**	**1,085**

The **balance of cash flows from the management of postal savings**, amounting to a negative €30 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2023 consists of €124 million payable to Cassa Depositi e Prestiti, and €94 million of amounts due from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from Post Offices of €157 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate.

Amounts payable for operational risks for €16 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Derivative financial instruments

Movements of the item during 2023 are described in note A6 – *Financial assets*.

274. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Other financial liabilities

TAB. B6.2 – OTHER FINANCIAL LIABILITIES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
guarantee deposits	-	2,831	2,831	-	4,824	4,824	(1,993)
domestic and international money transfers	-	1,071	1,071	-	1,108	1,108	(37)
endorsed cheques	-	408	408	-	476	476	(68)
cashed cheques	-	230	230	-	183	183	47
other amounts payable to third parties	-	139	139	-	173	173	(34)
amounts to be credited to customers	-	109	109	-	104	104	5
payables for items in process	-	229	229	-	304	304	(75)
Total	**-**	**5,017**	**5,017**	**-**	**7,172**	**7,172**	**(2,155)**

Payables for guarantee deposits refer for €2,811 million to sums received from counterparties for interest rate swap transactions (collateral provided by specific Credit Support Annexes) and for €20 million to sums received from counterparties for repo transactions (collateral provided by specific Global Master Repurchase Agreements). The decrease in this item compared to 31 December 2022 is mainly attributable to the reduction of fair value hedge derivatives following early extinguishment transactions.

Financial liabilities outside ring-fence

FINANCIAL LIABILITIES OUTSIDE RING-FENCE

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Financial liabilities at amortised cost	2,218	2,106	4,324	2,668	1,591	4,259	65
Loans	1,446	502	1,948	1,820	53	1,873	75
Bonds	498	500	998	997	51	1,048	(50)
Due to financial institutions	948	2	950	823	2	825	125
Lease payables	772	260	1,032	844	257	1,101	(69)
Financial liabilities due to subsidiaries	-	1,340	1,340	-	1,281	1,281	59
Other financial liabilities	-	4	4	4	-	4	-
Total	**2,218**	**2,106**	**4,324**	**2,668**	**1,591**	**4,259**	**65**

* In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Loans

Loans are unsecured and are not subject to financial covenants, which would require the company to comply with economic and financial ratios. For the EIB financing and the CEB financing, a minimum rating level of BBB- (or equivalent) by Moody's and S&P for the EIB and by at least two of the three rating agencies of Poste Italiane for CEB is required. In the event of a rating loss, this is without prejudice to the right of both banks to request additional collateral or, in the case of the EIB, an increase in the margin. If no agreement is reached, immediate early repayment of the loans may be demanded. Standard negative pledge provisions do apply, however[275].

275. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.

Bonds

The item **Bonds** refers to a senior unsecured loan with a total nominal value of €1 billion issued by Poste Italiane on 10 December 2020 in two tranches, placed in public form to institutional investors as part of the €2.5 billion Euro Medium Term Notes (EMTN) programme deposited with the Luxembourg Stock Exchange. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2023, the fair value276 of the loan was €916 million.

A loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013 reached maturity in October 2023. The interest rate risk exposure was hedged as described in note A6 – *Financial assets*.

Due to financial institutions

TAB. B6.3 – DUE TO FINANCIAL INSTITUTIONS

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
EIB fixed rate loan maturing 12/03/26	173	-	173	173	-	173	-
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400	-
EIB fixed rate loan maturing 19/05/2028	150	-	150	150	-	150	-
EIB fixed rate loan maturing 02/05/28	100	-	100	100	-	100	-
CEB variable rate loan maturing 28/12/30	125	-	125	-	-	-	125
Other Payables and Accrued Interest	-	2	2	-	2	2	-
Total	**948**	**2**	**950**	**823**	**2**	**825**	**125**

TF: Fixed-rate loan; TV: Variable-rate loan.

At 31 December 2023, no committed and uncommitted credit lines were used for short-term financing.

On 18 December 2023, a medium-/long-term credit line for a total of €250 million was signed with the CEB "Council of Europe Development Bank", to support projects and investments with the aims of social integration, support for public infrastructure and sustainability. On 28 December 2023, the first tranche of €125 million was disbursed, bearing interest at a variable rate (6-month Euribor rate plus spread), with repayment in constant principal instalments after a three-year grace period and maturity on 28 December 2030.

At 31 December 2023, the fair value[277] of the four EIB loans was €778 million and that of the CEB loan was €128 million. The amount of the other financial liabilities in the table - *Financial liabilities outside ring-fence* approximates their fair value.

Committed and uncommitted credit lines outstanding at 31 December 2023 are discussed in Note 6 - *Risk management.*

Lease payables

Lease liabilities at 31 December 2023 amounted to €1,031 million. For more details on the change in this item, see Note A4 - *Right-of-use assets*.

Derivative financial instruments

Movements of the item during 2023 are described in note A6 – *Financial assets*.

276. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 1.
277. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Financial liabilities due to subsidiaries

These liabilities relate to intercompany current accounts paying interest at market rates and break down as follows:

TAB. B6.4 – FINANCIAL LIABILITIES DUE TO SUBSIDIARIES

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	30	30	-
EGI SpA	9	21	(12)
MLK Deliveries SpA	8	4	4
Nexive Network Srl	5	-	5
Nexive Scarl	6	6	-
PatentiViaPoste ScpA	16	13	3
Poste Vita SpA	247	190	57
Postel SpA	-	6	(6)
PostePay SpA	855	915	(60)
SDA Express Courier SpA	-	24	(24)
Poste Welfare Servizi Srl	14	8	6
Indirect subsidiaries			
LIS Holding SpA	85	50	35
LIS Pay SpA	63	-	63
Poste Assicura SpA	-	4	(4)
Kipoint SpA	2	1	1
Associates			
sennder Italia Srl	-	9	(9)
Total	**1,340**	**1,281**	**59**

Changes in liabilities arising from financing activities

The following disclosures are provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

TAB. B6.5 – CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Description (€m)	Balance at 1.01.2023	Net cash flow from/(for) financing activities	Non-cash flows	Balance at 31.12.2023
Loans	1,873	74	1	1,948
Bonds	1,048	(50)	-	998
Due to financial institutions	825	124	1	950
Lease payables	1,101	(243)	174	1,032
Financial liabilities due to subsidiaries	1,281	59	-	1,340
Other financial liabilities	4	-	-	4
Total	**4,259**	**(110)**	**175**	**4,324**

Net debt/(funds)

The following table shows the net debt/(funds) at 31 December 2023:

NET DEBT/(FUNDS) AT 31 DECEMBER 2023

Balance at 31.12.2023 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	*of which related parties*
Financial liabilities	**4,690**	**92,818**	**(645)**	**96,863**	
Postal current accounts	-	73,076	(279)	72,797	*10,912*
Bonds	998	-	-	998	-
Due to financial institutions	950	8,216	-	9,166	-
Lease payables	1,032	-	-	1,032	*51*
MEF account held at the Treasury	-	5,371	-	5,371	*5,371*
Derivative financial instruments	-	1,138	-	1,138	*201*
Other financial liabilities	1,344	5,017	-	6,361	*221*
Intersegment financial liabilities	366	-	(366)	-	-
Financial assets	**(1,062)**	**(80,576)**	**366**	**(81,272)**	
Financial instruments at amortised cost	(417)	(42,858)	-	(43,275)	*12,476*
Financial instruments at FVTOCI	(636)	(33,069)	-	(33,705)	-
Financial instruments at fair value through profit or loss	(9)	(26)	-	(35)	-
Derivative financial instruments	-	(4,257)	-	(4,257)	*167*
Intersegment financial assets	-	(366)	366	-	-
Tax credits Law no. 77/2020	**(407)**	**(7,911)**	**-**	**(8,318)**	
Net liabilities/(net financial assets)	**3,221**	**4,331**	**(279)**	**7,273**	**-**
Cash and deposits attributable to BancoPosta	**-**	**(4,671)**	**(4,671)**	**(4,671)**	**-**
Cash and cash equivalents	**(564)**	**(937)**	**279**	**(1,222)**	***874***
Net debt/(funds)	**2,657**	**(1,277)**	**-**	**1,380**	

NET DEBT/(FUNDS) AT 31 DECEMBER 2022

Balance at 31.12.2022 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	*of which related parties*
Financial liabilities	**4,608**	**100,672**	**(576)**	**104,704**	
Postal current accounts	-	78,231	(227)	78,004	*9,668*
Bonds	1,048	-	-	1,048	-
Due to financial institutions	825	10,125	-	10,950	-
Lease payables	1,101	-	-	1,101	*44*
MEF account held at the Treasury	-	4,169	-	4,169	*4,169*
Derivative financial instruments	-	975	-	975	*193*
Other financial liabilities	1,285	7,172	-	8,457	*1,504*
Intersegment financial liabilities	349	-	(349)	-	-
Financial assets	**(904)**	**(83,642)**	**349**	**(84,197)**	
Financial instruments at amortised cost	(368)	(43,982)	-	(44,350)	*(15,284)*
Financial instruments at FVOCI	(536)	(33,161)	-	(33,697)	-
Financial instruments at fair value through profit or loss	-	(40)	-	(40)	-
Derivative financial instruments	-	(6,110)	-	(6,110)	*(203)*
Intersegment financial assets	-	(349)	349	-	-
Tax credits Law no. 77/2020	**(421)**	**(8,600)**	**-**	**(9,021)**	**-**
Liabilities/(net financial assets)	**3,283**	**8,430**	**(227)**	**11,486**	
Cash and deposits attributable to BancoPosta	**-**	**(5,848)**	**-**	**(5,848)**	**-**
Cash and cash equivalents	**(469)**	**(2,016)**	**227**	**(2,258)**	***(1,991)***
Net debt/(funds)	**2,814**	**566**	**-**	**3,380**	

The total **Net debt/(funds)278** of the Company at 31 December 2023, as shown above, presents a debt of €1,380 million, an improvement of €2,000 compared to the values at 31 December 2022 (debt of €3,380 million). The change is mainly attributable to the profit for the period of €1,390 million, the positive valuation effects of investments classified in the FVTOCI category for approximately €1.9 billion, net of the cash absorption generated by the distribution of dividends totalling €877 million (of which €570 million for the balance of dividend 2022 and €307 million for interim dividend 2023) and the cash absorption generated by the increase in working capital of approximately €150 million.

At 31 December 2023, the financial debt outside the ring-fence, calculated in accordance with ESMA Guidelines 32-382-1138, is provided below:

278. The Net debt/(funds) includes Tax Credits whose value at 31 December 2023 was €8,318 million. Although these credits derive from business activities and are classified in the financial statements under other assets, in order to improve the representation of the indicator in question, they can be assimilated to financial assets.

ESMA NET FINANCIAL INDEBTEDNESS FOR CAPITAL OUTSIDE RING-FENCE

(€m)	As at 31 December 2023	As at 31 December 2022
A. Cash	(564)	(469)
B. Cash equivalents	-	-
C. Other current financial assets	(61)	(29)
D. Liquidity (A+B+C)	**(625)**	**(498)**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	2,105	1,590
F. Current portion of non-current debt	1	1
G. Current portion of non-current debt	**2,106**	**1,591**
H. Net current financial debt (G + D)	**1,481**	**1,093**
I. Non-current financial debt (excluding current portion and debt instruments)	1,720	1,671
J. Debt instruments	498	997
K. Trade payables and other non-current payables	15	18
L. Non-current financial debt (I + J + K)	**2,233**	**2,686**
M. Total financial debt (H + L)	**3,714**	**3,779**

RECONCILIATION OF FINANCIAL DEBT ESMA

(€m)	As at 31 December 2023	As at 31 December 2022
M. Total financial debt (H + L)	**3,714**	**3,779**
Non-current financial assets	(1,001)	(875)
K. Trade payables and other non-current payables	(15)	(18)
Tax credits Law no. 77/2020	(407)	(421)
Net industrial financial position	**2,291**	**2,465**
Intersegment financial receivables and payables	366	349
Net debt/(funds) for capital outside ring-fence including intersegment transactions	**2,657**	**2,814**

B7 – Trade payables (€1,967 million)

TAB. B7 – TRADE PAYABLES

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Due to suppliers	1,018	1,047	(29)
Due to subsidiaries and associates	444	422	22
Contract liabilities	505	501	4
Total	**1,967**	**1,970**	**(3)**
of which attributable to BancoPosta RFC	133	182	(49)

Due to suppliers

TAB. B7.1 – DUE TO SUPPLIERS

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Italian suppliers	870	858	12
Foreign suppliers	13	16	(3)
Overseas counterparties *	135	173	(38)
Total	**1,018**	**1,047**	**(29)**
of which attributable to BancoPosta RFC	8	8	-

* The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Due to subsidiaries and associates

TAB. B7.2 – DUE TO SUBSIDIARIES AND ASSOCIATES

Name (€m)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Direct subsidiaries			
Agile Lab(1)	2	-	2
BancoPosta Fondi SpA SGR	3	3	-
CLP ScpA	112	100	12
Consorzio servizi ScpA(2)	19	14	5
MLK Deliveries SpA	6	9	(3)
Poste Vita SpA	2	2	-
Postel SpA	16	17	(1)
PostePay SpA	85	123	(38)
Poste Welfare Servizi Srl	13	4	9
SDA Express Courier SpA	176	145	31
Sourcesense SpA	4	1	3
Indirect subsidiaries			
Address Software Srl	1	1	-
Bridge Technologies Srl	2	-	2
Kipoint SpA	3	2	1
Poste Assicura SpA	-	1	(1)
Total	**444**	**422**	**22**
di cui Patrimonio BancoPosta	65	105	(40)

(1) Agile Power Srl was merged into Agile Lab Srl effective for legal purposes from 1 December 2023.
(2) The company Consorzio per i Servizi di Telefonia Mobile ScpA changed its name to ConsorzioServizi ScpA; the change was registered in the Company Register of Rome on 29 March 2023.

These trade payables include:
- SDA Express Courier SpA: mainly for the pick-up, sorting and delivery service of national and international express products.
- PostePay SpA: mainly for collection and payment services under the service contract (€61 million) and for acquiring services (€22 million).

Contract liabilities

TAB. B7.3 – CONTRACT LIABILITIES

Description (€m)	Balance at 01.01.2023	Increases/ (Decreases)	Change due to recognition of revenue for period	Balance at 3 1.12.2023
Prepayments and advances from customers	433	12	-	445
Liabilities for fees to be refunded	68	(50)	42	60
Total	**501**	**(38)**	**42**	**505**
of which attributable to BancoPosta RFC	68	(50)	42	60

Advances from customers

This item refers to amounts received from customers as prepayment for the following services to be rendered:

TAB. B7.3.1 – PREPAYMENTS AND ADVANCES FROM CUSTOMERS

Description (€m)		Balance at 31.12.2023	Balance at 31.12.2022	Changes
Prepayments from overseas counterparties		179	223	(44)
Advances for Publishing from PCM	[tab.A8.1]	195	125	70
Advances for shipments		59	67	(8)
Advances for other services		12	18	(6)
Total		**445**	**433**	**12**
of which attributable to BancoPosta RFC		-	-	-

Liabilities for fees to be refunded represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.

B8 – Other liabilities (€3,360 million)

TAB. B8 – OTHER LIABILITIES

	Balance at 31.12.2023			Balance at 31.12.2022			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Due to staff	5	654	659	5	694	699	(40)
Social security payables	16	417	433	19	423	442	(9)
Other taxes payable	1,752	324	2,076	1,738	171	1,909	167
Other amounts due to subsidiaries	1	23	24	1	146	147	(123)
Sundry payables	15	15	30	12	19	31	(1)
Accrued liabilities and deferred income	136	2	138	132	2	134	4
Total	**1,925**	**1,435**	**3,360**	**1,907**	**1,455**	**3,362**	**(2)**
of which attributable to BancoPosta RFC	1,752	227	1,979	1,738	80	1,818	161

Due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2023. The breakdown is as follows:

TAB. B8.1 – DUE TO STAFF

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Fourteenth month salaries	-	202	202	-	198	198	4
Incentives	5	366	371	5	402	407	(36)
Accrued vacation pay	-	38	38	-	37	37	1
Other amounts due to staff	-	48	48	-	57	57	(9)
Total	**5**	**654**	**659**	**5**	**694**	**699**	**(40)**
of which attributable to BancoPosta RFC	-	5	5	-	5	5	0

The decrease in this item compared to the year 2022 is mainly attributable to the extraordinary component due to lower early retirement incentives.

Social security payables

TAB. B8.2 – SOCIAL SECURITY PAYABLES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
INPS	1	320	321	1	319	320	1
Pension funds	-	84	84	-	87	87	(3)
Health funds	-	5	5	-	5	5	-
INAIL	15	4	19	18	4	22	(3)
Other agencies	-	4	4	-	8	8	(4)
Total	**16**	**417**	**433**	**19**	**423**	**442**	**(9)**
of which attributable to BancoPosta RFC	-	3	3	-	3	3	-

Other taxes payable

TAB. B8.3 – OTHER TAXES PAYABLE

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Withholding tax on employees' and consultants' salaries	-	87	87	-	82	82	5
Withholding tax on postal current accounts	-	74	74	-	29	29	45
Stamp duty payable	1,752	129	1,881	1,738	21	1,759	122
Other taxes due	-	34	34	-	39	39	(5)
Total	**1,752**	**324**	**2,076**	**1,738**	**171**	**1,909**	**167**
of which attributable to BancoPosta RFC	1,752	216	1,968	1,738	68	1,806	162

The **stamp duty payable** includes the balance due to the Treasury for the tax paid virtually in the financial year 2023. The non-current portion of stamp duty payable primarily regards the amount due at 31 December 2023 on interest-bearing postal certificates in circulation, in compliance with the legislation referred to in note A9 – *Other receivables and assets*.

Other amounts due to subsidiaries

This item mainly includes the amount payable to subsidiaries by Poste Italiane SpA, as the consolidating entity in the tax consolidation arrangement (Note 2.5 – *Material information on accounting standards*), to whom the subsidiaries have transferred tax assets in the form of payments on account, withholding taxes and taxes paid overseas, after deducting IRES payable to the Parent Company by the subsidiaries, and the benefit connected with the tax loss contributed by the subsidiary Postel SpA in 2023. The decrease compared to the year 2022 is mainly due to Poste Vita SpA, which had a debit balance with the tax authorities at 31 December 2023.

Sundry payables

This item Payables breaks down as follows:

TAB. B8.5 – SUNDRY PAYABLES

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Sundry payables attributable to BancoPosta	-	3	3	-	5	5	(2)
Guarantee deposits	15	-	15	12	-	12	3
Other payables	-	12	12	-	14	14	(2)
Total	**15**	**15**	**30**	**12**	**19**	**31**	**(1)**
of which attributable to BancoPosta RFC	-	3	3	-	5	5	(2)

Accrued liabilities and deferred income

TAB. B8.6 – ACCRUED LIABILITIES AND DEFERRED INCOME

Description (€m)	Balance at 31.12.2023			Balance at 31.12.2022			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Deferred income	136	2	138	132	2	134	4
Total	**136**	**2**	**138**	**132**	**2**	**134**	**4**
of which attributable to BancoPosta RFC	-	-	-	-	-	-	-

The item **Accrued liabilities and deferred income** refers for €124 million to the non-repayable grant received in advance by the Company for the realisation of the "Polis Project - Home of Digital Services".

5.4 Notes to the Statement of Profit or loss

C1 – Revenue from sales and services (€9,880 million)

TAB. C1 – REVENUE FROM SALES AND SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Postal Services	3,149	3,112	37
of which Revenue from contracts with customers	3,149	3,112	37
recognised at a point in time	331	351	(20)
recognised over time	2,818	2,761	57
BancoPosta services	6,379	5,467	912
of which Revenue from contracts with customers	3,677	3,459	218
recognised at a point in time	231	233	(2)
recognised over time	3,446	3,226	220
Other sales of goods and services	352	325	27
of which Revenue from contracts with customers	352	325	27
recognised at a point in time	12	25	(13)
recognised over time	340	300	40
Total	**9,880**	**8,904**	**976**

Revenue from contracts with customers breaks down as follows.

Revenue from Postal Services

TAB. C1.1 – REVENUE FROM POSTAL SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Mail	1,744	1,748	(4)
Parcels	1,078	1,041	37
Philately	10	7	3
Total external revenue	**2,832**	**2,796**	**36**
Universal Service compensation	262	262	-
Publisher tariff subsidies	55	54	1
Total revenue	**3,149**	**3,112**	**37**

External revenue showed an increase compared to the financial year 2022, mainly due to revenue from the parcel segment, despite the expected structural decrease in revenue from traditional mail.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Annual compensation, amounting to €262 million, is established in the 2020-2024 Contratto di Programma (Service Contract) in force on 1 January 2020.

Publisher tariff subsidies[279] relate to the amount receivable by the Company from the Cabinet Office - Publishing Department as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation

279. Law no. 8 of 28 February 2020 - ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "*for a duration equal to that of the universal postal service*" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

is determined on the basis of the tariffs set in the decree issued by the Ministry of Enterprise and Made in Italy (former MiSE) in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. With AGCom Resolution 454/22/CONS of 30 December 2022, the new universal basic tariffs of the subsidised publishing products included in the Universal Service were defined. The Resolution provided for a gradual increase in the basic tariffs with a consequent increase in the compensation received by the Company per item sent at a subsidised rate. The amount of subsidies that the Company has granted is covered in the 2023 State Budget.

BancoPosta services

TAB. C1.2 – REVENUE FROM BANCOPOSTA SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Income from investment of postal current account deposits and free cash	2,702	2,008	694
Fees for collection of postal savings deposits	1,740	1,600	140
Insurance brokerage	623	538	85
Other revenue from current account services	428	431	(3)
Distribution of payment products and services	251	251	-
Commissions on payment of bills by payment slip	208	216	(8)
Distribution of loan products	191	226	(35)
Distribution of investment funds	94	70	24
Income from delegated services	91	89	2
Money transfers	17	13	4
Other products and services	34	25	9
Total	**6,379**	**5,467**	**912**

Revenue from financial services showed an increase compared to the year 2022, mainly due to income from investment of postal current account deposits and free cash and the remuneration of postal savings deposits.

Specifically:

- **Income from investment of postal current account deposits and free cash** breaks down as follows:

TAB. C1.2.1 – INCOME FROM INVESTMENT OF POSTAL CURRENT ACCOUNT DEPOSITS AND FREE CASH

Description (€m)	FY 2023	FY 2022	Changes
Income from investments in securities	1,962	1,482	480
Interest income on securities at amortised cost	780	677	103
Interest income on securities at FVTOCI	936	821	115
Interest income (expense) on asset swaps of CFH on securities at FVTOCI and CA	5	20	(15)
Interest income (expense) on asset swaps of FVH on securities at FVTOCI and CA	171	(79)	250
Interest income on repurchase agreements	70	43	27
Income from investments in tax credits	309	273	36
Interest income on tax credits at AC	309	189	120
Interest income on tax credits at FVTOCI	-	84	(84)
Income from deposits held with the MEF	446	252	194
Remuneration of current account deposits (deposited with the MEF)	441	323	118
Differential on derivatives stabilising returns	5	(71)	76
Portion of interest income on own liquidity (finance income)	(15)	(1)	(14)
Other income	-	2	(2)
Total	**2,702**	**2,008**	**694**

The increase in this item compared to the previous year is mainly attributable to the income from investments in securities and the income from deposits held with the MEF.

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The amount of income includes the impact of the interest rate hedge. The increase in this item compared to financial year 2022 was mainly due to the effects of the upward shift in the interest rate curve, which had a positive effect on the differentials exchanged in fair value hedge transactions, and to the higher profitability of both the new securities that entered the portfolio in financial year 2023, and those subject to the broader restructuring of fair value hedges as described in Note A6 - *Financial assets*.

Income from investments in tax credits relates to interest accrued during the year on the investments described in Note A10 - *Tax Credits Law no. 77/2020*.

Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited at Public Administration entities, remunerated at a variable rate as described in Note A6 - *Financial assets*. The increase compared to 31 December 2022 is mainly due to the rise in the interest rate curve.

- **Fees for the collection of postal savings deposits** relates to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti. The increase in this item reflects the consideration accrued at the relevant date, under the Supplementary and Amending Deed of 30 January 2024, effective retroactively from 1 January 2023 to 31 December 2023, to the Agreement with Cassa Depositi e Prestiti renewed on 23 December 2021 for the period 2021-2024.
- **Revenue from insurance brokerage** derives from fees receivable from the subsidiaries, Poste Vita and Poste Assicura, in return for the sale of insurance policies.
- **Revenue from current account services** primarily includes charges for account maintenance fees (€289 million), fees for collection and on-line credit transfer services (€80 million) and fees for reporting services carried out for customers (€4 million).
- Income from the **distribution of payment products** and services regards fees received in return for distributing and promoting the products issued by the subsidiary, PostePay SpA.
- Income from the **distribution of loan products** relate to commissions received by the Company on the placement of personal loans and mortgages on behalf of third parties.
- **Income from delegated services** primarily regards amounts received by the Company for the payment of pensions and bank transfers credited by INPS (€26 million) and services performed on the basis of the agreement with the MEF (€62 million).

Other sales of goods and services

The main revenue items include: income from the subsidiary PostePay SpA for the execution of card payment and payment transactions (€116 million); income for the promotion and marketing of the Energy offer (€11 million), income from the subsidiaries PostePay SpA (€49 million), Poste Vita SpA (€42 million), Postel SpA (€20 million) and SDA Express Courier SpA (€17 million) for technology services in support of business activities and income from call centre services (€16 million).

C2 – Other income (€271 million) and expenses (€633 million) deriving from financial activities

TAB. C2.1 – OTHER INCOME FROM FINANCIAL ACTIVITIES

Description (€m)	FY 2023	FY 2022	Changes
Income from equity instruments at FVTPL	8	2	6
Fair value gains	7	1	6
Realised gains	1	-	1
Dividends from other equity investments	-	1	(1)
Income from financial instruments at FVTOCI	164	262	(98)
Realised gains	164	262	(98)
Income from financial instruments at amortised cost	47	130	(83)
Realised gains	47	130	(83)
Income from fair value hedges	-	16	(16)
Fair value gains	-	16	(16)
Income from valuation of cash flow hedges	-	1	(1)
Fair value gains	-	1	(1)
Foreign exchange gains	3	5	(2)
Fair value gains	1	1	-
Realised gains	2	4	(2)
Other income	49	12	37
Total	**271**	**428**	**(157)**

The decrease in **Other income from financial activities,** compared to the previous year, was mainly due to lower realised gains from financial instruments at FVTOCI and at amortised cost, partially offset by higher other income for interest accrued on guarantee deposits paid to counterparties.

TAB. C2.2 – EXPENSES FROM FINANCIAL ACTIVITIES

Description (€m)	FY 2023	FY 2022	Changes
Interest expense	572	156	416
in customers' deposits	286	114	172
on guarantee deposits	158	25	133
on repurchase agreements	128	14	114
due to the Parent Company	-	4	(4)
Interest expense on own liquid funds (finance costs)	-	(1)	1
Expense from financial instruments at FVTOCI	54	4	50
Realised losses	54	4	50
Expenses from financial instruments at amortised cost	-	53	(53)
Realised losses	-	53	(53)
Expenses from financial instruments at FVTPL	7	2	5
Fair value losses	4	2	2
Realised losses	3	-	3
Total	**633**	**215**	**418**

Expenses from financial activities increased compared to the year 2022 mainly due to the effect of the change in the interest rate curve, which generated higher interest expenses on collateral deposits received from counterparties, on repurchase agreements and on postal current accounts of public customers.

C3 – Other operating income (€1,003 million)

TAB. C3 – OTHER OPERATING INCOME

Description (€m)	FY 2023	FY 2022	Changes
Dividends from subsidiaries	829	641	188
Gains on disposals[1]	96	3	93
Interest income on tax credits at CA	12	20	(8)
Rentals	14	14	-
Government grants	9	2	7
Recoveries of contract expenses and other recoveries	12	13	(1)
Reimbursement of personnel expenses	6	5	1
Other income	25	23	2
Total	**1,003**	**721**	**282**

(1) For the purposes of reconciliation with the statement of cash flows, in 2023 this item is positive for €93 million, after losses of €3 million. In 2022, this item, after losses of €2 million, amounted to a positive €1 million.

The increase in **Other operating income** was mainly due to higher dividends distributed by subsidiaries during the year and the capital gain of about €91 million generated by the sale of the controlling interest in the company sennder (see Note A5 - *Investments*).

Dividends from subsidiaries

TAB. C3.1 – DIVIDENDS FROM SUBSIDIARIES

Description (€m)	FY 2023	FY 2022	Changes
Poste Vita SpA	450	397	53
PostePay SpA	305	119	186
SDA Express Courier SpA	35	91	(56)
BancoPosta Fondi SpA SGR	27	26	1
sennder Italia Srl	4	-	4
PosteWelfare SpA	3	-	3
EGI SpA	2	2	-
Sengi Express Limited	2	2	-
Poste Air Cargo Srl	1	1	-
Postel SpA	-	3	(3)
Total	**829**	**641**	**188**

C4 – Cost of goods and services (€2,640 million)

TAB. C4 – COST OF GOODS AND SERVICES

Description (€m)	FY 2023	FY 2022	Changes
Service costs	2,392	2,279	113
Lease expense	127	100	27
Raw, ancillary and consumable materials and goods for resale	121	118	3
Total	**2,640**	**2,497**	**143**

Costs of goods and services increased by a total of €143 million compared to the financial year 2022. This trend is mainly attributable to the general increase in costs generated by the international inflationary pressure, the increase in costs for logistics and delivery services related to parcels, and fees related to the increased use of cloud technology.

Service costs

TAB. C4.1 – SERVICE COSTS

Description (€m)	FY 2023	FY 2022	Changes
Transport of mail, parcels and forms	1,212	1,101	111
Outsourcing fees and external service charges	403	413	(10)
Routine maintenance and technical assistance	198	214	(16)
Personnel services	133	122	11
Energy and water	105	72	33
Cleaning, waste disposal and security	80	93	(13)
Transport of cash	56	61	(5)
Telecommunications and data transmission services	49	54	(5)
Exchange of mail and telegraphy	46	44	2
Advertising and promotions	44	44	-
Electronic document management, printing and enveloping services	25	25	-
Insurance premiums	16	12	4
Agent commissions and other	15	12	3
Consultants' fees and legal expenses	9	12	(3)
Securities custody and management fees	1	-	1
Total	**2,392**	**2,279**	**113**

Lease expense

TAB. C4.2 – LEASE EXPENSE

Description (€m)	FY 2023	FY 2022	Changes
Equipment hire and software licences	110	84	26
Property rentals	11	10	1
Vehicle leases	2	2	-
Other lease expense	4	4	-
Total	**127**	**100**	**27**

Raw, ancillary and consumable materials and goods for resale

TAB. C4.3 – RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

Description (€m)	FY 2023	FY 2022	Changes
Fuels and lubricants	53	54	(1)
Consumables and goods for resale	35	35	-
Change in inventories of raw, ancillary and consumable materials	-	7	(7)
Stationery and printed matter	27	18	9
Printing of postage and revenue stamps	6	4	2
Total	**121**	**118**	**3**

C5 – Personnel expenses (€5,348 million)

TAB. C5 – PERSONNEL EXPENSES

Description (€m)	Notes	FY 2023	FY 2022	Changes
Wages and salaries		3,874	3,694	180
Social security contributions		1,096	1,050	46
Employee termination benefits: supplementary pension funds and INPS		228	225	3
Agency staff		1	1	-
Remuneration and expenses paid to Directors		2	2	-
Share-based payments		10	7	3
Early retirement incentives		11	21	(10)
Net provisions (reversals) for disputes with staff	[tab. B4]	9	(3)	12
Allocations to the provisions for early retirement incentives	[tab. B4]	158	53	105
Amounts recovered from staff due to disputes		(3)	(5)	2
Other personnel expenses/(cost recoveries)		(38)	(58)	20
Total		**5,348**	**4,987**	**361**

Personnel expenses increased by €361 million compared to the financial year 2022, attributable, for the ordinary component mainly to the increase in the unit cost, and for the extraordinary component, to higher provisions for early retirement incentives and the additional and extraordinary performance bonus, paid in November 2023, amounting to approximately €130 million. The increase in the unit cost is mainly attributable to the increase in the July 2022 and July 2023 contractual minimums in connection with the national collective labour agreement renewed in June 2021 and the increase in the variable component driven by the share linked to sales activities.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B4 – *Provisions for risks and charges*.

The following table shows the Company's average and year-end headcounts by category:

TAB. C5.1 – NUMBER OF EMPLOYEES

	Average			Year end		
Permanent workforce	**FY 2023**	**FY 2022**	**Changes**	**31.12.2023**	**31.12.2022**	**Changes**
Executives	541	537	4	533	537	(4)
Middle managers (A1)	6,573	6,511	62	6,530	6,486	44
Middle managers (A2)	7,549	7,564	(15)	7,483	7,522	(39)
Grades B, C, D	85,640	87,430	(1,790)	83,432	87,052	(3,620)
Grades E, F	6,303	4,611	1,692	6,435	6,057	378
Total employees on permanent contracts*	**106,606**	**106,653**	**(47)**	**104,413**	**107,654**	**(3,241)**

* Figures expressed in full-time equivalent terms.

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 114,613 (in 2022: 115,808).

C6 – Depreciation, amortisation and impairments (€773 million)

TAB. C6 – DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Description (€m)	**FY 2023**	**FY 2022**	**Changes**
Depreciation of property, plant and equipment	205	200	5
Impairments/recoveries/adjustments of property, plant and equipment	-	(8)	8
Depreciation of investment property	1	1	-
Amortisation and impairments of intangible assets	344	345	(1)
Depreciation of right-of-use assets	223	208	15
Impairments/recoveries/adjustments of right of use	-	(2)	2
Total	**773**	**744**	**29**

Depreciation, amortisation and impairments showed an increase of €29 million compared to the year 2022, mainly due to higher depreciation on Property, plant and equipment (€5 million), on rights of use (€15 million), largely related to the expansion of the leased fleet.

C7 – Other operating costs (€223 million)

TAB. C7 – OTHER OPERATING COSTS

Description (€m)	Notes	FY 2023	FY 2022	Changes
Operational risk events		28	25	3
Thefts		4	3	1
Loss of BancoPosta assets, net of recoveries		3	4	(1)
Other operating losses of BancoPosta		21	18	3
Net provisions for risks and charges made/(released)		61	322	(261)
for disputes with third parties	[tab. B4]	(19)	22	(41)
for operational risks	[tab. B4]	(2)	(12)	10
for taxation	[tab. B4]	1	1	-
for other risks and charges	[tab. B4]	1	(9)	10
for risks on tax credits - Law no. 77/2020	[tab. B4]	80	320	(240)
Capital losses		3	2	1
Other taxes and duties		103	95	8
Municipal property tax		27	28	(1)
Stamp duty		38	28	10
Other taxes and duties		38	39	(1)
Other current expenses		28	29	(1)
Total		**223**	**473**	**(250)**

Other operating costs decreased compared to the year 2022 due to lower provisions for risks and charges, see Note B4 - *Provisions for risks and charges* and Note A10 - *Tax Credits, Law no. 77/2020*.

C8 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€50 million)

TAB. C8 – IMPAIRMENT LOSSES/(REVERSALS OF IMPAIRMENT LOSSES) ON DEBT INSTRUMENTS, RECEIVABLES AND OTHER ASSETS

Description (€m)	FY 2023	FY 2022	Changes
Net impairment trade receivables and other assets	42	89	(47)
Net impairment debt instruments and receivables of financial operations	8	8	-
Total	**50**	**97**	**(47)**

C9 – Finance income (€176 million) and costs (€111 million)

Finance income

TAB. C9.1 – FINANCE INCOME

Description (€m)	Notes	FY 2023	FY 2022	Changes
Income from subsidiaries and associates		134	76	58
Interest on loans		22	10	12
Interest on non-convertible subordinated capital instruments		57	15	42
Interest on intercompany current accounts		1	-	1
Dividends from associates(1)		13	11	2
Other finance income		41	40	1
Income from financial instruments at FVTOCI		5	1	4
Interest on fixed-income instruments		2	1	1
Dividends from other equity investments (1)		3	-	3
Income from financial instruments at FVTPL		1	5	(4)
Accrued differentials on derivative instruments at FVTPL		1	5	(4)
Income from financial instruments - cash flow hedges		6	-	6
Realised gains		6	-	6
Other finance income		25	6	19
Remuneration of own liquid funds of Poste Italiane	[tab. C1.2.1]	15	1	14
Finance income on discounting receivables(2)		2	2	-
Late payment interest		27	21	6
Impairment of amounts due as late payment interest		(26)	(20)	(6)
Other income		7	2	5
Foreign exchange gains(1)		5	7	(2)
Total		**176**	**95**	**81**

(1) For the purposes of reconciliation with the statement of cash flows, in 2023 finance income after foreign exchange gains and dividends from associates and other investments amounts to €155 million (€77 million in 2022).
(2) Finance income on discounted receivables regards interest on amounts due from staff and INPS for CTD agreements.

Finance income increased compared to 2022 mainly due to interest accrued and paid on the subordinated, non-convertible capital instrument issued by the subsidiary Poste Vita SpA in 2022 and subscribed by Poste Italiane (€42 million), interest on loans granted to subsidiaries (€12 million), the latter described in Note A6 - *Financial assets*, and interest accrued on postal current accounts in the name of Poste Italiane as a result of the upward shift in the interest rate curve (€14 million).

Finance costs

TAB. C9.2 – FINANCE COSTS

Description (€m)	Notes	FY 2023	FY 2022	Changes
Finance costs on financial liabilities		69	30	39
on lease payables		21	19	2
on due to financial institutions		6	4	2
on bonds		5	4	1
from derivative instruments		-	1	(1)
on payables due to parent companies		37	2	35
Finance costs on provisions for employee termination benefits	[tab. B5]	25	15	10
Finance costs on provisions for risks	[tab. B4]	3	1	2
Interest expense on own liquid funds	[tab. C2.2]	-	1	(1)
Other finance costs		8	20	(12)
Foreign exchange losses(1)		6	4	2
Total		**111**	**71**	**40**

(1) For the purposes of reconciliation with the statement of cash flows, in 2023 finance costs after foreign exchange losses amounted to €105 million (€67 million in 2022).

Finance costs increased compared to the financial year 2022 mainly due to higher interest on payables to subsidiaries for running current account relationships (Note B6 - *Financial liabilities*).

C10 – Impairment losses/(reversals of impairment losses) on financial assets

Reversal of impairment losses of €25 million in relation to the receivable for interest income on the IRES reimbursement, as described in Note A9 - *Other receivables and assets*.

C11 – Income tax expense (€229 million)

The nominal IRES rate is 24%, while the theoretical average IRAP rate is 4.53%[280]. The breakdown of income taxes for the year is as follows:

TAB. C11 – INCOME TAX EXPENSE

Description (€m)	FY 2023			FY 2022			
	IRES	IRAP	Total	IRES	IRAP	Total	Changes
Current tax expense	168	42	210	132	43	175	35
Deferred tax assets	17	1	18	68	10	78	(60)
Deferred tax liabilities	1	-	1	-	-	-	1
Total	**186**	**43**	**229**	**200**	**53**	**253**	**(24)**

280. The nominal tax rate for IRAP is 3.90% for entities as a whole and 4.20% for entities that hold concessions other than those relating to the construction and operation of motorways and tunnels (+/–0.92% resulting from regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit).

The tax rate for 2023 is 14.16% and consists of:

TAB. C11.1 – RECONCILIATION BETWEEN THEORETICAL AND EFFECTIVE IRES RATE

Description (€m)	FY 2023		FY 2022	
	IRES	Impact %	IRES	Impact %
Profit before tax	*1,619*		*1,100*	
Theoretical tax charge	389	24.0%	264	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(192)	-11.83%	(148)	-13.47%
Realised gains on investments	(21)	-1.28%	-	-
Net provisions for risks and charges and doubtful debts	21	1.29%	98	8.93%
Taxation for previous years	(9)	-0.54%	(8)	-0.72%
Non-deductible out-of-period losses	5	0.31%	4	0.36%
Non-deductible taxes	1	0.02%	1	0.05%
Other	(8)	-0.47%	(5)	-0.44%
Effective tax (before recognition of the Patent Box and ACE tax effect)	**186**	**11.50%**	**206**	**18.72%**
Patent Box and ACE (aid for economic growth) tax effect - previous years	-	-	(6)	-0.56%
Effective tax charge	**186**	**11.50%**	**200**	**18.16%**

TAB. C11.2 – RECONCILIATION BETWEEN THEORETICAL AND EFFECTIVE IRAP RATE

Description (€m)	FY 2023		FY 2022	
	IRAP	Impact %	IRAP	Impact %
Profit before tax	*1,619*		*1,100*	
Theoretical tax charge	73	4.53%	49	4.48%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(38)	-2.36%	(29)	-2.65%
Non-deductible personnel expenses	21	1.31%	17	1.56%
Net provisions for risks and charges and doubtful debts	(3)	-0.16%	18	1.62%
Non-deductible out-of-period losses	1	0.06%	1	0.07%
Finance income and costs	(3)	-0.20%	(1)	-0.14%
Impairment losses/(reversals of impairment losses) on financial assets	(2)	-0.12%	-	0.00%
Non-deductible taxes	1	0.08%	1	0.11%
Realised gains on investments	(4)	-0.26%	-	0.00%
Taxation for previous years	(1)	-0.10%	(1)	-0.05%
Other	(2)	-0.11%	(2)	-0.15%
Effective tax (before recognition of the Patent Box tax effect)	**43**	**2.66%**	**53**	**4.85%**
Patent Box tax effect - previous years	-	-	-	-
Effective tax charge	**43**	**2.66%**	**53**	**4.85%**

With regard to the deductibility of losses related to the non-compensation of tax credits, and the provision for risks on tax credits (see also Note A10 - Tax Credits Law no. 77/2020), on 25 January 2024, the Agenzia delle Entrate's response was received to the request for a tax ruling presented by the Company; the response received provides indications that lend themselves to different interpretations and discussions are currently under way with the Agenzia delle Entrate to define the correct interpretation and the consequent impact on the various applicable cases. Given the continuing situation of interpretative uncertainty, based on the provisions of IFRIC 23 - Uncertainty in Income Tax Treatments, these items have been conservatively evaluated as non-deductible. The possible positive tax effects that may emerge as a result of potential developments in the interpretation of the cases in question, following the conclusion of discussions with the Agenzia delle Entrate will be reflected in financial statements after 2023.

Current tax expense

TAB. C11.3 – MOVEMENTS IN CURRENT TAX ASSETS/(LIABILITIES)

Description (€m)	CURRENT TAX 2023 IRES Assets/(Liabilities)	CURRENT TAX 2023 irap Assets/(Liabilities)	Total
Balance at 1 January	**71**	**(17)**	**54**
Payments	25	26	51
for payments on account for the current year	19	24	43
for balance payable for the previous year	-	2	2
substitute tax	6	-	6
Offsetting - tax credits Law no. 77/2020	339	39	378
Collection of claim for IRAP refund	-	(1)	(1)
Collection of ACE 2013 credit	(6)	-	(6)
Provisions to profit or loss	(168)	(42)	(210)
for current liabilities	(168)	(42)	(210)
Provisions to equity	7	-	7
Tax consolidation	(374)	-	(374)
Other*	20	-	20
Balance at 31 December	**(86)**	**5**	**(81)**
of which:			
Current tax assets	62	6	68
Current tax liabilities	(148)	(1)	(149)

* This item mainly refers to receivables for withholding taxes.

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

At 31 December 2023, current tax assets/(liabilities) include:

- liabilities of €148 million relating to all companies participating in tax consolidation determined by IRES and IRAP provisions for the year 2023, net of IRES and IRAP advances and IRES and IRAP receivables from the previous year;
- assets for a residual €14 million related to the adhesion to the Patent Box regime for the financial years 2017-2019. Following the submission of the relevant supplementary tax return, the IRES credit related to the Aid for Economic Growth (ACE) for the financial year 2013 of €6 million was collected in the year under review;
- assets for a total of €14 million related to a request for a tax ruling referring to the tax recognition of income components arising from the management of postal current account balances;
- the substitute tax credit of a residual €13 million relating to the redemption carried out by the Company during 2018, pursuant to art. 15, paragraph 10 *ter* of Law Decree no. 185 of 29 November 2008, of the higher values resulting from the notes to the consolidated financial statements at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl;
- assets for a residual €9 million recognised as a result of the responses received to two requests for a tax ruling filed with the Agenzia delle Entrate concerning the tax effects of application of IFRS 9 and 15. These assets will become compensable after the submission of the relevant supplementary tax returns;
- the substitute tax credit for a residual €7 million relating to the redemption carried out by the Company during 2022, pursuant to art. 15, paragraphs 10 *bis* and 10 *ter* of Law Decree no. 185 of 29 November 2008, of the goodwill arising from the acquisition of the Nexive Group and Sengi HK investments;
- assets totalling €6 million relating to the redemption carried out by the Company during the year under review, pursuant to art. 15, paragraph 10 *ter* of Law Decree no. 185 of 29 November 2008, of the goodwill arising from the acquisition of Sourcesense SpA and Agile Power Srl investments. The payment of the substitute tax will allow, from the second financial year following payment, the amounts of the redeemed goodwill to be deducted for tax purposes.

Deferred tax assets and liabilities

Details of this item at 31 December 2023 are shown in the following table:

TAB. C11.4 – DEFERRED TAXES

Description (€m)	Balance at 31.12.23	Balance at 31.12.22	Changes
Deferred tax assets	928	1.455	(527)
Deferred tax liabilities	(272)	(232)	(40)
Total	**656**	**1.223**	**(567)**
of which attributable to BancoPosta RFC			
Deferred tax assets	642	1.157	(515)
Deferred tax liabilities	(266)	(226)	(40)

Movements in deferred tax assets and liabilities are shown below:

TAB. C11.5 – MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES

Description (€m)	Notes	FY 2023
Balance at 1 January		**1,223**
Net income/(expense) recognised in profit or loss		(19)
Net income/(expense) recognised in equity	[tab. C11.8]	(548)
Balance at 31 December		**656**

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

TAB. C11.6 – MOVEMENTS IN DEFERRED TAX ASSETS

Description (€m)	Investment property	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Contract liabilities	Other	Total
Balance at 1 January 2023	**17**	**1,117**	**78**	**198**	**14**	**31**	**1,455**
Income/(expense) recognised in profit or loss	(1)	-	1	(23)	9	(4)	(18)
Income/(expense) recognised in equity	-	(509)	-	-	-	-	(509)
Balance at 31 December	**16**	**608**	**79**	**175**	**23**	**27**	**928**

TAB. C11.7 – MOVEMENTS IN DEFERRED TAX LIABILITIES

Description (€m)	Financial assets and liabilities	Gains	Other	Total
Balance at 1 January 2023	**229**	**1**	**1**	**231**
Expense/(income) recognised in profit or loss	-	-	1	1
Expense/(income) recognised in equity	40	-	-	*40*
Extraordinary transactions	-	-	-	-
Balance at 31 December 2023	**269**	**1**	**2**	**272**

At 31 December 2023, deferred tax assets and liabilities recognised directly in equity are as follows:

TAB. C11.8 – DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED IN EQUITY

Description (€m)	FY 2023
Fair value reserve for financial assets at FVTOCI	(616)
Cash flow hedge reserve for hedging derivative instruments	68
Actuarial gains/(losses) on employee termination benefits	-
Total	**(548)**

5.5 Related party transactions

Impact of related party transactions on statement of financial position and profit or loss

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2023

	Balance at 31.12.2023								
Name (€m)	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
BancoPosta Fondi SpA SGR		-	29	1		11	30	3	-
CLP ScpA		-	3	1		-	-	112	-
Consorzio PosteMotori		-	3	-		1	-	-	-
Consorzio Servizi ScpA		2	-	-		-	-	19	-
EGI SpA		-	-	-		1	51	-	1
Poste Welfare Servizi Srl		-	5	10		-	14	13	1
Poste Air Cargo Srl		5	1	-		-	-	-	-
PatentiViaPoste ScpA		-	1	-		1	16	-	-
Poste Vita SpA		259	355	104		721	247	2	1
Postel SpA		19	58	3		-	-	16	4
PostePay SpA	185	-	189	18		10,197	855	85	1
SDA Express Courier SpA		69	19	-		3	-	176	12
Milkman Deliveries SpA		-	-	-		3	8	6	-
Nexive Network Srl		9	1	3		-	5	-	2
Nexive Scarl		-	13	-		-	6	-	1
Sengi Express Limited LIM		-	66	-		-	-	-	-
Agile Lab Srl		1	-	-		-	-	2	-
Sourcesense SpA		4	-	-		-	-	4	-
Indirect subsidiaries									
Address Software Srl		-	-	-		-	-	1	-
Kipoint SpA		-	1	-		-	2	3	-
Poste Assicura SpA		-	16	6		6	-	-	-
Plurima SpA		46	-	-		-	-	-	1
Bridge Technologies Srl		-	-	-		-	-	2	-
Poste Insurance Broker		-	-	-		2	-	-	-
LIS Holding SpA		-	-	6		-	85	-	-
LIS Pay SpA		-	1	-		1	63	-	-
Associates									
ItaliaCamp Srl		-	1	-		-	-	-	-
Financit SpA		-	3	-		-	-	17	-
sennder Italia Srl		-	-	-		36	-	-	-
External related parties									
MEF	8,937	-	364	2	874	5,371	4	4	1
Cassa Depositi e Prestiti Group	2,891		251	1		-	-	16	-
Enel Group	-		24	-		-	-	-	-
Eni Group	-		4	-		-	-	3	-
Leonardo Group	-		-	-		-	-	11	-
Monte dei Paschi di Siena Group	224		1	-	-	351	-	-	-
Invitalia Group	-	20	1	-		-	-	-	-
Other external related parties	-	-	24	-	-	-	4	1	69
Provisions for doubtful debts from related parties	(7)	(20)	(36)	-	-				
Total	**12,230**	**414**	**1,398**	**155**	**874**	**16,705**	**1,390**	**496**	**94**

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2022

	Balance at 31.12.2022								
Name (€m)	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
BancoPosta Fondi SpA SGR	-	-	20	1	-	7	30	3	-
CLP ScpA	-	-	3	-	-	-	-	100	-
Consorzio PosteMotori	-	-	3	-	-	3	-	-	-
Consorzio Servizi ScpA	-	-	-	-	-	1	-	14	-
EGI SpA	-	-	1	-	-	1	56	-	-
Poste Welfare Servizi Srl	-	-	5	2	-	-	8	4	-
Poste Air Cargo Srl	-	5	1	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	4	-	-	3	13	-	-
Poste Vita SpA	-	253	333	-	-	197	190	2	121
Postel SpA	-	-	47	3	-	1	6	17	3
PostePay SpA	80	-	282	25	-	9,404	915	123	1
SDA Express Courier SpA	-	48	17	-	-	5	24	145	18
Milkman Deliveries SpA	-	-	-	-	-	20	9	-	-
Nexive Network Srl	-	-	1	-	-	7	4	9	-
Nexive Scarl	-	17	3	1	-	-	-	-	2
Sengi Express Limited LIM	-	-	11	-	-	-	6	-	1
Agile Lab Srl	-	-	33	-	-	-	-	-	-
Sourcesense SpA	-	-	-	-	-	-	-	1	-
Indirect subsidiaries									
Address Software Srl	-	-	-	-	-	-	-	1	-
Kipoint SpA	-	-	1	-	-	1	1	2	-
Poste Assicura SpA	-	-	23	-	-	12	4	1	1
Plurima Bidco Srl	-	43	-	-	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	3	-	-	-
LIS Holding SpA	-	-	-	-	-	-	50	-	-
LIS Pay SpA	-	-	-	-	-	23	-	-	-
Associates									
Financit SpA	-	-	3	-	-	-	-	16	-
External related parties									
MEF	11,907	-	379	3	1,991	4,168	4	4	1
Cassa Depositi e Prestiti Group	2,865	-	24	-	-	-	-	13	-
Enel Group	-	-	22	-	-	-	-	-	-
Eni Group	-	-	4	-	-	-	-	7	-
Leonardo Group	-	-	-	-	-	-	-	15	-
Monte dei Paschi di Siena Group	276	-	1	-	-	396	-	-	-
Invitalia Group	-	20	1	-	-	-	-	-	-
Other external related parties	-	-	18	-	-	-	3	2	67
Provisions for doubtful debts from related parties	(7)	(21)	(35)	-	-	-	-	-	-
Total	**15,121**	**365**	**1,207**	**35**	**1,991**	**14,252**	**1,323**	**479**	**215**

At 31 December 2023, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and attributable primarily to trading relations amount to €59 million (€67 million at 31 December 2022).

IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS IN FY 2023

	Esercizio 2023									
	Revenue			Costs						
				Capital expenditure		Current expenses				
Name (€m)	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Expenses from financial activities	Personnel expenses	Other operating costs	Finance costs
Direct subsidiaries										
BancoPosta Fondi SpA SGR	103	28	-		-	13	-	(1)	-	1
CLP ScpA	1	-	-	2	-	314	-	-	1	-
Consorzio Servizi ScpA	-	-	-		-	27	-	-	1	-
EGI SpA	-	3	-		-	1	-	-	4	1
Poste Welfare Servizi Srl	4	3	-		-	2	-	-	-	-
Poste Air Cargo Srl	1	2	-		-	-	-	-	-	-
PatentiViaPoste ScpA	22	-	-		-	-	-	-	-	-
Poste Vita SpA	655	452	113		-	-	24	-	-	4
Postel SpA	43	2	1		-	30	-	(1)	-	-
PostePay SpA	491	309	-		-	207	43	-	-	28
SDA Express Courier SpA	21	38	4		-	839	-	(1)	-	1
Milkman Deliveries SpA	-	-	-		-	32	-	(1)	-	-
Nexive Network Srl	2	-	1		-	-	-	-	-	-
Nexive Scarl	-	3	-		-	-	-	(1)	-	-
Sengi Express Limited LIM	114	2	-		-	-	-	-	-	-
Agile Lab Srl	-	-	-		2	-	-	-		-
Sourcesense SpA	-	-	-		6	-	-	-	-	-
Indirect subsidiaries										
Address Software Srl	-	-	-		-	1	-	-	-	-
Kipoint SpA	1	-	-		-	3	-	-	-	-
Poste Assicura SpA	72	1	-		-	-	-	-	-	-
Plurima SpA	-	-	2		-	-	-	-	-	-
Bridge Technologies Srl	-	-	-		1		-	-		-
Poste Insurance Broker	1	-	-		-		-	-		-
LIS Holding SpA	-	-	-		-	-	-	-		2
LIS Pay SpA	-	-	-		-	-	-	-	-	1
Associates										
Anima Group	2	-	8		-	-	-	-	-	-
Financit SpA	30	-	4		-	-	-			-
sennder Italia Srl	-	95	-		-	-	-	-	-	-
External related parties										
MEF	1,315	-	15	-	-	1	-	-	1	-
Cassa Depositi e Prestiti Group	1,832	-	-	8	2	10	-	-	-	-
Enel Group	35	-	-	-	-	-	-	-	-	-
Eni Group	21	-	-	-	-	30	-	-	-	-
Leonardo Group	-	-	-	-	4	23	-	-	-	-
Monte dei Paschi di Siena Group	14	2	-	-	-	-	7	-	-	-
Invitalia Group	2		-	-	-	-	-	-	-	-
Other external related parties	31	3	-	-	-	6	-	73	1	-
Total	**4,813**	**943**	**148**	**10**	**15**	**1,539**	**74**	**68**	**8**	**38**

IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS IN FY 2022

	FY 2022										
	Revenue			Costs							
				Capital expenditure		Current expenses					
Name (€m)	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Direct subsidiaries											
BancoPosta Fondi SpA SGR	75	27	-	-	-	13	-	(1)	-	-	-
CLP ScpA	1	-	-	2	-	270	-	-	1	-	-
Consorzio PosteMotori	4	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	18	-	-	-	-	-
EGI SpA	-	2	-	-	-	1	-	-	-	-	1
Poste Welfare Servizi Srl	4	-	-	-	-	1	-	-	-	-	-
Poste Air Cargo Srl	1	2	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	27	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	571	400	63	-	-	-	3	(1)	-	-	-
Postel SpA	44	7	-	-	-	29	-	-	-	-	-
PostePay SpA	460	123	-	-	-	219	26	(1)	-	-	2
SDA Express Courier SpA	21	96	2	-	-	756	-	(2)	-	-	-
Milkman Deliveries SpA	-	-	-	-	-	34	-	-	-	-	-
Nexive Network Srl	2	1	-	-	-	1	-	(1)	-	-	-
Nexive Scarl	-	4	-	-	-	-	-	-	-	-	-
Sengi Express Limited LIM	92	2	-	-	-	-	-	-	-	-	-
Indirect subsidiaries											
Address Software Srl	-	-	-	-	-	1	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	3	-	-	-	-	-
Poste Assicura SpA	63	-	-	-	-	-	-	-	-	-	-
Plurima Bidco Srl	-	-	1	-	-	-	-	-	-	-	-
Poste Insurance Broker	1	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	2	-	11	-	-	-	-	-	-	-	-
Financit SpA	40	-	-	-	-	-	-	-	-	-	-
External related parties											
MEF	1,105	-	1	-	-	1	3	-	-	1	1
Cassa Depositi e Prestiti Group	1,679	-	-	9	3	10	-	-	-	-	1
Enel Group	40	-	-	-	-	-	-	-	-	-	-
Eni Group	11	-	-	-	-	29	-	-	-	-	-
Leonardo Group	-	-	-	-	3	25	-	-	-	-	-
Monte dei Paschi di Siena Group	12	1	-	-	-	-	1	-	-	-	-
Invitalia Group	3	-	-	-	-	-	-	-	-	-	-
Other external related parties	27	2	-	-	-	4	-	71	-	-	-
Total	**4,285**	**667**	**78**	**11**	**6**	**1,415**	**33**	**65**	**2**	**1**	**5**

At 31 December 2023, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and primarily attributable to trading relations amount to €0.07 million (€0.7 million at 31 December 2022).

The nature of the Company's principal transactions with related parties external to the Group is summarised below:

- The fees recognised by the MEF mainly relate to the remuneration for the performance of the Universal Service (USO), remuneration for delegated services, remuneration for postal current account management services, fees for the notification service and for consignments without material postage.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised mail sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, the supply of software licences and of hardware and the associated maintenance and specialist consulting services.
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions or positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

IMPACT OF RELATED PARTY TRANSACTIONS

	Balance at 31.12.2023			Balance at 31.12.2022		
Description (€m)	**Total in financial statements**	**Total related parties**	**Impact (%)**	**Total in financial statements**	**Total related parties**	**Impact (%)**
Financial position						
Financial assets	81,272	12,644	15.6	84,196	15,486	18.4
Trade receivables	2,774	1,397	50.4	2,657	1,207	45.4
Other receivables and assets	2,777	155	5.6	2,620	35	1.3
Cash and cash equivalents	1,223	874	71.5	2,258	1,991	88.2
Provisions for risks and charges	1,228	59	4.8	1,257	67	5.3
Financial liabilities	96,863	18,095	18.7	104,703	15,575	14.9
Trade payables	1,967	496	25.2	1,970	479	24.3
Other liabilities	3,361	94	2.8	3,362	215	6.4
Profit or loss						
Revenue from sales and services	9,880	4,814	48.7	8,904	4,285	48.1
Other operating income	1,004	943	94.0	721	667	92.5
Cost of goods and services	2,640	1,539	58.3	2,498	1,415	56.6
Expenses from financial activities	633	74	11.7	215	33	15.3
Personnel expenses	5,348	68	1.3	4,987	65	1.3
Other operating costs	223	8	3.6	473	8	1.7
Finance costs	111	38	34.2	71	5	7.0
Finance income	176	148,357	84.3	94	78	83.0
Cash flows						
Net cash flow from/(for) operating activities	850	4,970	584.7	2,064	2,766	134.0
Net cash flow from/(for) investing activities	(843)	(43)	5.1	(2,255)	(1,096)	48.6
Net cash flow from/(for) financing activities and shareholder transactions	(1,042)	758	n.a.	1,419	(417)	n.a.

Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors and the Supervisory Board, managers at the first organisational level of the Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, is as follows:

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Description (€k)	Balance at 31.12.2023	Balance at 31.12.2022
Remuneration to be paid in short/medium term	14,343	13,164
Post-employment benefits	580	571
Other benefits to be paid in longer term	(787)	1,871
Share-based payments	4,936	2,469
Total	**19,072**	**18,075**

REMUNERATION OF STATUTORY AUDITORS

Description (€k)	Balance at 31.12.2023	Balance at 31.12.2022	Changes
Remuneration	263	264	(1)
Expenses	3	1	2
Total	**266**	**265**	**1**

The remuneration paid to members of the Company's Supervisory Board for 2023 amounts to approximately €96 thousand. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the year and, at 31 December 2023, the Company does not report receivables in respect of loans granted to key management personnel.

Transactions with personnel pensions funds

Poste Italiane SpA and the subsidiaries that apply the National Collective Labour Agreement are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the Shareholders' Meeting.


POSTE

6. Risk management

Introduction

The note "Risk Management" presents information on the Poste Italiane Group's exposure to risks of various kinds and includes a discussion of financial risks (pursuant to IFRS 7 - *Financial Instruments*: *Disclosures*), risks of an insurance nature (pursuant to the new IFRS*17 - Insurance Contracts*) as well as other risks for which it is deemed appropriate/necessary to provide information, also taking into account the recommendations published by ESMA and Consob[281] during the year.

Qualitative information on the objectives, policies and processes adopted by the Group for the measurement and management of risks is provided in a single section, common to the Poste Italiane Group and Poste Italiane SpA, while the quantitative information required by the above-mentioned principles is provided in separate paragraphs within this note, unless otherwise indicated.

Qualitative information

Financial risk

Within the Parent Company, the management of lending and risk hedging operations relating to BancoPosta RFC and Poste Italiane are entrusted to BancoPosta Fondi SpA SGR, while finance activities, relating to treasury and medium/long-term funding operations, including on the capital market, as well as extraordinary and subsidised finance initiatives, are entrusted to the Administration, Finance and Control function.

Management of the Group's financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- **Poste Italiane SpA's** financial transactions primarily relate to BancoPosta's operations, asset financing and liquidity investment.

  BancoPosta RFC's operations consist in the active management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds raised by private customers on postal current accounts must be used in euro area government securities and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee[282], whilst deposits by Public Administration entities are deposited with the MEF. Moreover, within the 50% of deposits from private customers that can be invested in Italian government-guaranteed securities, BancoPosta RFC may use up to a maximum of 30% of that portion to purchase tax credits transferable pursuant to Law Decree no. 34/2020 (the so-called Relaunch Decree) and subsequent amendments and additions, or other tax credits transferable pursuant to current legislation[283].

  The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of postal current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks. The prudential requirements introduced by the third revision of the Bank

281. Public statement ESMA32-193237008-1793 of 25 October 2023 "European common enforcement priorities for 2023 annual financial reports" and Consob communication of 27 October 2023.
282. As provided for by Law no. 296 of 27 December 2006 and subsequent amendments provided for by the 2015 Stability Law, no. 190 of 23 December 2014.
283. As provided for in Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021.

of Italy Circular 285/2013 require BancoPosta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). BancoPosta RFC is, therefore, required to establish a system of internal controls in line with the provisions of Circular 285[284], which, among other things, requires definition of a Risk Appetite Framework (RAF[285]), the containment of risks within the limits set by the RAF, protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

BancoPosta's capital structure, which is subject to the prudential provisions introduced with the 3rd update of Bank of Italy Circular 285/2013, is particularly solid due to its CET1 ratio, which stood at 18.9% at 31 December 2023. The Leverage Ratio showed a year-end value of 3.2%, an increase compared to 31 December 2022, also as a result of the contraction in the assets of the Statement of financial position linked, mainly, to the decrease in loans.

By contrast, operations not covered by BancoPosta RFC, primarily relating to management of the Parent Company's own liquidity, are carried out in accordance with investment guidelines, which require the Company to invest in instruments such as government securities, high-quality corporate or bank bonds, term bank deposits and tax credits. Liquidity is also deposited in postal current accounts, subject to the same requirements applied to the investment of deposits by private current account holders.

- Financial instruments held by companies in the **Poste Vita Group** relate primarily to investments designed to cover its contractual obligations to policyholders on traditional build-up life policies and unit-linked policies. For these types of products, therefore, the financial results recorded not only change the value of financial assets, but also have an impact on insurance liabilities. Other investments in financial instruments regard investment of the insurance companies' free capital.

As regards the life business, in particular for the parent company Poste Vita SpA, traditional Life policies, classified under Classes I and V, primarily include products whose benefits are revalued based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the Company's assets (Separately Managed Accounts). In the case of policies sold in previous years, the Company has guaranteed a minimum return payable at maturity on such products (at 31 December 2023, this minimum return at maturity on existing policies ranged between 0% and 2%). Gains and losses from valuation are retroceded to policyholders and recognised in the statement of profit or loss and/or in a special reserve recognised in the Statement of Comprehensive Income, net of the over-hedging component. The recognition technique, referred to as mirroring, sets forth that the component to be passed on to policyholders is identified through the analysis of the income generated by the securities portfolio correlated to the Separately Managed Accounts (as further specified in Section 2.4 - *Changes to accounting policies*).

As outlined, the economic effect of financial risks on investments impacts both the pure investment component, i.e. the financial assets backing the insurance liabilities, and the insurance liability itself, as there is a financial component in the valuation. These effects may be partly passed on to the policyholders. In particular, this absorption is generally based on the level and structure of guarantees of minimum returns and the profit-sharing mechanisms of Separately Managed Accounts for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns, as well as the relevant impacts on insurance liabilities, under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

Unit-linked products, relating to Class III insurance products, regard policies where the premium is invested in mutual investment funds. The Company constantly monitors the evolution of the risk profile of individual products.

The investment policies of the insurance companies **Poste Assicura**, **Net Insurance** and **Net Insurance Life**, which are characterised by businesses that do not envisage a direct correlation between the products placed and the financial investments, are aimed at preserving the Group's capital solidity, as outlined in the framework resolution approved by **Poste Vita**'s Board of Directors on 5 December 2023. Regular analyses of the macroeconomic context, the market trends for the different asset classes and the relevant effects on integrated asset-liability management, are conducted, which is focussed on the optimal management to meet claims.

284. See in particular the provisions laid down in Part I – Section IV – Chapter 3.
285. The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits, and risk management policies, together with the processes needed to define and implement them.

Within the above context, balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems.

In this regard, on 16 February 2021, Poste Italiane SpA's Board of Directors adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System.

From an organisational viewpoint, the model consists of:

- The **Control and Risk Committee,** established in 2015 within the Board, has the task of supporting, through an appropriate investigative, proposal-making and advisory activity, the evaluations and decisions of the Board of Directors on the internal control and risk management system and on the approval of the relative periodic financial and non-financial reports;
- the **Financial and Insurance Services Committee**, established on 19 March 2018 has the objective of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested;
- an **Investment Committee established at the Group's insurance company, Poste Vita SpA**, which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- appropriate functions established within the Parent Company and the subsidiaries providing financial and insurance services (**BancoPosta Fondi SGR SpA** and **Poste Vita SpA**) that perform **Risk Measurement** and **Control** activities, ensuring the organisational separation of risk assessment from risk management activities; the results of these activities are examined by the relevant advisory Committees, which are responsible for carrying out an integrated assessment of the main risk profiles;
- the **Investment Committee of the Net Insurance and Net Insurance Life insurance companies**, which is entrusted with investment-related tasks, as well as the verification and monitoring of the companies' compliance with investment policies, guidelines and recommendations;
- the **Internal Control, Risk and Related Parties Committee of the Net Insurance and Net Insurance Life insurance companies**, set up in order to strengthen the control and risk management system, assists the Board of Directors in evaluations and decisions relating to the internal control and risk management system.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

The financial risks to which the Poste Italiane Group as a whole is exposed are broken down into the types of risk indicated below. The sensitivity analyses performed on individual risks at the reporting date of this Annual Report, described at a theoretical level below, are common to all operating segments, unless otherwise indicated in the context of insurance operations. In fact, the application of the new accounting standard IFRS 17-Insurance Contracts has forced a revision of the way in which the insurance business is monitored and managed as regards the risks to which it is exposed, as well as the way in which sensitivity analyses are performed, in order to better represent the exposure to risks and the close correlation of the impacts of these on financial assets and insurance liabilities in a manner that is consistent with the accounting representation.

- **Market risk**, defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk:
  - **Fair value interest rate risk**: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates. The analyses on this type of risk refers primarily to the effects of changes in interest rates on the price of fixed-rate financial instruments or variable-rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of variable-rate financial instruments or fixed-rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration. The sensitivity analysis to the interest rate risk of the positions concerned was calculated as a result of a hypothetical parallel shift in the market rate curve of +/- 100 bps, providing a baseline reference that can be used to appreciate potential changes in fair value in the event of interest rate fluctuations.
  - **Price risk**: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market. Price risk relates to financial assets classified as measured at fair value through other comprehensive income

("FVTOCI") or measured at fair value through profit or loss ("FVTPL"), and certain derivative financial instruments where changes in value are recognised in profit or loss. The sensitivity analysis took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. In the context of its insurance activities, the Group considered a sensitivity analysis represented by a parallel shift in the price curve of +/-25% to be more representative of its risk exposure, departing from what had been done in the past.

  - **Foreign exchange risk**: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency. Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

- **Spread risk** or country risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of returns on government securities had on the fair value of euro zone government and corporate securities, reflecting the market's perception of the credit rating of issuers. The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments. The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds. For insurance activities, since the portfolio is also diversified over securities belonging to the corporate sector, stresses are applied and evaluated separately between the purely government and private issue portfolios. Furthermore, in assessing the actual risk exposure, the Group considered only a worst-case scenario of stress conditions, i.e. a parallel shift of the curve of +100 bps, to be more significant in terms of potential impact on results;
- **Credit risk**: this is the risk of default of one of the counterparties to which there is an exposure, with the exception of equity instruments and units of mutual funds. For more detailed information on the inputs, assumptions and estimation techniques used to calculate Expected Credit Losses (ECL), please see Section "*2.6 - Use of estimates - Impairment and stage allocation for financial instruments*".
- **Liquidity risk**; this is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. In order to minimise this risk, the Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term borrowings and counterparties; availability of relevant credit lines in terms of amounts and the number of banks; gradual and consistent distribution of the maturities of medium/long-term borrowings; and use of dedicated analytical models to monitor the maturities of assets and liabilities.
- **Cash flow interest rate risk**: this is defined as the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. Such risk may arise from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and, as such, an impact on future results. The performed analysis refers to the uncertainty over future cash flows generated by variable-rate instruments and variable-rate instruments created through fair value hedges following fluctuations in market interest rates. Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve of +/- 100 bps.
- **Cash flow inflation rate risk**: this is defined as the uncertainty related to the generation of future cash flows, due to fluctuations in inflation rates recorded on the market.

Insurance risks

This type of risk emerges as a consequence of the placement, by insurance companies belonging to the Group, of products that fall under the definition of insurance contracts. These contracts have conditions, such as technical bases adopted, premium calculation, lapse conditions, etc., which bring out risks typical of the insurance business.

In order to combine strategic and business objectives with those of profitability and quality of the risks assumed, as well as mitigating the exposure to said typical risks, at the underwriting phase, the Group has defined an underwriting policy which provides for the following:
- the development of products consistent with the needs and characteristics of the various customer segments;
- the assumption of risks for the management of which there are adequate supporting skills and resources;
- the assumption of risks consistent with the Risk Strategy and Risk Appetite;
- the elimination or non-renewal, where possible, of “accepted” risks that are not consistent with the Risk Appetite Framework and/or that imply exceeding the limits established by the specific guidelines of the Group;
- the underwriting of risks that ensure adequate mitigation techniques, in particular consistency between reinsurance treaties underwritten, product characteristics (e.g. guarantees covered, contract duration) and portfolio mix;
- the adequacy of procedures and control systems to ensure the completeness, relevance and accuracy of the accounting and statistical data used for risk pricing/analysis purposes;
- the evaluation, when designing a new product and/or a new commercial initiative, of the following aspects:
    - adequate reinsurance structures;
    - assumption limits;
    - contractual clauses (possibility of splitting the premium, possibility of tacit renewal, withdrawal in the event of a claim, etc.);
    - expenses (for the acquisition, management and administration of contracts including claims settlement expenses, etc.);
    - changes (in terms of risk and concentration) to the portfolio mix that the issuance of the new product may entail;

assessment of the impact of non-payment of premiums (e.g. impossibility of recovering expenses and commissions) with relative repercussions on solvency.

In the assumption of risks, the Group must therefore undertake to guarantee the sufficiency of the premiums collected with respect to the future commitments made to policyholders and the costs of managing and acquiring contracts, developing the skills and professionalism of the parties involved in product definition, assumption of risks and, more generally, of all parties involved in the underwriting process.

The Group also guarantees ever-increasing quality standards in the management of underwriting activities in order to avoid reputational losses and anti-selection phenomena.

The underwriting policy is aimed at strengthening the Group’s market position, increasing its share in the various insurance lines in which it operates by developing a profitable risk portfolio.

As a result of the assumption of risks typical of the insurance business, types of exposures emerge that are significant for the Group and for which specific monitoring and containment activities need to be implemented. Specifically:
- **Lapse risk:** insurance contracts may theoretically contain implicit options such as lapse options, guaranteed minimum return options and/or annuity conversion options. These options give the policyholder the right or the ability to obtain profits or changes in the relationship that give rise to a risk borne by the company, assuming a risk other than the insurance risk associated with taking out the contract. In the specific case of the Poste Italiane Group, for almost all the products in its portfolio, no penalties are envisaged in the event of lapse by the policyholder, so that this risk becomes significant in the event of mass lapses, which cannot be foreseen and are concentrated in specific, excessively short time periods that would not allow for easy management of potential redemptions in the portfolio. This would entail a significant monetary outlay for the companies belonging to the Group, which would find themselves in the position of having to dispose of assets to cover their liabilities, with the possible realisation of potential capital losses in the event of unfavourable market situations, as well as to use their cash and cash equivalents to cover the contractually guaranteed minimum levels. It is stressed that, considering the historical trend observed to date, the probability of this hypothesis occurring is considered remote (lapse rate for 2023 of approximately 4.4%), and furthermore, any adverse event would be covered by specific reinsurance contracts to cover massive lapse phenomena. The aforementioned phenomenon has a greater impact on the portfolios associated with the Separately Managed Accounts, for which any devaluation of securities would entail a loss in the current year and a

carry-over effect on future returns, resulting in a significant reduction that could compromise the sound and prudent management of the company, as well as the dynamics of short- and medium-term funding. In the current context of economic uncertainty, an increase in the rate at which customers are exercising the policy lapse option can be observed in the Italian market. This phenomenon in the policy portfolio of the subsidiary Poste Vita remains well below the level observed in the market; however, the characteristics of Multi-class products placed in recent years, which make provision for a gradual transfer of investments to the target unit-linked unit chosen by the customer, will result in a gradual increase in the stock of reserves pertaining to Class III products, which have historically shown a higher lapse rate than traditional build-up products. In light of this consideration, the **risk related to lapse dynamics** was considered significant by the Group, and a sensitivity analysis was performed on this risk equal to +10% instantaneous lapse rate of investment products. Considering the portfolio structure of the Group's companies, the decision was taken to apply only an incremental lapse stress scenario, i.e. only the worst-case scenario for the Poste Italiane Group;
- **Provisioning risk**: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders and injured parties. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment. This risk was considered significant for the P&C business managed by the Group, and a sensitivity analysis was performed to measure exposure under scenarios involving a +/-2% change in the loss ratio[286];
- **Concentration risk**: it is the risk that the business is excessively concentrated only on certain types of risk, products, customers and geographical areas and is therefore not adequately diversified. The Group assesses its exposure to this risk differentially between life and P&C business, evaluating the concentration based on the types of products placed.

The expected evolution of the portfolio and the different degree of risk of the products distributed required the adoption of a careful reinsurance policy, aimed at mitigating the risks to which the Group is exposed.

The reinsurance strategy adopted by Poste Assicura, based mainly on a non-proportional approach, makes it possible to:
- mitigate risks, stabilising the variability of insurance business results and ensuring the technical balance of the portfolio;
- mitigate risks arising from peak exposures or catastrophic events;
- support the development of underwriting activities;
- strengthen the Company's financial solidity.

In particular, reinsurance treaties with market operators of primary standing were entered into with non-proportional coverage in the form of "excess loss" (per risk and per event), separately for the various ministerial classes, to cover all Poste Assicura's risks (Retail and Employee Benefits) such as: risks included in the accident, health, fire, general liability and other property damage classes, and "catastrophic risks" such as earthquake or pandemic. For all risks relating to health guarantees (excluding those arising from the Credit Protection line), the reinsurance policy provides for an additional "quota share" treaty287. For some accident and credit protection risks, the risk-attaching, proportional treaties*288*, underwritten during the Company's start-up phase, remain in force.

Poste Assicura defines, on a case-by-case basis, the share of risk and the reinsurance structure deemed most appropriate in relation to the characteristics of the risk in question.

As regards companies in the Net Group, the expected growth of the portfolio and the different degrees of risk associated with the products distributed has required the company to adopt a highly prudent approach to reinsurance. The reinsurance strategy, based mainly on a proportional approach, but also on some non-proportional covers (especially for hail, suretyship and, to a lesser extent, other insurance lines), makes it possible to:
- mitigate unfavourable technical trends and risks arising from peak exposures;
- optimise reinsurance structures with a view to risk transfer and, if possible, also improve overall costs in economic and capital allocation terms;
- make reinsurance structures more efficient from a management point of view;
- mitigate risks, stabilising the variability of insurance business results;
- stabilise the Solvency Ratio.

The Group assesses the exposure of the insurance business under stress scenarios in order to verify the solvency of companies even under adverse market conditions, also in line with the Solvency II regulatory framework.

286. Indicator of the cost-effectiveness of insurance technical management representing the ratio of incurred claims to premiums collected in the same financial year and administrative period.
287. "Quota share" treaties are defined as agreements under which the insurer transfers insurance risk (through the transfer of premiums, claims and reserves) based on a contractually defined percentage share.
288. Reinsurance on a risk attaching basis is defined as a contract under which the reinsurer is liable for all claims related to policies issued or renewed during the term of the treaty.

Other non-significant insurance risks

From a technical point of view, one of the main risk factors characterising life underwriting risk is **mortality risk,** i.e. any risk related to the randomness of the life span of policyholders. Particular attention is paid in selling term life insurance policies, an area where procedures set underwriting limits to the capital and the age of the policyholder. In terms of "pure life" insured amounts the Group's insurance companies transfer their risks to reinsurers in keeping with the nature of the products sold and conservation levels adequate to the companies' capital structure.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the actual frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when actual death frequencies are lower than the death probabilities realistically calculated (longevity risk).

That said, at 31 December 2023, mortality risk is considered to be of modest significance for the Group, considering the characteristics of the products offered, although this risk represents almost the entire life underwriting risk for Net Insurance Life SpA, considering the characteristics of the products offered. The only area where this risk is somewhat significant is term life insurance. With reference to these products, a comparison is periodically made between actual deaths and those predicted by the demographic bases adopted for pricing. On the basis of the above, for risk management purposes, it was decided not to subject mortality risk to sensitivity analysis, but to continuous monitoring over time in order to identify any changes in its significance in the context of the Poste Italiane Group.

The **longevity risk** is also small, being represented by a small share of insurance exposures to class IV (Long Term Care policies). In fact, for most Life insurance products the probability of annuity conversion is very close to zero, as historical experience shows that policyholders never use the option of annuity conversion. Pension products, in particular, still account for a limited share of insurance liabilities. In addition, for these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

With regard to **pricing risk**, it is defined as the risk of incurring losses due to inappropriate pricing of the insurance products sold, for example: inappropriate choice of technical bases (demographic or financial), incorrect valuation of the options implicit in the products, and/or incorrect valuation of the parameters for calculating loadings for expenses. As the products placed by the Group mostly relate to insurance contracts issued by Poste Vita SpA, i.e. mixed and whole-life policies with mostly cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is nearly no pricing risk associated with the choice between technical bases in the Poste Italiane Group's portfolio, except for the term life insurance products discussed above.

Insurance risks in the P&C business instead include:

Underwriting risk: this is the risk arising from the commitments entered into by the underwriting of insurance contracts, taking into account all the risks covered and the procedures used in the conduct of business. This risk can be subdivided into provisioning risk, already mentioned in the previous paragraph, and **pricing risk** arising from the underwriting of insurance contracts and associated with the events covered, the processes followed for underwriting and selecting risks, the processes followed for pricing, and the unfavourable trend in the actual loss ratio compared to the estimated one.

Early termination risks: risk linked to the possibility of the policyholder's early termination of the contract with the consequent request for reimbursement of the premium. This dynamic, unlike the one represented above for the lapse risk, does not depend directly on economic dynamics and the dynamic behaviour of policyholders, and is therefore less related to the current economic condition. The specific risk of early repayment is not assessed at the Poste Italiane Group level as a significant risk because:
- it depends solely on the willingness to pay off insurance policies on mortgages and loans early, and does not depend directly on market income dynamics;
- is limited to a portfolio considered non-material, as this business is residual for the Group.

Lastly, **catastrophe risk**, which represents the risk of loss resulting from extreme or exceptional events, including major epidemics covered by insurance, is considered as insignificant for the Group.

Operational risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2023, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses, monitoring and reporting more efficient and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and the owner of the process of analysing and assessing IT risk, in keeping with the approach adopted in 2022, and the monitoring of IT risk recovery plans was reinforced.

The activities carried out in 2023 also included assessments of the risk profile related to the assignment and outsourcing of BP RFC, the definition of the model for monitoring outsourcing risk, and ex-ante assessments of the risk profile related to the innovation of BP's offering and/or specific project initiatives.

At 31 December 2023, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

Event type	Number of types
Internal fraud	28
External fraud	44
Employee practices and workplace safety	8
Customers, products and business practices	37
Damage caused by external events	4
Business disruption and system failure	8
Execution, delivery and process management	107
Total at 31 December 2023	**236**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model. Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

The insurance companies in the Group have also drawn up and finalised their own framework for identifying, assessing and managing operational risks. The adopted approach reflects the specific nature of the processes and operational risk events typical of an insurance company. The process of assessing operational risk exposure is carried out in keeping with the related solvency requirements, and involves both qualitative and quantitative analysis, conducted through a structured process for identifying internal losses and assessing potential risks in terms of frequency, impact and mitigation. The exposure to risks is, on the whole, in line with the previous year, and the main types of operating losses are related to customer litigation expenses.

Energy business risks

In the energy business, the subsidiary PostePay is exposed to the following risks, which were appropriately mitigated at the balance sheet date:
- **Price risk**: this is the risk generated by any difference in price levels between the selling and buying position, managed through physical purchases of commodities at a fixed price, for which the Company has availed itself of the own use exemption;
- **Volume risk**: generated by the difference between the actual consumption of the sales portfolio and the notional initially planned, managed and supplied. The risk is managed through careful forecasting of sales volumes and pricing of the risks themselves;
- **Counterparty risk**: defined as the risk arising from a supplier's failure to fulfil its contractual obligations to supply the physical commodity. This risk is managed through a process of assessing the creditworthiness of counterparties;
- **Credit risk**: defined as the risk arising from a customer's failure to fulfil its payment obligations. This risk is managed through input credit check processes (ex-ante assessment of creditworthiness), credit management and recovery.

For the proper management of the above-mentioned risks, a special governance and monitoring structure has been established within the subsidiary PostePay. The management and operational process of applying the governance principles requires that each risk subject to assessment is monitored using Key Risk Indicators. Verification of the extent of these risks and the effectiveness of any mitigation actions taken is entrusted to a managerial and advisory committee, the **Control and Risk Operating Committee** dedicated to the energy business.

Reputational risk

The main element of reputational risk to which the Group is, by its nature, exposed is linked to market performance and primarily associated with the placement of postal savings products and investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).

Climate change risks

The Poste Italiane Group is aware of the relevance in terms of its widespread presence within the territory in which it operates and the risks to which it is exposed. In an attempt to counter these risks, considering the potential economic impacts of climate change risks, the Group:
- aims to reduce its environmental impact and contribute to the low-carbon transition of the country's economy; as well as
- adopts a responsible approach in carrying out its activities.

For the proper management of environmental issues, a Sustainability Committee has been set up to assist the Board of Directors, which approves the sustainability guidelines and strategies, supporting it in evaluating and deciding on environmental, social and governance factors.

The Poste Italiane Group's approach to climate risk is reported extensively in the specific section of the Non-Financial Statement within the Report on Operations on issues relating to the management of risks and opportunities related to climate change, to which reference should be made for a full discussion, as well as in Section 2.7 - *Climate change and macroeconomic environment* of these Annual Accounts.

Quantitative information - Poste Italiane Group

As defined in the introduction, quantitative information on exposure to risks of various kinds is provided separately by operating segment.

Financial activities

Fair value interest rate risk

Description (€m)	31 December 2022		31 December 2023			
	Risk exposure		Risk exposure		Equity reserves before taxation	
	Nominal	*Fair value*	Nominal	*Fair value*	+100bps	-100bps
Financial assets						
Financial assets at FVTOCI	37,521	33,190	34,892	33,100	(1,045)	1,069
Derivative financial instruments	1,564	350	-	-	-	-
Financial liabilities						
Derivative financial instruments	2,968	(96)	-	-	-	-
Total	**42,053**	**33,444**	**34,892**	**33,100**	**(1,045)**	**1,069**

Financial assets at fair value through other comprehensive income that are relevant to the risk in question relate to fixed income government bonds held primarily by BancoPosta RFC with a total fair value of €33,100 million.

At 31 December 2023, with reference to the interest rate risk exposure determined by the average financial duration of the portfolios289, the duration of BancoPosta's overall investments went from 5.01 to 5.38

Price risk

FINANCIAL ACTIVITIES-PRICE RISK

Description (€m)	31 December 2022	31 December 2023		
	Risk exposure	Risk exposure	Profit/(Loss) before tax	
			+ Vol	- Vol
Financial assets				
Financial assets at FVTPL	40	26	4	(4)
Derivative financial instruments	(4)	(3)	(3)	3
Total	**36**	**24**	**1**	**(1)**

Financial assets at fair value through profit or loss exposed to price risk relate to shares held by BancoPosta RFC, totalling €26 million consisting of Visa Incorporated preference shares. For the purpose of the sensitivity analysis, the equities are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.

In the area of **Derivative Financial Instruments**, price risk mainly relates to the forward sale contract of 95,000 Visa Incorporated ordinary shares entered into by the Parent Company.

289. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

Foreign exchange risk

FINANCIAL ACTIVITIES-CURRENCY RISK

Description (€m)	31 December 2022		31 December 2023			
	Position in USD	Position in Euro	Position in USD	Position in Euro	Profit/(Loss) before tax	
	Notional	Notional	Notional	Notional	+ Vol 260 days	- Vol 260 days
Financial assets						
Financial assets at FVTPL	42	40	29	26	2	(2)
Derivative financial instruments	(4)	(4)	(3)	(3)	(2)	2
Total	**38**	**36**	**26**	**24**	**0**	**(0)**

At 31 December 2023, the **financial assets** exposed to the risk in question refer to an equity investment held by BancoPosta RFC in Visa (€26 million), as well as to a derivative contract on the ordinary shares of Visa Incorporated entered into by the Parent Company (negative fair value of €3 million at 31 December 2023).

Spread risk

The financial year 2023 was characterised by a reduction in yields on Italian government bonds (the 10-year BTP fell from 4.72% to 3.7%), which brought the BTP-Bund spread to 168 basis points compared to 214 last year. These movements led to an increase in the price of securities.

The following is the result of the analysis of the sensitivity[290] to spread risk carried out at 31 December 2023, limited to the financial assets subject to the risk in question in the context of financial activities:

Description (€m)	31 December 2022		31 December 2023			
	Risk exposure		Risk exposure		Equity reserves before taxation	
	Nominal	*Fair value*	Nominal	*Fair value*	+100bps	-100bps
Financial assets						
Financial assets at FVTOCI	37,521	33,190	34,892	33,100	(2,995)	3,510
Financial assets at FVTPL	-	-	-	-	-	-
Derivative financial instruments	1,564	350	-	-	-	-
Financial liabilities						
Derivative financial instruments	2,968	(96)	-	-	-	-
Total	**42,053**	**33,444**	**34,892**	**33,100**	**(2,995)**	**3,510**

The portfolio of *Financial assets at fair value through other comprehensive income* held almost entirely by BancoPosta RFC experienced a generally positive change in fair value of around €2 billion during the period, almost entirely recognised in consolidated equity for the portion of unhedged securities and the spread risk component (not hedged).

For the purposes of full disclosure, a movement in the spread would have no accounting effect on financial assets measured at amortised cost, but would only impact unrealised gains and losses. In other words, fixed income instruments measured at amortised cost attributable entirely to BancoPosta, which at 31 December 2023 amounted to €30,398 million (nominal value of €30,877 million) and have a fair value of €28,318 million, would be reduced in fair value by approximately €2.7 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

290. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 249 bps and spread of the BTP against the 10-year swap rate of 121 bps).

Credit risk

Information on credit risk exposure is presented in the following section only for financial assets other than trade and other receivables and assets subject to impairment provisions, for which information is provided in *Note A8 - Trade receivables* and *Note A9 - Other receivables and assets*.

Exposure to credit risk

The following table shows the credit risk exposure of **Financial assets** related to the financial segment for which the General impairment model is used for the application of the impairment provisions. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

FINANCIAL ACTIVITIES - CREDIT RISK - RATING

Description (€m)	from AAA to AA-		from A+ to BBB-		from BB+ to C		*Not rated*	Hedge accounting effects	Total
	Stage 1	*Stage 2*	*Stage 1*	*Stage 2*	*Stage 1*	*Stage 2*			
2023									
Financial assets at amortised cost									
Gross carrying amount	-	-	44,289	-	-	-			44,289
Provision to cover expected losses	-	-	(23)	-	-	-			(23)
Total amortised cost at 31 December 2023	**-**	**-**	**44,266**	**-**	**-**	**-**	**351**	**(1,944)**	**42,673**
Financial assets at FVTOCI									
Gross carrying amount	-	-	35,544	-	-	-			35,544
Provision to cover expected losses - OCI	-	-	(19)	-	-	-			(19)
Carrying amount - Fair value at 31 December 2023	**-**	**-**	**33,100**	**-**	**-**	**-**			**33,100**
2022									
Financial assets at amortised cost									
Gross carrying amount	195	-	45,953	-	-	-			46,149
Provision to cover expected losses	-	-	(19)	-	-	-			(19)
Total amortised cost at 31 December 2022	**195**	**-**	**45,935**	**-**	**-**	**-**	**486**	**(2,714)**	**43,902**
Financial assets at FVTOCI									
Gross carrying amount	-	-	38,981	-	-	-			38,981
Provision to cover expected losses - OCI	-	-	(16)	-	-	-			(16)
Carrying amount - Fair value at 31 December 2022	**-**	**-**	**33,190**	**-**	**-**	**-**			**33,190**

Financial assets at amortised cost, relevant to the risk in question, refer only to BancoPosta RFC's assets and concern fixed income instrument with a gross carrying amount of €44,289 million, decreased by a total of €1,944 million to take into account the effects of fair value hedges and approximately €23 million of the related impairment provision.

Financial Assets at fair value through other comprehensive income that are relevant to the risk in question refer exclusively to fixed income instruments held by companies belonging to the financial segment.

The following table shows the counterparty concentration of credit risk by financial asset class.

FINANCIAL ACTIVITIES - CREDIT RISK - CREDIT RISK CONCENTRATION

	31.12.2023		31.12.2022	
Description (€m)	**Gross carrying amount**	**Provision to cover expected losses**	**Gross carrying amount**	**Provision to cover expected losses**
Financial assets at amortised cost	44,289	(23)	46,149	(19)
Sovereign	38,405	(21)	39,327	(17)
Corporate	4,937	(2)	5,354	(1)
Banking	946	-	1,468	(0)
Financial assets at FVTOCI	35,544	(19)	38,980	(16)
Sovereign	35,544	(19)	38,980	(16)
Corporate	-	-	-	-
Banking	-	-	-	-
Total	**79,833**	**(42)**	**85,129**	**(35)**

Collateral held and other credit enhancements

In order to mitigate credit risk, the Poste Italiane Group adopts credit and counterparty risk mitigation tools in its financial activities. In particular, as regards BancoPosta RFC, the counterparty risk associated with hedging derivatives and repurchase agreements is mitigated by entering into a master netting agreement and requiring collateral in the form of cash or government bonds; with reference to credit risk, in addition, there are safeguards such as government guarantees on securities.

At 31 December 2023, the Group does not hold financial instruments secured by guarantees or other risk mitigation instruments for which no loss provisions have been made (except for the temporary use of liquidity in repurchase agreements).

In the context of financial activities, the main types of credit risk mitigation instruments are detailed below.

Fixed income instruments

Debt instruments secured by guarantees or other credit risk mitigation instruments are bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,000 million at 31 December 2023. These are recognised as financial assets measured at amortised cost and, in determining the expected credit losses, account was taken of the PD of the Italian Republic.

Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, BancoPosta RFC has concluded standard ISDA master agreements (with attached CSA) and GMRAs which govern the collateralisation of derivative transactions and repurchase agreements, respectively.

In addition, in order to mitigate counterparty risk and gain easier access to the market, from December 2017, BancoPosta RFC has entered into repurchase agreements with the Central Counterparty, the Cassa di Compensazione e Garanzia. As of 2021, certain derivatives entered into by BancoPosta RFC through bilateral contracts will be routed to a Qualified Central Counterparty for centralised clearing through the services provided by a clearing broker.

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in "*Note 13 - Additional information - Offsetting financial assets and liabilities*", to which reference should be made.

ECL measurement

The following tables show, for Financial assets belonging to the financial segment, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9.

FINANCIAL ACTIVITIES - CREDIT RISK - DETAILS OF THE PROVISION TO COVER EXPECTED LOSSES ON FINANCIAL INSTRUMENTS

Description (€m)	Financial assets at amortised cost		Financial assets at FVOCI	
	Stage 1	Total	*Stage* 1	Total
Balance at 1 January 2023	**19**	**19**	**16**	**16**
Impairment of securities/receivables held at the beginning of the period	3	3	3	3
Reversal of securities/receivables held at the beginning of the period	(0)	(0)	(1)	(1)
Impairment of securities/receivables purchased/paid in the period	2	2	2	2
Reversal for write-off	-	-	-	-
Reversal due to sale/collection	(0)	(0)	(2)	(2)
Balance at 31 December 2023	**23**	**23**	**19**	**19**

At 31 December 2023, estimated expected losses on **Financial assets at amortised cost** amount to approximately €23 million; the provision increased by roughly €5 million compared to 31 December 2022. Of the grand total, €18 million related to expected losses calculated on fixed income instruments (€13 million at 31 December 2022).

At 31 December 2023, estimated expected losses on **Financial assets at fair value through other comprehensive income** amount to approximately €19 million. This provision, which refers entirely to expected losses calculated on fixed income instruments in the portfolio, increased by approximately €3 million compared to 31 December 2022.

Liquidity risk

The following tables compare financial liabilities and assets belonging to the financial segment and outstanding at 31 December 2023.

FINANCIAL ACTIVITIES - LIQUIDITY RISK - LIABILITIES

Description (€m)	31.12.2023				31.12.2022			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial liabilities	37,391	19,431	26,290	83,112	45,274	21,080	26,967	93,321
Trade payables	73	-	-	73	81	-	-	81
Other liabilities	234	1,756	0	1,990	86	1,738	-	1,824
Total Liabilities	**37,697**	**21,187**	**26,290**	**85,174**	**45,441**	**22,818**	**26,967**	**95,226**

In the presentation of financial liabilities, the expected cash outflows at the date of the financial statements, are broken down by maturity, while the payables for postal current account deposits are reported on the basis of the estimates made with a statistic/econometric model. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2023.

FINANCIAL ACTIVITIES - LIQUIDITY RISK - ASSETS

Description (€m)	31.12.2023 Within 12 months	31.12.2023 Between 1 and 5 years	31.12.2023 Over 5 years	31.12.2023 Total	31.12.2022 Within 12 months	31.12.2022 Between 1 and 5 years	31.12.2022 Over 5 years	31.12.2022 Total
Financial assets	19,866	19,155	76,154	115,175	24,336	19,317	80,653	124,306
Trade receivables	588	-	-	588	375	-	-	375
Other receivables and assets	603	1.752	0	2.356	571	1,738	0	2,309
Tax credits Law no. 77/2020	1,701	4,905	2,241	8,847	1,506	5,267	2,972	9,746
Cash and deposits attributable to BancoPosta	4,671	-	-	4,671	5,848	-	-	5,848
Cash and cash equivalents *	940	-	-	940	2,018	-	-	2,018
Total Assets	**28,368**	**25,812**	**78,396**	**132,576**	**34,654**	**26,322**	**83,626**	**144,602**

* shown gross of liquidity elimination

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Investments include financial instruments held by BancoPosta RFC and, to a residual extent, the company BancoPosta Fondi SpA sgr, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards current account deposits and prepaid cards[291], the related investment of the deposits in Eurozone government securities and/or securities guaranteed by the Italian government, and the margins on derivative transactions as well as tax credits acquired in relation to the Decreto Rilancio no. 34/2020 (later converted with Law no. 77 of 17 July 2020). The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty-four years for retail customers, six years for business customers, ten years for PostePay cards and six years for Public Administration customers.

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

In order to effectively manage the risk in question, there are also uncommitted credit facilities available for overnight operations by BancoPosta RFC, a three-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreement transactions up to a maximum of €3 billion, undrawn at 31 December 2023 and, finally, for intraday interbank transactions, BancoPosta RFC can access an intraday advance from the Bank of Italy and secured by securities with a nominal value of €2,758 million, undrawn at 31 December 2023.

Additional liquidity needs can be met by resorting to credit lines stipulated by the Parent Company, for details of which please refer to the section on liquidity risk of postal and business activities.

Based on the above information, the existing credit lines and the loans are adequate to meet financing requirements expected to date.

291. Since 1 October 2018, prepaid cards are the responsibility of PostePay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro area government bonds or bonds guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

Cash flow interest rate risk

Description (€m)	31 December 2022	31 December 2023		
	Risk exposure	Risk exposure	Profit/(Loss) before tax	
	Nominal	Nominal	+ 100 bps	- 100 bps
Financial assets				
Financial assets at amortised cost	22,480	16,616	166	(166)
Financial assets at FVTOCI	10,541	8,905	89	(89)
Financial assets at FVTPL	-	-	-	-
Cash and deposits attributable to BancoPosta	1,888	762	8	(8)
Cash and cash equivalents	1,993	875	9	(9)
Financial liabilities				
Loans	(3,996)	(3,996)	(40)	40
Other financial liabilities	(4,824)	(2,831)	(28)	28
Total	**28,081**	**20,330**	**203**	**(203)**

With respect to **financial assets**, cash flow interest rate risk primarily relates to:

- **Financial assets at amortised cost** are represented by:
  - receivables at amortised cost totalling €1,223 million, reflecting collateral posted to secure liabilities arising in relation to financial derivatives and repurchase agreements held by BancoPosta RFC;
  - investment by the Parent Company of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €8,937 million;
  - fixed income government bonds held by BancoPosta RFC, for a nominal value of €6,456 million.
- fixed income government bonds measured at fair value through other comprehensive income, almost entirely relating to BancoPosta RFC;
- bank deposits held by BancoPosta RFC, including €873 million for the deposit held with the MEF on the operating current account known as the "Buffer" account.

In the area of **Financial Liabilities**, the risk in question relates to loans for repurchase agreements put in place by the Parent Company and guarantee deposits referable exclusively to the Parent Company.

Cash flow inflation risk

At 31 December 2023, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges, held entirely by BancoPosta RFC for a nominal amount of €1,301 million (€1,022 million at 31 December 2022). The results of the sensitivity analyses performed on these securities do not show any significant effects on the pre-tax result.

Insurance activities

in relation to insurance liabilities, given the way in which they are constructed, it is impractical to identify which component of the unit of account is exposed to individual risks of a financial nature, also in relation to the concept of mutuality that governs the products issued by the Group (for the definition of "mutuality", please refer to what is presented in Section 2.4 - *Changes to accounting policies*). For this reason, the Group's exposure to risks is represented by the totality of its insurance liabilities, which are therefore subjected to individual stresses, assessing their impacts as a whole.

Fair value interest rate risk

INSURANCE ACTIVITIES - FAIR VALUE INTEREST RATE RISK

Description (€m)	Risk exposure			
	31 December 2022		31 December 2023	
	Nominal	*Fair value*	Nominal	*Fair value*
Financial assets	114,584	132,593	118,850	146,477
Financial assets at FVTOCI	110,471	96,501	114,434	105,847
Financial assets at FVTPL*	4,113	36,092	4,416	40,630
Insurance liabilities		141,380	-	155,338

* Financial assets at FVTPL include Mutual investment funds; the nominal value of said funds indicates the number of units held without taking into account the face value of the equity security.

In terms of **financial assets recognised at fair value through other comprehensive income**, the risk in question primarily relates to:

- fixed income government bonds held by Poste Vita SpA, totalling €86,096 million; of this amount, €83,976 million is used to cover Class I and V policies linked to Separately Managed Accounts, and €2,120 million relates to the company's free capital;
- non-government debt securities held by Poste Vita SpA, for a total fair value of €18,991 million, mainly used to meet obligations towards policyholders;
- the remainder relates to approximately €760 million in investments in fixed income instruments, both government and corporate exposures made by the other companies in the segment.

Financial assets at fair value through profit or loss, relevant to the risk in question, are primarily used to cover commitments to policyholders. This relates to a portion of investments invested in fixed income instruments totalling €2,564 million, of which €2,556 million related to Poste Vita, and to the position in *Other investments* totalling €38,044 million consisting mainly of units in Class III funds and multi-asset funds linked to Separately Managed Accounts. Finally, the remaining €22 million is represented by the bond issued by Cassa Depositi e Prestiti as a private placement.

The **insurance liabilities** relevant to the risk in question relate to insurance contracts placed by companies belonging to the segment, totalling €155,338 million.

With respect to Class I and Class V policies sold by Poste Vita SpA, the duration of the matching assets went from 6.95 at 31 December 2022 to 6.27 at 31 December 2023, whilst the duration of the liabilities went from 7.50 to 7.45 (assessment of the duration was carried out using the new Coherent Duration method[292]). The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Below is the result of the sensitivity analysis performed at 31 December 2023 on the assets and liabilities exposed to the risk in question.

292. The Coherent Duration of assets and liabilities is defined as changes in the value of assets and liabilities, in proportion to the total amount of assets exposed to interest rate risk, following parallel shocks raising and lowering interest rates by 10 basis points.

INSURANCE ACTIVITIES - STRESS EFFECTS - FAIR VALUE INTEREST RATE RISK

Description (€m)	Change in value	
	+100 bps	-100 bps
Contractual service margin	(17)	(296)
Profit/(Loss) before tax	12	(56)
Equity reserves before taxation	(135)	152

The results of the sensitivities[293] show that:

- As a result of the increase in the rate curve, there would be a negative change in the Contractual service margin of €17 million due to capital losses impacting the returns of products linked to the Separately Managed Accounts; an increase in the profit/(loss) before tax of €12 million arising from the higher release of the Contractual service margin determined by the increase in the coverage unit, only partly offset by the financial result[294]; and finally, a negative change in Equity reserves of €135 million generated by the decrease in the financial result of FVOCI securities not retroceded to policyholders.
- as a result of the decrease in the interest rate curve, there would be a negative change in the Contractual service margin of €296 million due to a reduction in commissions on assets under management; a negative impact of €56 million on the profit/(loss) before tax due to the lower Contractual service margin as a result of the reduction in the coverage unit, partially offset by the financial result; and finally a positive change of €152 million in OCI Reserves generated mainly by the increase in the financial result of FVOCI securities not retroceded to policyholders.

Price risk

INSURANCE ACTIVITIES - PRICE RISK

Description (€m)	Risk exposure	
	31 December 2022	31 December 2023
Financial assets	36,156	40,785
Financial assets at FVTOCI	-	-
Financial assets at FVTPL*	36,156	40,785
Insurance liabilities	141,099	154,560

* Financial assets at FVTPL include Mutual investment funds; the nominal value of said funds indicates the number of units held without taking into account the face value of the equity security.

The **Financial assets at fair value through profit or loss** exposed to the risk in question refer to:

- investments in units of mutual investment funds held by Poste Vita SpA, with a fair value of €40,300 million, including approximately €28,392 million used to cover Class I policies, and approximately €11,908 million used to cover Class III policies;
- equity instruments held by Poste Vita SpA, totalling €485 million, used to cover Class I policies linked to Separately Managed Accounts and to cover Class III policies.

Insurance liabilities exposed to the risk in question refer to insurance contracts placed by Group companies with investments in assets exposed to the risk in question, i.e. Poste Vita SpA, totalling €154,560 million.

293. For sensitivity purposes, the swap component was stressed by the end-2023 risk-free curve as published by EIOPA.
294. IFRS9 income from FVTPL securities not retroceded to policyholders.

Below is the result of the sensitivity analysis performed at 31 December 2023 on the instruments exposed to the risk in question:

INSURANCE ACTIVITIES- STRESS EFFECTS - PRICE RISK

Description (€m)	Change in value	
	+25%	-25%
Contractual service margin	266	(282)
Profit/(Loss) before tax	28	(30)
Equity reserves before taxation	-	-

The results of the sensitivities show that:

- in the scenario characterised by the increase in the value of market prices, the sensitivity results show an increase in the Contractual service margin of approximately €266 million as a result of the increase in commissions received on investments relating to the unit-linked portfolio, as well as an increase in profit/(loss) before tax of approximately €28 million as a result of the combined effect of a higher release of Contractual service margin (due to the increase in the stock) and a higher financial result for the portion not retroceded to policyholders;
- the opposite scenario, i.e. characterised by a decrease in the value of market prices, would entail a decrease in the Contractual service margin of approximately €282 million as a result of the simultaneous decrease in commissions received on investments relating to the unit-linked portfolio, and a decrease in profit/(loss) before tax of approximately €30 million as a result of the combined effect of the lower release of Contractual service margin (due to the reduction in the stock) and lower financial result, for the portion not retroceded to policyholders.

Foreign exchange risk

INSURANCE ACTIVITIES - CURRENCY RISK

Description (€m)	31 December 2022		31 December 2023			
	Position in USD	Position in Euro	Position in USD	Position in Euro	Profit/(Loss) before tax	
					+ Vol 260 days	- Vol 260 days
Financial assets						
Financial assets at FVTOCI	-	-	-	-	-	-
Financial assets at FVTPL	106	99	106	95	7	(7)
Total	**106**	**99**	**106**	**95**	**7**	**(7)**

In the insurance business, the **Financial assets** exposed to the risk in question refer exclusively to units in US dollar mutual funds held by the insurance company Poste Vita SpA. The company considers the exposure to currency risk in relation to the effects on insurance liabilities to be insignificant, as these positions are held in Separately Managed Accounts.

Government spread risk

INSURANCE ACTIVITIES - FAIR VALUE GOVERNMENT SPREAD RISK

Description (€m)	Risk exposure			
	31 December 2022		31 December 2023	
	Nominal	Fair value	Nominal	Fair value
Financial assets	90,445	87,309	95,331	99,021
Financial assets at FVTOCI	89,303	77,726	94,007	86,663
Financial assets at FVTPL*	1,142	9,583		12,358
Derivative financial instruments	-	-	-	-
Insurance liabilities		141,380	-	155,338

* Financial assets at FVTPL include Mutual investment funds; the nominal value of said funds indicates the number of units held without taking into account the face value of the equity security.

In the period under review, the portfolio of *Financial assets at fair value through other comprehensive income* exposed to the risk in question, referring exclusively to fixed income government bonds, amounted to €86,663 million.

Financial assets at fair value through profit or loss exposed to the risk in question, amounting to a fair value of about €12,358 million, mainly refer to units of mutual funds held by Poste Vita SpA.

Insurance liabilities exposed to risk amount to approximately €155,338 million.

INSURANCE ACTIVITIES - FAIR VALUE GOVERNMENT SPREAD RISK

Description (€m)	Change in value
	+100 bps
Contractual service margin	(95)
Profit/(Loss) before tax	13
Equity reserves before taxation	(92)

The results of the sensitivities[295] show a negative change in the Contractual service margin of approximately €95 million due to capital losses impacting the returns of the underlying assets related to the portfolios of the Separately Managed Accounts; a positive effect on profit/(loss) before tax of €13 million, mainly attributable to the higher release of the Contractual service margin determined by the increase in the coverage unit, partially offset by the financial result; and, finally, a negative change in Equity reserves of €92 million, generated by the deterioration of the financial result of FVOCI instruments not retroceded to policyholders, which represent the majority of securities under stress.

295. For the purposes of sensitivity on government bonds, the end-2023 risk-free curve was used as published by EIOPA with the Illiquidity Premium calibrated to the outstanding government portfolio and including the 100bps stress on the Italian government spread.

Corporate spread risk

INSURANCE ACTIVITIES - FAIR VALUE CORPORATE SPREAD RISK

Description (€m)	Risk exposure			
	31 December 2022		31 December 2023	
	Nominal	Fair value	Nominal	Fair value
Financial assets	25,267	54,853	24,830	59,800
Financial assets at FVTOCI	21,168	18,775	20,427	19,184
Financial assets at FVTPL*	4,100	36,079	4,403	40,616
Derivative financial instruments	-	-	-	-
Insurance liabilities		141,380	-	155,338

* Financial assets at FVTPL include Mutual investment funds; the nominal value of said funds indicates the number of units held without taking into account the face value of the equity security.

The portfolio of *Financial assets at fair value through other comprehensive income* exposed to this risk amounted to approximately €19,184 million, exclusively related to corporate debt security exposures.

Financial assets at fair value through profit or loss exposed to risk amounted to approximately €40,616 million, of which €38,004 million related to mutual funds held by Poste Vita SpA, €2,550 million to exposures in debt securities issued by corporate counterparties, and €22 million to bonds issued by Cassa Depositi e Prestiti.

Insurance liabilities exposed to risk amount to approximately €155,338 million.

INSURANCE ACTIVITIES - FAIR VALUE CORPORATE SPREAD RISK

Description (€m)	Change in value
	+100 bps
Contractual service margin	(149)
Profit/(Loss) before tax	(18)
Equity reserves before taxation	(19)

The results of the sensitivities[296], lead to a negative change in the Contractual service margin of approximately €149 million, due to capital losses impacting the returns of the underlying assets; a loss before tax of €18 million due to the reduction in the financial result and, finally, a negative change of €19 million in the Equity reserves, generated by the worsening of the financial result of the FVOCI securities not retroceded to policyholders.

Credit risk

Information on credit risk exposure is presented in the following section only for financial assets other than trade and other receivables and assets subject to impairment provisions, for which information is provided in *Note A8 - Trade receivables* and *Note A9 - Other receivables and assets*.

296. For the purposes of sensitivity on corporate bonds, the risk-free curve of end-2023 as published by EIOPA was used, with the Illiquidity Premium calibrated to the outstanding corporate portfolio and including the 100 bps stress on the corporate spread.

Exposure to credit risk

The following table presents an analysis of the risk exposure at 31 December 2023 of **financial assets** belonging to the insurance segment for which the General impairment model is used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

INSURANCE ACTIVITIES - CREDIT RISK - RATING

Description (€m)	from AAA to AA-		from A+ to BBB-		from BB+ to C			Total
	Stage 1	*Stage 3*	*Stage 1*	*Stage 2*	*Stage 1*	*Stage 2*	*Stage 3*	
2023								
Financial assets at amortised cost								
Gross carrying amount	133	-	1,988	-	2	0	-	2,124
Provision to cover expected losses	(0)	-	(1)	-	(0)	(0)	-	(1)
Total amortised cost at 31 December 2023	**133**	**-**	**1,987**	**-**	**2**	**0**	**-**	**2,123**
Financial assets at FVTOCI								
Gross carrying amount	13,486	-	95,735	46	20	2,640	124	112.,51
Provision to cover expected losses - OCI	(1)	-	(44)	(0)	(0)	(8)	(2)	(55)
Carrying amount - Fair value at 31 December 2023	**13,103**	**-**	**90,072**	**44**	**20**	**2,493**	**114**	**105,847**
2022								
Financial assets at amortised cost								
Gross carrying amount	54	209	1,930	-	-	-	-	2,194
Provision to cover expected losses	-	(0)	(1)	-	-	-	-	(1)
Total amortised cost at 31 December 2022	**54**	**209**	**1,929**	**-**	**-**	**-**	**-**	**2,193**
Financial assets at FVTOCI								
Gross carrying amount	8,709	-	97,615	13	2,058	58	-	108,454
Provision to cover expected losses - OCI	(0)	-	(39)	(0)	(8)	(2)	-	(48)
Carrying amount - Fair value at 31 December 2022	**7,650**	**-**	**86,973**	**12**	**1,815**	**51**	**-**	**96,501**

Financial assets at amortised cost, relevant to the risk in question, refer exclusively to fixed income instruments held by companies belonging to the insurance segment with a gross carrying amount of €2,123 million, decreased by a total of €1 million to account for the related impairment provision in the Company's free assets.

Financial assets at fair value through other comprehensive income that are relevant to the risk in question refer for a gross carrying amount of €112,051 million exclusively to fixed income instruments.

The following table shows the counterparty concentration of credit risk by financial asset class. Amounts refer to the gross carrying amount. Of the provision to cover expected losses on financial instruments at fair value through other comprehensive income, an amount of approximately €53 million was retroceded to policyholders.

INSURANCE ACTIVITIES - CREDIT RISK - CREDIT RISK CONCENTRATION

Description (€m)	31.12.2023		31.12.2022	
	Gross carrying amount	Provision to cover expected losses	Gross carrying amount	Provision to cover expected losses
Financial assets at amortised cost	2,124	(1)	2,194	(1)
Sovereign	2,050	(1)	2,143	(1)
Corporate	64	(0)	42	(0)
Banking	9	(0)	9	(0)
Financial assets at FVTOCI	112,051	(55)	108,454	(48)
Sovereign	88,892	(38)	85,677	(32)
Corporate	16,270	(14)	14,933	(14)
Banking	6,889	(3)	7,844	(2)
Total	**114,175**	**(56)**	**110,648**	**(49)**

The following table presents information on the credit quality of net amounts due from reinsurers and the exposure of assets for outward reinsurance (totalling €233 million) and amounts due from policyholders, classified under insurance liabilities and amounting to €155,338 million (of which €170 million related to the balance of amounts due from customers at 31 December 2023).

ECL measurement

The following tables show, for each class of financial instrument, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9, relating exclusively to the free capital of the companies in the segment.

INSURANCE ACTIVITIES - CREDIT RISK - DETAILS OF THE PROVISION TO COVER EXPECTED LOSSES ON FINANCIAL INSTRUMENTS

Description (€m)	Financial assets at amortised cost				Financial assets at FVOCI			
	Stage 1	*Stage 2*	*Stage 3*	Total	*Stage 1*	*Stage 2*	*Stage 3*	Total
Balance at 1 January 2023	**1**	**-**	**-**	**1**	**1**	**-**	**-**	**1**
Impairment of securities/receivables held at the beginning of the period	0	-	-	0	0	0	-	0
Reversal of securities/receivables held at the beginning of the period	(0)	-	-	(0)	(0)	(0)	-	(0)
Impairment of securities/receivables purchased/paid in the period	0	-	-	0	0	-	-	0
Reversal for write-off	-	-	-	-	(0)	-	-	(0)
Reversal due to sale/collection	(0)	-	-	(0)	(0)	-	-	(0)
Balance at 31 December 2023	**1**	**-**	**-**	**1**	**1**	**0**	**-**	**2**

At 31 December 2023, estimated expected losses on financial instruments at amortised cost amount to approximately €1 million; the provision did not record any significant changes compared to 31 December 2022.

At the end of the reference period, the estimated expected losses on financial instruments measured at fair value through other comprehensive income amount to approximately €55 million, of which €53 million passed on to policyholders. This provision increased by approximately €7 million compared to 31 December 2022, mainly as a result of purchases made during the period.

Collateral held and other credit enhancements

In order to mitigate the exposure to credit risk, the Poste Vita insurance Group invests in, among other things, corporate bonds that are guaranteed in order to mitigate the overall exposure to credit risk.

At 31 December 2023, the insurance Group does not hold financial assets secured by guarantees or other credit risk mitigation instruments for which no loss coverage provisions have been made.

Within insurance activities, the main types of credit risk mitigation instruments relate to fixed income instruments held by insurance companies. In detail, debt securities backed by guarantees or other credit risk mitigation instruments are mainly represented by bonds held by the Poste Vita Group, with a nominal amount of €6,485 million at 31 December 2023. In these cases, the guarantee covers 100% of the nominal value of the securities. The guarantees securing these financial instruments are as follows:

- corporate bonds backed by personal guarantees provided by the parent company or another associate, amounting to a nominal value of €5,569 million;
- covered bonds backed by mortgages, primarily property mortgages, amounting to a nominal value of €179 million;
- bonds guaranteed by sovereign states, amounting to a nominal value of €737 million.

In the case of instruments backed by personal guarantees provided by a sovereign state or one or more companies, expected losses are calculated on the basis of the credit rating of the guarantor. With regard to covered bonds, the underlying guarantees were considered through the recognition of upgrades according to the type of guarantee.

Exposure to credit risk - insurance components

The following table presents an analysis of the risk exposure under review at 31 December 2023, by counterparty rating class, generated as a result of the placement of insurance and reinsurance contracts in place

INSURANCE ACTIVITIES - CREDIT RISK - RATING

Description (€m)	from AAA to AA-	from A+ to BBB-	from BB+ to C	*Not rated*	Total
2023					
Assets for outward reinsurance					**233**
- of which net Amounts due from reinsurers	*-*	*-*	*-*	*-*	**-**
Insurance liabilities					**155,338**
- of which due from policyholders	*-*	*-*	*-*	*170*	**170**
2022					
Assets for outward reinsurance					**233**
- of which net Amounts due from reinsurers	*1*	*0*	*(0)*	*(0)*	**0**
Insurance liabilities					**141,380**
- of which due from policyholders	*-*	*-*	*-*	*110*	**110**

Assets for outward reinsurance that are relevant to the risk in question refer to the component of the item relating to the net exposure to reinsurers, which is included in the valuation. These receivables are not subject to impairment as the credit or debit balance is used to offset the payment or collection of reinsurance items. The reinsurance structure has very tight deadlines, annual at most, so the possibility of balances remaining unpaid for a period longer than 12 months is remote. Moreover, since these receivables are related to contracts falling under IFRS 17, they must not be impaired as required by IFRS 9. At 31 December 2023, the balance of these net receivables was nil, as the exposure to reinsurers was a liability at the balance sheet date.

The **insurance liabilities** that are taken into account in the valuation of this risk refer to the component relating to amounts due from policyholders. Amounts due from policyholders relate to contracts issued at the reporting date for which the customer has not yet paid the premium. As is the case for net amounts due from reinsurers, this type of receivable arises as a result of insurance contracts, and is therefore not subject to impairment as required by IFRS 9. In any case, the Group performs recoverability analyses of the receivable in question, and in fact a full write-down of the receivable is made if it is more than 6 months old.

Liquidity risk

The following tables compare the financial liabilities and assets belonging to the insurance segment and outstanding at 31 December 2023.

INSURANCE ACTIVITIES - LIQUIDITY RISK - LIABILITIES

Description (€m)	Within 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
2023							
Flows from Poste Vita group's policies	10,574	9,053	8,543	8,523	9,930	175,196	221,818
Financial liabilities	59	0	0	-	-	-	59
Trade payables	41	-	-	-	-	-	41
Other liabilities	702	3	-	-	-	74	778
Total at 31 December 2023	**11,375**	**9,056**	**8,543**	**8,523**	**9,930**	**175,270**	**222,697**
2022							
Flows from Poste Vita group's policies	14,494	10,384	8,984	8,098	7,885	171,345	221,191
Financial liabilities	38	1	1	-	-	-	40
Trade payables	35	-	-	-	-	-	35
Other liabilities	567	0	-	-	54	-	621
Total at 31 December 2022	**15,135**	**10,385**	**8,986**	**8,098**	**7,939**	**171,345**	**221,887**

In the presentation of financial liabilities, expected cash outflows are broken down by maturity. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2023. The commitments of the insurance companies of the Group are reflected in the item "*Flows from Poste Vita group's policies*".

INSURANCE ACTIVITIES - LIQUIDITY RISK - ASSETS

Description (€m)	Within 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
2023							
Financial assets	19,132	13,159	11,588	13,843	12,861	173,474	244,057
Trade receivables	2	-	-	-	-	-	2
Other receivables and assets	134	-	-	-	-	2,280	2,414
Cash and cash equivalents*	3,561	-	-	-	-	-	3,561
Total at 31 December 2023	**22,830**	**13,159**	**11,588**	**13,843**	**12,861**	**175,754**	**250,035**
2022							
Financial assets	16,690	12,345	12,378	10,867	12,564	165,710	230,554
Trade receivables	0	-	-	-	-	-	0
Other receivables and assets	223	-	-	-	2,321	-	2,544
Cash and cash equivalents *	2.732	-	-	-	-	-	2.732
Total at 31 December 2022	**19,645**	**12,345**	**12,378**	**10,867**	**14,885**	**165,710**	**235,830**

* Shown gross of liquidity elimination.

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Investments include financial instruments held by the Group's insurance companies, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates.

The key point of note is the liquidity risk associated with the Class I and V policies issued by Poste Vita SpA. For said reason, for the purpose of analysis of the liquidity risk, for the policies issued by Poste Vita SpA, Asset/Liability Management (ALM) analyses are conducted to manage assets effectively in relation to its obligations to policyholders, and projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics) are also drawn up.

At 31 December 2023, there were uncommitted credit lines for unsecured loans of €4 million, of which about €1 million was utilised.

Additional liquidity needs can be met by resorting to credit lines stipulated by the Parent Company, for details of which please refer to the section on liquidity risk of postal and business activities.

Based on the above information, the existing credit lines and the loans are adequate to meet financing requirements expected to date.

Cash flow interest rate risk

INSURANCE ACTIVITIES - CASH FLOW INTEREST RATE RISK

Description (€m)	31 December 2022	31 December 2023		
	Risk exposure	Risk exposure	Profit/(Loss) before tax	
	Nominal	Nominal	+ 100 bps	- 100 bps
2023 effects				
Financial assets				
Financial assets at FVTOCI	4,341	3,332	2	(2)
Financial assets at FVTPL	94	112	-	-
Cash and cash equivalents	2,537	2,852	7	(7)
Total	**6,971**	**6,296**	**9**	**(9)**

With respect to **Financial assets**, cash flow interest rate risk concerns:

- a portion of the securities portfolio held by Poste Vita SpA, with a total nominal value of €3,361 million, mainly relating to fixed income instruments;
- a portion of the securities portfolio held by Poste Assicura SpA, with a total nominal value of €67 million;
- a portion of the securities portfolio held by Net Insurance SpA and Net Insurance Life SpA, with a total nominal value of €16 million;
- variable-rate bank deposits held by companies in the insurance segment.

With regard to insurance liabilities, the Group considers that the risk exposure does not entail a significant risk and, for this reason, deemed it inappropriate to stress.

Cash flow inflation risk

INSURANCE ACTIVITIES - CASH FLOW INFLATION RATE RISK

Description (€m)	31 December 2022		31 December 2023			
	Risk exposure		Risk exposure		Profit/(Loss) before tax	
	Nominal	Carrying amount	Nominal	Carrying amount	+ 100 bps	- 100 bps
Financial assets						
Financial assets at amortised cost	72	89	72	91	0	(0)
Financial assets at FVTOCI	9,159	10,389	6,676	7,893	1	(1)
Financial assets at FVTPL	-	-	-	-	-	-
Total	**9,232**	**10,478**	**6,748**	**7,984**	**1**	**(1)**

At 31 December 2023, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges. Of the total nominal value, securities totalling €6,701 million are held by Poste Vita SpA and securities totalling €41 million by Poste Assicura SpA.

With regard to insurance liabilities, the Group considers that the risk exposure does not entail a significant risk and, for this reason, deemed it inappropriate to stress.

Lapse risk

The sensitivity analysis at 31 December 2023 took into account insurance liabilities exposed to fluctuations in value and subjected to a variability test, calculated with reference to possible changes in the lapse risk (increase of 10%). Exposures to this risk are set out below:

INSURANCE ACTIVITIES - LAPSE RISK

Description (€m)	31 December 2022	31 December 2023			
	Risk exposure	Risk exposure	Contractual service margin	Profit/(Loss) before tax	Equity reserves before taxation
	Fair value	*Fair value*	+10%	+10%	+10%
Insurance liabilities	141,099	154,560	(390)	(7)	-

The sensitivity analysis shows that a possible 10% increase in the lapse rate would generate a negative change in the Contractual service margin of €390 million, mainly attributable to the reduction in the duration of the liabilities due to the higher outflows, and a negative change in the profit/(loss) before tax of €7 million, mainly attributable to the lower release of CSM resulting from the reduction in the stock.

The effects net of reinsurance mitigation are substantially in line with what is presented in the table since the existing cover is not activated in the event of a 10% increase in the lapse rate.

With regard to the investment in Cronos Vita, which is recognised in the balance sheet at its acquisition value, as defined by *IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations*, please refer to paragraph A14 - Non-current assets and disposal groups held for sale.

Provisioning risk

The sensitivity analysis at 31 December 2023 took into account insurance liabilities exposed to fluctuations in value and subjected to a variability stress test, based on actual volatility during the year, calculated with reference to possible changes in the loss ratio (up/down by 2%). Below are the exposures and this risk both gross and net of the mitigation effect related to reinsurance:

INSURANCE ACTIVITIES - PROVISIONING RISK GROSS OF REINSURANCE

Description (€m)	31 December 2022		31 December 2023							
		Risk exposureo		Risk exposure	Contractual service margin		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	*Fair value*	Nominal	*Fair value*	+2%	-2%	+2%	-2%	+2%	-2%
Insurance liabilities		279		499	(2)	2	(2)	2	-	-

The sensitivity analysis shows that a possible 2% increase in the loss ratio would generate a reduction in the Contractual service margin of about €2 million and a reduction in the profit/(loss) before tax of about €2 million, attributable to the negative change in the loss component. The values net of reinsurance are in line with the gross values shown.

The sensitivity analysis for the opposite case, i.e. a possible decrease in the loss ratio of 2%, would generate an increase in the Contractual service margin before reinsurance of about €2 million, an increase in the profit/(loss) before tax of about €2 million, attributable to the recovery of the loss component, and a positive change in Equity of about €2 million, generated almost entirely by the increase in the profit/(loss) for the year. The values net of reinsurance are in line with the gross values shown.

Concentration risk

As regards the Life business, the products currently placed have fairly standardised characteristics and relatively low minimum guarantees for the majority of the portfolio that are not consolidated year by year. The geographical distribution of these products is homogeneous throughout the country as a result of the widespread distribution network. The Group's product portfolio is still highly concentrated in traditional build-up products. On the basis of these considerations, the risk of concentration of the Life business is medium.

Below is a representation of the concentration of life business at 31 December 2023 by product type, where it can be seen that the highest concentration of risks relates to build-up products (Separately Managed Accounts).

INSURANCE ACTIVITIES - CONCENTRATION RISK - LIFE

Product type	**31 December 2023**
Products linked to Separately Managed Accounts	92%
Protection products	0%
Index/Unit-linked products	8%

With regard to P&C business, the products currently placed by the Group have fairly standardised characteristics. The geographical distribution of these products is homogeneous throughout the country as a result of the widespread distribution network. The product portfolio is mainly concentrated on health products (Line of business Medical Expenses and Income Protection). On the basis of these considerations, the risk of concentration of the P&C business is medium.

Below is a breakdown of gross inflows at 31 December 2023 by product type, which shows that the highest concentration of risks relates to products belonging to the "modular" line and the "Welfare" segment, the latter referring to collective policies taken out with corporate customers (Employee Benefits).

INSURANCE ACTIVITIES - CONCENTRATION RISK - P&C

Product type	**31 December 2023**
Asset & Personal Protection & Modular Line	37%
Third-party networks	8%
Payment protection line	8%
Salary-backed loans	6%
Integration Life - P&C	3%
Welfare and other management	38%

Claims development

Below is information on the development of undiscounted claims, both in terms of cumulative amount paid at the date and in terms of ultimate cost values[297], gross and net of reinsurance.

The claims development table shows the development of cumulative paid claims and ultimate cost per year of generation.

INSURANCE ACTIVITIES - CLAIMS DEVELOPMENT BEFORE REINSURANCE

	Cumulative paid claims and other directly attributable costs paid (A)										
Claims/Times	**Year T-9**	**Year T-8**	**Year T-7**	**Year T-6**	**Year T-5**	**Year T-4**	**Year T-3**	**Year T-2**	**Year T-1**	**Year T**	**Total**
1. At the end of the year of occurrence	-	-	-	-	-	-	-	(104)	(126)	(191)	
2. One year later	-	-	-	-	-	-	(115)	(186)	(216)		
3. Two years later	-	-	-	-	-	(115)	(123)	(200)			
4. Three years later	-	-	-	-	(64)	(116)	(124)				
5. Four years later	-	-	-	(61)	(64)	(118)					
6. Five years later	-	-	(53)	(61)	(64)						
7. Six years later	-	(63)	(53)	(61)							
8. Seven years later	(75)	(62)	(52)								
9. Eight years later	(74)	(62)									
10. Nine years later	(74)										
Total	**(74)**	**(62)**	**(52)**	**(61)**	**(64)**	**(118)**	**(124)**	**(200)**	**(216)**	**(191)**	**(1,162)**

	Estimated ultimate cumulative claims cost (amount before reinsurance and undiscounted) (B)										
Claims/Times	**Year T-9**	**Year T-8**	**Year T-7**	**Year T-6**	**Year T-5**	**Year T-4**	**Year T-3**	**Year T-2**	**Year T-1**	**Year T**	**Total**
1. At the end of the year of occurrence	-	-	-	-	-	-	-	(220)	(278)	(384)	
2. One year later	-	-	-	-	-	-	(149)	(230)	(274)		
3. Two years later	-	-	-	-	-	(131)	(139)	(222)			
4. Three years later	-	-	-	-	(70)	(126)	(134)				
5. Four years later	-	-	-	(65)	(66)	(123)					
6. Five years later	-	-	(55)	(62)	(66)						
7. Six years later	-	(64)	(54)	(62)							
8. Seven years later	(75)	(63)	(53)								
9. Eight years later	(74)	(63)									
10. Nine years later	(74)										
Total	**(74)**	**(63)**	**(53)**	**(62)**	**(66)**	**(123)**	**(134)**	**(222)**	**(274)**	**(384)**	**(1,456)**

297. Ultimate cost value means the estimate of the final settlement that the insurer expects to pay for a single claim or for an entire generation of claims. This amount includes all values to be paid to the insured and/or injured party, including settlement costs.

C. Gross undis-counted liability for incurred claims - T to T-9 (B - A)	**(0)**	**(1)**	**(1)**	**(1)**	**(2)**	**(5)**	**(10)**	**(22)**	**(58)**	**(194)**	**(293)**
D. Gross undis-counted liability for incurred claims - years prior to T-9											**(0)**
E. Discount effect											**11**
F. Effect of ad-justment for non-financial risks											**(14)**
G. Gross liabil-ity for incurred claims of insur-ance contracts issued											**(296)**

Cumulative paid claims, at 31 December 2023, amounted to €1,162 million, of which more than 50% related to claims occurred between 2021 and 2023.

Cumulative paid claims, including the ultimate cost estimate, amounted to 1,456 at 31 December 2023, of which more than 60% related to claims occurred between 2021 and 2023.

At the reporting date, approximately 80% of cumulative claims including the ultimate cost estimate had been settled. In fact, the ending balance of the undiscounted liability for remaining coverage at 31 December 2023 amounts to EUR 293[298] million. This amount remains set aside to support commitments to policyholders for future years and relates, for approximately 65%, to claims occurred in the year 2023.

The discount effect on these expected future cash flows amounts to €11 million, while the adjustment for non-financial risk amounts to approximately €14 million.

298. This amount relates to the liability for incurred claims of Poste Assicura SpA and the reserve for incurred claims of Net Insurance SpA gross of the amounts attributable to flows related to receivables for amounts to be recovered on such incurred claims.

INSURANCE ACTIVITIES - CLAIMS DEVELOPMENT NET OF REINSURANCE

Claims/Times	Cumulative paid claims and other directly attributable costs paid (A)										
	Year T-9	Year T-8	Year T-7	Year T-6	Year T-5	Year T-4	Year T-3	Year T-2	Year T-1	Year T	Total
1. At the end of the year of occurrence	-	-	-	-	-	-	-	(86)	(117)	(158)	
2. One year later	-	-	-	-	-	-	(83)	(156)	(198)		
3. Two years later	-	-	-	-	-	(81)	(87)	(168)			
4. Three years later	-	-	-	-	(32)	(82)	(88)				
5. Four years later	-	-	-	(37)	(32)	(83)					
6. Five years later	-	-	(32)	(37)	(32)						
7. Six years later	-	(44)	(32)	(37)							
8. Seven years later	(60)	(44)	(32)								
9. Eight years later	(59)	(44)									
10. Nine years later	(59)										
Total	**(59)**	**(44)**	**(32)**	**(37)**	**(32)**	**(83)**	**(88)**	**(168)**	**(198)**	**(158)**	**(901)**

Claims/Times	Estimated ultimate cumulative claims cost (amount before reinsurance and undiscounted) (B)										
	Year T-9	Year T-8	Year T-7	Year T-6	Year T-5	Year T-4	Year T-3	Year T-2	Year T-1	Year T	Total
1. At the end of the year of occurrence	-	-	-	-	-	-	-	(188)	(256)	(312)	
2. One year later	-	-	-	-	-	-	(110)	(196)	(255)		
3. Two years later	-	-	-	-	-	(93)	(101)	(190)			
4. Three years later	-	-	-	-	(37)	(89)	(97)				
5. Four years later	-	-	-	(40)	(34)	(87)					
6. Five years later	-	-	(34)	(38)	(33)						
7. Six years later	-	(45)	(33)	(38)							
8. Seven years later	(61)	(44)	(33)								
9. Eight years later	(60)	(44)									
10. Nine years later	(60)										
Total	**(60)**	**(44)**	**(33)**	**(38)**	**(33)**	**(87)**	**(97)**	**(190)**	**(255)**	**(312)**	**(1.148)**

C. Net undiscounted liability for incurred claims - year of occurrence T to T-9 (Total B - Total A)	**(0)**	**(0)**	**(0)**	**(1)**	**(1)**	**(4)**	**(9)**	**(21)**	**(57)**	**(154)**	**(247)**
D. Net undiscounted liability for incurred claims - years prior to T-9											**(0)**
E. Discount effect											**9**
F. Effect of adjustment for non-financial risks											**(12)**
G. Net liability for incurred claims of insurance contracts issued											**(250)**

Mitigation related to reinsurance improves the result by about 15%.

Postal and business activities

Fair value interest rate risk

POSTAL AND BUSINESS ACTIVITIES - FAIR VALUE INTEREST RATE RISK

	31 December 2022		31 December 2023			
	Risk exposure		Risk exposure		Profit/(Loss) before tax	
Description (€m)	**Nominal**	**Carrying amount**	**Nominal**	**Carrying amount**	**+ 100 bps**	**- 100 bps**
Financial assets						
Financial assets at FVTOCI	110	91	110	99	(4)	4
Derivative financial instruments	50	0	-	-	-	-
Total	**160**	**91**	**110**	**99**	**(4)**	**4**

Within the framework of postal and commercial activities, the risk exposure in question relates to **Financial assets at fair value through other comprehensive income** represented by fixed income government bonds held by the Parent Company.

Price risk

POSTAL AND BUSINESS ACTIVITIES - PRICE RISK

Description (€m)	31 December 2022	31 December 2023		
	Risk exposure	Risk exposure	Equity reserves before taxation	
			+ Vol	- Vol
Financial assets				
Financial assets at FVTOCI	343	345	120	(120)
Financial assets at FVTPL	1	0	-	-
Derivative financial instruments	-	-	-	-
Total	**344**	**345**	**120**	**(120)**

Financial assets at fair value through other comprehensive income refer to Nexi shares held by Poste Italiane SpA for €345 million; the Parent Company holds additional shares in *Moneyfarm, sender Technologies GmbH, Milkman and Scalapay Limited, which* are also classified as Financial assets at fair value through other comprehensive income, not subject to sensitivity analysis in the above table.

Foreign exchange risk

POSTAL AND BUSINESS ACTIVITIES - CURRENCY RISK

Description (€m)	31 December 2022		31 December 2023			
	Position in GBP	Position in Euro	Position in GBP	Position in Euro	Equity reserves before taxation	
					+ Vol 260 days	- Vol 260 days
Financial assets						
Financial assets at FVTOCI	50	57	48	55	3	(3)
Total	**50**	**57**	**48**	**55**	**3**	**(3)**

At 31 December 2023, the risk in question related exclusively to an equity investment held by the Parent Company in *Moneyfarm*.

In addition, below is indicated the risk related to the net receivable/(payable) position in DSP, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) held by Poste Italiane SpA and used worldwide to settle debts and credits among postal operators.

Description (€m)	31 December 2022		31 December 2023			
	Position in GBP	Position in Euro	Position in GBP	Position in Euro	Profit/(Loss) before tax	
					+ Vol 260 days	- Vol 260 days
Current assets in SDRs	166	208	77	94	4	(4)
Current liabilities in SDRs	(201)	(251)	(67)	(82)	(3)	3
Total	**(34)**	**(43)**	**10**	**12**	**0**	**(0)**

Lastly, it should be noted that the Poste Italiane Group is subject to translation currency risk, which is the exchange rate risk associated with the conversion into euro of items relating to investments in companies whose functional currency is not the euro. At 31 December 2023, however, a significant change in exchange rates would not have a material impact on the Group's consolidated financial statements.

Spread risk

The following is the result of the sensitivity analysis[299] to spread risk carried out at 31 December 2023 limited to the Financial assets at FVTOCI involving fixed income government bonds:

POSTAL AND BUSINESS ACTIVITIES - FAIR VALUE SPREAD RISK

Description (€m)	31 December 2022		31 December 2023			
	Risk exposure		Risk exposure		Equity reserves before taxation	
	Nominal	*Fair value*	Nominal	*Fair value*	+ 100 bps	- 100 bps
Financial assets						
Financial assets at FVTOCI	110	91	110	99	(4)	4
Total	**110**	**91**	**110**	**99**	**(4)**	**4**

Credit risk

Information on credit risk exposure is presented in the following section only for financial assets other than trade and other receivables and assets subject to impairment provisions, for which information is provided in Note A8 - Trade receivables and Note A9 - Other receivables and assets.

Exposure to credit risk

The table below provides an analysis of the exposure at 31 December 2023 of the **Financial Assets** pertaining to the Postal and Business segment for which the General impairment model is used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

POSTAL AND BUSINESS ACTIVITIES - CREDIT RISK - RATING

Description (€m)	from A+ to BBB-				
	Stage 1	*Stage 2*	*Not rated*	Hedge accounting effects	Total
2023					
Financial assets at amortised cost					
Gross carrying amount	20	-			20
Provision to cover expected losses	(20)	-			(20)
Total amortised cost at 31 December 2023	**(0)**	**-**	**4**	**-**	**4**
Financial assets at FVTOCI					
Gross carrying amount	101	-	-	-	101
Carrying amount - Fair value at 31 December 2023	**99**	**-**	**-**	**-**	**99**
2022					
Financial assets at amortised cost					
Gross carrying amount	19	-			20
Provision to cover expected losses	(20)	-			(20)
Total amortised cost at 31 December 2022	**(1)**	**-**	**3**	**-**	**3**
Financial assets at FVTOCI					
Gross carrying amount	99	-	-	-	99
Carrying amount - Fair value at 31 December 2022	**91**	**-**	**-**	**-**	**91**

299. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 250 bps and the spread of the BTP compared to the 10-year swap rate of 121 bps).

The **Financial assets** that are relevant to the risk in question refer to financial receivables held by the Parent Company Poste Italiane SpA (RFC) and measured at amortised cost for a gross carrying amount of €20 million, fully written down; as well as fixed income instruments measured at **fair value through other comprehensive income** for a carrying amount of €99 million.

The following table shows an analysis of the counterparty concentration of credit risk by financial asset class.

POSTAL AND BUSINESS ACTIVITIES - CREDIT RISK - CREDIT RISK CONCENTRATION

	31.12.2023		31.12.2022	
Description (€m)	**Gross carrying amount**	**Provision to cover expected losses**	**Gross carrying amount**	**Provision to cover expected losses**
Financial assets at amortised cost	24	(20)	23	(20)
Corporate	24	(20)	23	(20)
Financial assets at FVTOCI	101	-	99	-
Sovereign	101	-	99	-
Total	**125**	**(20)**	**123**	**(20)**

ECL measurement

At 31 December 2023, the estimated expected losses on financial instruments related almost exclusively to financial receivables at amortised cost amounting to approximately €20 million. The provision remained unchanged from 31 December 2022.

Liquidity risk

The following tables present a comparison of the financial liabilities and assets of the Postal and Business segment at 31 December 2022.

POSTAL AND BUSINESS ACTIVITIES - LIQUIDITY RISK - LIABILITIES

	31.12.2023				31.12.2022			
Description (€m)	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities	825	2.219	304	3,348	369	1,879	1,081	3,329
Trade payables	1,749	-	-	1,749	1,811	-	-	1,811
Other liabilities	1,264	224	1	1,489	1,284	209	5	1,498
Total Liabilities	**3,838**	**2,443**	**305**	**6,586**	**3,464**	**2,088**	**1,086**	**6,638**

In the table above, the expected cash outflows are broken down by maturity. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2022.

POSTAL AND BUSINESS ACTIVITIES - LIQUIDITY RISK - ASSETS

Description (€m)	31.12.2023 Within 12 months	31.12.2023 Between 1 and 5 years	31.12.2023 Over 5 years	31.12.2023 Total	31.12.2022 Within 12 months	31.12.2022 Between 1 and 5 years	31.12.2022 Over 5 years	31.12.2022 Total
Financial assets	2	122	2	125	35	2	111	149
Trade receivables	1,658	2	-	1,660	1,708	2	-	1,710
Other receivables and assets	378	310	153	842	293	284	182	759
Tax credits Law no. 77/2020*	59	273	137	469	63	247	162	472
Cash and cash equivalents*	650	-	-	650	575	-	-	575
Total Assets	**2,747**	**707**	**292**	**3,746**	**2,674**	**535**	**455**	**3,664**

* The amount shown in the table also includes receivables for which seizure orders were received from judicial authorities.
** Shown gross of liquidity elimination.

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Investments include financial instruments held by the Parent Company, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates.

The committed and uncommitted credit lines available to the Group companies belonging to the operating segment in question, and the related uses are summarised in the table below.

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022
Committed credit lines	**2,450**	**2,450**
Short-term loans	2,450	2,450
Uncommitted credit lines	**2,162**	**2,120**
Short-term loans	960	1,005
Current account overdrafts	185	145
Unsecured loans	1,017	969
Total	**4,612**	**4,570**
Uncommitted uses	**554**	**622**
Short-term loans	0	1
Unsecured loans	554	621
Total	**554**	**622**

No collateral has been provided to secure the credit lines obtained.

At 31 December 2023, the Parent Company had an EMTN - Euro Medium Term Note program of €2.5 billion in place, thanks to which the Group can raise an additional €1.5 billion on the capital market. As part of this programme, the loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013, was repaid in October 2023.

The existing credit lines and the loans are adequate to meet financing requirements expected to date.

Cash flow interest rate risk

Within **Financial assets** belonging to the postal and business segment, the interest rate risk on cash flows relates to variable-rate bank deposits held by the Parent Company for approximately €75 million (€110 million at 31 December 2022), while under Financial liabilities it relates to the variable-rate CEB loan taken out by the Parent Company, for which the first tranche of €125 million was disbursed on 28 December 2023. The sensitivity analyses performed at 31 December 2023 do not show any significant effects on the profit/(loss) before tax.

Payment services and card payments activities

Foreign exchange risk

Within the Payment Services and Card Payments segment, the **financial assets** exposed to the risk under review refer to the investment held by the company Postepay in Volanté (approximately €7 million at 31 December 2023 and 31 December 2022) and the convertible loan issued by the company Volanté subscribed in 2023 by Postepay and recognised in financial assets at fair value through profit or loss for approximately €1 million. The sensitivity analyses performed did not reveal any significant effects on the company's profit/(loss) before tax or equity reserves.

Credit risk

See *Note A8 - Trade receivables* and *Note A9 - Other receivables and assets* for information on credit risk exposure on trade receivables and on other receivables and assets subject to impairment provisions.

The financial assets exposed to risk at 31 December 2023 refer to financial receivables from corporate counterparties, measured at amortised cost, for a gross carrying amount of approximately €32 million in the A+/BBB- rating category and stage 1, and for a gross carrying amount of approximately €27 million in the BB+/C rating category and stage 1. At 31 December 2023, the estimated expected losses on these financial instruments were not significant.

Liquidity risk

The following tables show the comparison between financial liabilities and assets falling within the Payments and Card payments segment and outstanding at 31 December 2023.

PAYMENT SERVICES AND CARD PAYMENTS ACTIVITIES - LIQUIDITY RISK - LIABILITIES

	31.12.2023				31.12.2022			
Description (€m)	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities	10,275	8	-	10,282	9,342	8	-	9,350
Trade payables	390	-	-	390	307	-	-	307
Other liabilities	84	2	0	85	61	1	-	62
Total Liabilities	**10,748**	**10**	**0**	**10,757**	**9,710**	**9**	**-**	**9,720**

In the table above, the expected cash outflows are broken down by maturity. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2023.

PAYMENT SERVICES AND CARD PAYMENTS ACTIVITIES - LIQUIDITY RISK - ASSETS

Description (€m)	31.12.2023				31.12.2022			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets	299	0	-	299	198	-	-	198
Trade receivables	155	-	-	155	94	-	-	94
Other receivables and assets	56	2	-	58	51	1	-	51
Cash and cash equivalents *	65	-	-	65	172	-	-	172
Total Assets	**575**	**2**	**-**	**577**	**514**	**1**	**-**	**515**

* Shown gross of liquidity elimination.

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable.

At 31 December 2023, the companies in this segment also had credit lines of about €35 million for unsecured loans of around €15 million drawn.

Additional liquidity needs can be met by resorting to credit lines stipulated by the Parent Company, for details of which please refer to the section on liquidity risk of postal and business activities.

No collateral has been provided to secure the credit lines obtained.

The existing credit lines and the loans are adequate to meet financing requirements expected to date.

Cash flow interest rate risk

As part of the Payment Services and Card Payments segment, the **Financial assets** exposed to the risk in question refer entirely to variable-rate bank deposits held by LIS Pay for a nominal value, at 31 December 2023, of approximately €42 million. The sensitivity analyses performed show that as a result of a parallel shift of +/- 100 bps in the interest rate, the impact on the profit/(loss) before tax would in both cases be positive by about €3 million and about €1 million, respectively.

Quantitative information - Poste Italiane SpA

The following is quantitative information on Poste Italiane SpA's exposure to financial risks.

Fair value interest rate risk

POSTE ITALIANE SPA - FAIR VALUE INTEREST RATE RISK

Description (€m)	31.12.2022		31.12.2023			
	Risk exposure		Risk exposure		Impact of equity reserves before taxation	
	Nominal	*Fair value*	Nominal	*Fair value*	+ 100 bps	- 100 bps
Financial assets attributable to BancoPosta RFC						
Financial assets at FVTOCI	37,489	33,161	34,859	33,069	(1,044)	1,067
Derivative financial instruments	1,564	350	-	-	-	-
Financial assets - Capital outside the ring-fence						
Financial assets at FVTOCI	110	91	110	99	(4)	4
Derivative financial instruments	50	-	-	-	-	-
Financial liabilities attributable to BancoPosta RFC						
Derivative financial instruments	2,968	(96)	-	-	-	-
Total	**42,181**	**33,506**	**34,969**	**33,168**	**(1,048)**	**1,071**

Financial assets at fair value through other comprehensive income that relate to the risk under review are composed of fixed income government bonds held by BancoPosta RFC which consist of: fixed-rate securities amounting to €16,192 million, variable-rate securities converted into fixed-rate securities via cash flow hedges interest rate swaps, totalling €3,729 million, variable-rate securities for €1,769 million (of which inflation-linked securities amounting to €1,116 million), and fixed- or variable-rate bonds converted to variable-rate positions via fair value hedges amounting to €11,478 million (including €4,680 million in forward starts).

At 31 December 2023, with reference to the interest rate risk exposure determined by the average financial duration300 of the portfolios and relating mainly to BancoPosta RFC, overall investments went from 5.01 to 5.38.

300. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

Price risk

POSTE ITALIANE SPA - PRICE RISK

Description (€m)	31.12.2022 Risk exposure	31.12.2023 Risk exposure	Impact of Profit/(Loss) before tax + Vol	Impact of Profit/(Loss) before tax - Vol	Impact of Equity reserves before taxation + Vol	Impact of Equity reserves before taxation - Vol
Financial assets attributable to BancoPosta RFC						
Financial assets at FVTPL	40	26	4	(4)	-	-
Financial assets outside ring-fence						
Financial assets at FVTOCI	343	345	-	-	120	(120)
Financial liabilities attributable to BancoPosta RFC						
Derivative financial instruments	(4)	(3)	(3)	3	-	-
Total	**379**	**368**	**1**	**(1)**	**120**	**(120)**

The financial instruments that are relevant to the risk under comment concern:

- **Financial assets at fair value through other comprehensive income** consisting of the shares held by the RFC in Nexi SpA;
- **Financial assets at fair value through profit or loss** and relating to preference shares held by BancoPosta RFC in Visa Incorporated. For the purpose of the sensitivity analysis, the equities are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE;
- **Derivative financial instruments** related to the forward sale agreement for 95,000 Visa Incorporated ordinary shares.

The shares in Moneyfarm Holding Ltd, sennder Technologies GmbH, Milkman and Scalapay Limited, classified as **Financial Assets at fair value through other comprehensive income**, and held by RFC are not subject to sensitivity in the above table.

Foreign exchange risk

POSTE ITALIANE SPA - CURRENCY RISK

Description (€m)	31.12.2022 Posizione in USD	31.12.2022 Posizione in GBP	31.12.2022 Posizione in Euro	31.12.2023 Position in USD	31.12.2023 Position in GBP	31.12.2023 Position in Euro	Impact of Profit/(Loss) before tax + Vol 260gg	Impact of Profit/(Loss) before tax - Vol 260gg	Impact of Equity reserves before taxation + Vol 260gg	Impact of Equity reserves before taxation - Vol 260gg
Financial assets attributable to BancoPosta RFC										
Financial assets at FVTPL	42	-	40	29	-	26	2	(2)	-	-
Financial assets outside ring-fence										
Financial assets at FVTOCI	-	50	57	-	48	55	-	-	3	(3)
Financial liabilities attributable to BancoPosta RFC										
Derivative financial instruments	(4)	-	(4)	(3)	-	(3)	(2)	2	-	-
Total	**38**	**50**	**93**	**26**	**48**	**78**	**-**	**-**	**3**	**(3)**

At 31 December 2023, the risk in question concerns:

- the equity investment in Visa Incorporated by BancoPosta RFC and the related derivative financial instrument entered into on the ordinary shares;
- the equity investment in the company MFM Holding Ltd by the RFC.

Below is also the risk concerning the net trading position in DSP[301] held by Poste Italiane SpA and used worldwide for the settlement of trade positions between Postal Operators:

POSTE ITALIANE SPA - CURRENCY RISK SDR

Description (€m)	31.12.2022		31.12.2023			
	Position in SDR	Position in EUR	Position in SDR	Position in EUR	Impact of Profit/(Loss) before tax	
					+ Vol 260gg	- Vol 260gg
Current assets in SDRs	167	208	77	94	4	(4)
Current liabilities in SDRs	(201)	(251)	(67)	(82)	(3)	3
Total	**(34)**	**(43)**	**10**	**12**	**1**	**(1)**

Spread risk

POSTE ITALIANE SPA - FAIR VALUE SPREAD RISK

Description (€m)	31.12.2022		31.12.2023			
	Risk exposure		Risk exposure		Impact of equity reserves before taxation	
	Nominal	*Fair value*	Nominal	*Fair value*	+ 100 bps	- 100 bps
Financial assets attributable to BancoPosta						
Financial assets at FVTOCI	37,489	33,161	34,859	33,069	(2,993)	3,508
Derivative financial instruments	1,564	350	-	-	-	-
Financial assets outside ring-fence						
Financial assets at FVTOCI	110	91	110	99	(4)	4
Financial liabilities attributable to BancoPosta						
Derivative financial instruments	2,968	(96)	-	-	-	-
Total	**42,131**	**33,506**	**34,969**	**33,168**	**(2,997)**	**3,512**

Financial assets at fair value through other comprehensive income that are relevant to the risk in question concern fixed income government securities held mainly by BancoPosta RFC and underwent an overall net increase in fair value of approximately €2,327 million: this change was recognised in profit or loss for an amount of €383 million relating to the change in the fair value of securities hedged against interest rate risk, whilst the change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in equity for €1,944 million.

For further details on the risk in question, see the section in this paragraph entitled "Quantitative Information - Poste Italiane Group - Financial Activities".

301. Synthetic currency determined by the weighted average of the exchange rates of four major currencies (Euro, US Dollar, British Pound Sterling, Japanese Yen).

Credit risk

Exposure to credit risk

The credit risk exposure at 31 December 2023 of **Financial assets** for which, for the purposes of application of the impairment provisions, the General impairment model is used, is shown below. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

CREDIT RISK - RATINGS FOR BANCOPOSTA RFC

Description (€m)	from AAA to AA-			from A+ to BBB-			from BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	*Stage 2*	*Stage 3*	*Stage 1*	*Stage 2*	*Stage 3*	*Stage 1*	*Stage 2*			
2023											
Financial assets at amortised cost											
Gross carrying amount	-	-	-	44,289	-	-	-	-			44,289
Provision to cover expected losses	-	-	-	(23)	-	-	-	-	-	-	(23)
Total amortised cost at 31 December 2023	**-**	**-**	**-**	**44,266**	**-**	**-**	**-**	**-**	**536**	**(1,944)**	**42,858**
Financial assets at FVTOCI											
Gross carrying amount	-	-	-	35,512	-	-	-	-	-		35,512
Provision to cover expected losses - OCI	-	-	-	(18)	-	-	-	-			(18)
Carrying amount - Fair value at 31 December 2023	**-**	**-**	**-**	**33,069**		**-**	**-**	**-**	**-**	**-**	**33,069**
2022											
Financial assets at amortised cost											
Gross carrying amount	195	-	-	45,954	-	-	-	-			46.149
Provision to cover expected losses	-	-	-	(19)	-	-	-	-			(19)
Total amortised cost at 31 December 2022	**195**	**-**	**-**	**45,935**	**-**	**-**	**-**	**-**	**566**	**(2,714)**	**43,982**
Financial assets at FVTOCI											
Gross carrying amount	-	-	-	38,949	-	-	-	-	-		38,949
Provision to cover expected losses - OCI	-	-	-	(16)	-	-	-	-			(16)
Carrying amount - Fair value at 31 December 2022	**-**	**-**	**-**	**33,161**		**-**	**-**	**-**	**-**	**-**	**33,161**

CREDIT RISK - RATINGS FOR CAPITAL OUTSIDE THE RING-FENCE

Description (€m)	from AAA to AA-			from A+ to BBB-			from BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	*Stage 2*	*Stage 3*	*Stage 1*	*Stage 2*	*Stage 3*	*Stage 1*	*Stage 2*			
2023											
Financial assets at amortised cost											
Gross carrying amount	-	-	-	434	-	-	-	-			434
Provision to cover expected losses	-	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2023	**-**	**-**	**-**	**413**	**-**	**-**	**-**	**-**	**4**	**-**	**417**
Financial assets at FVTOCI											
Loans	-	-	-	-	-	-	-	-			-
Receivables	-	-	-	-	-	-	-	-			-
Fixed income instruments	-	-	-	101	-	-	-	-			101
Gross carrying amount	-	-	-	101	-	-	-	-			101
Provision to cover expected losses - OCI	-	-	-	-	-	-	-	-	-	-	-
Carrying amount - Fair value at 31 December 2023	**-**	**-**	**-**	**99**	**-**	**-**	**-**	**-**	**-**	**-**	**99**
2022											
Financial assets at amortised cost											
Gross carrying amount	-	-	-	386	-	-	-	-			386
Provision to cover expected losses	-	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2022	**-**	**-**	**-**	**365**	**-**	**-**	**-**	**-**	**3**	**-**	**368**
Financial assets at FVTOCI											
Gross carrying amount	-	-	-	99	-	-	-	-			99
Provision to cover expected losses - OCI	-	-	-	-	-	-	-	-	-	-	-
Carrying amount - Fair value at 31 December 2022	**-**	**-**	**-**	**91**	**-**	**-**	**-**	**-**	**-**	**-**	**91**

Financial assets at amortised cost that are relevant to the risk in question regard: fixed income instruments held by BancoPosta RFC with a gross carrying amount of €32,360 million, decreased by a total of €1,962 million to take account of the effects of fair value hedges and the related impairment provision; loans and receivables with a gross carrying amount of €12,363 million, including €8,937 million relating to BancoPosta RFC and deriving from Deposits with the MEF and €409 million referring to the RFC and relating to loans and running current accounts receivable from subsidiaries.

Financial assets at fair value through other comprehensive income that are relevant to the risk in question concern fixed income instruments held mainly by BancoPosta RFC.

The following table also shows the counterparty concentration of credit risk by financial asset class.

CREDIT RISK - CONCENTRATION OF CREDIT RISK

Description (€m)	31.12.2023		31.12.2022	
	Gross carrying amount	Provision to cover expected losses	Gross carrying amount	Provision to cover expected losses
Financial assets attributable to BncoPosta RFC				
Financial assets at amortised cost	44,289	(23)	46,149	(18)
Sovereign	38,406	(21)	39,327	(17)
Corporate	4,937	(2)	5,354	(1)
Banking	946	-	1,468	-
Financial assets at FVTOCI	35,512	(18)	38,949	(16)
Sovereign	35,512	(18)	38,949	(16)
Corporate	-	-	-	-
Banking	-	-	-	-
Financial assets outside ring-fence				
Financial assets at amortised cost	438	(21)	389	(21)
Sovereign	-	-	-	-
Corporate	438	(21)	389	(21)
Banking	-	-	-	-
Financial assets at FVTOCI	101	-	99	-
Sovereign	101	-	99	-
Corporate	-	-	-	-
Banking	-	-	-	-
Total	**80,340**	**(62)**	**85,586**	**(55)**

Collateral held and other credit enhancements

At 31 December 2023, the Company does not hold financial instruments secured by guarantees or other risk mitigation instruments for which no loss provisions have been made (except for the temporary use of liquidity in repurchase agreements).

For further details on the risk in question and, in particular, on the main types of credit risk mitigation instruments, please refer to the section in this paragraph entitled "Quantitative Information - Poste Italiane Group - Financial Activities".

ECL measurement

The following tables show, for **Financial assets**, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9.

CREDIT RISK - DETAILS OF THE PROVISION TO COVER EXPECTED LOSSES ON FINANCIAL INSTRUMENTS OF CAPITAL OUTSIDE THE RING-FENCE

Description (€m)	Financial assets at amortised cost		Financial assets at FVTOCI	
	Stage 1	Total	*Stage* 1	Total
Balance at 1 January 2023	**19**	**19**	**16**	**16**
Impairment of financial instruments in portfolio at the beginning of the period	3	3	3	3
Reversal of financial instruments in portfolio at the beginning of the period	-	-	(1)	(1)
Impairment of financial instruments acquired/disbursed in the period	1	1	3	3
Reversal for write-off	-	-	-	-
Reversal due to sale/collection	-	-	(2)	(2)
Balance at 31 December 2023	**23**	**23**	**19**	**19**

CREDIT RISK - DETAILS OF THE PROVISION TO COVER EXPECTED LOSSES ON FINANCIAL INSTRUMENTS OF CAPITAL OUTSIDE THE RING-FENCE

Description (€m)	Financial assets at amortised cost		Financial assets at FVTOCI	
	Stage 1	Total	*Stage* 1	Total
Balance at 1 January 2023	**21**	**21**	**-**	**-**
Impairment of financial instruments in portfolio at the beginning of the period	-	-	-	-
Reversal of financial instruments in portfolio at the beginning of the period	-	-	-	-
Impairment of financial instruments acquired/disbursed in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale/collection	-	-	-	-
Balance at 31 December 2023	**21**	**21**	**-**	**-**

At 31 December 2023, the estimate of expected losses on financial instruments at amortised cost includes €18 million for the provision related to fixed income instruments held by BancoPosta RFC (increased by €5 million compared to 31 December 2022) and €20 million for the provision related to the residual receivable from Invitalia SpA for the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA (unchanged compared to 31 December 2022).

At 31 December 2023, estimated expected losses on financial instruments measured at fair value through other comprehensive income amount to €19 million and concern the provision relating to government bonds held mainly by BancoPosta RFC.

Liquidity risk

A comparison between liabilities and assets at 31 December 2023 is shown below:

LIQUIDITY RISK - LIABILITIES

Description (€m)	31.12.2023 Within 12 months	31.12.2023 Between 1 and 5 years	31.12.2023 Over 5 years	31.12.2023 Total	31.12.2022 Within 12 months	31.12.2022 Between 1 and 5 years	31.12.2022 Over 5 years	31.12.2022 Total
Financial liabilities attributable to BancoPosta RFC	41,461	21,702	30,913	94,076	49,200	23,062	30,815	103,077
Financial Liabilities outside ring-fence	2,117	2,006	249	4,372	1,598	1,674	1,024	4,296
Trade payables	1,967	-	-	1,967	1,970	-	-	1,970
Other liabilities	1,436	1,925	1	3,362	1,456	1,903	5	3,364
Total Liabilities	**46,981**	**25,633**	**31,163**	**103,777**	**54,224**	**26,639**	**31,844**	**112,707**

The above table shows expected cash outflows, broken down by maturity and payables deriving from postal current accounts classified under Financial liabilities of BancoPosta RFC, represented on the basis of the statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2023.

LIQUIDITY RISK - ASSETS

Description (€m)	31.12.2023 Within 12 months	31.12.2023 Between 1 and 5 years	31.12.2023 Over 5 years	31.12.2023 Total	31.12.2022 Within 12 months	31.12.2022 Between 1 and 5 years	31.12.2022 Over 5 years	31.12.2022 Total
Financial assets attributable to BancoPosta RFC	20,050	19,144	76,135	115,329	24,401	19,303	80,653	124,357
Financial assets outside ring-fence	80	209	552	841	45	90	643	778
Trade receivables	2,774	1	-	2,775	2,656	1	-	2,657
Other receivables and assets	982	1,784	17	2,783	832	1,775	21	2,628
Tax credits Law 77/2020 *	1,760	5,178	2,378	9,316	1,569	5,514	3,134	10,217
Cash and deposits attributable to BancoPosta	4,671	-	-	4,671	5,848	-	-	5,848
Cash and cash equivalents	1,222	-	-	1,222	2,258	-	-	2,258
Total Assets	**31,539**	**26,316**	**79,082**	**136,937**	**37,609**	**26,683**	**84,451**	**148,743**

* The amount shown in the table also includes claims for which seizure orders have been received amounting to approximately €530 million.

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Investments include financial instruments held mainly by BancoPosta RFC, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates.

Poste Italiane SpA's liquidity risk is mainly attributable to funding from BancoPosta RFC in postal current accounts and prepaid cards[302] (€73,011 million) and the related investment in euro-government and/or Italian government-guaranteed securities (€100,242 million), margining inherent in derivative transactions, and tax credits acquired with reference to the Decreto Rilancio no. 34/2020 (later converted into Law no. 77 of 17 July 2020). The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. For the monitoring of this mismatch, see the section in this paragraph entitled "Quantitative Information - Poste Italiane Group - Financial Activities".

302. Since 1 October 2018, prepaid cards are the responsibility of Postepay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro area government bonds or bonds guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

In addition, in order to meet any liquidity needs, information on the committed and uncommitted credit lines available to the Company, as well as their utilisation, is presented below:

Description (€m)	Balance at 31.12.2023	Balance at 31.12.2022
Committed credit lines	**2,450**	**2,450**
Short-term loans	2,450	2,450
Uncommitted credit lines	**2,080**	**2,035**
Short-term loans	960	1,005
Current account overdrafts	184	144
Unsecured loans	936	886
Total	**4,530**	**4,485**
Committed uses	**-**	**-**
Short-term loans	-	-
Uncommitted uses	**525**	**588**
Short-term loans	-	-
Unsecured loans*	525	588
Total	**525**	**588**

* At 31 December 2023, unsecured loans were used for €320 million on behalf of Poste Italiane SpA and for €205 million on behalf of Group companies.

No collateral has been provided to secure the credit lines available.

At 31 December 2023, no committed and uncommitted credit lines were used for short-term financing.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC. In addition, from 5 December 2023, it may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €3 billion, undrawn at 31 December 2023. Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €2,758 million, undrawn at 31 December 2023. For further details, see the section in this paragraph entitled “Quantitative Information - Poste Italiane Group - Financial Activities”.

Lastly, at 31 December 2023, Poste Italiane SpA had an EMTN - Euro Medium Term Note programme of €2.5 billion in place, thanks to which can raise an additional €1.5 billion on the capital market. As part of this programme, the loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013, was repaid in October 2023.
Cash flow interest rate risk

POSTE ITALIANE SPA - CASH FLOW INTEREST RATE RISK

Description (€m)	31.12.2022	31.12.2023		
	Risk exposure	Risk exposure	Impact of Profit/(Loss) before tax	
	Nominal	Nominal	+ 100 bps	- 100 bps
Financial assets attributable to BancoPosta RFC				
Financial assets at amortised cost	22,479	16,616	166	(166)
Financial assets at FVTOCI	10,540	8,895	89	(89)
Financial assets outside ring-fence				
Financial assets at amortised cost	362	403	4	(4)
Financial assets at FVTOCI	-	-	-	-
Cash and cash equivalents	1,888	762	8	(8)
Financial liabilities attributable to BancoPosta RFC	2,104	950	9	(9)
Financial liabilities attributable to BancoPosta RFC				
Loans	(3,996)	(3,996)	(40)	40
Other financial liabilities	(4,824)	(2,831)	(28)	28
Financial Liabilities outside ring-fence				
Loans	-	(125)	(1)	1
Financial liabilities due to subsidiaries	(1,281)	(1,340)	(13)	13
Other financial liabilities	-	-	-	-
Total	**27,272**	**19,334**	**194**	**(194)**

In detail, the financial instruments relevant to the risk under comment mainly concern:

- Receivables classified as **Financial assets at amortised cost** totalling €17,019 million, of which: €1,223 million for guarantee deposits pledged as collateral for derivative liabilities and repurchase agreements held by BancoPosta RFC; €8,937 million for the investment of liquidity from deposits in postal current accounts held by the Public Administration with the MEF; €403 million for loans and current accounts receivable from subsidiaries relating to the RFC;
- Fixed income government securities held by BancoPosta RFC, of which €6,456 million classified as **Financial assets at amortised cost** and €8,895 million classified as **Financial assets at fair value through other comprehensive income**. In particular, the following are relevant to the risk in question: variable-rate securities for a nominal total of €650 million, fixed-rate securities converted to variable-rate positions through fair value hedges, with a total nominal amount of €12,306 million (including €1,964 million in securities with fair value hedges, where the hedges will begin to have an effect in the 12 months after the end of the period under review) and an inflation-linked bond issued by the Italian Republic, with a nominal value of €2,395 million, subject to a fair value hedge;
- **Cash and cash equivalents** including €873 million for the deposit held with the MEF on the operating current account known as the "Buffer" account;
- Loans classified as **financial liabilities of BancoPosta RFC** that are hedged against interest rate risk through fair value hedges.

Cash flow inflation risk

POSTE ITALIANE SPA - CASH FLOW INFLATION RATE RISK

	31.12.2022		31.12.2023					
	Risk exposure		Risk exposure		Impact of Profit/(Loss) before tax		Impact of Equity reserves before taxation	
Description (€m)	**Nominal**	**Carrying amount**	**Nominal**	**Carrying amount**	**+ 100 bps**	**- 100 bps**	**+ 100 bps**	**- 100 bps**
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTOCI	730	775	1.009	1.116	-	-	-	-
Financial assets at amortised cost	292	335	292	328	-	-	-	-
Total	**1,022**	**1,110**	**1,301**	**1,444**	**-**	**-**	**-**	**-**

At 31 December 2023, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges and are held entirely by BancoPosta RFC.

7. Fair value of financial instruments

7.1 Fair value measurement techniques

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for measuring financial instruments at fair value have not changed since 31 December 2022, except for appropriate additions to include models to support the fair value measurement of new types of financial instruments held by Net Group companies acquired during the financial year 2023. These general principles have been identified in compliance with the indications from the reference accounting standards and from the various Regulators (banking and insurance), ensuring uniformity in the valuation techniques adopted within the Group. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with **IFRS 13** - *Fair Value Measurement*, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of 3 levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds quoted on active markets:
- **Bonds issued by EU government bodies or non-government bodies:** the measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended primarily for retail customers, and lastly, CBBT (Composite Bloomberg Price);
- **Financial liabilities:** measurement is based on the ask prices quoted by CBBT (Composite Bloomberg Bond Trader).

Equity securities and ETFs (Exchange Traded Funds) quoted on active markets: the valuation is made considering the price resulting from the last contract traded on the day on the relevant stock exchange.

Quoted open-end investment funds: measurement is based on the daily closing market price as provided by Bloomberg or the fund manager. Level 1 bond price quotations incorporate a credit risk component. Exchange rates published by the European Central Bank are used in determining the value of financial instruments denominated in currencies other than the euro.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability[303]. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds either quoted on inactive markets or not at all:
- **Straight Italian and international government and non-government bonds:** valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- **Structured bonds:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.

Unquoted equities: this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount, quoted by primary market counterparties, which represents the implicit cost in the process to align the value of the unquoted shares to the quoted ones.

Unquoted open-end investment funds: measurement is based on the latest available NAV (Net Asset Value) as provided by Bloomberg or as determined by the fund manager.

Derivative financial instruments:
- Interest Rate Swaps:

Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the financial derivatives held in Poste Italiane's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
- **Bond forwards:** valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.
- **Warrants:** considering the features of the securities held, measurement is based on the equity local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.
- **Currency forwards:** valuation is based on the differential between the reciprocal currency registered at the measurement date and the reciprocal currency fixed at the trade date.

The financial derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

303. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment/Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. These instruments may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Fixed-rate and variable-rate loans: the measurement is carried out using discounted cash flow techniques. The counterparty's credit spread is considered through:
- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market;
- use of yield curves based on the specific issuer's quoted bond prices.

Financial liabilities either quoted on inactive markets or not at all:
- **Straight bonds:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk.
- **Structured bonds:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component attributable to interest rate risk which, considering the features of the bonds issued by companies in the Poste Italiane Group, is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.
- **Borrowings:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements:** are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. For the Poste Italiane Group the following categories of financial instrument apply:

Fixed-rate and variable-rate loans: the measurement is carried out using discounted cash flow techniques. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks or in accordance with market standards.

Closed-end unquoted funds: these include funds that invest mainly in unquoted instruments. Their fair value is determined by considering the latest NAV (Net Asset Value), available at least every six months, reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

Investment property (excluding former service accommodation) and inventories of properties held for sale: The fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

Investment property (former service accommodation): The value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale to the tenant or the minimum selling price if the property is sold through a public auction.

Unquoted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market. Measurement of these instruments is based on the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones. In the specific case of equity instruments relating to unlisted companies at the "start-up" phase, by contrast the fair value is determined by considering the implicit valuation at the time of acquisition, adjusted by value adjustments to take account of any changes in price resulting from significant transactions[304] observable on the market in the 12 months prior to the reporting date. Alternatively, and in the absence of significant transactions, the fair value of the share is determined using alternative methods (verification of financial data that can be inferred from the company's Business Plans if available and analysis of the company's performance, multiple market use, etc.).

Tax credits Law no. 77/2020: this category includes credits acquired with reference to the relaunch decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020) for which no directly or indirectly observable market prices are available. For this type of instrument, the method of determining fair value involves the application of the discounted cash flow valuation technique, which consists of discounting cash flows to maturity using the yield curve constructed by adding to the risk-free rate curve the extra yield calculated starting from the price at the date of purchase of the receivables. The spread remains fixed for the life of the instrument.

Forwards on unquoted equities: for these instruments, the valuation of the counterparty is recalculated by discounting the difference between the forward price of the equity security underlying the derivative updated to the valuation date and the settlement price.

Equity held in co-operative banks: this category includes shares that have been admitted to the Hi-MTF market (Vorvel) in light of Consob Communication no. 92492 of 1/10/2016 "*Recommendation on the distribution of financial instruments through a multilateral trading facility*" as well as following the changes introduced by Directive 2014/65/EU of 15 May 2014 (MiFID II) and EU Regulation no. 600/2014 (MiFIR). For these equity instruments, the alternative model of "Hi-MTF market transactions" was adopted, which:
- uses the price of the last available transaction on the Hi-MTF market, provided there are at least two transactions per month over a 3-month horizon;
- applies a liquidity discount on the price equal to a maximum of between zero and the ratio between the value of the position held by the Group and the accumulated value of all transactions in the last 6 months, minus one.

Alternative and Level 3 Funds: this category includes quoted and unquoted open-ended funds that cannot be categorised as Level 2 and all alternative funds. The fair value of these Funds is represented by the NAV, based on the value of the underlying assets, adjusted if necessary on the basis of the internal control system

304. A significant transaction in this context is defined as a minimum investment of €10 million or at least 5% of the share capital of the investee entity over the last twelve months from the reporting date.

7.2 Fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at 31 December 2023, classified by level in the fair value hierarchy.

FAIR VALUE HIERARCHY

Description (€m)	31.12.2023				31.12.2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets at FVTOCI	136,848	2,447	299	139,594	122,170	7,913	152	130,235
Equity instruments	345	0	204	549	343	0	110	453
Fixed income instruments	136,503	2,447	95	139,046	121,827	7,411	42	129,280
Other investments	-	-	-	-	-	502	-	502
Financial assets at FVTPL	4,441	35,892	7.873	48,205	4,996	30,335	8,170	43,501
Receivables	-	-	-	-	-	-	110	110
Equity instruments	482	3	27	512	258	26	20	304
Fixed income instruments	2,440	120	3	2,564	2,139	146	-	2,285
Other investments	1,519	35,768	7.843	45,129	2,599	30,163	8,040	40,802
Derivative financial instruments	-	4,257	-	4,257	-	6,110	-	6,110
Total	**141,289**	**42,596**	**8,172**	**192,056**	**127,166**	**44,358**	**8,323**	**179,846**
Financial liabilities								
Financial liabilities at fair value	-	-	-	-	-	-	-	-
Derivative financial instruments	(0)	(1,136)	(3)	(1,138)	(0)	(971)	(4)	(975)
Total	**(0)**	**(1,136)**	**(3)**	**(1,138)**	**(0)**	**(971)**	**(4)**	**(975)**

Transfers between levels 1 and 2, relating entirely to the Poste Vita insurance group, are shown below:

TRANSFERS FROM LEVEL 1 TO LEVEL 2

Description (€m)	31.12.2023		31.12.2022	
	Level 1	Level 2	Level 1	Level 2
Transfers of financial assets	**(1,666)**	**1,666**	**(1,270)**	**1,270**
Financial assets at FVTOCI				
Equity instruments	-	-	-	-
Fixed income instruments	(137)	137	(583)	583
Structured bonds	-	-	-	-
Other investments	-	-	-	-
Financial assets at FVTPL				
Receivables	-	-	-	-
Equity instruments	(1)	1	(6)	6
Fixed income instruments	(43)	43	(66)	66
Structured bonds	-	-	-	-
Other investments	(1,484)	1,484	(613)	613
Transfers of financial liabilities	**-**	**-**	**-**	**-**
Financial liabilities at fair value	-	-	-	-
Derivative financial instruments	-	-	-	-
Net transfers from Level 1 to Level 2	**(1,666)**	**1,666**	**(1,270)**	**1,270**

Reclassifications from level 1 to level 2 relate to financial instruments whose value, at 31 December 2023, is not observable in a liquid and active market, as defined in the Group's Fair Value Policy. Reclassifications from level 2 to level 1, on the other hand, relate to financial instruments whose value, at 31 December 2023, is observable in a liquid and active market.

Movements in level 3 during the year are shown below:

CHANGES IN FINANCIAL INSTRUMENTS - LEVEL 3

Description (€m)	Financial assets			
	Financial assets at FVTOCI	Financial assets at FVTPL	Derivative financial instruments	Total
Balance at 1 January 2023	**153**	**8,170**	**-**	**8,323**
Purchases/Issues	27	687	-	714
Sales/Extinguishment of initial accruals	(27)	(482)	-	(509)
Redemptions	-	-	-	-
Changes in fair value through profit or loss	-	(76)	-	(76)
Changes in fair value through equity	(7)	-	-	(7)
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	-	-	-	-
Transfers to level 3	66	13	-	79
Transfers to other levels	(16)	(461)	-	(477)
Changes in amortised cost	-	0	-	0
Write-off	(0)	(0)	-	(1)
Other changes (including accruals at end of period)	**93**	**0**	**-**	**93**
Change in scope	11	22		32
Balance at 31 December 2023	**299**	**7.873**	**-**	**8,172**

Financial instruments classified in level 3 are held primarily by Poste Vita SpA and, to a residual extent, by Poste Italiane SpA, PostePay SpA, and the companies Net Life and Net Insurance.

In the case of the Group's insurance company, instruments in level 3 regard funds that invest primarily in unquoted instruments, whose fair value measurement is based on the latest available NAV (Net Asset Value) as announced by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers and occurring between the latest NAV date and the measurement date. These financial instruments primarily consist of investments in private equity funds and, to a lesser extent, real estate funds associated entirely with Class I products related to separately managed accounts. Movements during the period regard the purchase of new investments, redemptions of units of unquoted close-end funds and changes in fair value during the period.

At 31 December 2023, in compliance with both the aforementioned fair value guidelines of the Poste Italiane Group and additional requirements contained in the additional guidelines approved by the Poste Vita's Board of Directors on 15 December 2021, approximately €461.3 million of financial instruments were reclassified from level 3 fair value to level 2 fair value, referring mainly to class III UCITS reclassified following the analyses carried out from a look-through perspective.

Poste Italiane SpA

For the sake of completeness, the following table shows an analysis of financial instruments of Poste Italiane SpA measured at fair value at 31 December 2023, classified by level in the fair value hierarchy.

FAIR VALUE HIERARCHY

Description (€m)	31.12.2023				31.12.2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets attributable to BancoPosta RFC	32,901	4,425	26	37,352	33,017	6,274	20	39,311
Financial assets at FVTOCI	32,901	168	-	33,069	33,017	144	-	33,161
Fixed income instruments	32,901	168	-	33,069	33,017	144	-	33,161
Financial assets at FVTPL	-	-	26	26	-	20	20	40
Equity instruments	-	-	26	26	-	20	20	40
Derivative financial instruments	-	4.257	-	4,257	-	6,110	-	6,110
Financial assets outside ring-fence	444	-	201	645	434	-	103	537
Financial assets at FVTOCI	444	-	192	636	434	-	103	537
Fixed income instruments	99	-	-	99	91	-	-	91
Equity instruments	345	-	192	537	343	-	103	446
Financial assets at FVTPL	-	-	9	9	-	-	-	-
Convertible bond loan	-	-	9	9	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Total assets at fair value	**33,345**	**4,425**	**227**	**37,997**	**33,451**	**6,274**	**123**	**39,848**
Financial liabilities attributable to BancoPosta RFC	-	(1,136)	(2)	(1,138)	-	(971)	(4)	(975)
Derivative financial instruments	-	(1,136)	(2)	(1,138)	-	(971)	(4)	(975)
Financial Liabilities outside ring-fence	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Total liabilities at fair value	**-**	**(1,136)**	**(2)**	**(1,138)**	**-**	**(971)**	**(4)**	**(975)**

There were no transfers of the related financial instruments measured at fair value on a recurring basis between Level 1 and Level 2 in the year under review.

Movements in level 3 during the year are shown below:

CHANGES IN FINANCIAL INSTRUMENTS - LEVEL 3

Description (€m)	Financial assets		
	Financial assets at FVTOCI	Financial assets at FVTPL	Total
Balance at 1 January 2023	**103**	**20**	**123**
Purchases/Issues	3	9	12
Changes in fair value through profit or loss	-	6	6
Changes in fair value through equity	(7)	-	(7)
Other changes (including accruals at end of period)	93	-	93
Balance at 31 December 2023	**192**	**35**	**227**

The financial instruments classified in level 3 are mainly held by the RFC. Specifically, changes during the year mainly relate to the purchase of an additional share of sennder Technologies GmbH, for a total of €93 million, classified as a financial asset at fair value through other comprehensive income, and the subscription, for approximately €8.5 million, of a portion of the convertible bond issued by sennder Technologies GmbH and classified as a financial asset at fair value through profit or loss.

8. Hedging transactions

Below is a description of the hedging transactions entered into by the Poste Italiane Group, as distinguished between fair value hedges and cash flow hedges, which are accounted for as per IAS 39 – *Financial Instruments: Recognition and Measurement*. The fair value hedges and cash flow hedges described below refer mainly to fixed income instruments or inflation-linked securities in relation to BancoPosta operations.

Hedging transactions - Fair value hedges

Hedging transactions on fixed income and inflation-linked government bonds

The Poste Italiane Group has a government bond portfolio – made up of fixed-rate BTPs and inflation-linked BTPs – subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into Over the Counter (OTC) interest rate swaps to hedge the fair value of the bonds held in the portfolio. The objective of these transactions is to have instruments that can offset changes in fair value of the portfolio due to interest rate fluctuations and the rate of inflation. The credit risk of the Italian Republic is not hedged and is set for the duration of the swap.

Full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test[305], using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative[306]". With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the actual hedging instrument have a settlement date consistent with the hedge inception (spot or forward start) and differ solely in their spread which is considered, as already indicated, the main source of ineffectiveness[307]. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

305. IAS 39 requires two effectiveness tests:
   - prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
   - retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

   For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.
   - A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.
306. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:
   - on a cumulative basis, by observing the performance of the hedge since inception;
   - on a periodic basis, by comparing the hedge performance with that of the last test.

   The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in far value or cash flow with those of the hedged instrument (actual derivative).
307. For the hypothetical derivative use is made of the mid-market spread, which makes the present value at the settlement date equal to 0, and for the actual derivative the interest rate agreed upon with the counterparty.

For the purposes of the prospective effectiveness test, different approaches have been adopted, depending on the characteristics of the hedging instrument. Specifically:

- the "Critical terms[308]" approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for forward start swaps and forward sales of the subsidiary Poste Vita, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[309]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

With respect to the Poste Vita Group, forward sales expired in 2021 and were entered into in order to preserve, following unexpected changes in interest rates and/or credit risk, unrealised gains on government bonds of the Separately Managed Account Posta ValorePiù. The maturity of these positions was set to take into account the mismatch of cash flows between the portfolio of financial assets and liabilities.

Hedging on repurchase agreements

The Poste Italiane Group carries out transactions in repurchase agreements, on euro-government securities or with the guarantee of the Italian state for various purposes, including to invest in government bonds, to meet liquidity needs arising from the dynamics of funding on current accounts, to actively manage the treasury position and to manage guarantee deposits for collateralisation transactions. These transactions are mainly fixed-rate transactions and are therefore exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, the Group enters into Over the Counter (OTC) interest rate swaps (fair value hedges) designated as specific hedges of repurchase agreements in the portfolio.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test, using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative". With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the actual derivative have a settlement date consistent with the hedge inception and differ solely in their fixed rate component which is considered the main source of ineffectiveness[310]. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

For the purposes of the prospective effectiveness test, the Group adopts the "dollar offset approach through the hypothetical derivative", performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[311]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

308. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.
309. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.
310. Hedging is performed by defining the variable-rate component simply linked to the Euribor and the fixed-rate component incorporating market conditions. The hypothetical derivative uses the fixed rate at the market mid which makes the present value at the settlement date equal to 0, while the actual derivative uses the rate agreed upon with the counterparty.
311. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.

Hedging transactions – Cash flow hedges

Hedging transactions on inflation-linked government bonds and forecast transactions

To limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in portfolio and the 10-year indexed component of yields on the deposit with the MEF of inflows from the Public Administration, BancoPosta RFC enters, if necessary, into forward purchases. In addition, to pursue the stabilisation of returns, forward sales are entered into. These derivatives qualify as cash flow hedges of forecast transactions.

In addition, the Group has a portfolio of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, the Group enters into OTC interest rate swaps or inflation swaps to hedge the cash flows of the bonds held in portfolio. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

The Group evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regards to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction entered into with the counterparty on the test and inception date and the present value of the difference between the theoretical forward price of the BTP calculated at the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts[312].

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component[313]. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the "Critical terms" approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[314]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

312. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the portfolio) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.
313. The hypothetical derivative uses the fixed rate, which makes the present value at the settlement date equal to 0, while the actual derivative uses the interest rate agreed upon with the counterparty.
314. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.

Effects of hedging transactions on profit or loss and financial position

The table below shows the hedging instruments by expiration date. The average interest rate of the interest rate swaps shown represents the contractually expected average fixed rate of the hedging transaction by maturity band.

TIME DISTRIBUTION BASED ON REMAINING DURATION OF CASH FLOW HEDGE CONTRACTS

	Maturity			
(€m)	**Up to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Cash flow hedges - Interest rate risk				
Interest rate swaps				
Nominal	-	609	2,678	3,287
Average rate %	-	4.832%	3.617%	3.842%

TIME DISTRIBUTION BASED ON REMAINING DURATION OF FAIR VALUE HEDGE CONTRACTS

	Maturity			
(€m)	**Up to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Fair value hedges - Interest rate risk				
Interest rate swaps				
Nominal	4,021	-	25,006	29,027

The table below shows the effects of hedging transactions, broken down by type, on profit or loss and the financial position.

FAIR VALUE HEDGES - INTEREST RATE RISK

	Nominal	Carrying amount*		Accumulated amount of fair value hedge adjustments on the hedged item		Change in value used to recognise ineffective portion of hedge	Accumulated amount of fair value hedge adjustments on the hedged item in case of discontinuing
(€m)		**Assets**	**Liabilities**	**Assets**	**Liabilities**		
Hedged items							
Fixed income instruments, of which:							
at amortised cost		11,080	-	(1,944)		340	(419)
at FVTOCI		11,478	-			383	(615)
Repurchase agreements		-	(3,966)		38	(103)	-
Hedging instruments							
Interest rate swap	29,027	4,252	(617)			(621)	
Profits/(losses) on hedging recognised in P&L						**(1)**	

* Not including provision to cover expected losses.

CASH FLOW HEDGES - RATE RISK

(€m)	Nominal	Carrying amount		Change in value used to recognise ineffective portion of hedge	Cash flow hedges		
		Assets	Liabilities		Hedge reserve	Discontinued	
Hedged items							
Fixed income instruments, of which:							
at FVTOCI		3,730	-	38			
Hedging instruments							
Forward purchases	-	-	-	-	46	-	-
Interest rate swaps	3,287	5	(518)	(38)	(461)	-	-
Profits/(losses) on hedging recognised in P&L				**-**			

The table below shows the effects of cash flow hedges on other comprehensive income.

IMPACT ON OCI OF CASH FLOW HEDGES - RATE RISK

(€m)	Profits/(losses) on hedging recognised in OCI, period fair value (inc./dec.)	Transfers to profit or loss:	
		Hedge accounting effects	Discontinued
Fixed income instruments	75	(307)	-
MEF deposit yield	5	(5)	
Bond	-	(6)	-
Total	**80**	**(318)**	**-**

Reform of reference indices for determining interest rates

The reform of key interest rate benchmarks, called the "InterBank Offered Rate (IBOR) Reform", involved regulators in various jurisdictions around the world with the aim of replacing some interbank rates with risk-free alternative rates and preparing guidelines to update contract models.

Currently, the main benchmarks for the euro area are:

- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published as of 2 October 2019) which replaced the Euro OverNight Index Average (EONIA - no longer listed as of 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

The Group has financial instruments indexed to the EURIBOR, which continues to be quoted daily, and the related cash flows continue to be exchanged with counterparties as usual. In relation to this parameter, there is therefore no uncertainty resulting from the IBOR reform on 31 December 2023. These instruments are subject to daily collateralisation remunerated to EONIA (from 2022 defined as ESTR plus 8.5 bps).

In addition, the Group holds interest rate swaps designated as fair value hedges that have the variable "leg" indexed to the EURIBOR, with a nominal value of €29,027 million, almost entirely held by BancoPosta RFC. For these instruments, the cash flows at 31 December 2023 are discounted at the EONIA rate (ESTR +8.5 bps) and, for €201 million, at the ESTR rate as defined in the contracts in place with the counterparties.

9. Proceedings pending and principal relations with the Authorities

The following information is provided in accordance with accounting standard IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Tax disputes

On 19 April 2018, the Tax Authorities in Rome (Guardia di Finanza – Nucleo di Polizia economico-finanziaria) entered the offices of **SDA Express Courier**. The purpose of the inspection was to verify the company's compliance with the requirements regarding VAT, income tax, IRAP and withholding tax for the years 2014, 2015 and 2016, pursuant to and for the purposes of articles 52 and 63 of Presidential Decree no. 633/72, art. 33 of Presidential Decree no. 600/73, art. 2 of Legislative Decree no. 68/2001 and Law no. 4/1929. On 29 November 2018, the audit was formally declared at an end. The main finding in final notice of assessment for about €1 million regards the deduction of VAT relating to the adjustment entries issued by the company in connection with discounts granted to customers following an increase in the number of shipments. Subsequently, on 5 December 2019, a notice of assessment for the year 2014 alone was notified with a total claim of €0.4 million, which, referring to the Report on Findings (PVC), mainly contests the VAT deducted. On 3 February 2020, the Company appealed against this notice and provided for the provisional payment of the fine imposed. During the first half of 2023, the facilitated conciliation procedure was formalised, which led to the settlement of the case for the 2014 tax year.

In addition, on 27 May 2021, the DRE (Regional Tax Office) served a further notice of assessment for the tax year 2015 similar to the one already filed for the year 2014 in which primarily the VAT deducted was contested. This deed has not been challenged and a procedure has been initiated with the Lazio DRE for an overall re-examination of the dispute relating to the credit notes with reference to all the periods covered by the PVC (from 2014 to 2017) in an attempt to reach an out-of-court settlement.

During the course of 2022, an out-of-court settlement was reached with the Lazio Regional Tax Office for Large Taxpayers, which in fact resulted in the partial cancellation of the VAT findings resulting from the Guardia di Finanza's (Italian Tax Police) Report on Findings of 29 November 2018 also for the year 2015 and 2016. In particular, the annulment also includes the notice of assessment for the year 2015, which became final at the same time, and which was redetermined based on an internal review by the Agenzia delle Entrate from approximately €1.2 million to a total of €51 thousand.

On the other hand, the tax settlement procedure for the years 2017 and 2018 is being finalised according to the time-lines agreed with the Agency.

In November 2018, Consorzio Postemotori received notice of an order issued by the Criminal Court in Rome and of a precautionary seizure regarding the consortium, amounting to €4.6 million. On 13 May 2019, the G.U.P. (Preliminary judge) of the Ordinary Court of Rome downgraded the original charges, ordering the committal for trial only in relation to a portion of the charges relating to the passive invoicing transactions of a subcontractor and a tax consultant of one of the partners. The Consortium mandated an external criminal lawyer to file an application for release of the criminal seizure ordered against the Consortium. On 20 December 2021, a petition for release from seizure was filed and on 24 December 2021, the Court of Rome issued an order for the restitution of the sum of €0.3 million credited back to the Consortium's current account on 7 February 2022.

Social security disputes

Since 2012, and up until 31 December 2023, the Istituto Nazionale per la Previdenza Sociale (INPS, the National Institute of Social Security) office at Genoa Ponente and Roma Eur has issued **Postel** with some payment orders, for a total amount payable of €27.48 million. According to INPS, this amount represents social security contributions funding income support, extraordinary income support, unemployment benefit and family benefits not covered by the contributions paid to IPOST. Appeals against these requests were brought before the Court of Genoa. In support of the arguments of Postel in a memo issued on 20 October 2016, the Ministry of Labour stated that the social security contributions system applicable to Poste Italiane also applies to all the other Group companies, with the sole exception of those that provide air transport, banking and express delivery services.

Some of the judgements have already been decided by the Court of Genoa and, on their outcome, against debit notices totalling €13.2 million, the Company was ordered to pay only the CUAF contributions of 0.68%, less the family allowances paid by Postel to employees, amounting to €0.3 million, while nothing was deemed to be due under the CIG, CIGS and mobility being at the time Postel wholly owned by the State through Poste Italiane and therefore included among the industrial enterprises of the State for which the law excludes the obligation to pay redundancy and mobility. INPS filed an appeal for the first tranche of requests made (€9.16 million), contesting the merits of the judgement at first instance and the sum arrived at. In the view of INPS, the rate applicable for contributions for family benefits, in line with recent guidance issued by INPS, should have been 4.40% in place of the 0.68% applied in the payment notices involved in the court action. In two judgements dated 28 December 2018, the Court of Appeal in Genoa confirmed in full the judgements at the first instance, rejecting INPS' appeals, who filed appeals in Cassation notified on 28 June 2019 to Postel, which appeared before the court.

On 20 and 21 February 2024, the Court of Cassation filed its rulings rejecting the main appeals brought by INPS and absorbing the cross-appeals brought by the Company. The Court stated that given the special and exclusive nature of the Ipost scheme - which is a self-contained social security and welfare system - nothing else is owed by the Company by way of social security and welfare contributions. Assessments are currently being conducted as to what action should be taken to recover the sums paid following the first and second instance judgements.

Below are the judgements already decided and those pending:

- With the judgement of 19 September 2019, the Court of Genoa confirmed the position, ordering Postel to pay INPS, by way of CUAF contributions relating to the period from May 2011 to November 2012, the sum of €0.08 million, deeming the higher sums claimed in the debit notices (amounting in total to approximately €4 million) not due. By judgement of 21 May 2021, the Court of Appeal of Genoa dismissed the main appeal and the cross-appeal. INPS appealed in Cassation and Postel joined the proceedings. On 26 January 2023, the Court of Cassation ordered the case to be remitted to the register for processing together with other appeals. The hearing before the Court of Cassation was held on 10 October 2023. On 11 January 2024, the Court of Cassation filed its ruling declaring the inadmissibility of the appeal filed by INPS against the ruling published on 21 May 2021, because it was out of time, and sentencing the Institute to reimburse the Company for legal costs. This judgement therefore renders final the finding made by both the Court and the Court of Appeal of Genoa.
- In a judgement of 1 February 2021, the Court of Genoa cancelled the debit notice (totalling approximately €0.64 million) for the period from December 2012 to April 2015 (excluding July 2014) and ordered INPS to pay Postel the sum of €0.06 million, plus interest. By judgement of 2 February 2022, the Court of Appeal of Genoa dismissed the appeal brought by the Institute. INPS appealed in at the Court of Cassation and Postel joined the proceedings. The Company is therefore waiting for the hearing in the Court of Cassation to be scheduled.
- By means of the judgements of 26 May 2021, the Court of Genoa cancelled the debit notices (for a total of approximately €3.1 million) for certain periods between February 2011 and January 2017 and ordered the payment of the lower amounts restated for a total of €0.17 million. In its judgements of 18 May 2022 and 6 June 2022, the Court of Appeal of Genoa rejected the Company's appeals, as well as the cross-appeals filed by the Institute. Postel and INPS appealed the judgements at the Court of Cassation, for which hearings are pending.
- With a ruling published on 20 September 2022, the Court of Appeal of Genoa, partially reforming the first instance ruling of 29 December 2020, ordered the Company to pay the amount indicated in the Debit Notice in the amount of approximately €0.009 million. The ruling became final because INPS did not bring the subsequent appeal in Cassation.
- Additional administrative proceedings are still pending relating to the appeals submitted by Postel against the notices of adjustment for the periods from May 2009 to August 2023.

In addition, on 8 October 2019, INPS requested to regularise contributions from September 2014 to September 2019 at the non-harmonised CUAF rate of 4.40% of taxable income for social security purposes. With regard to the latter request, the Company acted differently depending on the period under consideration:

- for October, November and December 2019, Postel has adjusted to the payment of the CUAF contribution in the amount of 4.40%, subject to repetition reserve;
- for the previous period from September 2014 to the end of 2015, Postel appealed through administrative channels against the debit notices received from INPS with a request for payment of the CUAF at 4.40%;
- for the year 2018 and the first 7 months of 2019, two Debit Notices were served with the request for payment of the CUAF at 0.68% and minor CIG, CIGS contributions to Postel, which paid, subject to repayment pending the decision of the appeal pending in the Supreme Court;
- as of January 2020, Postel shall pay the CUAF rate to INPS at the rate of 0.68% instead of the rate of 4.40%, as a result of the provisions of Article 11, paragraph 5 *bis* of Law Decree no. 162 of 2019, converted by Law no. 8 of 28 February 2020.

Taking into account the judgements issued thus far, the reasons given for the judgements and the latest appeals brought by INPS, the Company has adjusted its provisions for risks and charges based also on the opinion of its legal advisors.

Provisions recognised in the financial statements at 31 December 2023 amount to €13.36 million.

Main proceedings pending and relations with the Authorities

Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

On 9 March 2015, the Authority notified Poste Italiane SpA of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Company's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. The Lazio Regional Administrative Court's ruling, which did not uphold the appeal against the aforementioned penalty, was challenged before the Council of State, which set the hearing for 6 June 2024.

On 3 October 2018, **Poste Italiane** proceeded to pay the fine of €23 million plus interest imposed by the Autorità Garante della Concorrenza e del Mercato (AGCM - the Antitrust Authority) following its ruling, in January 2018, that Poste Italiane had abused its dominant market position in the period from 2014 to 2017 (proceedings **A493**), as per art. 102 of the TFEU. This did not constitute acceptance or admission of liability in relation to the alleged misconduct and does not affect the Company's right to defend its position through the appropriate channels. Poste Italiane challenged this measure before the Lazio Regional Administrative Court which, by means of ruling no. 13477/2023, rejected the appeal. Poste Italiane appealed to the Council of State. The setting of the hearing is pending.

On 19 November 2019, the AGCM initiated proceedings **PS/11563** against **Poste Italiane** in order to ascertain allegedly unfair commercial practice in the delivery of mail and, in particular, registered mail, in possible violation of articles 20, 21 and 22 of the Consumer Code. In particular, according to some customers: i) the advertised features of the "registered mail delivery" service are not reflected in the service actually provided; ii) the advertising for the "digital registered mail collection" service does not make it clear that the service may no longer be free of charge in the near future and that, in any case, there are restrictions on its use, since it can only be accessed if the sender has authorised it. In January 2020, a number of consumer associations were admitted to the proceedings. At the conclusion of the proceedings, by way of a measure notified on 15 September 2020, the Authority imposed an administrative fine of €5 million, payment of which was made on 5 January 2021. The Authority acknowledged that Poste had correctly complied with the provision. However, the Company appealed to the Lazio Regional Administrative Court, which was not successful, and appealed to the Council of State whose hearing is scheduled for 26 March 2024.

On 6 April 2020, pursuant to art. 9, paragraph 3-*bis* of Law 192/98 and art. 14 of Law 287/90, the AGCM initiated proceedings **A539** against **Poste Italiane**, following a complaint by a third-party supplier that Poste Italiane had presumably imposed unjustifiably burdensome contractual clauses. In particular, following the termination of contractual relations in mid-2017, the supplier was not, in fact, able to otherwise offer the services it was providing on the market because of the obligation to comply with rules and organisational parameters considered such as to make the company structure excessively rigid, making it unsuitable to operate with parties other than Poste Italiane. A hearing was held on 8 June 2020 at which Poste Italiane stated its position and, subsequently, the Authority requested the delivery of documentation. The final hearing was held on 3 May 2021, during which Poste Italiane set out its position and presented its defence. At the conclusion of the proceedings, by way of a measure notified on 6 August 2021, the Authority imposed an administrative fine of more than €11 million for abuse of economic dependence, payment of which was made on 6 September 2021. Poste Italiane appealed against the above-mentioned measure before the Lazio Regional Administrative Court (TAR), which found that Poste Italiane's actions were lawful and annulled the above-mentioned sanction with ruling no. 10044/23 issued on 13 June 2023. AGCM appealed against the Lazio Regional Administrative Court's ruling on 10 October 2023, while Poste Italiane lodged a cross-appeal on 9 November 2023. The setting of the hearing is pending.

On 9 August 2022, the Italian Antitrust Authority ("AGCM" or "Authority") - as a result of proceedings PS/11936 ("Proceedings") - notified PostePay with measure no. 30286 ("Measure"), in which it censured the conduct of the Company, claiming that, for mobile telephony offers subscribed on a flat fee, PostePay charges a consumption-based fee - more expensive than the ordinary one - when it is impossible to periodically renew the offer due to lack of sufficient credit "in order to guarantee the continuity of the service" without adequate information and without, therefore, a prior and informed consent of the consumer. Therefore, in the Authority's view, the conduct engaged in by PostePay would constitute a breach of Article 26(1)(f) of the Consumer Code.

As a result, the Company (i) is ordered to pay an administrative fine of €1.8 million, calculated on the basis of the turnover relating to the provision of electronic communication networks and services, and then reduced to €1.5 million, in consideration of the mitigating circumstance "relating to certain measures taken by the professional to eliminate the conduct".

Due to, inter alia, the partial and insufficient acknowledgement of the measures adopted by the Company, the refusal to examine the further measures proposed and the failure to accept the defence petitions submitted, the Company deemed it appropriate to lodge an appeal against the Measure before the Lazio Regional Administrative Court with an appeal filed on 28 October 2022. Therefore, the payment of the fine imposed was made by PostePay with express reservation of appeal and, in the event, of repayment of the amount paid in the event of annulment (total or partial) of the Measure by the Lazio Regional Administrative Court and/or the Council of State. The purpose of the appeal before the Lazio Regional Administrative Court is to obtain (i) as a preliminary step, the annulment of the measure, (ii) in the alternative, the annulment of the penalty imposed or (iii) in the further alternative, its reduction to the minimum amount. The setting of the first trial hearing is pending.

On 7 November 2022, PostePay, while not accepting the Resolution, forwarded to AGCM the required compliance report, which illustrated the measures adopted by PostePay to overcome AGCM's objections, even though it had contested their grounds in the appeal pending before the Lazio Regional Administrative Court. On 2 December 2022, the Authority, having received a response from PostePay to its request for further information, informed PostePay after the Council meeting of 13 December 2022 that it had taken note of its compliance with the order.

On 24 March 2022, the Italian Antitrust Authority (AGCM) initiated proceeding **PS/11287** against **Poste Italiane** for alleged unfair commercial practices in relation to the information on the expiry and prescription dates of paper Interest-bearing Postal Certificates, as (i) during the placement of the postal certificates, Poste allegedly omitted to indicate the maturity and/or prescription date, as well as to provide information regarding the legal consequences arising from the expiry of the aforementioned terms and/or provided such information with a confusing and deceptive wording; (ii) in the management of the postal certificates that had expired over the last five years, Poste allegedly omitted to inform the holders of postal certificates close to the expiry of the prescription period, of the expiry of that period and the legal consequences arising in the event of failure to request the redemption of the postal certificate within that period. On 13 April 2022, Poste sent a memorandum to the AGCM in which it responded to the request for information and the objections contained in the writ. On 30 August 2022, the AGCM notified Poste of the Notice of Investigative Findings, substantially confirming the objections of the opening proceedings. On 19 September 2022, Poste filed its final statement of defence, accompanied by the steps it had taken, on a voluntary basis, to eliminate the Authority's concerns, without complying with the objections raised in the proceedings. On 4 November 2022, the Authority notified Poste of its final decision imposing an administrative penalty of €1.4 million. This amount was thus quantified taking into account the actions implemented by the Company on a voluntary basis, which were deemed appropriate to improve the information provided to consumers; in fact, the Authority granted Poste Italiane a 60% reduction in the amount of the fine. In line with the provisions of the final measure, on 2 February 2023, the Company sent its Report of Compliance with the AGCM's warning.

The Resolution itself was challenged at the Regional Administrative Court by the Company, which, at the outcome of the hearing on the merits of 7 June 2023, issued an order, on 13 September 2023, ordering the suspension of the trial in question, pending the definition of the preliminary referral to the Court of Justice of the European Union ordered by the same Regional Administrative Court with order no. 12962 of 1 August 2023.

With a measure adopted at the meeting of 30 January 2024 and notified to Poste Italiane on 7 February 2024, the AGCM initiated an investigation procedure against the Company in order to ascertain the existence of a possible breach of Article 8, paragraph 2-*quater*, of Law no. 287/1990. At the same time, the Authority initiated proceedings to verify the actual existence of the requirements for the adoption of precautionary measures pursuant to Article 14-*bis* of the same law. Specifically, the Authority observed that Poste, through its subsidiary PostePay SpA, is active in the electricity and gas supply sector, and allegedly denied two of the latter's competing companies access, pursuant to Article 8, paragraph 2-*quater* of Law no. 287/90, to the resources made available to PostePay, of which it has exclusive use in connection with its activities within the perimeter of the universal postal service. The Authority also ordered inspections, which were held on 7 February 2024, and set the conclusion of the proceedings at 19 July 2024, granting Poste a period of seven days to file pleadings and documents relating to the precautionary proceedings. On 14 February 2024, the Company filed its memorandum in the precautionary proceedings, contesting the Authority's approach and, in particular, the disapplication of the provisions of Article 1(6) of Law Decree no. 59/2021, as amended and supplemented, exempting Poste from the application of Article 8, paragraph 2-*quater*, of Law no. 287/1990 until 31 December 2026.

Autorità per le Garanzie nelle Comunicazioni (AGCOM - the Italian Communications Authority)

Pursuant to Law Decree no. 201 of 6 December 2011, converted into Law 214 of 22 December 2011, responsibility for regulation and supervision of the postal sector was transferred to the Italian Communications Authority (AGCom).

Following transposition into Italian law of the third European postal services directive (Directive 2008/6/EC), the so-called "net avoided cost" method has been applied in quantifying the cost of the universal service"[315]. In this regard:

i. On 24 February 2023, AGCom Resolution 28/23/CONS was published, initiating the procedure to verify the net cost of the universal postal service incurred by Poste Italiane for the years 2020 and 2021. On 22 December 2023, AGCom Resolution 322/23/CONS was published, with which the Authority launched the public consultation and Poste Italiane provided its comments within the deadline. On 14 March 2024, AGCom Resolution 62/24/CONS was published, concluding the procedure to verify the net cost of the universal postal service incurred by Poste Italiane for the years 2020 and 2021. In particular, the burden of the universal postal service for these years has been quantified at €585 and €480 million respectively. The Authority also established that the universal service charge for the years 2020 and 2021 is inequitable and that, for the same years, unlike what was established in previous years, the appropriate proceedings will be launched to evaluate the addition to the Compensation Fund referred to in article 10 of Legislative Decree no. 261/1999;
ii. On 1 July 2021, AGCom Resolution 199/21/CONS was published, concluding the procedure to verify the net cost of the universal postal service incurred by Poste Italiane for the years 2017, 2018 and 2019. In particular, the burden of the universal postal service for these years has been quantified at €354.5, €334.5 and €175 million respectively. For the 2019 financial year, although the quantified charge (€175 million) is lower than the authorised offsets (€262 million), the charge for the provision of the universal postal service over the entire period (i.e., the previous 2016-2019 Service Contract) is in any case higher than the offsets authorised by the European Commission. The Authority also established that the universal service charge for the years 2017, 2018 and 2019 is inequitable and that, for the same years, in continuity with what was established in previous years, the Compensation Fund referred to in article 10 of Legislative Decree no. 261/1999 is not established. On 22 September 2021, Poste Italiane appealed the aforementioned resolution at the Lazio Regional Administrative Court (still pending);
iii. AGCom Resolution 214/19/CONS regarding "Assessment of the net cost of the universal postal service for 2015 and 2016" was published on 2 July 2019. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2015 and 2016, respectively, as €389 million and €356 million, compared with compensation of €329 million and €262 million provided for in the Contratto di Programma. AGCom did not establish a Compensation Fund for 2015 and 2016, so it has not been possible to recover the difference between compensation

315. This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations.

provided by the state and the costs quantified by AGCom. On 2 October 2019, Poste Italiane appealed the aforementioned resolution at the Lazio Regional Administrative Court (still pending);

iv. AGCom Resolution 298/17/CONS regarding "Assessment of the net cost of the universal postal service for 2013 and 2014" was published on 6 September 2017. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2013 and 2014, respectively, as €393 million and €409 million, compared with compensation of €343 million and €336 million provided for in the Contratto di Programma. The Compensation Fund was also not established for the years 2013 and 2014. On 6 November 2017, Poste Italiane appealed the aforementioned resolution at the Lazio Regional Administrative Court (still pending);

v. AGCom Resolution 412/14/CONS regarding "Assessment of the net cost of the universal postal service for 2011 and 2012" was published on 31 July 2014. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2011 and 2012, respectively, as €381 million and €327 million for fees originally recognised by Poste Italiane for €357 and €350 million respectively. The Authority also ruled that no Compensation Fund was established for the year 2011. On 13 November 2014, Poste Italiane appealed the aforementioned measure before the Lazio Regional Administrative Court. The Regional Administrative Court, in ruling no. 11416 published on 5 September 2022, partially upheld the appeal on the verification of the responsibility for the years 2011-2012 with respect to the non-activation of the compensation fund for the year 2011. Poste, AGCom and A.I.C.A.I. (Italian Association of International Air Couriers) lodged separate appeals with the Council of State against the Regional Administrative Court ruling. The appeal judgements were joined. By judgement no. 9021 of 17 October 2023, the Council of State annulled the first instance judgement for breach of cross-examination. Poste Italiane promptly resumed the case before the Lazio Regional Administrative Court, supplementing the cross-examination by public notice. The setting of the hearing is pending.

With Resolution 313/21/CONS, notified on 21 October 2021, the AGCom closed the sanctioning proceedings, initiated with notice of objection **6/21/DSP**, by imposing a fine of €0.9 million for breach of universal service continuity obligations (art. 3, paragraph 1, 5 lett. b) and 8 lett. d) of Legislative Decree no. 261/1999) and of information obligations, in relation to the closures of 239 Post Offices over the Christmas period (on Saturday 28 December 2019 and Saturday 4 January 2020) even though they had been communicated of it in advance. The Authority accepted the request, on a subordinate basis, for the application of cumulation, imposing a penalty in a reduced amount compared to the one that had been indicated for the reduced payment (€3.28 million). Payment of the penalty was made on 10 November 2021. The Authority's Resolution was appealed by the Company to the Regional Administrative Court. The setting of the hearing is pending.

On 18 April 2023, with Notice of Objection no. **6/23/DSP**, the AGCom initiated sanctioning proceedings against Poste Italiane for non-compliance with the quality objectives on products included in the Universal Postal Service for the year 2022, identifying five objections. With Determination no. 26/23/DSP, notified on 7 July 2023, the Authority dismissed the sanctioning proceeding as the Company availed itself of the benefit of Article 16 of Law no. 689 of 24 November 1981, with reduced payment of the sanctions for all the disputes.

On 20 June 2023, with notice of objection no. **10/23/DSP**, the AGCom initiated a sanctioning procedure against Poste Italiane, contesting seven alleged violations of the obligations relating to the service of notification of judicial documents, following a report by some users and an inspection by the Authority at some of the Company's premises. Poste Italiane did not avail itself of the benefit of the reduced payment of the penalty, and, on 3 August 2023, a defence memorandum was formalised to point out that the disputed cases do not constitute breaches of universal service obligations subject to sanctions by the Authority, but mere inefficiencies that would give rise to the right of users to obtain any reimbursement. Resolution no. 10/24/CONS, published on 18 January 2024, concluded the proceedings with an administrative fine against Poste Italiane of €0.022 million, which was paid on 5 February 2024.

On 10 October 2023, with notice of objection no. **11/23/DSP**, the AGCom notified Poste Italiane of an objection for non-compliance with the order to restore the opening hours of post offices that had been closed or rescheduled during the pandemic emergency. The Company submitted its defence and availed itself of the benefit of the reduced payment. By Determination no. 28/23/DSP, notified on 14 December 2023, the sanction proceedings were closed.

Bank of Italy

The Bank of Italy, from 14 March 2022 to 15 July 2022, conducted an inspection at Poste Italiane SpA - BancoPosta RFC, on profitability and the business model, governance and control systems, interest rate risk management methods including related internal modelling, new tax credit business and associated risks. On 30 November 2022, the report containing a number of findings and a "partially unfavourable" assessment was delivered to Poste Italiane. Poste Italiane, by the established deadline and after discussion at the Board of Directors' meeting of 25 January 2023, notified the Bank of Italy of its considerations and planned improvements; for the only finding in respect of which a sanctioning procedure was initiated, the Company sent counter-claims in support of the correctness of its actions. After examining the counter-claims and evaluating the actions already implemented or planned by the Company, the Bank of Italy approved the filing. The improvement plan communicated to the Bank of Italy is currently being implemented and is monitored on a monthly basis by BancoPosta's control functions.

On 20 July 2022, the Authority sent a notice to Poste Italiane SpA - BancoPosta RFC and PostePay concerning the manner in which the funds received by PostePay in respect of the issuance of electronic money should be managed. It should be noted that the Supervisory Provisions for EMIs provide that such funding may be deposited with a bank authorised to operate in Italy, invested in qualified debt securities or particular units of harmonised mutual funds. Since the creation of PostePay, these sums are deposited in a postal current account (protection account) and contribute to the funds from private customers of BancoPosta RFC, which are invested in euro area government bonds. In this regard, the Authority initiated discussions with BancoPosta and PostePay in 2021, in view of the fact that BancoPosta was not deemed to be an entity that could be assimilated to the concept of "credit institution" under the relevant European legislation. In the face of a proposed alternative approach, aimed at equating the deposit with BancoPosta of the sums collected by PostePay with a direct investment in qualified debt securities, in the aforementioned communication the Authority asked BancoPosta and PostePay for further observations, aimed at identifying an operational solution that would allow full alignment with the relevant regulatory provisions. Upon completion of the further investigations requested, a transitional solution was identified, also on the basis of the discussions with the Authority. This solution was represented to the Bank of Italy in a communication sent jointly by BancoPosta and PostePay on 29 March 2023. Consistent with this solution, a draft of the revolving pledge agreement was prepared and sent to the Bank of Italy on 4 August 2023, supported also by the opinion of an external law firm.

IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

With reference to the notice of objection served by IVASS on 23 February 2023 for the alleged breach of section 183(1)(a) of the Private Insurance Code arising from the alleged late payment of insurance benefits beyond the contractual deadline and to the subsequent "Proposal for the imposition of administrative sanctions" served on 24 August 2023 for the amount of €0.03 million equal to the minimum amount, the settlement is confirmed following the receipt of the sanctioning measure and the payment of the sanction imposed therein and confirmed, made within the terms envisaged by the reference legislation.

In addition, on 20 July 2023, **Poste Vita** was served, by the "Sanctions and Settlements Service" of the IVASS, a further notice of objection for the alleged breach of article 183, paragraph 1, letter "a" of the Private Insurance Code. With regard to this case, on 24 January 2024, the "Proposal for the imposition of administrative sanctions" was sent to Poste Vita, which provides for the application of the minimum administrative sanction of €0.03 million. We are therefore awaiting the reasoned decision by which the sanction proceedings in question will be settled.

With regard to the IVASS inspection of **Poste Vita** concerning the **governance, management and control profiles of investments and financial risks** concluded on 7 May 2021, discussions continued with IVASS during the period and on 25 July 2023, the decision-making phase was concluded by the Supervisory Authority, which notified the Company of the imposition of a fine of €1.8 million. The sanction was imposed as a result of violations of the applicable regulations found by IVASS with particular reference to:

- alleged failures in the governance and management of financial risks as well as in the protection of policyholders' rights for investments made through so-called "multi-asset" funds;
- alleged deficiencies in the process of defining the Risk Appetite Framework.

Garante per la protezione dei dati personali (the Data Protection Authority)

In August 2023, the IT continuous monitoring units detected anomalies on the systems of the subsidiary Postel SpA and identified an event of compromise of some Domain Controllers, made possible through the use of various malware and the activation of a malicious code used to encrypt computers (ransomware). The execution of the ransomware, claimed by a cyber criminal group, disrupted the operation of some servers and several workstations spread across the country. Based on the provisions of the "Data Breach Management" procedure governing the activities of detecting, notifying and communicating personal data breaches in accordance with the provisions of EU Regulation 2016/679 (GDPR), the GDPR Team was convened and, within the time-frame set out in Articles 33 and 34 of the GDPR, the Company notified the Privacy Guarantor and all relevant stakeholders.

In 15 December 2023, the Garante per la Protezione dei Dati Personali (GPDP), considering that the elements acquired in the course of the investigative investigations, initiated following the notification of the Data Breach, may constitute one or more of the violations indicated in Article 83 of the GDPR, notified the Company of the commencement of the proceedings for the adoption of the measures and sanctions referred to in said Article 83, pointing out that Postel could be susceptible to the sanctions provided for therein.

On 12 January 2024, the Company filed its defence briefs and was heard at a hearing on 31 January 2024.

At present, the conclusion of the proceedings, which could lead to the imposition of an administrative fine, is pending. The outcome of the proceedings was taken into account when determining the provisions for risks at 31 December 2023.

Other proceedings

Federconsumatori, with a writ of summons dated 14 May 2021, initiated a class action against Poste Italiane pursuant to article 140-*bis* of the Consumer Code, before the Court of Rome. The value of the dispute to date is approximately €8.5 thousand.

By the summons in question, Federconsumatori contests that the capitalisation of interest on 30-year interest-bearing postal certificates (marked with the "Q" series, issued by Cassa Depositi e Prestiti from 1986 to 1995, pursuant to Ministerial Decree 13 June 1986 by the Minister of Treasury, which were subsequently transferred to the Ministry of Economy and Finance, pursuant to the MEF Decree of 5 December 2003) is carried out annually net of withholding tax (now substitute tax), rather than gross, with the effect of recognising to savers a lower return than that allegedly due.

On 27 July 2021, Poste Italiane appeared before the court, objecting, on a preliminary basis, to the inadmissibility of the class action, on a number of preliminary grounds, as well as to the fact that the plaintiffs' and potential members' claims were time-barred, and contested the merits of the proposed claim.

The Court of Rome, in an order dated 11 January 2022, held that the request submitted by Federconsumatori was manifestly unfounded, recognising, inter alia, the lack of passive legitimacy of Poste Italiane. Federconsumatori appealed the order of the Court of Rome, and the Court of Appeal set the hearing for closing arguments for 22 May 2024.

As reported in Note *A9 - Other receivables and assets*, on 5 July 2023, the decision of the Court of Cassation in the case pursuant to Law Decree no. 201/2011 was published, in which the most relevant grounds of Poste Italiane's appeal were upheld concerning the starting date of the interest accrued on the IRES credit resulting from the non-deduction of labour costs for IRAP purposes. As a result of this ruling, the case will have to be resumed before the Tax Court of Second Instance to settle the amount of interest actually due to the Group. The judgement concerning Law Decree no. 185/2008 is currently pending before the Supreme Court of Cassation.

10. Material non-recurring events and/or transactions

In 2023, the Poste Italiane Group did not note any material effects of non-recurring events and transactions[316] entered into by the Group, pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006.

11. Exceptional and/or unusual transactions

Under the definition provided by the CONSOB ruling of 28 July 2006, the Poste Italiane Group did not conduct any exceptional and/or unusual transactions[317] in 2023.

316. Events and transactions are defined as such when their occurrence is non-recurring, being transactions or events that do not recur frequently in the ordinary course of business.
317. Such transactions are defined as transactions that due to their significance/materiality, the nature of the counterparties, the purpose of the transaction, the manner of determining the transfer price and timing of the transaction may give rise to doubts over the correctness and/or completeness of the disclosures in the financial statements, over a conflict of interest, safeguards for the Company's financial position and protections for non-controlling shareholders.

12. Material events after the end of the reporting period

The events that occurred after the reporting date are described below. For a complete description of these events, please refer to paragraph 3.1 - *Principal corporate actions*.

MLK Fresh

On 31 January 2024, through the establishment of the NewCo named "**MLK Fresh Srl**" ("MLK Fresh"), the partnership in the Fresh Food sector between MLK Deliveries SpA and **Mazzocco Srl** ("Mazzocco"), an Italtrans Group company operating as a national refrigerated courier, was formalised.

MLK Fresh, 70% owned by MLK and 30% by Mazzocco, will be the vehicle through which the parties will offer advanced delivery services in Italy dedicated to the fresh food segment in the B2C e-commerce and/or scheduled deliveries market.

Address Software

On 24 January 2024, Postel sold its entire stake in Address Software Srl to Poste Italiane SpA This transaction was in preparation for the start of the merger by incorporation of Address Software Srl into Poste Italiane SpA, which will become effective in 2024.

N&TS Group

On 28 February 2024, PostePay signed an agreement to acquire 20% of N&TS GROUP Networks & Transactional Systems Group SpA ("N&TS GROUP"), a leading Italian company in software solutions for electronic payments. The transaction, whose closing is subject to the fulfilment of conditions precedent, aims to enhance PostePay's technological expertise in order to support its expansion strategy in the digital payments market.

Poste Logistics

On 4 March 2024, Poste Logistics SpA ("NewCo") was established, whose share capital is wholly owned by Poste Italiane SpA NewCo will focus on integrated logistics activities for the Italian Postal Group, benefiting from the business unit of SDA Express Courier SpA ("SDA") concerning the integrated logistics business, through a partial demerger transaction. The transaction - whose partial demerger project has already been approved in March by the Boards of Directors of the companies involved in the transaction and will also be subject to resolution by the relevant extraordinary shareholders' meetings - will be formalised by the second half of 2024.

13. Additional information

This note provides information applicable to both the Poste Italiane Group's consolidated financial statements and Poste Italiane SpA's separate financial statements, including qualitative and quantitative disclosures on matters required, to a residual degree, by accounting standards, not specifically dealt with in the previous notes.

Offsetting financial assets and liabilities

In compliance with IFRS 7 – *Financial instruments: Disclosures*, this section provides details of financial assets and liabilities that are subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset in keeping with paragraph 42 of IAS 32[318].

In particular, the disclosures in question concern the following positions relating to Poste Italiane SpA at 31 December 2023:
- derivative assets and liabilities and related collateral, represented both by cash and government securities;
- repurchase agreements and reverse repurchase agreements and the related collateral, represented both by cash and government securities.

The positions in question are subject to standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions covered by ISDA contracts and repurchase agreements, for which GMRA agreements have been entered into.

Repurchase agreement positions managed through the Central Counterparty that meet the requirements of IAS 32 are shown net of offsetting.

In order to present the tables in compliance with the requirements of IFRS 7, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

318. Paragraph 42 of IAS 32 provides that "A financial asset and a financial liability can be offset and the net amount presented in the statement of financial position when, and only when, an entity:
(a) currently has a legally enforceable right to set off the recognised amounts;
(b) intends either to settle on a net basis or to realise the asset and settle the liability simultaneously".

FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS OR SUBJECT TO FRAMEWORK MASTER NETTING AGREEMENTS OR SIMILAR ARRANGEMENTS

Technical forms (€m)	Gross amount of financial assets* (a)	Amount of financial liabilities offset in financial statements (b)	Financial assets, net (c=a-b)	Related amounts not subject to offset in the financial statements – Collateral – Financial instruments (d)	Related amounts not subject to offset in the financial statements – Collateral – Cash deposits provided/(received) as collateral (e)	Financial assets/ (liabilities), net (f=c-d-e)
FY 2023						
Financial assets attributable to BancoPosta RFC						
Derivatives	4.257	-	4,257	1,068	2,812	377
Repurchase agreements	4,106	2,337	1,769	1,769	-	-
Total at 31 December 2023	**8,363**	**2,337**	**6,026**	**2,837**	**2,812**	**377**
FY 2022						
Financial assets attributable to BancoPosta RFC						
Derivatives	6,110	-	6,110	1,197	4,822	91
Repurchase agreements	4,575	3,217	1,358	1,358	-	-
Total at 31 December 2022	**10,685**	**3,217**	**7,468**	**2,555**	**4,822**	**91**

FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS OR SUBJECT TO MASTER NETTING AGREEMENTS OR SIMILAR ARRANGEMENTS

Technical forms (€m)	Gross amount of financial liabilities* (a)	Amount of financial assets offset in financial statements (b)	Financial liabilities, net (c=a-b)	Collateral – Financial instruments (d)	Collateral – Cash deposits provided/(received) as collateral (e)	Financial assets/ (liabilities), net (f=c-d-e)
FY 2023						
Financial liabilities attributable to BancoPosta RFC						
Derivatives	1,136	-	1,136	1,053	83	-
Repurchase agreements	10,554	2,337	8,217	7,762	455	-
Total at 31 December 2023	**11,690**	**2,337**	**9,353**	**8,815**	**538**	**-**
FY 2022						
Financial liabilities attributable to BancoPosta RFC						
Derivatives	971	-	971	947	24	-
Repurchase agreements	13,342	3,217	10,125	9,236	889	-
Total at 31 December 2022	**14,313**	**3,217**	**11,096**	**10,183**	**913**	**-**

* The gross amount of financial assets and liabilities includes the financial instruments subject to offsetting and those subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset.

Transfers of financial assets that are not derecognised

In accordance with IFRS 7 - *Financial Instruments: Disclosures*, this section provides additional information on the transfer of financial assets that are not derecognised (continuing involvement).

At 31 December 2023, these assets concern reverse repurchase agreements entered into with primary financial intermediaries and entirely attributable to the Parent Company.

TRANSFERS OF FINANCIAL ASSETS THAT ARE NOT DERECOGNISED

Description (€m)	Notes	31 December 2023 Nominal value	Carrying amount	*Fair value*	31 December 2022 Nominal value	Carrying amount	*Fair value*
Financial assets attributable to BancoPosta RFC	**[A6]**						
Financial assets at amortised cost		6,679	6,822	6,291	6,442	6,766	5,586
Financial assets at FVTOCI		4,386	4,093	4,093	6,628	6,246	6,246
Financial liabilities attributable to BancoPosta RFC	**[B6]**						
Financial liabilities arising from repos		(10,559)	(10,553)	(10,332)	(13,486)	(13,342)	(12,993)
Total		**506**	**362**	**52**	**(416)**	**(330)**	**(1,161)**

Financial assets subject to encumbrances

This paragraph provides information on the nominal value and carrying amount of financial assets delivered to counterparties as collateral for repurchase agreements and interest rate swaps, and financial assets delivered to the Bank of Italy as collateral for intraday credit granted to the Parent Company and as collateral for SEPA Direct Debits.

FINANCIAL ASSETS SUBJECT TO ENCUMBRANCES

Description (€m)	31 December 2023		31 December 2022	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Financial assets attributable to BancoPosta RFC				
Financial assets at amortised cost				
Loans and receivables	1,224	1,224	2,457	2,457
Receivables used as collateral provided by CSAs	129	129	31	31
Receivables used as collateral provided by GMRAs	1,006	1,006	1,447	1,447
Receivables in the form of guarantee deposits (Clearing House margin requirements)	89	89	978	978
Receivables in the form of guarantee deposits (OTC Clearing House)	-	-	1	1
Fixed income instruments	7,523	7,761	7,034	7,478
Securities involved in repurchase agreements	6,679	6,822	6,442	6,766
Securities used as collateral provided by CSAs and GMRAs	-	-	245	247
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	844	939	347	465
Financial assets at FVTOCI				
Fixed income securities	6,336	6,026	8,899	8,469
Securities involved in repurchase agreements	4,386	4,093	6,628	6,246
Securities used as collateral provided by CSAs and GMRAs	-	-	-	-
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	1,950	1,933	2,271	2,223
Financial assets outside ring-fence				
Financial assets at amortised cost				
Loans and receivables	-	-	-	-
Receivables used as collateral provided by CSAs	-	-	-	-
Receivables used as collateral provided by GMRAs	-	-	-	-
Financial assets at FVTOCI				
Fixed income securities	-	-	-	-
Securities involved in repurchase agreements	-	-	-	-
Total financial assets subject to encumbrances	**15,083**	**15,011**	**18,390**	**18,404**

At 31 December 2023, the Parent Company has received financial assets as collateral for reversal repos, having a notional value of €3,874 million and a fair value of €4,110 million.

In addition, securities with a nominal value of €2,999 million are committed for repurchase agreements entered into with Cassa Compensazione e Garanzia in December 2023 and settled in early January 2024.

Exposure to sovereign debt

With regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, the Group's exposure to sovereign debt at 31 December 2023 is shown in the table below.

POSTE ITALIANE GROUP - EXPOSURE TO SOVEREIGN DEBT SECURITIES

Description (€m)	31.12.2023			31.12.2022		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Italy	**133,977**	**128,548**	**126,362**	**138,017**	**126,397**	**122,321**
Financial assets at amortised cost	29,757	29,475	27,289	27,306	26,921	22,845
Financial assets at FVTOCI	104,207	99,060	99,060	110,698	99,463	99,463
Financial assets at FVTPL	13	13	13	13	14	14
Austria	**1,023**	**1,003**	**1,003**	**215**	**170**	**170**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	1,023	1,003	1,003	215	170	170
Financial assets at FVTPL	-	-	-	-	-	-
Belgium	**4.545**	**3.968**	**3.968**	**2,876**	**2,123**	**2,123**
Financial assets at amortised cost	13	12	12	-	-	-
Financial assets at FVTOCI	4.532	3.956	3.956	2,876	2,123	2,123
Financial assets at FVTPL	-	-	-	-	-	-
Finland	**1,026**	**1,002**	**1,002**	**138**	**122**	**122**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	1,026	1,002	1,002	138	122	122
Financial assets at FVTPL	-	-	-	-	-	-
France	**7,780**	**6,287**	**6,287**	**5,050**	**3,411**	**3,411**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	7,780	6,287	6,287	5,050	3,411	3,411
Financial assets at FVTPL	-	-	-	-	-	-
Germany	**1,183**	**1,133**	**1,133**	**851**	**792**	**792**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	1,183	1,133	1,133	851	792	792
Financial assets at FVTPL	-	-	-	-	-	-
Ireland	**811**	**741**	**741**	**455**	**372**	**372**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	811	741	741	455	372	372
Financial assets at FVTPL	-	-	-	-	-	-
Holland	**328**	**335**	**335**	**295**	**293**	**293**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	328	335	335	295	293	293
Financial assets at FVTPL	-	-	-	-	-	-
Portugal	**458**	**374**	**374**	**416**	**295**	**295**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	458	374	374	416	295	295
Financial assets at FVTPL	-	-	-	-	-	-
Spain	**4,045**	**2,607**	**2,606**	**3,860**	**2,261**	**2,261**
Financial assets at amortised cost	3	3	3	3	3	3
Financial assets at FVTOCI	4,042	2,604	2,604	3,857	2,258	2,258
Financial assets at FVTPL	-	-	-	-	-	-
USA	**111**	**100**	**100**	**50**	**38**	**38**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	111	100	100	50	38	38
Financial assets at FVTPL	-	-	-	-	-	-
Other countries	**202**	**181**	**181**	**203**	**169**	**169**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	202	181	181	203	169	169
Financial assets at FVTPL	0	0	0	-	-	-
Total	**155,489**	**146,278**	**144,092**	**152,426**	**136,444**	**132,367**

Below are details for Poste Italiane

CREDIT RISK - EXPOSURE TO SOVEREIGN DEBT

Description (€m)	31 December 2023			31 December 2022		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Financial assets attributable to BancoPosta RFC						
Italy	**62,736**	**60,578**	**58,573**	**61,670**	**57,997**	**54,214**
Financial assets at amortised cost	27,877	27,509	25,504	25,304	24,836	21,053
Financial assets at FVOCI	34,859	33,069	33,069	36,366	33,161	33,161
Financial assets outside ring-fence						
Italy	**110**	**99**	**99**	**110**	**91**	**91**
Financial assets at FVOCI	110	99	99	110	91	91
Total	**62,846**	**60,677**	**58,672**	**61,780**	**58,088**	**54,305**

Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 – *Consolidated Financial Statements*. However, these Funds fall within the definition of unconsolidated structured entities: a structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

NATURE OF THE INVOLVEMENT IN THE UNCONSOLIDATED STRUCTURED ENTITY

ISIN - Name (€m)	Nature of entity	Activity of the Fund	NAV		
			% investment	Ref. date	Amount
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	29/12/2023	5.621
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	4.657
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	4.493
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	4.044
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	29/12/2023	3.804
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	840
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	825
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	563
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	539
QU0006738052 - Prima EU Private Debt Opportunity Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	30/09/2023	507
IT0004937691 - PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Fund of Hedge Funds falling within the scope of Directive 2011/61/EU	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100	30/11/2023	432
QU0006744795 - Prima European Direct Lending 1 Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	30/09/2023	456
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in "core" and "core plus" real estate assets for working (office) use, located in the Eurozone and euro-denominated	100	30/09/2023	399
LU2051218035 - OLYMPIUM SEVERUM FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	437
IT0005247819 - Diamond Core	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect.	100	30/06/2023	283
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	29/12/2023	293

ISIN - Name (€m)	Nature of entity	Activity of the Fund	NAV		
			% investment	Ref. date	Amount
IT0005386666 - Fund i3-Dante segment Convivio	Italian-registered, closed-end multi-segment alternative real estate investment fund	Investment in "core" and "core plus" income real estate located in the central areas of the main Italian cities, starting with Rome and Milan.	100	30/06/2023	267
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	30/09/2023	269
IT0005215113 - CBRE DIAMOND FUND	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real estate rights, including those deriving from real estate lease contracts, in any case carried out without particular geographical location constraints but in any case in Italy, may be used for the following purposes: logistics, retirement homes, residential, hotel, mixed-use and office or commercial use.	100	30/09/2023	157
QU0006745081 - Prima Real Estate Europe Fund I	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	30/09/2023	329
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect.	100	30/06/2023	159
QU0006742476 - PRIMA GLOBAL EQUITY PRTNERS FUND	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	30/09/2023	204
QU0006738854 - Prima Credit Opportunity Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities).	100	30/11/2023	130
IT0005210593 - DIAMOND OTHER SECTOR ITALIA	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets.	100	30/06/2023	108
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and euro-denominated	100	30/06/2023	90
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds, loans and equities).	100	30/11/2023	86
LU1081427665 - SHOPPING PROPERTY FUND 2	Closed-end fund within the scope of Directive 2011/61/EU	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	65	30/09/2023	54

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government securities. The entities primarily regard open-end harmonised funds that invest in a mix of assets, such as corporate bonds, government bonds and equities, and closed-end real estate funds that invest in property and property rights. Certain details are provided below.

RISK NATURE

ISIN - Name (€m)	Classification	Investment carrying amount	Maximum loss exposure	Difference between carrying amount and maximum exposure	Method to determine maximum loss exposure
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	FVTPL	5,621	553	5,068	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	FVTPL	4,657	401	4,255	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	FVTPL	4,493	341	4,152	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	FVTPL	4,044	368	3,676	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	FVTPL	3,804	211	3,593	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	FVTPL	840	65	776	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	FVTPL	825	87	737	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	FVTPL	563	47	516	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	FVTPL	539	48	491	Annual VaR at 99.5% over 5 years and a half-life of 1 year
LU2051218035 - OLYMPIUM SEVERUM FUND	FVTPL	437	69	367	Annual VaR at 99.5% over 5 years and a half-life of 1 year
IT0004937691 - PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	FVTPL	432	66	365	Annual VaR at 99.5% over 5 years and a half-life of 1 year
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	FVTPL	399	162	237	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006744795 - Prima European Direct Lending 1 Fund	FVTPL	456	53	403	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738052 - Prima EU Private Debt Opportunity Fund	FVTPL	507	55	452	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	FVTPL	293	27	266	Annual VaR at 99.5% over 5 years and a half-life of 1 year
IT0005247819 - Diamond Core	FVTPL	283	93	189	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005386666 - Fund i3-Dante segment Convivio	FVTPL	267	67	200	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

ISIN - Name (€m)	Classification	Investment carrying amount	Maximum loss exposure	Difference between carrying amount and maximum exposure	Method to determine maximum loss exposure
QU0006746865 - ALC Prima European Private Credit Feeder Fund	FVTPL	269	30	239	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006745081 - Prima Real Estate Europe Fund I	FVTPL	329	120	209	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005212193 - DIAMOND ITALIAN PROPERTIES	FVTPL	159	55	104	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005215113 - CBRE DIAMOND FUND	FVTPL	157	51	106	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738854 - Prima Credit Opportunity Fund	FVTPL	130	10	120	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	FVTPL	204	114	90	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210593 - DIAMOND OTHER SECTOR ITALY	FVTPL	108	39	69	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	FVTPL	90	35	56	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	FVTPL	86	23	63	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1081427665 - SHOPPING PROPERTY FUND 2	FVTPL	35	24	12	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

Risk nature

The company's investments in the funds in question are reported at fair value (mainly level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Class I policies and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

Asset class (€m)	*Fair Value*
Financial instruments	
Corporate bonds	14,586
Government bonds	9,053
Other investments net of liabilities	3,527
Equity instruments	1,528
Cash	1,274
Derivative financial instruments	
Swaps	(1)
Futures	2
Forwards	59
Total	**30,028**

Market traded on and UCITS	*Fair Value*
Germany (Frankfurt, Berlin, Munich)	4,331
Dublin	1
New York	2,019
Trace	3,818
London	2,380
Paris	342
Euronext	4,068
Tokyo	747
Singapore	770
Euromtf	472
Luxembourg	106
Eurotlx	334
Hong Kong	248
Others	9,591
Provisions	801
Total	**30,028**

Share-based payment arrangements

Long-term incentive scheme: Performance Share Plan

Poste Italiane Group

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2019 approved the information circular for the "Equity-based incentive plans – Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the first Cycle 2019-2021 and the second cycle 2020-2022.

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2021 approved the information circular for the "Equity-based incentive plans – 2021-2023 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2021-2023.

The Shareholders' Meeting of Poste Italiane SpA held on 27 May 2022 approved the information circular for the "Equity-based incentive plans – 2022-2024 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2022-2024.

The Shareholders' Meeting of Poste Italiane SpA held on 8 May 2023 approved the information circular for the "Equity-based incentive plans – 2023-2025 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2023-2025.

These incentive systems, constructed in line with market practices, aim to strengthen the link between the variable component of remuneration and the Group's medium to long-term strategy, in line with the budget and the goals in the Strategic Plan, over a multi-year period.

Description of the Plans

The "Performance Share LTIPs", as described in the relevant Information Circulars, provide for the assignment of Rights to the Poste Italiane's ordinary shares. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle and the Qualifying Conditions (the latter for BancoPosta Beneficiaries, hereinafter "BP Beneficiaries" including then General Manager). Plans are developed over a three-year time horizon and Actions are awarded if performance targets are achieved. The key characteristics of the Plans are described below.

Beneficiaries

The Beneficiaries are: Poste Italiane's Chief Executive Officer, in his role as General Manager, certain managers within the Poste Italiane Group, including key management personnel, and some resources of BancoPosta RFC. .

Plans' terms and conditions

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[319].

For the 2021-2023, 2022-2024 and 2023-2025 Performance Share LTIPs, the following KPIs are added to the two targets indicated above for the ESG component:

- 2021-2023 Performance Share LTIP: sustainable finance, target linked to the inclusion of an ESG component in Poste Vita investment products by 2023. In particular, the indicator is calculated by comparing the number of products offered with ESG components to the total number of products offered;
- 2022-2024 Performance Share LTIP: equal gender representation in succession plans, an objective linked to strengthening the presence of women in managerial succession plans, to help increase the presence of women in positions of greater responsibility in the Poste Italiane Group. Specifically, the indicator is calculated by comparing the number of succession applications occupied by women to the total number of applications;
- 2023-2025 Performance Share LTIP: Green Transition, a target related to the reduction of tCO_2 emissions; this target is intended to measure the reduction of the Group's total emissions (tCO2e) over the 2023-2025 time horizon. Creating value for the country, an objective that takes into account the progress of the construction sites related to the "Polis Project". In particular, the indicator is calculated as the ratio of the number of initiatives launched to the total number of physically feasible initiatives.

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Beneficiaries, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

319. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

The Shares relating to the 2019-2021 and 2020-2022 Performance Share LTIPs will be awarded by the end of the year following the end of the Performance Period as follows:

- for BP Beneficiaries (including the General Manager) for 40% up-front and for the remaining 60% in two equal portions, deferred respectively for 2 and 4 years from the end of the Performance Period. A further Retention Period of one year will be applied to both the up-front and deferred portions;
- for the Other Beneficiaries, the granting of Poste Italiane's Shares is entirely up front at the end of a three-year Performance Period, with 60% of the Shares subject to a further two-year Lock-up Period.

For BP Beneficiaries (including the General Manager) in relation to the 2021-2023, 2022-2024 and 2023-2025 Performance Share LTIPs, the following disbursement method is envisaged: 40% upfront and 60% in five deferred annual instalments over a five-year period (the first three equal to 10% of the total rights accrued and the next two equal to 15% of the total rights accrued). A further Retention Period of one year will be applied to both the up-front and deferred portions;

In addition, for BP Beneficiaries (including the General Manager), the deferred Shares will be awarded following the verification of the existence of capital adequacy, short-term liquidity levels and risk-adjusted profitability of BancoPosta RFC.

For more details on the operating mechanisms of the incentive plans, please refer to the Information Circular and/or the Report on the Remuneration Policy, in force from time to time, approved by the Shareholders' Meeting.

Long-term incentive scheme: Deliver 2022 LTIP

In 2023, in light of the regulatory updates that have taken place and with a view to maintaining constant alignment between the interests of management and those of the shareholders, the Shareholders' Meeting held on 8 May 2023 resolved to pay a portion equal to 55% of the bonus accrued for Deliver LTIP MRTs BP Beneficiaries at the end of the Performance Period (31 December 2022) in Rights to receive ordinary shares of Poste Italiane, subject to Retention Periods.

Since this is a Conversion, no new allocations are envisaged with respect to the objectives of the plan assigned in 2018 and based on a five-year time horizon (2018-2022).

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle is represented by achievement of a certain target for the Group's cumulative EBIT over a five-year period at the end of the Performance Period (31 December 2022). In addition, delivery of the Shares is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Conversion made provision for the payment of 45% of the up-front accrued Premium in cash in 2023, as opposed to the 75% originally envisaged. The remaining 55%, originally planned in cash form, will be paid in Rights to receive Shares subject to Retention Periods of 1 and 2 years.

Delivery of the Shares at the end of each Retention Period will take place subject to verification of the risk tolerance level of conditions linked - in addition to capital adequacy and liquidity, originally envisaged - also to risk-adjusted profitability with reference to BancoPosta RFC, as well as Poste Italiane's inclusion in at least two internationally recognised sustainability indices.

For more details on the operating mechanisms of the incentive plans, please refer to the Information Circular and/or the Report on the Remuneration Policy, in force from time to time, approved by the Shareholders' Meeting.

Determination of fair value and effects on profit or loss

The valuations of these plans were mainly based on the conclusions reached by actuaries outside the Group. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

(€m)	Number of beneficiaries	Units (No. of Phantom Stocks/Rights to receive shares)		*Fair value at grant date*						Operating	IFRS 2 Reserve/ Liabilities	Payments/ Countervalue delivery of treasury shares
		Number of Units	*Of which under retention period*	General Manager		BP Beneficiaries		Other Beneficiaries				
Incentive plans				Grant date	*Fair Value*	Grant date	*Fair Value*	Grant date	*Fair Value*			
Deliver 3 years	15	8,763	8,763	n.a.	n.a.	29 May 2018	€10.21	29 May 2018	€10.21	0.02	0.09	-
Deliver 5 years	2	156,068	-	29 May 2018	€8.43	n/a	n/a	29 May 2018	€8.43	1.32	1.32	-
19-21 Performance Share LTIP	111	471,860	-	28 May 2019	€5.02	7 October 2019	€7.01	7 October 2019	€7.88	0.08	3.61	(0.3)
20-22 Performance Share LTIP	118	469,025	34,824	5 May 2020	€6.05	12 November 2020	€4.89	12 November 2020	€5.41	(0.95)	2.52	(1.8)
21-23 Performance Share LTIP	163	1,228,540	-	28 May 2021	€8.19	28 May 2021	€8.27	28 May 2021	€9.07	3.80	10.97	-
22-24 Performance Share LTIP	203	1,070,012	-	27 May 2022	€4.69	27 May 2022	€4.65	27 May 2022	€5.66	2.02	3.94	-
23-25 Performance Share LTIP	218	1,670,289	-	8 May 2023	€4.46	8 May 2023	€4.47	8 May 2023	€5.62	3.04	3.04	-
Total										**9.3**	**25.5**	**(2.1)**

Poste Italiane SpA

The effects on profit or loss of the above "Performance Share" and "Phantom Stock" Long-Term Incentive Schemes at 31 December 2023 for Poste Italiane SpA are shown below.

(€m)	Number of beneficiaries	Units (No. of Phantom Stocks/Rights to receive shares)		*Fair value at grant date*						Operating	IFRS 2 Reserve/ Liabilities	Payments/ Countervalue delivery of treasury shares
		Number of Units	*Of which under retention period*	General Manager		BP Beneficiaries		Other Beneficiaries				
Incentive plans				Grant date	*Fair Value*	Grant date	*Fair Value*	Grant date	*Fair Value*			
Deliver 3 years	15	8,763	8,763	n.a.	n.a.	29 May 2018	€10.21	29 May 2018	€10.21	0.02	0.09	-
Deliver 5 years	2	156,068	-	29 May 2018	€8.43	n/a	n/a	29 May 2018	€8.43	1.32	1.32	-
19-21 Performance Share LTIP	105	454,391	-	28 May 2019	€5.02	7 October 2019	€7.01	7 October 2019	€7.88	0.08	3.51	(0.33)
20-22 Performance Share LTIP	109	447,845	34,824	5 May 2020	€6.05	12 November 2020	€4.89	12 November 2020	€5.41	(0.90)	2.46	(1.73)
21-23 Performance Share LTIP	151	1,169,847	-	28 May 2021	€8.19	28 May 2021	€8.27	28 May 2021	€9.07	3.62	10.44	-
22-24 Performance Share LTIP	186	998,529	-	27 May 2022	€4.69	27 May 2022	€4.65	27 May 2022	€5.66	1.89	3.67	-
23-25 Performance Share LTIP	200	1,605,134	-	8 May 2023	€4.46	8 May 2023	€4.47	8 May 2023	€5.62	2.92	2.92	-
Total										**8.9**	**24.4**	**(2.1)**

Long-term incentive schemes: stock options

The MLK delivery long-term incentive scheme, which was approved by the subsidiary's Board of Directors on 10 December 2020, provides for the grant, free of charge, of a maximum number of stock options that entitle holders to subscribe for class Z shares of MLK delivery, i.e., shares issued to service the Plan without dividend and voting rights. The Plan has a total term of five years and will end with the grant of all Stock Options. On 9 July 2023, a liquidation event provided for in the "MLK ESOP 2020 Regulations" and the "MLK Shareholders' Agreement" occurred, resulting in the termination of the MLK Deliveries long-term incentive scheme approved by the Board of Directors on 10 December 2020. At the expiry of the validity of the Plan (total duration of three years), Poste Italiane SpA exercised its call options on the remaining 30% of MLK's share capital and, by drag-along, on the portion related to the new shares issued in connection with the Plan. The event described resulted in the exercise of 2,001 shares at a strike price of €64.29 and a share value at the time the option was exercised of €195.81 per share.

At 31 December 2023, there were no additional stock option incentive plans in place for MLK Deliveries Srl

Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Provisions for BancoPosta (Part IV, Chapter I, "BancoPosta" including in Circular 285 of 17 December 2013 "Prudential supervisory standards for banks") which, in taking into account BancoPosta's and Poste Italiane's specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 "Remuneration and incentive policies and practices" in the above Circular 285). These standards, applicable only to the Parent Company Poste Italiane SpA, provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2018, where the incentive was above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane's shares, and application of the following deferral mechanisms:

- 60% of the award to be deferred for a 5-year period on a pro-rata basis, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme and long-term incentive scheme, "Phantom Stock LTIP";
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The most recent short-term management incentive schemes (MBO 2019, MBO 2020, MBO 2021, MBO 2022 and MBO 2023), provide, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of Poste Italiane SpA's Shares and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata, for the General Manager and the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata[320] for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2018) and Rights to receive Shares (MBO 2019, 2020, 2021, 2022 and 2023) is subject to the existence of a Performance Hurdle (Group Profitability: EBIT) and Qualifying Conditions as follows:

- Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF).
- Risk-adjusted earnings (RORAC) threshold level approved in the Risk Appetite Framework (RAF) for MBO 2023 only.

The General Manager is also expected to apply an additional Qualifying Condition, in addition to those set out above, linked to the Solvency Ratio of the Poste Vita Insurance Group.

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital, liquidity and risk-adjusted earnings requirements have been met (solely for MBO 2023). The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

320. For the MBO 2021, MBO 2022 and MBO 2023 only, the pro-rata years are 4, although for the fourth year only a cash payment is provided.

Determination of fair value and effects on profit or loss

The valuations of these plans were mainly based on the conclusions reached by actuaries outside the Group.

(€m)	Number of beneficiaries	Units (No. of Phantom Stocks/Rights to receive shares)		Fair value at grant date						Operating Cost	IFRS 2 Reserve/ Liabilities	Payments/ Countervalue delivery of treasury shares
		Number of Units	Of which under retention period	General Manager		BP Beneficiaries		Other Beneficiaries				
Incentive plans				Grant date	Fair Value	Grant date	Fair Value	Grant date	Fair Value			
MBO 2018	10	15,081	-	19 March 2019	€10.2	19 March 2019	€10.2	19 March 2019	€10.2	0.03	0.1	(0.2)
MBO 2019	5	8,594	5,519	5 March 2020	€7.5	5 March 2020	€7.51 - €7.62	5 March 2020	€7.51	0.01	0.1	(0.1)
MBO 2020	11	9,159	4,230	24 March 2021	€8.4	24 March 2021	€8.36 - €8.83	24 March 2021	€8.36 - €8.83	(0.01)	0.1	(0.04)
MBO 2021	15	51,151	17,467	22 March 2022	€8.3	22 March 2022	€8.25 - €8.77	22 March 2022	€8.25 - €8.77	0.01	0.4	(0.4)
MBO 2022	13	103,934	46,620	28 March 2023	€7.7	28 March 2023	€7.7 - €8.31	28 March 2023	€7.7 - €8.31	0.21	0.8	-
MBO 2023[321]	12	109,392	-	19 March 2023	€7.8	19 March 2023	€7.79 - €8.21	19 March 2023	€7.79 - €8.21	0.87	0.9	-
Total										**1.1**	**2.4**	**(0.7)**

Severance payments on termination of employment

Severance payments to BancoPosta RFC *Risk Takers* on early termination are paid in accordance with the same procedures applied to short-term variable remuneration (MBO 2017) as regards deferral, payment in financial instruments and verification of the minimum regulatory capital and liquidity requirements for BancoPosta RFC. During the course of 2023, the payment of the last tranche of this plan was completed with a total disbursement of approximately €70,000.

321. MBO 23 estimated on the basis of the best available information, pending the actual finalisation of the system, in order to identify the cost of the service received.

Scope of consolidation and highlights of investments

SCOPE OF CONSOLIDATION

Name (€k)	Registered office	Currency	Share	Società controllante	% di possesso	% complessiva Gruppo
PARENT COMPANY:						
Poste Italiane SpA	Rome (Italy)	Euro	1,306,110			
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS:						
Agile LAB Srl*	Milan (Italy)	Euro	54	Poste Italiane SpA	70,00%	70,00%
BancoPosta Fondi SpA SGR	Rome (Italy)	Euro	12,000	Poste Italiane SpA	100.00%	100.00%
Bridge Technologies Srl	Milan (Italy)	Euro	20	Plurima	100.00%	70.00%
Consorzio Logistica Pacchi ScpA.	Rome (Italy)	Euro	516	Poste Italiane SpA	51.00%	100.00%
				SDA Express Courier SpA	19.00%	
				Poste Air Cargo Srl	5.00%	
				Postel SpA	15.00%	
				Poste Assicura SpA	5.00%	
				Nexive Network Srl	5.00%	
ConsorzioServizi ScpA	Rome (Italy)	Euro	120	Poste Italiane SpA	51.00%	100.00%
				Postel SpA	49.00%	
Consorzio PosteMotori	Rome (Italy)	Euro	120	Poste Italiane SpA	58.12%	80.75%
				Postel SpA	22.63%	
Europa Gestioni Immobiliari SpA	Rome (Italy)	Euro	103,200	Postel SpA	55.00%	100.00%
				Poste Vita SpA	45,00%	
LIS Holding SpA	Milan (Italy)	Euro	2,582	PostePay SpA	100.00%	100.00%
LIS Pay SpA	Milan (Italy)	Euro	56,600	PostePay SpA	100.00%	100.00%
Logos Srl	Milan (Italy)	Euro	10	Plurima	100.00%	70.00%
MLK Deliveries SpA	Rome (Italy)	Euro	335	Poste Italiane SpA	100.00%	100.00%
Net Holding SpA	Rome (Italy)	Euro	100	Poste Vita SpA	60.00%	60.00%
Net Insurance SpA*	Rome (Italy)	Euro	17,624	Net Holding SpA	97.84%	58.70%
Net Insurance Life SpA*	Rome (Italy)	Euro	15,000	Net Insurance SpA	100.00%	58.70%
Nexive Network Srl	Milan (Italy)	Euro	50	Poste Italiane SpA	100.00%	100.00%
Nexive Scarl	Milan (Italy)	Euro	28	Poste Italiane SpA	85.89%	85.89%
PatentiViaPoste S.c.p.A.	Rome (Italy)	Euro	120	Poste Italiane SpA	69.65%	86.86%
				Postel SpA	17.21%	
Poste Air Cargo Srl	Rome (Italy)	Euro	1,000	Poste Italiane SpA	100.00%	100.00%
Plurima SpA	Milan (Italy)	Euro	8,544	Poste Welfare Servizi Srl	70.00%	70.00%
Poste Assicura SpA*	Rome (Italy)	Euro	25,000	Poste Vita SpA	100.00%	100.00%
Poste Insurance Broker Srl	Rome (Italy)	Euro	600	Poste Assicura SpA	100.00%	100.00%
PostePay SpA	Rome (Italy)	Euro	7,561	Poste Italiane SpA	100.00%	100.00%
Poste Vita SpA*	Rome (Italy)	Euro	1,216,608	Poste Italiane SpA	100.00%	100.00%
Poste Welfare Servizi Srl	Rome (Italy)	Euro	16	Poste Italiane SpA	100.00%	100.00%
Postel SpA	Rome (Italy)	Euro	20,400	Poste Italiane SpA	100.00%	100.00%
SDA Express Courier SpA	Rome (Italy)	Euro	5,000	Poste Italiane SpA	100.00%	100.00%

Name (€k)	Registered office	Currency	Share	Società controllante	% di possesso	% complessiva Gruppo
Sengi Express Limited**	Hong Kong (China)	Euro	541	Poste Italiane SpA	40.00% ***	40.00% ***
Sengi Express Guangzhou Limited**	Guangzhou (China)	CNY	5,000	Sengi Express Limited	100.00%	40.00%
Sourcesense SpA*	Rome (Italy))	Euro	880	Poste Italiane SpA	70.00%	70.00%
Sourcesense Digital Srl*	Rome (Italy)	Euro	32	Sourcesense SpA	100.00%	70.00%
Sourcesense Technology Srl*	Rome (Italy)	Euro	40	Sourcesense SpA	100.00%	70.00%
Sourcesense Limited**	London (UK)	GBP	-	Sourcesense SpA	100.00%	70.00%
Sourcesense Platforms Srl*	Roma (Italia)	Euro	50	Sourcesense SpA	100.00%	70.00%
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD:						
Subsidiaries:						
Address Software Srl	Rome (Italy)	Euro	10	Postel SpA	100.00%	100.00%
Indabox Srl	Rome (Italy)	Euro	50	MLK Deliveries SpA	100.00%	100.00%
Kipoint SpA	Rome (Italy)	Euro	500	SDA Express Courier SpA	100.00%	100.00%
Associates:						
Anima Holding SpA	Milan (Italy)	Euro	7,292	Poste Italiane SpA	11.60%	11.60%
Conio Inc.	San Francisco (USA)	USD	13,356	Poste Italiane SpA	16.29%	16.29%
Conio Srl	Milan (Italy)	Euro	115	Conio Inc.	100.00%	16.29%
Eurizon Capital Real Asset SGR SpA	Milano (Italia)	Euro	4,167	Poste Vita SpA	20.00%	40%****
				BancoPosta Fondi SpA SGR	20.00%	
Financit SpA	Rome (Italy)	Euro	14,950	Poste Italiane SpA	40.00%	40.00%
ItaliaCamp Srl	Milan (Italy)	Euro	155	Poste Italiane SpA	19.40%	19.40%
Replica SIM SpA	Milan (Italy)	Euro	10,500	Poste Italiane SpA	45.00%	45.00%
sennder Italia Srl	Milan (Italy)	Euro	50	Poste Italiane SpA	25.00%	25.00%

* The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the respective financial reports, which were prepared in accordance with the Italian Civil Code and Italian GAAP.
** The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the Annual Report of the company drafted in compliance with Local GAAP.
*** Poste Italiane SpA holds 51% of the voting capital.
**** Posta Vita and BancoPosta Fondi jointly hold 24.5% of the voting capital.

LIST OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND STATEMENT OF FINANCIAL POSITION AND PROFIT OR LOSS DATA

Name (Registered office)	Nature of investment	Carrying amount	% share	Assets	Liabilities	Equity	Revenue from sales and services	Net profit/ (loss) for the year
Address Software Srl (Rome)	Subsidiary	1,109	100.00%	1,701	591	1,110	855	105
Anima Holding SpA (Milan) (a)	Associate	218,734	11.60%	2,328,675	935,022	1,393,653	733,975 *	96,390
Conio Inc. (San Francisco) (b)	Associate	555	16.29%	13,353	3,506	9,847	-	(327)
Eurizon Capital Real Asset SGR SpA	Associate	4,220	40.00%	16,286	8,683	7,603	7,552*	443
Financit SpA (Rome)	Associate	34,712	40.00%	1,860,597	1,792,283	68,314	70,773*	15,554
Indabox Srl (Rome)	Subsidiary	508	100.00%	665	240	425	668	89
ItaliaCamp Srl (Roma) (c)	Associate	562	19.40%	6,538	3,645	2,893	3,891	173
Kipoint SpA (Rome)	Subsidiary	2,511	100.00%	6,645	4,134	2,511	8,124	505
Replica SIM SpA (Milan)	Associate	9,329	45.00%	43,786	34,366	9,420	6,852*	(235)
sennder Italia Srl (Milan) (d)	Associate	293,987	25.00%	83,082	71,755	11,327	245,639	6,208
Other SDA Express Courier associate	Associates	-						

a. Data derived from the latest consolidated interim accounts for the period ended 30.09.2023 approved by the company's board of directors.
b. Data from the company's latest balance sheet as at 30.06.2023, the balance sheet value also includes the valuation of the company Conio Srl wholly-owned by Conio Inc.
c. Figures taken from the company's latest financial statements approved by the Board at 31.12.2022.
d. The company was classified as an investment in associates following the completion of the transaction in June 2023; for further details on the transaction, please refer to the section Main changes to the scope of consolidation - Note 2.8 Basis of consolidation.
* The amount includes commissions, interest income and other similar income.

Disclosure pursuant to Law 124/2017

The information required by art. 1, paragraphs 125 and 129 of Law 124 of 4 August 2017 is provided below.

The information is provided in thousands of euros and on a cash basis, indicating the Group company that received and/or disbursed the grant. In addition, given the numerous interpretative doubts, the following information is provided on the basis of the best interpretation of the legislation available to date, in the light of the guidance provided by Assonime in Circular 5 of 22 February 2019.

Group companies (€k)	Grantor/beneficiary	Purpose	Amount disbursed
Grants received			
Poste Italiane	MIM	Research and Development Projects	605
Poste Italiane	MIMS	Mobility Management and Home-Work Travel Plans	262
Net Insurance SpA	Ania Servizi e Formazione Srl	Next to People Project	142
Net Insurance SpA	Ania Servizi e Formazione Srl	More Next to People Project	90
Net Insurance SpA	Ania Servizi e Formazione Srl	Grow Together Plan	167
Total			**1,266**
Grants disbursed			
Poste Italiane	Fondazione Intercultura Onlus ETS	Donation	120
Poste Italiane	European University Institute	Donation	100
Poste Italiane	Comunità di San Patrignano	Donation	30
Poste Italiane	Fondazione Comunità Domenico Tardini Onlus	Donation	24
Poste Italiane	Fondazione Dynamo Camp Onlus	Donation	20
Poste Italiane	Weco – Impresa sociale	Donation	20
Poste Italiane	Fondazione Aila Onlus	Donation	20
Poste Italiane	Associazione ISMEO	Donation	15
Poste Italiane	Associazione Parent Project aps	Donation	15
Poste Italiane	Fondazione Bambino Gesù Onlus	Donation	10
Poste Italiane	Associazione Andrea Tudisco Onlus	Donation	10
Poste Italiane	Associazione Corri la Vita Onlus	Donation	10
Poste Italiane	Fondazione Angeli del Bello	Donation	10
Total			**404**

Postal Savings

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

POSTAL SAVINGS

Description (€m)	31.12.2023	31.12.2022
Post office savings books	90,844	90,850
Interest-bearing Postal Certificates	236,732	237,888
Cassa Depositi e Prestiti	194,321	192,644
Ministry of the Economy and Finance - MEF	42,411	45,244
Total	**327,576**	**328,738**

Assets under management

Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the year, amount to €15,641 million at 31 December 2023 (€11,927 million at 31 December 2022). Of the total amount, about €7,590 million (or about 49% of total assets under management) refer to funds whose investment policies include environmental, social and governance factors (ESG).

Commitments

The Group's purchase commitments break down as follows.

COMMITMENTS

Description (€m)	31.12.2023	31.12.2022
Lease arrangements	217	26
Contracts to purchase property, plant and equipment	124	89
Contracts to purchase intangible assets	20	12
Total	**360**	**127**

Poste Italiane SpA's purchase commitments break down as follows.

COMMITMENTS

Description (€m)	31.12.2023	*related to Group companies*	31.12.2022	*related to Group companies*
Lease arrangements	214	-	17	-
Contracts to purchase property, plant and equipment	124	-	90	1
Contracts to purchase intangible assets	20	-	12	-
Total	**358**	**-**	**119**	**1**

At 31 December 2023, the item Lease contracts includes commitments that do not fall under IFRS 16 - *Leases.*

In addition, at 31 December 2023, PostePay takes over:
- purchases of electricity on forward markets for €170 million;
- purchases of natural gas on futures markets for €120 million.

Guarantees

Unsecured guarantees issued by the Group and Poste Italiane SpA are as follows:

GUARANTEES

Description (€m)	31.12.2023	31.12.2022
Sureties and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	623	698
by the Group in its own interests in favour of third parties	299	61
Total	**922**	**759**

GUARANTEES

Description (€m)	31.12.2023	31.12.2022
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	320	373
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	205	215
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	95	61
Total	**620**	**649**

Third-party assets

In addition to what is detailed in the table below for the Parent Company, third-party assets of the Group include material for the Covid emergency within the scope of the order with the Civil Defence for about €1.3 billion, held in the warehouses of the subsidiary SDA Express Courier SpA

THIRD-PARTY ASSETS

Description (€m)	31.12.2023	31.12.2022
Bonds subscribed by customers held at third-party banks	6,033	3,431
Other assets	248	344
Total	**6,281**	**3,775**

In addition to the above, at 31 December 2023, Poste Italiane SpA holds a further €2 million in assets belonging to Group companies.

Assets in the process of allocation

At 31 December 2023, the Parent Company has paid a total of €97 million in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

Fees paid to independent auditors pursuant to art. 149 *Duodecies* of the CONSOB's regulations for issuers

The following table shows fees[322] payable to the Parent Company's auditor, Deloitte & Touche, and companies within its network for 2023, presented in accordance with art. 149 *duodecies* of the CONSOB's Regulations for Issuers:

DISCLOSURE OF FEES PAID TO INDEPENDENT AUDITORS

Type of services (€k)	Entity providing the service	2023 fees
Poste Italiane SpA		
Audit	Deloitte & Touche SpA	1,339
Audit	Deloitte & Touche network	-
Attestation services	Deloitte & Touche SpA	589
Attestation services	Deloitte & Touche network	-
Other services	Deloitte & Touche SpA	17
Other services	Deloitte & Touche network	45
Subsidiaries of Poste Italiane SpA		
Audit*	Deloitte & Touche SpA	2,275
Audit	Deloitte & Touche network	47
Attestation services	Deloitte & Touche SpA	820
Attestation services	Deloitte & Touche network	-
Other services	Deloitte & Touche SpA	-
Other services	Deloitte & Touche network	-
Total		**5,132**

* Includes the costs of auditing the funds managed by BPF SGR charged to savers for a fee of €193 thousand.

322. Auditing services are expensed as incurred and reported in the audited financial statements. Any attestation services relating to accounts prior to the reporting date are recognised on an accruals basis, following engagement of the auditor, in the year in which the services are rendered, applying the percentage of completion method.


POSTE

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BancoPosta RFC Separate Report for the year ended

31 December **2023**

14 BancoPosta RFC Separate Report for the year ended 31 December **2023**

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Financial statements

Statement of financial position

Assets		31 December 2023	31 December 2022
10.	Cash and cash equivalents	4,731,804,421	5,874,003,873
20.	Financial assets measured at fair value through profit or loss	26,196,661	39,768,823
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	*26,196,661*	*39,768,823*
30.	Financial assets measured at fair value through other comprehensive income	33,069,070,448	33,161,038,504
40.	Financial assets measured at amortised cost	44,561,934,123	46,576,120,582
	a) due from banks	*976,196,905*	*1,499,841,103*
	b) due from customers	*43,585,737,218*	*45,076,279,479*
50.	Hedging derivatives	4,256,825,277	6,109,461,206
60.	Adjustments for changes in hedged financial assets portfolio (+/-)	-	-
70.	Investments	-	-
80.	Property, plant and equipment	-	-
90.	Intangible assets	-	-
	of which:		
	- goodwill	-	-
100.	Tax assets	642,226,681	1,157,311,589
	a) current	-	-
	b) deferred	*642,226,681*	*1,157,311,589*
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	10,856,890,504	11,520,235,265
	Total assets	**98,144,948,115**	**104,437,939,842**

Statement of financial position

Liabilities and equity (figures in €)		31 December 2023	31 December 2022
10.	Financial liabilities measured at amortised cost	90,963,258,845	98,944,279,492
	a) due to banks	*10,335,597,387*	*12,849,764,915*
	b) due to customers	*80,627,661,458*	*86,094,514,577*
	c) debt securities in issue	-	-
20.	Financial liabilities held for trading	2,597,924	4,002,715
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	1,135,604,715	970,662,525
50.	Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
60.	Tax liabilities	266,193,083	225,575,165
	a) current	-	-
	b) deferred	*266,193,083*	*225,575,165*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	2,832,777,755	2,789,296,794
90.	Employee termination benefits	2,083,064	1,982,574
100.	Provisions for risks and charges:	163,499,489	188,060,241
	a) commitment and guarantees given	-	-
	b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	*163,499,489*	*188,060,241*
110.	Valuation reserves	(840,662,686)	(2,223,281,867)
120.	Redeemable shares	-	-
130.	Equity instruments	450,000,000	350,000,000
140.	Reserves	2,569,251,467	2,585,050,876
150.	Share premium reserve	-	-
160.	Share capital	-	-
170.	Treasury shares (-)	-	-
180.	Profit/(Loss) for the year (+/-)	600,344,459	602,311,327
	Total liabilities and equity	**98,144,948,115**	**104,437,939,842**

Statement of profit or loss

Items (figures in €)		FY 2023	FY 2022
10.	Interest and similar income	2,778,162,722	2,094,920,984
	of which: interest income calculated using the effective interest method	*2,778,162,722*	*2,094,920,984*
20.	Interest expense and similar charges	(587,060,606)	(172,077,432)
30.	**Net interest income**	**2,191,102,116**	**1,922,843,552**
40.	Fee income	3,669,506,800	3,453,985,229
50.	Fee expenses	(199,858,347)	(216,167,715)
60.	**Net fee and commission income**	**3,469,648,453**	**3,237,817,514**
70.	Dividends and similar income	246,104	327,077
80.	Profits/(Losses) on trading	(2,460,542)	(67,898,766)
90.	Profits/(Losses) on hedging	(1,155,168)	17,696,651
100.	Profits/(Losses) on disposal or repurchase of:	157,546,084	334,675,035
	a) financial assets measured at amortised cost	*47,581,038*	*76,793,562*
	b) financial assets measured at fair value through other comprehensive income	*109,965,046*	*257,881,473*
	c) financial liabilities	-	-
110.	Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss	7,822,515	900,441
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	*7,822,515*	*900,441*
120.	**Net interest and other banking income**	**5,822,749,562**	**5,446,361,504**
130.	Net losses/recoveries due to credit risk on:	(11,791,539)	(662,841)
	a) financial assets measured at amortised cost	*(9,176,925)*	*3,446,818*
	b) financial assets measured at fair value through other comprehensive income	*(2,614,614)*	*(4,109,659)*
140.	Profits/(Losses) from contract amendments without termination	-	-
150.	**Net income from banking activities**	**5,810,958,023**	**5,445,698,663**
160.	Administrative expenses:	(4,973,446,719)	(4,626,709,711)
	a) personnel expenses	*(35,011,887)*	*(32,160,730)*
	b) other administrative expenses	*(4,938,434,832)*	*(4,594,548,981)*
170.	Net provisions for risks and charges	8,120,394	21,106,716
	a) commitment and guarantees given	-	-
	b) other net provisions	*8,120,394*	*21,106,716*
180.	Net losses/recoveries on property, plant and equipment	-	-
190.	Net losses/recoveries on intangible assets	-	-
200.	Other operating income/(expense)	(11,871,045)	(6,367,366)
210.	**Operating expenses**	**(4,977,197,370)**	**(4,611,970,361)**
220.	Profits/(Losses) on investments	-	-
230.	Profits/(Losses) on fair value measurement of property, plant and equipment and intangible assets	-	-
240.	Impairment of goodwill	-	-
250.	Profits/(Losses) on disposal of investments	-	-
260.	**Income/(Loss) before tax from continuing operations**	**833,760,653**	**833,728,302**
270.	Taxes on income from continuing operations	(233,416,194)	(231,416,975)
280.	**Income/(Loss) after tax from continuing operations**	**600,344,459**	**602,311,327**
290.	Income/(Loss) after tax from discontinued operations	-	-
300.	**Profit/(Loss) for the year**	**600,344,459**	**602,311,327**

Statement of comprehensive income

Items (figures in €)		FY 2023	FY 2022
10.	**Profit/(Loss) for the year**	**600,344,459**	**602,311,327**
	Other components of comprehensive income after taxes not reclassified to profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments measured at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(34,010)	444,222
80.	Non-current assets and disposal groups held for sale	-	-
90.	Share of valuation reserve attributable to equity-accounted investments	-	-
	Other components of comprehensive income after taxes reclassified to profit or loss		
100.	Hedges of foreign investments	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	(165,814,699)	(93,507,071)
130.	Hedges (elements not designated)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,548,467,890	(3,248,214,970)
150.	Non-current assets and disposal groups held for sale	-	-
160.	Share of valuation reserve attributable to equity-accounted investments	-	-
170.	**Total other components of comprehensive income after taxes**	**1,382,619,181**	**(3,341,277,819)**
180.	**Comprehensive income (Items 10+170)**	**1,982,963,640**	**(2,738,966,492)**

Statement of changes in equity

(figures in €)	31 December 2023									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other*					
Balance at 31.12.2022	**-**	**-**	**-**	**1,373,317,573**	**1,211,733,303**	**(2,223,281,867)**	**350,000,000**	**-**	**602,311,327**	**1,314,080,336**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01/01/2023	**-**	**-**	**-**	**1,373,317,573**	**1,211,733,303**	**(2,223,281,867)**	**350,000,000**	**-**	**602,311,327**	**1,314,080,336**
Attribution of retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(602,311,327)**	**(602,311,327)**
Reserves	-	-	-	-	-	-	-	-	-	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(602,311,327)	(602,311,327)
Changes during the year	**-**	**-**	**-**	**(16,088,554)**	**289,145**	**1,382,619,181**	**100,000,000**	**-**	**600,344,459**	**2,067,164,231**
Movements in reserves	-	-	-	(16,088,554)	289,145	-	-	-	-	(15,799,409)
Equity-related transactions	-	-	-	-	-	-	100,000,000	-	-	100,000,000
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	100,000,000	-	-	100,000,000
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2023	-	-	-	-	-	1,382,619,181	-	-	600,344,459	1,982,963,640
Equity at 31.12.2023	**-**	**-**	**-**	**1,357,229,019**	**1,212,022,448**	**(840,662,686)**	**450,000,000**	**-**	**600,344,459**	**2,778,933,240**

* This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Reserve for Incentive Plans of €2 million.

	31 December 2022									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
(figures in €)	ordinary shares	other shares		retained earnings	other**					
Balance at 31.12.2021	**-**	**-**	**-**	**1,185,795,168**	**1,211,029,300**	**1,117,995,952**	**350,000,000**	**-**	**508,354,242**	**4,373,174,662**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01/01/2022	**-**	**-**	**-**	**1,185,795,168**	**1,211,029,300**	**1,117,995,952**	**350,000,000**	**-**	**508,354,242**	**4,373,174,662**
Attribution of retained earnings	**-**	**-**	**-**	**200,000,000**	**-**	**-**	**-**	**-**	**(508,354,242)**	**(308,354,242)**
Reserves	-	-	-	200,000,000	-	-	-	-	(200,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(308,354,242)	(308,354,242)
Changes during the year	**-**	**-**	**-**	**(12,477,595)**	**704,003**	**(3,341,277,819)**	**-**	**-**	**602,311,327**	**(2,750,740,084)**
Movements in reserves	-	-	-	(12,477,595)	704,003	-	-	-	-	(11,773,592)
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2022	-	-	-	-	-	(3,341,277,819)	-	-	602,311,327	(2,738,966,492)
Equity at 31.12.2022	**-**	**-**	**-**	**1,373,317,573**	**1,211,733,303**	**(2,223,281,867)**	**350,000,000**	**-**	**602,311,327**	**1,314,080,336**

** This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Reserve for Incentive Plans of €2 million.

Statement of cash flows

INDIRECT METHOD

(figures in €)		FY 2023	FY 2022
A.	**OPERATING ACTIVITIES**		
1.	**Cash flow from operations**	**590,858,395**	**154,644,935**
	- Profit/(Loss) for the year (+/-)	600,344,459	602,311,327
	- gains/(losses) on financial assets held for trading and on assets and liabilities measured at fair value through profit or loss (-/+)	(5,846,347)	(430,198)
	- gains/(losses) on hedging activities (-/+)	1,155,168	(17,696,651)
	- net losses/recoveries due to credit risk (+/-)	11,791,539	662,841
	- net losses/recoveries on property, plant and equipment and intangible assets (+/-)	-	-
	- net provisions and other expenses/income (+/-)	(7,317,189)	(21,283,747)
	- unpaid taxes and duties (+)	233,416,194	231,416,975
	- net losses/recoveries on discontinued operations after tax (+/-)	-	-
	- other adjustments (+/-)	(242,685,429)	(640,335,612)
2.	**Cash flow from/(used for) financial assets**	**5,626,281,280**	**(6,517,696,229)**
	- financial assets held for trading	-	-
	- financial assets designated at fair value	-	-
	- other financial assets mandatorily measured at fair value	21,394,678	3,021
	- financial assets measured at fair value through other comprehensive income	2,437,010,779	(5,732,455,821)
	- financial assets measured at amortised cost	2,288,735,933	1,668,352,514
	- other assets	879,139,890	(2,453,595,943)
3.	**Cash flow from/(used for) financial liabilities**	**(6,836,434,580)**	**4,880,661,871**
	- financial liabilities measured at amortised cost	(8,118,300,345)	3,278,813,669
	- financial liabilities held for trading	(4,002,716)	-
	- financial liabilities designated at fair value	-	-
	- other liabilities	1,285,868,481	1,601,848,202
Net cash flow from/(used for) operating activities		**(619,294,905)**	**(1,482,389,423)**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow from**	**-**	**-**
	- disposal of investments	-	-
	- dividends received on investments	-	-
	- disposal of property, plant and equipment	-	-
	- disposal of intangible assets	-	-
	- disposal of business divisions	-	-
2.	**Cash flow used for**	**-**	**-**
	- acquisition of investments	-	-
	- acquisition of property, plant and equipment	-	-
	- acquisition of intangible assets	-	-
	- acquisition of business divisions	-	-
Net cash flow from/(used for) investing activities		**-**	**-**
C.	**FINANCING ACTIVITIES**		
	- issuance/purchase of treasury shares	-	-
	- issuance/purchase of equity instruments	100,000,000	-
	- dividends and other payments	(623,491,361)	(324,777,317)
Net cash flow from/(used for) financing activities		**(523,491,361)**	**(324,777,317)**
NET CASH FLOW GENERATED/(USED) DURING THE YEAR		**(1,142,786,266)**	**(1,807,166,740)**

KEY:
(+) from
(-) used for

RECONCILIATION

Items (figures in €)	FY 2023	FY 2022
Cash and cash equivalents at beginning of the year	5,874,003,873	7,680,326,129
Net cash flow generated/(used) during the year	(1,142,786,266)	(1,807,166,740)
Cash and cash equivalents: effect of exchange rate fluctuations	586,814	844,484
Cash and cash equivalents at end of the year	**4,731,804,421**	**5,874,003,873**

Notes

Part A – Accounting policies

A.1 – General

Section 1 – Declaration of compliance with international financial reporting standards

The Separate Report has been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These were endorsed for application in the European Union by European Regulation (EC) 1606/2002 of 19 July 2002, as transposed into Italian law by Legislative Decree 38 of 28 February 2005 governing the introduction of IFRS into Italian legislation. The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC", previously known as the Standing Interpretations Committee or "SIC"), adopted by the European Union and contained in the EU Regulations in force at 31 December 2023, regarding which no derogations were made.

Accounting standards and interpretations applicable from 1 January 2023 and those soon to be effective

The relevant information is provided in note 2.3 – *New Accounting standards and interpretations and those soon to be effective* – in the section – *financial statements of Poste Italiane* – of this Annual Report.

Section 2 – Basis of preparation

The Separate Report is prepared in accordance with the provisions of the eighth update of the Bank of Italy Circular no. 262 of 22 December 2005 "Bank Financial Statements: presentation formats and rules for preparation", as well as the Bank of Italy Communication of 14 March 2023[323] "Update of the provisions of Circular no. 262 concerning the impact of COVID-19 and measures to support the economy", where applicable, and is prepared pursuant to the provisions of Article 2447-septies, paragraph 2, of the Italian Civil Code. On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Circular 285/2013, Part Four, Section 1) which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. The Standards also govern the requirements regarding capital adequacy and risk containment. The Separate Report relates to the year ended 31 December 2023, has been prepared in euros without decimal figures and consists of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes. The statement of financial position, statement of profit or loss and statement of comprehensive income consists of numbered line items and lettered line sub-items. Nil balances have also been presented in the state-

323. The Communication repeals and replaces the previous one of 21 December 2021 "Update of the additions to the provisions of Circular no. 262 concerning the impacts of COVID-19 and measures to support the economy".

ment of financial position, statement of profit or loss and statement of comprehensive income for the sake of completeness. The statement of cash flows has been prepared under the indirect method[324]. All figures in the notes are stated in millions of euros; in addition, the tables with nil balances have not been included.

The accounting policies and the recognition, measurement and classification criteria adopted in this Report are consistent with those used to prepare the Separate Report at 31 December 2022.

The Separate Report forms an integral part of Poste Italiane SpA's financial statements and has been prepared on a going concern basis in that BancoPosta RFC's operations are certain to continue in the foreseeable future. As a going concern, Poste Italiane Group companies, and consequently Bancoposta RFC, prepare their financial statements on a going concern basis, also taking account of the Group's economic - and financial outlook, as reflected in the 2024-2028 strategic plan, approved by Poste Italiane SpA's Board of Directors on 19 March 2024.

BancoPosta's accounting policies, described in the Separate Report, are the same as those adopted by Poste Italiane SpA are described in this Part A and are relevant to all of BancoPosta RFC's operations.

Section 3 – Events after the end of the reporting period

There were no material events after 31 December 2023.

Section 4 – Other information

4.1 Intersegment relations

Balances relating to transactions between BancoPosta RFC and Poste Italiane SpA ("Intersegment transactions") are recognised in the statement of financial position at 31 December 2023 as shown below:

324. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

€m		31.12.2023	*of which intersegment*	31.12.2022	*of which intersegment*
	Assets				
10.	Cash and cash equivalents	4,732	-	5,874	-
20.	Financial assets measured at fair value through profit or loss	26	-	40	-
	a) financial assets held for trading	-	-	-	-
	b) financial assets designated at fair value	-	-	-	-
	c) other financial assets mandatorily measured at fair value	*26*	-	*40*	-
30.	Financial assets measured at fair value through other comprehensive income	33,069	-	33,161	-
40.	Financial assets measured at amortised cost	44,562	*371*	46,576	*349*
	a) due from banks	*976*	-	*1,500*	-
	b) due from customers	*43,586*	*371*	*45,076*	*349*
50.	Hedging derivatives	4,257	-	6,109	-
100.	Tax assets	642	-	1,157	-
120.	Other assets	10,857	*39*	11,521	*44*
	A Total assets	**98,145**	***410***	**104,438**	***393***
	Liabilities and equity				
10.	Financial liabilities measured at amortised cost	90,964	*279*	98,944	*227*
	a) due to banks	*10,336*	-	*12,850*	-
	b) due to customers	*80,628*	*279*	*86,094*	*227*
	c) debt securities in issue	-	-	-	-
20.	Financial liabilities held for trading	3	-	4	-
40.	Hedging derivatives	1,136	-	971	-
60.	Tax liabilities	266	-	226	-
80.	Other liabilities	2,833	*3*	2,789	*36*
90.	Employee termination benefits	2	-	2	-
100.	Provisions for risks and charges	163	-	188	-
110.	Valuation reserves	(841)	-	(2,223)	-
130.	Equity instruments	450	-	350	-
140.	Reserves	2,569	-	2,585	-
180.	Profit/(Loss) for the year (+/-)	600	-	602	-
	B Total liabilities and equity	**98,145**	***282***	**104,438**	***263***
	A-B Net intersegment balances		***128***		***130***

The provision of services to BancoPosta RFC by Poste Italiane SpA functions is governed by the specific Regulation governing the awarding and outsourcing process of BancoPosta RFC, approved by the Poste Italiane SpA's Board of Directors[325].

This Regulation, in execution of the provisions set out in the *Regulations for ring-fenced capital*, govern and formalise the process of awarding BancoPosta's Corporate Functions to Poste Italiane in accordance with the relevant regulations, identifying the operational phases, roles and responsibilities of the Bodies and Corporate Functions involved in various ways. The general policies and instructions contained in the Regulation in relation to transfer pricing are detailed in specific Operating Guidelines, jointly developed by BancoPosta and other Poste Italiane SpA functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant Functions, the Chief Executive Officer and, where required, the Poste Italiane SpA's Board of Directors. When BancoPosta intends to contract out a major process or a control procedure, whether in its entirety or in part, to Poste Italiane SpA in accordance with specific Operating Guidelines, it must give prior notice to the Bank of Italy. In accordance with Bank of Italy Circular 285 issued on 17 December 2013, Part Four, the Board of Statutory Auditors is required to verify, at least every six months, that the policies adopted are fit for purpose and are in compliance with the related statutory requirements and supervisory standards.

325. At its meeting of 28 June 2023, the Board of Directors approved an update to the "Regulation governing BancoPosta RFC's contracting out and outsourcing process", regulating and formalising both the process of contracting BancoPosta's Corporate Functions to Poste Italiane and the process of outsourcing to third parties outside Poste Italiane's organisation.

In line with 2022, the services are charged for in the form of transfer prices. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by a Poste Italiane function do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In such a case, an adequate mark-up, defined on the basis of appropriate analyses of comparable subjects, shall be applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Operating Guidelines in force were effective as of 1 January 2023 and will expire on 31 December 2025. The transfer prices, defined in the Guidelines, may be revised every year in connection with the planning and budget process.

For the purposes of oversight of the unbundled accounts, in 2023 the Board of Statutory Auditors conducted the relevant audit activities during 2 meetings, reporting its conclusions in its annual report to shareholders for the year ended 31 December 2023.

4.2 Proceedings pending and principal relations with the authorities

Relations with the Authorities

Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

On 9 March 2015, the Authority notified Poste Italiane of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Poste Italiane's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. The Lazio Regional Administrative Court's ruling, which did not uphold the appeal against the aforementioned penalty, was challenged before the Council of State, which set the hearing for 6 June 2024.

On 24 March 2022, the Italian Antitrust Authority (AGCM) initiated proceeding PS/11287 against Poste Italiane, with reference to BancoPosta RFC, for alleged unfair commercial practices in relation to the information on the expiry and prescription dates of paper Interest-bearing Postal Certificates, as (i) during the placement of the postal certificates, Poste allegedly omitted to indicate the maturity and/or prescription date, as well as to provide information regarding the legal consequences arising from the expiry of the aforementioned terms and/or provided such information with a confusing and deceptive wording; (ii) in the management of the postal certificates that had expired over the last five years, Poste allegedly omitted to inform the holders of postal certificates close to the expiry of the prescription period, of the expiry of that period and the legal consequences arising in the event of failure to request the redemption of the postal certificate within that period. On 13 April 2022, Poste sent a memorandum to the AGCM in which it responded to the request for information and the objections contained in the writ. On 30 August 2022, the AGCM notified Poste of the Notice of Investigative Findings, substantially confirming the objections of the opening proceedings. On 19 September 2022, Poste filed its final statement of defence, accompanied by the steps it had taken, on a voluntary basis, to eliminate the Authority's concerns, without complying with the objections raised in the proceedings. On 4 November 2022, the Authority notified Poste of its final decision imposing an administrative penalty of €1.4 million. This amount was thus quantified taking into account the actions implemented by Poste Italiane on a voluntary basis, which were deemed appropriate to improve the information provided to consumers; in fact, the Authority granted Poste Italiane a 60% reduction in the amount of the fine. In line with the provisions of the final measure, on 2 February 2023, Poste Italiane sent its Report of Compliance with the AGCM's warning. The Resolution itself was challenged by Poste at the Regional Administrative Court, which, at the outcome of the hearing on the merits of 7 June 2023, issued an order, on 13 September 2023, ordering the suspension of the trial in question, pending the definition of the preliminary referral to the Court of Justice of the European Union ordered by the same Regional Administrative Court with order no. 12962 of 1 August 2023.

Bank of Italy

The Bank of Italy, from 14 March 2022 to 15 July 2022, conducted an inspection at Poste Italiane, with reference to the BancoPosta RFC, on profitability and the business model, governance and control systems, interest rate risk management methods including related internal modelling, new tax credit business and associated risks. On 30 November 2022, the report containing a number of findings and a “partially unfavourable” assessment was delivered to Poste Italiane. Poste Italiane, by the established deadline and after discussion at the Board of Directors’ meeting of 25 January 2023, notified the Bank of Italy of its considerations and planned improvements; for the only finding in respect of which a sanctioning procedure was initiated, Poste Italiane sent counter-claims in support of the correctness of its actions. After examining the counter-claims and evaluating the actions already implemented or planned by Poste Italiane SpA, the Bank of Italy approved the filing. The improvement plan communicated to the Bank of Italy is currently being implemented and is monitored on a monthly basis by BancoPosta’s control functions.

On 20 July 2022, the Authority sent a notice to Poste Italiane SpA, with reference to BancoPosta RFC, and to PostePay concerning the manner in which the funds received by PostePay in respect of the issuance of electronic money should be managed. It should be noted that the Supervisory Provisions for EMIs provide that such funding may be deposited with a bank authorised to operate in Italy, invested in qualified debt securities or particular units of harmonised mutual funds. Since the creation of PostePay, these sums are deposited in a postal current account (“conto di tutela”) and contribute to the funds from private customers of BancoPosta RFC, which are invested in euro area government bonds. In this regard, the Authority initiated discussions with BancoPosta and PostePay in 2021, in view of the fact that BancoPosta was not deemed to be an entity that could be assimilated to the concept of “credit institution” under the relevant European legislation. In the face of a proposed alternative approach, aimed at equating the deposit with BancoPosta of the sums collected by PostePay with a direct investment in qualified debt securities, in the aforementioned communication the Authority asked BancoPosta and PostePay for further observations, aimed at identifying an operational solution that would allow full alignment with the relevant regulatory provisions. Upon completion of the further investigations requested, a transitional solution was identified, also on the basis of the discussions with the Authority. This solution was represented to the Bank of Italy in a communication sent jointly by BancoPosta and PostePay on 29 March 2023. Consistent with this solution, a draft of the revolving pledge agreement was prepared and sent to the Bank of Italy on 4 August 2023, supported also by the opinion of an external law firm.

Other proceedings

Federconsumatori, with a writ of summons dated 14 May 2021, initiated a class action against Poste Italiane, with reference to BancoPosta RFC pursuant to article 140-bis of the Consumer Code, before the Court of Rome. The value of the dispute to date is approximately €8.5 thousand.

By the summons in question, Federconsumatori contests that the capitalisation of interest on 30-year interest-bearing postal certificates (marked with the “Q” series, issued by Cassa Depositi e Prestiti from 1986 to 1995, pursuant to Ministerial Decree 13 June 1986 by the Minister of Treasury, which were subsequently transferred to the Ministry of Economy and Finance, pursuant to the MEF Decree of 5 December 2003) is carried out annually net of withholding tax (now substitute tax), rather than gross, with the effect of recognising to savers a lower return than that allegedly due.

On 27 July 2021, Poste Italiane appeared before the court, objecting, on a preliminary basis, to the inadmissibility of the class action, on a number of preliminary grounds, as well as to the fact that the plaintiffs’ and potential members’ claims were time-barred, and contested the merits of the proposed claim.

The Court of Rome, in an order dated 11 January 2022, held that the request submitted by Federconsumatori was manifestly unfounded, recognising, inter alia, the lack of passive legitimacy of Poste Italiane. Federconsumatori appealed the order of the Court of Rome, and the Court of Appeal set the hearing for closing arguments for 22 May 2024.

4.3 Material events during the year

Capital injection into BancoPosta RFC

In 2021, Poste Italiane SpA placed a hybrid subordinated perpetual bond issue with a non-call period of 8 years aimed at institutional investors. Following this issue, on 30 June 2023, there was a further capital injection[326] into BancoPosta RFC, via the granting of a €100 million perpetual subordinated loan with a 5-year non-call period, under terms and conditions that allow it to be counted as Additional Tier 1 ("AT1") capital, designed to strengthen its leverage ratio.

4.4 Reform of rate benchmark

For an analysis of the effects of the rate benchmark reform, please refer to the information provided in Part E.

A.2 – Part relating to principal financial statement items

The following notes have been numbered in accordance with instructions contained in Bank of Italy Circular 262/2005. Omitted numbers denote information not relevant to the Separate Report.

1 – Financial assets measured at fair value through profit or loss

a) recognition criteria

Financial assets measured at fair value through profit or loss are initially recognised on the settlement date for debt and equity instruments, whereas, for derivative contracts, on the subscription date. Financial assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised in the Separate Report.

b) classification criteria

This item includes all financial assets other than those classified as "Financial assets measured at fair value through other comprehensive income" and as "Financial assets measured at amortised cost". In particular, this item includes: a) financial assets purchased and held mainly for trading; b) financial assets designated as such on initial recognition, thanks to the fair value option; c) financial assets mandatorily measured at fair value through profit or loss.

This item comprises:
- debt securities and loans that are classified in the "Other/Trading" business model (thus not in the "Hold to Collect" and "Hold to Collect and Sell" business models) or fail to meet the SPPI test[327];
- equity instruments held for trading or that were not initially recognised at fair value through other comprehensive income;
- derivative contracts, except those designated as hedges, that are classified as assets or liabilities held for trading, depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparties are offset during collateralisation, where allowed by contract.

326. This capital injection followed the one completed on 30 June 2021 for €350 million.
327. The acronym SPPI - Solely Payments of Principal and Interest defines financial assets held solely to collect the relevant contractual cash flows, as represented by payments of principal and interest accrued on the principal outstanding at specified dates. The SPPI test is intended to check that the characteristics of the instruments are consistent with this objective.

c) measurement and recognition of gains and losses

These financial assets are recognised at fair value with any changes in fair value recognised in profit or loss in line "Item 80 - Profits/(Losses) on trading" and in line "Item 110 – Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss".

Dividends from equity investments classified as Financial assets measured at fair value through profit or loss are recognised in "Item 70 - Dividends and similar income" at the time their distribution is approved and the right to receive payment accrues.

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset or their control are substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those recognised in the Separate Report.

2 – Financial assets measured at fair value through other comprehensive income

a) recognition criteria

Financial assets measured at fair value through other comprehensive income are initially recognised on the settlement date. These assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised in the Separate Report.

b) classification criteria

This item includes financial assets held in connection with a business model where financial instruments are held to collect contractual cash flows and for sale ("Hold to Collect and Sell" business model), with the relevant contract calling for the payment, at specified dates, of principal and interest accrued on the principal outstanding (SPPI).

This item includes debt securities that meet the above characteristics.

c) measurement and recognition of gains and losses

Financial assets are measured at fair value and any subsequent change in fair value is recognised through Other comprehensive income ("OCI") until the financial asset is either derecognised or reclassified, except for currency gains and losses recognised in the statement of profit or loss in "Item 80 – Profits/(Losses) on trading". When the financial asset is derecognised, the related cumulative gains and losses recognised in OCI are reclassified to profit or loss in "Item 100 – Profits/(Losses) on disposal or repurchase".

The effects of the application of amortised cost are recognised in profit or loss in "Item 10 - Interest and similar income".

Expected credit losses are calculated in relation to these financial assets, as illustrated in the specific section. These expected losses are recognised in profit or loss in "Item 130 – Net losses/recoveries due to credit risk" with a counter-entry made under the "Item 110 – Valuation reserves".

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset or their control are substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

3 – Financial assets measured at amortised cost

a) recognition criteria

Financial assets measured at amortised cost are initially recognised on (i) the settlement date for debt securities and investments and (ii) the date on which the service is rendered for trade receivables. They are initially recognised at fair value which is generally the price paid for debt securities or at the contractual value of the service rendered for all the other receivables. Changes in fair value between the trade date and the settlement date are recognised in the Separate Report.

b) classification criteria

This item includes financial assets held in connection with a business model where the objective is the collection of the relevant cash flows ("Hold to Collect" - HTC business model), represented by payments, at specified dates, of principal and interest accrued on the principal outstanding (SPPI). The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.

In addition to debt instruments that reflect the characteristics outlined above, this item comprises mainly the deposits with the MEF and the trade receivables.

c) measurement and recognition of gains and losses

These assets are measured at amortised cost, that is the value assigned to the financial asset on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. Any gains or losses are recognised in profit or loss in line "Item 10 - Interest and similar income".

The carrying amount of financial assets measured at amortised cost is adjusted to take into account expected credit losses, as illustrated in the specific section. These expected credit losses are recognised in profit or loss in line "Item 130 – Net losses/recoveries due to credit risk".

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset or their control are substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

4 – Hedges

For hedge accounting transactions, the Poste Italiane Group has elected to use the option made available by IFRS 9 and has retained the pre-existing accounting treatments provided for by IAS 39.

a) recognition and classification criteria

Derivative hedges are initially recognised on conclusion of the relevant contract. There are two types of hedges:
- fair value hedges: hedge of the exposure to a change in fair value of a recognised asset or liability attributable to a particular risk, and that could have an impact on profit or loss;
- cash flow hedges: a hedge of the exposure to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

Derivative contracts that constitute effective hedging relationships are presented as assets or liabilities depending on whether the fair value is positive or negative.

b) measurement and recognition of gains and losses

Derivatives are initially recognised at fair value on the date the derivative contract is executed. If derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

- *Fair value hedges*

When the hedge is related to recognised assets or liabilities, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. Any difference represents the ineffective portion of the hedge and is accounted for as a loss or gain, recognised separately in line “Item 90 - Profits/(Losses) on hedging”.

- *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve (the Cash flow hedge reserve, within line “Item 110 – Valuation reserve”). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in line “Item 90 - Profits/(Losses) on hedging”.

Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affect profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as the forward purchase of debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified in line “Item 80 – Profits/(Losses) on trading” for the relevant year. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

9 – Current and deferred taxation

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity.

BancoPosta RFC is not a separate legal person and is not either directly or indirectly assessable to taxes. BancoPosta's share of taxes on Poste Italiane SpA's overall income is charged to BancoPosta RFC based on the profit or loss presented in this Separate Report adjusted for deferred taxation. In the case of both IRES and IRAP, the computation takes all permanent and temporary changes in BancoPosta's operations into account. Any items not directly relating to BancoPosta are included in the Poste Italiane computation.

Current tax assets and liabilities form part of intersegment relations and are presented in the Separate Report in "Other assets" and "Other liabilities", as they are settled with the segment of Poste Italiane SpA outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, which continues to be the sole taxable entity.

10 – Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the entity has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss under net allocations in the year. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. Under the option granted by the relevant accounting standards, limited disclosure is provided when, in rare cases, disclosure of some or all of the information regarding the risks in question could seriously prejudice BancoPosta RFC's position in a dispute or in ongoing negotiations with third parties.

11 – Financial liabilities measured at amortised cost

a) recognition and classification criteria

BancoPosta RFC has no outstanding debt securities and has not issued any such securities since its establishment. The sub-items Due to banks and Due to customers consist of funding provided by customers and obtained from the interbank market. These financial liabilities are recognised at fair value on the date of receipt of the funds. Fair value is normally the amount received.

b) measurement and recognition of gains and losses

Due to banks and customers are measured at amortised cost, employing the effective interest rate method. If there is a change in the expected cash flows and they can be reliably estimated, the value of payables is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied.

c) derecognition criteria

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

12 – Financial liabilities held for trading

a) classification and recognition criteria

This item includes derivative financial instruments that do not qualify for classification as hedging instruments in accordance with accounting standards. Financial liabilities held for trading are recognised on the derivative contract date.

b) measurement and recognition of gains and losses

Financial liabilities held for trading are measured at fair value through profit or loss in “Item 80 - Profits/(Losses) on trading”.

c) derecognition criteria

Financial liabilities on trading are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

14 – Foreign currency transactions

a) recognition criteria

Foreign currency transactions are initially recognised in the functional currency by translating the foreign currency amount at the transaction date spot rate.

b) classification, measurement, derecognition and recognition of gains and losses

Foreign currency items are translated at each reporting date as shown below:
- monetary items at closing exchange rates;
- non-monetary items are recognised at their historical cost translated at the transaction date spot rate;
- non-monetary items measured at fair value at closing exchange rates.

Foreign exchange differences realised on the settlement of monetary items or on the translation of monetary and non-monetary items, using exchange rates other than the rate used to translate the item on initial recognition, are recognised in profit or loss in line “Item 80 - Profits/(Losses) on trading”.

15 – Other information

Revenue recognition from contracts with customers

Revenue deriving from contracts with customers reflects the consideration to which the entity expects to be entitled in exchange for those promised goods and services (transaction price).

The main revenue types of BancoPosta RFC are described below, together with an indication of the time-frame in which the performance obligations[328] will be fulfilled:

- revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of fees for collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
- revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
- revenue from commissions on postal current account slips: these are recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale.

For revenue recognition purposes, the principle provides for the identification and quantification of the variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) to include them to supplement or adjust the transaction price. Of the elements of variable consideration, penalties (other than those related to compensation for damages) take on particular importance. These expenses are deducted directly from revenue.

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. Returns on the portion of current account deposits deposited with the MEF are determined on an accruals basis, using the effective interest rate method, and classified in "Item 10 – Interest and similar income". The same classification is applied to income from Eurozone government bonds, in which deposits paid into accounts by private customers and tax credits Law no. 77/2020 are invested.

For quantitative details on the distinction between revenue from contracts with customers recognised at a point in time or over time, see Part C - Section 2 - Commissions.

Impairment

Loans and receivables classified under "Financial assets measured at amortised cost" and "Financial assets measured at fair value through other comprehensive income" are tested for impairment in accordance with the Expected Credit Losses (ECL) model. The method utilised is the "General deterioration model", whereby:

- if on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- if on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- if the financial instrument is impaired, or shows objective evidence of impairment at the reporting date, impairment will continue to be recognised over the lifetime of the financial instrument (stage 3). Interest is recognised on amortised cost, that is the exposure value - determined using the effective interest rate - adjusted for expected losses.

328. The performance obligations are defined as the explicit or implicit promise to transfer a distinct good or service to the customer. Revenue is recognised when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer:
- "at a point in time": in the case of obligations fulfilled at a point in time, revenue is recognised only as control over the good or service is passed to the customer. In that respect, consideration is given not only to the significant exposure to the risks and benefits related to the good or service but also physical possession, customer's acceptance, the existence of legal rights, etc.;
- "over time": in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer's satisfaction. An appropriate approach is defined to measure progress of the performance obligation (the output method).

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument on initial recognition.

However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless there is reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate.

On the other hand, a simplified approach to measure the loss provisions is applied to trade receivables that do not contain a significant financing component pursuant to IFRS 15. The simplified approach is based on a matrix of observed historical losses.

For a detailed description of the approaches, reference is made to Part E – Section 1 – Credit risk.

Tax credits Law no. 77/2020

The tax credits were acquired by Poste Italiane SpA and allocated to BancoPosta against free capital resources as well as resources subject[329] and not subject to the restriction of use in accordance with the provisions of the "Decreto Rilancio" (Law Decree no. 34/2020 converted with amendments by Law no. 77/2020) by which tax breaks were introduced to support Citizens and Businesses to encourage economic recovery following the Covid-19 health emergency. The main features of these tax credits are: (i) the possibility of use in offsetting; (ii) transferability to third-party purchasers; and (iii) non-refundability by the tax Authorities.

The tax credits are allocated to BancoPosta at acquisition cost and upon maturity of the individual units are transferred to Poste Italiane SpA at their nominal value for the relevant offsetting, as the BancoPosta RFC do not have legal personality and are not autonomously subject to direct or indirect taxation.

For said receivables, since it is not possible to identify an accounting framework directly applicable to this case, in compliance with the provisions of IAS 8, an accounting policy was defined, suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and which reflects the economic substance and not merely the form of the transaction. On the basis of the analyses carried out and the documents published by the main Italian supervisory bodies[330], although the definition of financial assets in IAS 32 is not directly applicable to this case, an accounting model was developed based on IFRS 9 given that:

a. at inception, an asset as defined by the Conceptual Framework arises in the transferee's financial statements;
b. they may be used to offset a payable that is usually settled in cash (tax payables), and exchanged for other financial assets on terms that may be potentially favourable to the entity;
c. a business model can be identified (Hold to Collect, Hold to Collect and Sell or other business models).

At the date of purchase, these receivables are recognised at their fair value (coinciding with the price paid) and subsequently measured at amortised cost, as they were acquired to be used to offset tax or social security payables by Poste Italiane SpA, based on the provisions of the relevant regulations ("Hold to Collect" - HTC business model).

As specified by the joint document of the Authorities, taking into account that purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets under international accounting standards, the most appropriate classification for the purposes of presentation in the financial statements is the residual classification in "Item 120 - Other Assets" in the Statement of financial position. The related remuneration is recognised to the Statement of profit or loss under "Item 10 - Interest and similar income".

329. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase tax credits.
330. On 5 January 2021, the Bank of Italy, Consob and IVASS published Document no. 9 of the Coordination Round-Table Group on the application of IAS/IFRS "Accounting treatment of tax credits associated with the "Cura Italia" and "Rilancio" Law Decrees acquired as a result of disposal by direct beneficiaries or previous purchasers".

Repurchase agreements

Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised. Consequently, in the case of securities purchased under a resale agreement, the amount paid is recognised as an amount due from customers or banks under Financial assets measured at amortised cost; in the case of securities sold under a repurchase agreement, the liability is recognised as an amount due to banks or customers under Financial liabilities measured at amortised cost. The transactions described are subject to offsetting if, and only if, they are carried out with the same counterparty, have the same maturity and offsetting is provided for in the contract.

Related parties

Related parties within the Poste Italiane Group are Poste Italiane SpA's functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates.

Related parties external to the Group include the MEF and its direct and indirect subsidiaries and associates. Related parties also include Poste Italiane SpA's key management personnel and the funds representing post-employment benefit plans for the personnel of BancoPosta RFC and its related parties. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

Employee benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits, to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

Post-employment benefits consist of two types:

- Defined benefit plans

Defined benefit plans include employee termination benefits payable to employees in accordance with art. 2120 of the Italian Civil Code, limited to the part of employee termination benefits accrued until 31 December 2006.

Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the Separate Report is based on calculations performed by independent actuaries. The calculation takes account of employee termination benefits accrued for the work services already provided and is based on actuarial assumptions described in Part B, Section 9 of Liabilities to which reference should be made. Actuarial gains and losses are recognised directly in equity at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the BancoPosta RFC's obligations at the end of the period, due to changes in the actuarial assumptions.

- Defined contribution plans

Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

Termination benefits payable to employees are recognised as a liability when BancoPosta RFC gives a binding commitment, also on the basis of consolidated relationships and mutual undertakings with union representatives, to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employee benefits consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. The net change in the value of any of the components of the liability during the reporting period is recognised in full in profit or loss.

Share-based payments

Share-based payment transactions may be settled in cash, equity instruments, or other financial instruments. In the event of share-based payment transactions BancoPosta RFC is required to measure the goods or services acquired and the liability incurred at fair value.

In the case of cash-settled share-based payment transactions:
- a liability is recognised as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the liability;
- the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in fair value in profit or loss, until it is extinguished.

In the case of equity-settled share-based payment transactions:
- an increase in shareholders' equity is recorded as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the equity instruments granted at the grant date.

In the event of benefits granted to employees, recognition should take place in "Item 160 a) – Personnel expenses" over the period in which the employees render service and the expense accounted for.

Perpetual subordinated loan

The perpetual subordinated loan is classified as an equity instrument, in view of the fact that BancoPosta RFC has the unconditional right to defer repayment of the principal and payment of the coupons until the date of its liquidation. Therefore, the amount received from Poste Italiane SpA is recognised as an increase in the shareholders' equity; conversely, repayments of principal and payments of coupons due (at the time the related contractual obligation arises) are recognised as a decrease in the shareholders' equity.

Classification of the costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane SpA's functions outside the ring-fence are normally recognised in "Item 160 b) - Other administrative expenses".

Use of estimates

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in this Separate Report may also vary significantly as a result of changes in the subjective valuations used.

Accounting treatments that require greater subjectivity in the preparation of estimates are described below, also taking into account the unique characteristics of the macroeconomic environment of reference recorded during the year.

- **Impairment and stage allocation**

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated are as follows, relating to the internal model developed for Sovereign, Banking and Corporate counterparties:
  - estimates of ratings by counterparty;
  - estimation of the probability of default "PD" for counterparties.

With regard to trade receivables, on the other hand, the Poste Italiane Group does not apply stage allocation in accordance with the Simplified Approach. Impairment, for these items in the financial statements, is based on:
  - analytical impairment: when a defined credit threshold is exceeded, the individual credit position is analytically monitored on the basis of internal or external evidence; or
  - forfeit impairment: elaboration of a provision matrix for historical losses.

For further details see Part E - Section 1 - Credit risk.

- **Revenue from contracts with customers**

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated as of every close of the accounts for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

- **Deferred tax assets**

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the Separate Report.

- **Provisions for risks and charges**

Provisions for risks and charges represent probable liabilities in connection with personnel, suppliers, third parties and, in general, liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the amounts to be provided involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing this Separate Report.

- **Share-based payments**

As described in Part I, internal pricing tool was used to assess the Share-based payment arrangements in place within the Poste Italiane Group at the close of this Report, which adopts simulation models consistent with the requirements of the relevant accounting standards and takes account of the specific characteristics of the Plans. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of operation, compliance with certain capital adequacy and liquidity requirements. For these reasons, measurement of the liability, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing this Report.

- **Employee termination benefits**

The measurement of Employee termination benefits is also based on calculations performed by independent actuaries. The calculation takes account of termination benefits accrued for the period of service to date and is based on various demographic and economic-financial assumptions. The main actuarial assumptions applied in the calculation of employee termination benefits at 31 December 2023, also based on the experience of each Group company and the reference best practice, are as follows: These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

ECONOMIC AND FINANCIAL ASSUMPTIONS

	31.12.2023
Discount rate	3.08%
Inflation rate	2.00%
Annual rate of increase of employee termination benefits	3.00%

DEMOGRAPHIC ASSUMPTIONS

	31.12.2023
Mortality	ISTAT 2018
Disability	INPS tables broken down by age and gender
Pensionable age	Achievement of general mandatory insurance requirements

EMPLOYEE TURNOVER AND EMPLOYEE TERMINATION BENEFITS ADVANCES ANNUAL FREQUENCIES

	31.12.2023
Advances Frequencies	0.40%
Annual Employee Turnover Frequencies	2.00%

A.3 – Information on transfers between financial asset portfolios

There have been no transfers between portfolios.

A.4 – Information on fair value

Qualitative information

BancoPosta RFC had adopted the Poste Italiane Group's fair value policy. This policy sets out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for measuring financial instruments at fair value have not changed since 31 December 2022. These principles have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with IFRS 13 - Fair Value Measurement, the valuation techniques used are described below.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For BancoPosta RFC, the financial instruments included in this category consist of bonds issued by the Italian government, the German and French governments, the valuation of which is based on the bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability[331]. For BancoPosta RFC, these include the following types of financial instrument:
- Straight Italian and international government and non-government bonds, quoted on inactive markets or unquoted;
- Unquoted equities;
- Derivative financial instruments;
- Reverse Repos;
- Financial liabilities either quoted on inactive markets or unquoted comprised of funding Repos.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. In BancoPosta RFC's case, this category includes the following financial instruments for which no price is observable directly or indirectly in the market:
- Unquoted equities;
- Tax credits Law no. 77/2020[332];
- forward sale of unquoted equities.

331. Given the nature of BancoPosta RFC's operations, the observable data used as input to determine the fair value of the various instruments include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.
332. These credits have been measured at amortised cost since 1 October 2022.

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

Information on the valuation models used is summarised below by type of financial instrument.

Level 2: the following categories of financial instruments belong to this level:
- Straight Italian and international government and non-government bonds, quoted on inactive markets or unquoted: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Unquoted equities, for which it is to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner is adjusted through the application of a discount, quoted by primary market counterparties, representing the cost implicit in the process to align the value of the unquoted shares to the quoted ones.
- Derivative financial instruments:
  - Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets;
  - Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in BancoPosta RFC's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks;
  - Bond forwards: valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.

The derivatives held in BancoPosta RFC's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by BancoPosta RFC.
- Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Reverse Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.
- Financial liabilities either quoted on inactive markets or not at all, consisting of repurchase agreements used to raise finance are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Level 3: the following categories of financial instruments belong to this level:
- Unquoted equities for which no price is observable directly or indirectly in the market. Measurement of these instruments is based on the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.
- Tax credits Law no. 77/2020 for which no price is observable directly or indirectly in the market. For this type of instrument, the method of determining fair value involves the application of the discounted cash flow valuation technique, which consists of discounting cash flows to maturity using the yield curve constructed by adding to the risk-free rate curve the extra yield calculated starting from the price at the date of purchase of the receivables. The spread remains fixed for the life of the instrument.
- Forward sale of unquoted equities, for which the valuation of the counterparty is recalculated by discounting the difference between the forward price of the equity security underlying the derivative updated to the valuation date and the settlement price.

A.4.2 Measurement processes and sensitivities

The processes used in recurring and non-recurring fair value measurements of instruments classified in Level 3 are described in paragraphs A.4.1 and A.4.5, respectively, of Part A.

Sensitivity analysis of recurring fair value measurements classified in Level 3 of the hierarchy is conducted for the Series C Visa Incorporated Convertible Participating Preferred Stock. Measurement of these financial instruments is in fact subject to change following alterations that may occur in the discount factor applied in determining fair value, in order to take into account the illiquid nature of the shares. This discount factor, estimated using an internal valuation technique, is above all influenced by the annual volatility of the underlying shares. Applying the maximum volatility according to the technique used, the potential reduction in fair value could reach approximately 11.24%.

A.4.3 Fair value hierarchy

The main factors contributing to transfers between fair value levels include changes in the observability of significant inputs and market conditions (including the liquidity parameter) and refinements in the valuation models used in measuring fair value.

For all classes of assets and liabilities, the transfer from one level to another occurs on the date of the event or change in circumstances that led to the transfer.

Information on transfers during the period is provided in Part A.4.5 - Fair Value Hierarchy.

A.4.4 Other information

There is no need to provide the additional disclosures required by IFRS 13, paragraphs 51, 93(h) and 96.

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

Assets/Liabilities measured at fair value €m		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	-	-	26	-	20	20
	a) financial assets held for trading	-	-	-	-	-	-
	b) financial assets designated at fair value	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	-	-	26	-	20	20
2.	Financial assets measured at fair value through other comprehensive income	32,901	168	-	33,017	144	-
3.	Hedging derivatives	-	4,257	-	-	6,109	-
4.	Property, plant and equipment	-	-	-	-	-	-
5.	Intangible assets	-	-	-	-	-	-
Total		**32,901**	**4,425**	**26**	**33,017**	**6,273**	**20**
1.	Financial liabilities held for trading	-	-	3	-	-	4
2.	Financial liabilities designated at fair value	-	-	-	-	-	-
3.	Hedging derivatives	-	1,136	-	-	971	-
Total		**-**	**1,136**	**3**	**-**	**971**	**4**

* Notes on this position are provided in Part B, Assets, Table 2.5.

A.4.5.2 ANNUAL CHANGES IN ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

€m	Financial assets measured at fair value through profit or loss – Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**20**	**-**	**-**	**20**	**-**	**-**	**-**	**-**
2. Increases	**6**	**-**	**-**	**6**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profit recognition:	6	-	-	6	-	-	-	-
2.2.1. Profit or loss	6	-	-	6	-	-	-	-
- of which gains	-	-	-	-	-	-	-	-
2.2.2. Equity	-	x	x	x	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Impairment recognition:	-	-	-	-	-	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-	-	-
- of which losses	-	-	-	-	-	-	-	-
3.3.2. Equity	-	x	x	x	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**26**	**-**	**-**	**26**	**-**	**-**	**-**	**-**

In the period under review, the change of €6 million relates to the increase in fair value of Series C Visa Incorporated Convertible Participating Preferred Stocks.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total at 31.12.2023				Total at 31.12.2022			
€m	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	44,562	25,231	4,856	12,394	46,576	20,927	4,082	17,519
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**44,562**	**25,231**	**4,856**	**12,394**	**46,576**	**20,927**	**4,082**	**17,519**
1. Financial liabilities measured at amortised cost	90,963	-	7,996	82,747	98,944	-	9,776	88,819
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**90,963**	**-**	**7,996**	**82,747**	**98,944**	**-**	**9,776**	**88,819**

In determining the fair values shown in the table, the following criteria were used:
- debt securities measured at amortised cost were recognised applying the same rules as those used in the fair value measurement of financial assets measured at fair value through other comprehensive income; these instruments are shown in Level 1 of the fair value hierarchy;
- the fair value of repurchase agreements was measured using the discounted cash flow techniques described in paragraph A.4.1; these financial instruments are shown in Level 2 of the fair value hierarchy;
- the carrying amount of other financial assets and liabilities represents a reasonable approximation of fair value and is shown in the column corresponding to Level 3 in the fair value hierarchy.

The table does not include tax credits Law no. 77/2020 measured at amortised cost at 31 December 2023 with a carrying amount of €7,912 million (€8,600 million at 31 December 2022) and a fair value of €7,434 million (€7,824 million at 31 December 2022). This fair value is determined using discounted cash flow techniques, described in Section A.4.1, and corresponds to Level 3 of the fair value hierarchy.

A.5 – Information on day one profit/loss

This form of profit or loss is not applicable to BancoPosta RFC.

Part B – Information on the Statement of Financial Position

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

€m	Total at 31.12.2023	Total at 31.12.2022
a) Cash	3,969	3,984
b) Current accounts and demand deposits at Central banks	756	1,885
c) Current accounts and demand deposits at banks	7	5
Total	**4,732**	**5,874**

"Cash" is comprised of cash at post office counters and companies that provide cash transportation services, consisting of cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€1,358 million) and service companies[333] (€2,611 million). Cash includes foreign banknotes equivalent to €60 million.

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

BancoPosta RFC had no financial instruments in the trading book either at 31 December 2023 or 31 December 2022. BancoPosta RFC entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers.

There are no financial assets measured at fair value under the fair value option in portfolio at 31 December 2023 and 31 December 2022.

333. They carry out transport and custody of valuables awaiting payment to the State Treasury.

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

Items/Amounts €m	Total at 31.12.2023			Total at 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. Equity instruments	**-**	**-**	**26**	**-**	**20**	**20**
3. UCIs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**26**	**-**	**20**	**20**

Equity instruments refer to the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock). These shares are convertible at the rate of 3.625[334] ordinary shares for each C share, minus a suitable illiquidity discount.

The overall change in fair value during the year is a positive €6 million and is recorded in profit or loss under "Item 110 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss".

On 1 March 2023, the forward sale of 198,000 Visa Incorporated ordinary shares outstanding at 31 December 2022 was settled without exchange of the underlying, the economic effect of which, in the amount of approximately €2 million, was recognised in "Item 80 Profits/(Losses) on trading".

In addition, two separate forward sales contracts were concluded during the financial year 2023:
- the forward sale of 101,900 Visa Incorporated ordinary shares[335], settled on 3 April 2023, for a total consideration of €20,8 million with insignificant effects on the statement of profit or loss;
- the outstanding forward sale of 95,000 Visa Incorporated ordinary shares with a total consideration of €20,5 million and a settlement date of 3 March 2025[336]. Fair value fluctuations in the year under review amounted to a negative €2,6 million, and have been recognised in profit or loss in "Item 80 - Profits/(Losses) on trading".

334. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, at the reporting date, were considered as merely contingent.
335. On 20 March 2023, the 1,019 shares of Series A Preferred Stock held at 31 December 2022 were converted into ordinary shares, based on the conversion ratio of 100 ordinary shares for every share of Class A Preferred Stock.
336. The ordinary shares involved in the forward sale amount to approximately 26,207 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2023.

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

€m	Total at 31.12.2023	Total at 31.12.2022
1. Equity instruments	**26**	**40**
of which: banks	-	-
of which: other financial companies	26	40
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCIs	**-**	**-**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**26**	**40**

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

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

Items/Amounts €m	Total at 31.12.2023			Total at 31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**32,901**	**168**	**-**	**33,017**	**144**	**-**
1.1. Structured securities	-	-	-	-	-	-
1.2. Other debt securities	32,901	168	-	33,017	144	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**32,901**	**168**	**-**	**33,017**	**144**	**-**

Investments in debt securities are recognised at fair value, for €33,069 million (of which €253 million in accrued interest).

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

Items/Amounts €m		Total at 31.12.2023	Total at 31.12.2022
1.	**Debt securities**	**33,069**	**33,161**
	a) Central banks	-	-
	b) Public Administration entities	33,069	33,161
	c) Banks	-	-
	d) Other financial companies	-	-
	of which: insurance companies	-	-
	e) non-financial companies	-	-
2.	**Equity instruments**	**-**	**-**
	a) Banks	-	-
	b) Other issuers:	-	-
	- other financial companies	-	-
	of which: insurance companies	-	-
	- non-financial companies	-	-
	- other	-	-
3.	**Loans**	**-**	**-**
	a) Central banks	-	-
	b) Public Administration entities	-	-
	c) Banks	-	-
	d) Other financial companies	-	-
	of which: insurance companies	-	-
	e) Non-financial companies	-	-
	f) Households	-	-
Total		**33,069**	**33,161**

Debt securities issued by governments include Eurozone fixed income government bonds, represented by Italian government bonds with a nominal value of €34,859 million. Total fair value fluctuation for the period was positive for €2,321 million, with gains of €1,938 million recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges, and a gain of €383 million recognised through profit and loss in relation to the hedged portion. The decrease in this item is mainly due to higher sales/reimbursements compared to the purchases made during the year, partially offset by the positive fair value fluctuation mentioned above.

Securities with a nominal value of €6,335 million are encumbered as follows:
- €4,385 million, carried at fair value for €4,093 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2023;
- €35 million carried at fair value for €35 million and delivered to the Bank of Italy as collateral in relation to the clearing service offered by the Bank of Italy for the execution of Sepa Direct Debits payments;
- €1,915 million, carried at fair value for €1,898 million, and delivered to the Bank of Italy to secure an intraday credit line.

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

€m	Gross amount					Total impairment losses				*Total partial write-offs**
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	*Acquired or originated impaired financial assets*	Stage 1	Stage 2	Stage 3	*Acquired or originated impaired financial assets*	
Debt securities	33,088	-	-	-	-	19	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2023	**33,088**	**-**	**-**	**-**	**-**	**19**	**-**	**-**	**-**	**-**
Total at 31.12.2022	**33,177**	**-**	**-**	**-**	**-**	**16**	**-**	**-**	**-**	**-**

* Amount reported for disclosure purposes.

Fixed income instruments recognised at FVTOCI are adjusted for impairment through the relevant equity reserve, with a matching entry in profit or loss. Accumulated impairments at 31 December 2023 amount to €19 million (€16 million at 31 December 2022).

Section 4 – Financial assets measured at amortised cost – Item 40

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

Transaction type/Amounts €m	Total at 31.12.2023						Total at 31.12.2022					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3
A. Due from Central Banks	**-**	**-**	**-**				**-**	**-**	**-**			
1. Time 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. Due from banks	**976**	**-**	**-**				**1,500**	**-**	**-**			
1. Loans	976	-	-				1,500	-	-			
1.1 Current accounts	-	-	-	x	x	x	-	-	-	x	x	x
1.2 Time deposits	-	-	-	x	x	x	-	-	-	x	x	x
1.3 Other loans:	976	-	-	x	x	x	1,500	-	-	x	x	x
- Reverse repurchase agreements	150	-	-	x	x	x	-	-	-	x	x	x
- Lease financing	-	-	-	x	x	x	-	-	-	x	x	x
- Other	826	-	-	x	x	x	1,500	-	-	x	x	x
2. Debt securities	-	-	-				-	-	-			
2.1. Structured securities	-	-	-	x	x	x	-	-	-	x	x	x
2.2. Other debt securities	-	-	-	x	x	x	-	-	-	x	x	x
Total	**976**	**-**	**-**	**-**	**150**	**826**	**1,500**	**-**	**-**	**-**	**-**	**1,500**

"Other loans, Reverse repurchase agreements" refers to repurchase agreements secured by securities for a total nominal value of €147 million, entered into with leading financial operators. At 31 December 2023 the fair value of reverse repurchase agreements is €150 million and is shown in Level 2 of the fair value hierarchy.

"Other loans, Other" includes cash collateral held by counterparties for interest rate swaps (€24 million as collateral pursuant to Credit Support Annexes), entered into for cash flow and fair value hedging purposes by BancoPosta RFC, and repurchase agreements (€772 million as collateral pursuant to specific Global Master Repurchase Agreements). The year-on-year decrease in amount due for guarantee deposits is mainly due to the reduction in amounts paid to counterparties with whom repo transactions are in place as a result of the combined effect of the change in the interest rate curve, which generated an increase in the fair value of the securities as collateral, and the lower amount of transactions outstanding at the date.

In addition, "Other loans, Other" includes trade receivables for €30 million arising from contracts with customers, accounted for in accordance with IFRS 15 (€32 million at 31 December 2022) mainly relating to financial services and personal loan distribution.

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

	Total at 31.12.2023						Total at 31.12.2022					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
Transaction type/Amounts €m	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3
1. Loans	**13,188**	**-**	**-**				**17,377**	**-**	**-**			
1.1. Current accounts	6	-	-	x	x	x	7	-	-	x	x	x
1.2. Reverse repurchase agreements	1,619	-	-	x	x	x	1,358	-	-	x	x	x
1.3. Mortgages	-	-	-	x	x	x	-	-	-	x	x	x
1.4. Credit cards, personal and salary loans	-	-	-	x	x	x	-	-	-	x	x	x
1.5. Lease financing	-	-	-	x	x	x	-	-	-	x	x	x
1.6. Factoring	-	-	-	x	x	x	-	-	-	x	x	x
1.7. Other loans	11,563	-	-	x	x	x	16,012	-	-	x	x	x
2. Debt securities	**30,398**	**-**	**-**				**27,699**	**-**	**-**			
2.1. Structured securities	30,398	-	-	x	x	x	-	-	-	x	x	x
2.2. Other debt securities	-	-	-	x	x	x	27,699	-	-	x	x	x
Total	**43,586**	**-**	**-**	**25,231**	**4,706**	**11,568**	**45,076**	**-**	**-**	**20,927**	**4,082**	**16,019**

A description of "Loans" is provided below.

At 31 December 2023 there are reverse repurchase agreements of €3,956 million (€4,575 million at 31 December 2022) entered into with Cassa di Compensazione e Garanzia SpA (hereinafter CC&G) for the temporary use of liquidity from private funding. These transactions are guaranteed by securities for a total nominal amount of €3,727 million. The fair value of reverse repurchase agreements is shown in Level 2 of the fair value hierarchy.

Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2023, already included in the exposure to net balances, amounted to €2,337 million (€3,217 million at 31 December 2022).

In addition, further reverse repurchase agreements in the amount of €361 million were concluded with CC&G in December 2023, which were settled in early January 2024.

"Other loans" primarily consist of:

- €9,131 million, of which €200 million for interest accrued and collected in on public customers' current account deposits with the MEF (€12,124 million at 31 December 2022), which earn a variable rate of return, calculated on a basket of government securities[337]. The deposit has been adjusted to reflect accumulated impairments of €5 million, to take account of the risk of counterparty default (substantially unchanged compared to 31 December 2022). The decrease of €2,993 million compared to the previous year was mainly due to the typical operations of some customers in the Public Administration, which generated a contraction in deposits from postal current accounts. During the financial year 2023, hedging derivative contracts were concluded on the 10-year index-linked remuneration component. The hedging transaction (Cash flow hedge) was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value. This operation, which ended on 31 December 2023, generated positive effects of €5 million recognised in the statement of profit or loss under "Item 10 - Interest and similar income";
- €891 million, of which €18 million for interest accrued, deposits at the MEF (the "Buffer account"), remunerated at the Euro Short Term Rate (ESTR)[338]. The decrease of €1,106 million compared to the previous year is mainly due to alternative investments with yields on 31 December 2023 higher than the ESTR rate;
- €427 million from amounts due for guarantee deposits, of which: (i) €58 million for sums paid to counterparties with which interest rate swap transactions are outstanding (collateral provided for in specific Credit Support Annexes); (ii) €323 million for sums paid to CC&G for outstanding repo transactions (€234 million) and as a pre-financed contribution to the Default Fund[339] (€89 million); (iii) €46 million for sums paid as collateral within the framework of clearing systems with central counterparties for over-the-counter (OTC) transactions[340] in derivatives;
- €370 million in amounts receivable from Poste Italiane SpA's functions outside the ring-fence, €355 million of which relates to Poste Italiane SpA's Finance function's intersegment financial account, used for the processing of payments to and from third parties;
- €324 million in amounts due from Poste Vita for commissions on the placement of insurance policies;
- €73 million in amounts due from PostePay for product placement services related to the payments business;
- €247 million in fees receivable from Cassa Depositi e Prestiti during the year in connection with the postal savings service pertaining to the year. The increase of €226 million compared to 31 December 2022 reflects the fees to be invoiced accrued at the relevant date, based on the Supplementary and Amending Deed of 30 January 2024, effective retroactively from 1 January 2023 to 31 December 2023[341];
- €11 million in amounts due for the payment of pensions on behalf of INPS (the National Institute of Social Security).

"Other debt securities" include Italian fixed income government bonds and securities guaranteed by the Italian State for €30,877 million. Their carrying amount of €30,398 million reflects the amortised cost of unhedged fixed income instruments, totalling €19,325 million, the amortised cost of fair-value hedged fixed income instruments, totalling €13,017 million, decreased by €1,944 million to take into account the effects of the hedge (€2,714 million related to 2022). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2023 amount to approximately €18 million (€13 million at 31 December 2022).

At 31 December 2023 the total fair value of these instruments, inclusive of €233 million in accrued interest, amounts to €28,318 million, of which €25,231 million classified in Level 1 of the fair value hierarchy and €3,087 million classified in Level 2.

Securities with a nominal value of €7,522 million are encumbered as follows:

- €6,679 million, carried at amortised cost for €6,822 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded at 31 December 2023;
- €843 million, carried at amortised cost for €938 million, and delivered to the Bank of Italy to secure an intraday credit line.

337. The variable rate in question is calculated as follows: 40% is based on the average return on 6-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.
338. Rate calculated and published by the ECB using a new methodology consistent with ECB Regulation (EU) no. 1333/2014 of 26 November 2014 and based on uncollateralised fixed-rate overnight deposit facility transactions exceeding €1 million.
339. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
340. These are transactions carried out outside the regulated securities markets and therefore not subject to any specific regulation concerning the organisation and operation of the market itself.
341. Deed supplementing and amending the Agreement of 24 December 2021, in force until 31 December 2024.

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

Transaction type/Amounts €m	Total at 31.12.2023			Total at 31.12.2022		
	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets
1. Debt securities	**30,398**			**27,699**		
a) Public Administration entities	27,509	-	-	24,708	-	-
b) Other financial companies	2,889	-	-	2,991	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**13,188**	**-**	**-**	**17,377**	**-**	**-**
a) Public Administration entities	10,070	-	-	14,176	-	-
b) Other financial companies	2,728	-	-	2,823	-	-
of which: insurance companies	332	-	-	288	-	-
c) Non-financial companies	384	-	-	372	-	-
d) Households	6	-	-	6	-	-
Total	**43,586**	**-**	**-**	**45,076**	**-**	**-**

Securities related to "Other financial companies" for €2,889 million refer to fixed-rate securities for a total nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

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

€m	Gross amount					Total impairment losses				*Total partial write-offs**
	Stage 1		Stage 2	Stage 3	*Acquired or originated impaired financial assets*	Stage 1	Stage 2	Stage 3	*Acquired or originated impaired financial assets*	
		of which: Instruments with low credit risk								
Debt securities		30,416	-	-	-	18	-	-	-	-
Loans		13,174	1,053	-	-	5	58	-	-	-
Total at 31.12.2023		**43,590**	**1,053**	**-**	**-**	**23**	**58**	**-**	**-**	**-**
Total at 31.12.2022		**45,788**	**863**	**-**	**-**	**18**	**57**	**-**	**-**	**-**

* Amount reported for disclosure purposes.

Section 5 – Hedging Derivatives – Item 50

5.1 Hedging derivatives by type of hedge and level

€m	Fair value at 31.12.2023			Notional amount* at 31.12.2023	Fair value at 31.12.2022			Notional amount* at 31.12.2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**4,257**	**-**	**19,665**	**-**	**6,109**	**-**	**27,646**
1) Fair value	-	4,252	-	19,215	-	5,759	-	25,840
2) Cash flow	-	5	-	450	-	350	-	1,806
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**4,257**	**-**	**19,665**	**-**	**6,109**	**-**	**27,646**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

The decrease of €1,852 million compared to 31 December 2022 is mainly due to the reduction in the fair value of outstanding derivatives and early extinguishments, finalised in 2023, of fair value hedge transactions with a total notional amount of €6,505 million (of which: €980 million related to hedging transactions for which the underlying security was also sold, €3,015 million related to hedging transactions without sale of the underlying security, and €2,510 million related to hedging transactions for which new asset swaps were entered into) with the aim of consolidating a fixed yield in line with the market situation, while at the same time improving the income profile of a portion of the portfolio for subsequent years.

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

Transaction type/Type of hedge €m	Fair Value							Cash flow		Foreign investments
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and equity indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	2,025	-	-	-	x	x	x	5	x	x
2. Financial assets measured at amortised cost	2,227	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	**4,252**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**-**
1. Financial liabilities	-	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	-	x	-	-

Section 6 – Adjustments for changes in hedged financial assets portfolio – Item 60

No macro-hedges have been arranged at the reporting date.

Section 7 – Investments – Item 70

There are no investments in subsidiaries, joint arrangements or companies subject to significant influence.

Section 8 – Property, plant and equipment – Item 80

BancoPosta does not own property, plant and equipment either for operating or investment purposes.

Section 9 – Intangible assets – Item 90

There are no intangible assets.

Section 10 – Tax assets and liabilities – Assets item 100 and liabilities item 60

Current tax assets and liabilities form part of intersegment relations and are shown in "Other assets" (Item 120 in Assets) and "Other liabilities" (Item 80 in Liabilities), as they are settled with Poste Italiane SpA's functions outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, as the sole taxable entity.

Deferred tax assets and liabilities are analysed below:

10.1 Deferred tax assets: breakdown

Description €m	Financial assets and liabilities		Hedging derivatives		Provisions for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	1	2	-	-	4	-	23	4	28	6
Deferred tax assets through equity	381	72	130	25	-	-	-	-	511	97
2023 total	**382**	**74**	**130**	**25**	**4**	**-**	**23**	**4**	**539**	**103**
Deferred tax assets through profit or loss	-	1	-	-	7	-	29	5	36	6
Deferred tax assets through equity	786	147	153	29	-	-	-	-	939	176
2022 total	**786**	**148**	**153**	**29**	**7**	**-**	**29**	**5**	**975**	**182**

10.2 Deferred tax liabilities: breakdown

Description €m	Financial Asset and Liabilities		Hedging Derivates		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	-	1	-	-	-	1
Deferred tax assets through equity	194	37	29	5	223	42
Total 2023	**194**	**38**	**29**	**5**	**223**	**43**
Deferred tax assets through profit or loss	-	1	-	-	-	1
Deferred tax assets through equity	163	30	26	5	189	35
Total 2022	**163**	**31**	**26**	**5**	**189**	**36**

10.3 Changes in deferred tax assets through profit or loss

€m	Total at 31.12.2023	Total at 31.12.2022
1. Opening balance	**42**	**55**
2. Increases	**1**	**1**
2.1 Deferred tax assets recognised in the year	1	1
a) relating to previous years	1	-
b) due to changes in accounting policies	-	-
c) write-backs	-	1
d) other	-	-
2.2. New taxes or tax rate increases	-	-
2.3. Other increases	-	-
3. Decreases	**(9)**	**(14)**
3.1 Deferred tax assets derecognised in the year	(9)	(14)
a) reversals	(8)	(14)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(1)	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
4. Closing balance	**34**	**42**

10.4 Changes in deferred tax liabilities through profit or loss

€m	Total at 31.12.2023	Total at 31.12.2022
1. Opening balance	**(1)**	**(1)**
2. Increases	**-**	**(1)**
2.1 Deferred tax assets recognised in the year	-	(1)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	(1)
2.2. New taxes or tax rate increases	-	-
2.3. Other increases	-	-
3. Decreases	**-**	**1**
3.1 Deferred tax assets derecognised in the year	-	1
a) reversals	-	1
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**(1)**	**(1)**

10.5 Changes in deferred tax assets through equity

€m	Total at 31.12.2023	Total at 31.12.2022
1. Opening balance	**1,115**	**228**
2. Increases	**11**	**927**
2.1 Deferred tax assets recognised in the year	10	927
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	10	927
2.2. New taxes or tax rate increases	1	-
2.3. Other increases	-	-
3. Decreases	**(518)**	**(40)**
3.1 Deferred tax assets derecognised in the year	(518)	(40)
a) reversals	(66)	(3)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(452)	(37)
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**608**	**1,115**

10.6 Changes in deferred tax liabilities through equity

€m	Total at 31.12.2023	Total at 31.12.2022
1. Opening balance	**(224)**	**(669)**
2. Increases	**(150)**	**(172)**
2.1 Deferred tax assets recognised in the year	(150)	(172)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(150)	(172)
2.2. New taxes or tax rate increases	-	-
2.3. Other increases	-	-
3. Decreases	**109**	**617**
3.1 Deferred tax assets derecognised in the year	109	617
a) reversals	91	158
b) write-downs of non-recoverable items	-	-
c) other	18	459
3.2 Reductions of tax rates	-	-
3.3 Other decreases:	-	-
4. Closing balance	**(265)**	**(224)**

The net charge due to movements in deferred tax assets and liabilities through equity is the tax effect on reserves described in Part D.

The negative change in deferred tax assets and liabilities recognised in equity mainly reflects the increasing trend in fair value reserves related to financial assets measured at fair value through other comprehensive income.

Section 11 – Non-current assets held for sale and discontinued operations and associated liabilities - Assets item 110 and Liabilities item 70

There are no non-current assets held for sale or discontinued operations at the reporting date.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

Items/Amounts €m	Total at 31.12.2023	Total at 31.12.2022
Tax credits Law no. 77/2020	7,912	8,600
Items in process	552	583
Tax receivables from revenue agency	453	408
Current tax assets receivable from Poste Italiane SpA outside the ring-fence	39	43
Other items	1,901	1,886
Total	**10,857**	**11,520**

Tax credits Law no. 77/2020, amounting to €7,912 million, relate to purchases made by Poste Italiane SpA and allocated to BancoPosta against free capital resources as well as resources subject[342] and not subject to the obligation to use them in accordance with the provisions of the Relaunch Decree (Law Decree no. 34/2020, later converted into Law no. 77/2020), which introduced tax benefits to aid economic recovery following the Covid-19 health emergency.

These receivables are measured at amortised cost if they are acquired to be used by Poste Italiane SpA for the main purpose of offsetting social security or tax liabilities, on the basis of the provisions of the regulations issued with reference to the characteristics of the individual receivables, while they are measured at fair value through other comprehensive income if they are also acquired for the purpose of sale by Poste Italiane SpA to third parties.

Changes in these receivables during 2023 are shown below:

€m	Total at 31.12.2023
1. Opening balance	**8,600**
2. Increases	**828**
2.1 Purchases	519
2.2 Positive changes in fair value	-
2.3 Transfers from other portfolios	-
2.4 Other movements	309
3. Decreases	**(1,516)**
3.1 Sales	-
3.2 Redemptions	(1,516)
3.3 Negative changes in fair value	-
3.4 Transfers to other portfolios	-
3.5 Other movements	-
4. Closing balance	**7,912**

The main changes during the year relate to:
- purchases of €519 million, entirely related to receivables measured at amortised cost;
- accrued income for the period of €309 million relating to receivables measured at amortised cost;
- reimbursements for capital outside ring-fence in the amount of €1,516 million.

At 31 December 2023, the fair value[343] of tax credits at amortised cost is €7,434 million.

342. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.
343. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 3.

The sub-item "Items in process" includes:
- €76 million in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- assignments in the course of settlement with the banking system in the amount of €39 million;
- account maintenance and custody fees of €12 million to be debited to customers;
- amounts to be charged to PostePay SpA for €185 million (mainly in the first few days of 2024).

Tax assets primarily relate to payments on account to the tax authorities, of which €407 million to be recovered from customers for virtual stamp duty payable in 2024 and €30 million for withholding tax on interest paid to current account holders for 2023.

"Other items" include mainly:
- €1,752 million in stamp duty accrued to 31 December 2023 payable by holders of outstanding Interest-bearing Postal Certificates[344]. An equal amount has been recognised in "Other liabilities" as tax payables (Part B, Liabilities, Table 8.1) until expiration or early extinguishment of Interest-bearing Postal Certificates, which is the date on which the tax must be paid to the authorities;
- €96 million relating to stamp duty charged to Postal Savings Books, which BancoPosta RFC pays in virtual form as required by law.

Movements in current tax assets and liabilities receivable from and payable to Poste Italiane SpA outside the ring-fence are shown below:

	Current tax 2023			Current tax 2022		
	IRES	IRAP		IRES	IRAP	
Description €m	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	Total	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	Total
Opening balance	**4**	**4**	**8**	**67**	**8**	**75**
Payments	198	37	235	107	32	139
on account for the current year	171	36	207	107	32	139
on balance payable for the previous year	27	1	28	-	-	-
Provisions to Profit or loss	(189)	(37)	(226)	(182)	(36)	(218)
current tax	(189)	(37)	(226)	(183)	(36)	(219)
changes in current taxation for previous years	-	-	-	1	-	1
Provisions in Equity	5	-	5	4	-	4
Other	15	-	15	8	-	8
Closing balance	**33**	**4**	**37**	**4**	**4**	**8**
of which:						
Current tax assets due from Poste Italiane outside the ring-fence (Item 120 Assets)	35	4	39	36	7	43
Current tax liabilities due to Poste Italiane outside the ring-fence (Item 80 Liabilities)	(2)	-	(2)	(32)	(3)	(35)

Current tax receivables, totalling €39 million, mainly refer to receivables recognised as a result of: (i) the signing of the agreement on the Patent Box for the years 2017-2019 (€14 million); (ii) the responses received in respect of two petitions for rulings on the tax effects arising from the application of IFRS 9 and 15 (€9 million); (iii) the response received in respect of a request for a tax ruling filed mainly relating to the tax recognition of income components arising from the management of postal current accounts (€14 million). These assets will become offsettable after the submission of the relevant supplementary tax returns.

344. Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

Liabilities

Section 1 – Financial liabilities measured at amortised cost – Item 10

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

Transaction type/Amounts €m	Total at 31.12.2023				Total at 31.12.2022			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
2. Due to banks	**10,336**	**x**	**x**	**x**	**12,849**	**x**	**x**	**x**
2.1. Current accounts and demand deposits	307	x	x	x	520	x	x	x
2.2. Time deposits	-	x	x	x	-	x	x	x
2.3. Loans	7,926	x	x	x	8,689	x	x	x
2.3.1. Repurchase agreements	7,926	x	x	x	8,689	x	x	x
2.3.2. Other	-	x	x	x	-	x	x	x
2.4. Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
2.5. Lease payables	-	x	x	x	-	x	x	x
2.6. Other payables	2,103	x	x	x	3,640	x	x	x
Total	**10,336**	**-**	**7,705**	**2,410**	**12,849**	**-**	**8,348**	**4,160**

At 31 December 2023, €7,926 million is due to banks under the terms of repurchase agreements entered into with primary financial institutions involving securities with a total nominal value of €8,475 million. These regard €7,102 million in Long Term Repos and €824 million in loans, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral. At 31 December 2023, repurchase agreements with a nominal value of €3,996 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Repurchase agreements are classified as fair value Level 2 transactions, whereas the fair value of other types of transaction included in this line item approximates to their carrying amounts and they are classified as Level 3.

The sub-item "Other payables" includes €2,102 million in guarantee deposits provided to counterparties in relation to interest rate swaps (with €2,082 million in collateral provided by specific Credit Support Annexes), in relation to BancoPosta RFC's cash flow hedge and fair value hedge policies adopted and repurchase agreements (€20 million as collateral in accordance with specific Global Master Repurchase Agreements). The decrease in this sub-item compared to 31 December 2022 is mainly attributable to the reduction of fair value hedge derivatives following early extinguishment transactions.

BancoPosta RFC has uncommitted overnight lines of credit amounting to €960 million, overdraft facilities for €184 million and arrangements for the issue of personal guarantees for €411 million granted to Poste Italiane SpA, undrawn at 31 December 2023.

In addition, from 5 December 2023, it may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €3 billion, undrawn at 31 December 2023.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €2,758 million, undrawn at 31 December 2023.

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

Transaction type/Amounts €m	Total at 31.12.2023				Total at 31.12.2022			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	72,803	x	x	x	77,767	x	x	x
2. Time deposits	10	x	x	x	-	x	x	x
3. Loans	5,662	x	x	x	5,605	x	x	x
3.1. Repurchase agreements	291	x	x	x	1,436	x	x	x
3.2. Other	5,371	x	x	x	4,169	x	x	x
4. Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
5. Lease payables	-	x	x	x	-	x	x	x
6. Other payables	2,153	x	x	x	2,723	x	x	x
Total	**80,628**	**-**	**291**	**80,327**	**86,095**	**-**	**1,428**	**84,659**

The sub-item “Current accounts and demand deposits” includes €10,152 million in postal current accounts held by PostePay SpA relating mainly to the deposit of funding from prepaid cards, €695 million in postal current accounts held by PosteVita SpA and €279 million in current accounts held by Poste Italiane outside the ring-fence.

At 31 December 2023 “Loans, repurchase agreements” amount to €2,627 million, reflecting transactions entered into with CC&G in relation to securities with a nominal amount of €2,999 million. These payables refer to ordinary financing transactions, targeted at investment in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral.

Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2023, already included in the exposure to net balances, amounted to €2,337 million (€3,217 million at 31 December 2022).

In addition, further repurchase agreements in the amount of €616 million were concluded with CC&G in December 2023, which were settled in early January 2024.

The sub-item “Loans, Other” consist of the net amount of €5,371 million deposited in the MEF account held at the Treasury, which breaks down as follows:

- the balance of cash flows for advances, amounting to €5,168 million, represents the net amount payable as a result of advances from the MEF to meet cash requirements;
- net cash flow payable for postal savings management of €30 million, due to the excess repayments on deposits made in the last two days of the year in question and settled in the first few days of the following year; at 31 December 2023, the balance consisted of a payable of €124 million owed to Cassa Depositi e Prestiti and a receivable of €94 million owed to the MEF for issues of postal savings bonds attributable to Cassa Depositi e Prestiti;
- amounts payable in connection with robberies suffered by Post Offices of €157 million, relating to obligations assumed towards the MEF on behalf of the Treasury as a result of theft and embezzlement; these obligations derive from withdrawals made from the Treasury, which are necessary to replenish the cash shortfall due to these criminal events so as to ensure the continuity of the Post Offices’ operations;
- amounts payable for operational risks for €16 million regard the portion of advances obtained from MEF to fund operations, in relation to which asset under recovery is certain or probable.

The sub-item “Other payables” mainly consists of national money orders for €980 million and endorsed cheques in circulation for €407 million and guarantee deposits for €729 million relating to sums received from counterparties with which interest rate swap transactions are in place (collateral provided for by specific Credit Support Annexes).

The Level 2 fair value refers to the repurchase agreements while the fair value of the remaining instruments of this line item approximates to its carrying amount and it is consequently classified as Level 3.

1.3 Financial liabilities measured at amortised cost: breakdown of outstanding securities by type

There are no securities in issue.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Transaction type/Amounts €m	Total at 31.12.2023					Total at 31.12.2022				
	Nominal or notional amount	Fair Value			Fair Value*	Nominal or notional amount	Fair Value			Fair Value*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other bonds	-	-	-	-	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		-	-	3			-	-	4	
1.1. Trading	x	-	-	-	x	x	-	-	-	x
1.2. Connected to the fair value option	x	-	-	-	x	x	-	-	-	x
1.3. Other	x	-	-	3	x	x	-	-	4	x
2. Credit derivatives		-	-	-			-	-	-	
2.1. For trading	x	-	-	-	x	x	-	-	-	x
2.2. Connected to the fair value option	x	-	-	-	x	x	-	-	-	x
2.3. Other	x	-	-	-	x	x	-	-	-	x
Total B	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**4**	**-**
Total (A+B)	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**4**	**-**

* Fair value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue

Financial liabilities held for trading relate to a forward sale agreement for 95,000 ordinary shares of Visa Incorporated (discussed in Section 2 of Assets).

Section 3 – Financial liabilities DESIGNATED at fair value – Item 30

No financial liabilities are held in portfolio designated at fair value through profit or loss (the “fair value option”).

Section 4 – Hedging Derivatives – Item 40

4.1 Hedging derivatives by type and level

€m	Fair Value al 31.12.2023			Notional amount* at 31.12.2023	Fair Value al 31.12.2022			Notional amount* at 31.12.2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**1,136**	**-**	**12,649**	**-**	**971**	**-**	**11,832**
1) Fair value	-	618	-	9,812	-	344	-	6,096
2) Cash flow	-	518	-	2,837	-	627	-	5,736
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**1,136**	**-**	**12,649**	**-**	**971**	**-**	**11,832**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

The increase compared to 31 December 2022 in liabilities for hedging derivative financial instruments is mainly due to new hedging transactions following early extinguishments both with and without sale of the underlying, commented on in Part B - Section 5 of Assets.

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

Transaction type/Type of hedge €m	Fair Value							Cash flow		Foreign investments
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and equity indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	299	-	-	-	x	x	x	518	x	x
2. Financial assets measured at amortised cost	236	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	**535**	**-**	**-**	**-**	**-**	**-**	**-**	**518**	**-**	**-**
1. Financial liabilities	83	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	**83**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	-	x	-	-

Section 5 – Adjustments for changes in hedged financial liabilities portfolio – Item 50

No macro-hedges have been arranged at the reporting date.

Section 6 – Tax liabilities – Item 60

Please refer to Assets, Section 10.

Section 7 – Liabilities associated with non-current assets held for sale and discontinued operations – Item 70

There are no such liabilities at the reporting date.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

Items/Amounts €m	Total at 31.12.2023	Total at 31.12.2022
Tax payables to revenue agency	1,969	1,806
Items in process	642	685
- amounts to be credited to Postal Savings Books	230	183
- other	412	502
Due to suppliers	73	114
Amounts due to customers	76	71
Contract liabilities	60	68
Due to Poste Italiane outside the ring-fence for current taxes liabilities	2	35
Amount due to staff	8	8
Other items	3	2
Total	**2,833**	**2,789**

The sub-item "Tax payables to revenue agency" mainly includes:

- €1,752 million in stamp duty accrued to 31 December 2023 on outstanding Interest-bearing Postal Certificates in accordance with the requirements referenced in Part B, Assets, Table 12.1;
- €74 million in tax withholdings on current account interest earned by customers.

"Items in process" refer mainly to domestic credit transfers for €19 million, and to BancoPosta's operations for amounts to be credited, mainly in the first few days of 2024, to PostePay for €45 million and to customers for €230 million relating to cheques to be credited to savings books.

The sub-item "Due to suppliers" mainly includes €61 million for trade payables to PostePay for collection and payment services under the service contract.

"Contract liabilities" are mainly due to the placement of loan products, as shown in the following table:

Description €m	Balance at 31.12.2022	Increases/(Decreases)	Change due to recognition of revenue for period	Balance at 31.12.2023
Liabilities for fees to be refunded	68	(50)	42	60
Total	**68**	**(50)**	**42**	**60**

Liabilities for commissions to be retroceded refer to the estimate of the commissions to be retroceded to partners for the contractually agreed early repayment of loan products placed after 1 January 2018.

The changes in the sub-item "Current tax liabilities due to Poste Italiane outside the ring-fence" are commented on in Section 12 of Assets.

Section 9 – Employee termination benefits – Item 90

Movements in employee termination benefits during the year under review are shown below:

9.1 Employee termination benefits: annual changes

€m	Total at 31.12.2023	Total at 31.12.2022
A. Opening balance	**2**	**3**
B. Increases	**-**	**-**
B.1. Provisions for the year		-
B.2. Other changes	-	-
C. Decreases	**-**	**(1)**
C.1. Benefits paid	-	-
C.2. Other changes		(1)
D. Closing balance	**2**	**2**

The current service cost is not applicable to the employee termination benefits attributable to BancoPosta RFC, since this cost is recognised in personnel expenses, as the contributions are paid over to pension funds or other social security institutions.

The other decreases are due to transfers to the same or other Group companies and actuarial gains.

9.2 Other information

Measurement of the liability entails actuarial calculations for which the following assumptions were used in 2023:

Actuarial gains/(losses)

€m	31.12.2023	31.12.2022
Change in demographic assumptions	-	-
Change in financial assumptions	-	-
Other experience-related adjustments	-	(0.6)
Total	**-**	**(0.6)**

Sensitivity analysis

€m	Employee termination benefits at 31.12.2023
Inflation rate +0.25%	2
Inflation rate -0.25%	2
Discount rate +0.25%	2
Discount rate -0.25%	2
Turnover rate +0.25%	2
Turnover rate -0.25%	2

Other information

€m	31.12.2023
Service Cost	-
Average duration of defined benefit plan	10.7

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Valori	Total at 31.12.2023	Total at 31.12.2022
1. Provisions for credit risk relating to financial commitments and guarantees given	-	-
2. Provisions for other commitments and guarantees given	-	-
3. Provisions for retirement benefits	-	-
4. Other provisions for risks and charges	163	188
4.1. litigation	67	78
4.2. personnel expenses	1	1
4.3. other	95	109
Total	**163**	**188**

The composition of "Other provisions" is provided in Table 10.6, below.

10.2 Provisions for risks and charges: annual changes

€m	Provisions for other commitments and guarantees given	Provisions for retirement benefits	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**188**	**188**
B. Increases	**-**	**-**	**8**	**8**
B.1. Provisions for the year	-	-	8	8
B.2. Changes due to passage of time	-	-	-	-
B.3. Changes due to changed discount rates	-	-	-	-
B.4. Other changes	-	-	-	-
C. Decreases	**-**	**-**	**(33)**	**(33)**
C.1. Uses during the year	-	-	(17)	(17)
C.2. Changes due to changed discount rates	-	-	-	-
C.3. Other changes	-	-	(16)	(16)
D. Closing balance	**-**	**-**	**163**	**163**

The main changes are commented in the remainder of this section.

10.6 Provisions for risks and charges - other provisions

Description	Total at 31.12.2023	Total at 31.12.2022
Litigation	**67**	**78**
Provisions for disputes with third parties	67	78
Provision for disputes with staff	-	-
Provisions for personnel expenses	**1**	**1**
Other provisions	**95**	**109**
Provisions for operational risks	95	109
Total	**163**	**188**

Provisions for disputes with third parties regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Changes during the year relate to net absorptions of a total of €7 million for updating estimated liabilities and uses of €11 million for defined liabilities.

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various types.

Provisions for personnel expenses are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change.

Provisions for operational risks mainly reflects liabilities for risks related to the distribution of postal savings products issued in past years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly in its capacity as a third-party foreclosing party, adjustments and adjustments of income from prior years and fraud. Changes during the year relate to net absorptions of a total of €2 million for updating estimated liabilities and uses of €5 million for defined liabilities.

Section 11 – Redeemable shares – Item 120

Nothing to report.

Section 12 – Equity – Items 110, 130, 140, 150, 160, 170 and 180

12.4 Profit reserves: other information

At 31 December 2023, the retained earnings reserve amounted to €1,357 million, down by €16 million due to accrued interest expenses on Equity instruments.

Other reserves are composed of equity reserves for €1,212 million, including the initial reserve of €1,000 million at the time of incorporation of BancoPosta RFC, €210 million in additional capital contributions by the same in 2018 and €2 million for incentive plan reserves, described in Part I.

With regard to the availability and distributability of the reserves of BancoPosta RFC, please refer to the information provided in paragraph 5, table B.3 - *Availability and distributability of reserves* - of this section - *Poste Italiane's financial statements* - of the Annual Report.

12.5 Equity instruments: breakdown and annual changes

The capital instruments for BancoPosta RFC refer to two perpetual subordinated loans with a total nominal value of €450 million granted respectively on 30 June 2021 for €350 million with an 8-year "non-call" period, and on 30 June 2023 for €100 million with a 5-year "non-call" period, both with the aim of strengthening BancoPosta's Leverage Ratio (Basel III) and Tier 1 ratio[345].

Here are the main features of the loan taken out on 30 June 2021:
- the loan has no fixed maturity and must be repaid only in the event of the dissolution or liquidation, as specified in the relevant terms and conditions, subject to the right of early redemption (call) in the cases provided for. Specifically, the call is scheduled to be made at any time from the First Call Date of 30 June 2029 and at each interest payment date thereafter; a loss-absorption mechanism is envisaged if the CET 1 ratio falls below 5.125%;
- the fixed annual coupon is 4.697% until the first Reset Date set for 30 June 2029. From that date, annual interest is determined as a function of the 5-year Euro Mid Swap rate plus a spread of 472.7 basis points. Interest is payable at the option of the issuer and on a non-cumulative basis, commencing 30 December 2021. The issue price was set at 100%.

Here are the main features of the loan taken out on 30 June 2023:
- the loan has no fixed maturity and must be repaid only in the event of the dissolution or liquidation, as specified in the relevant terms and conditions, subject to the right of early redemption (call) in the cases provided for. Specifically, the call is scheduled to be made at any time from the First Call Date of 30 June 2028 and at each interest payment date thereafter; a loss-absorption mechanism is envisaged if the CET 1 ratio falls below 5.125%;
- the fixed annual coupon is 9.55% until the first Reset Date set for 30 June 2028. From that date, annual interest is determined as a function of the 5-year Euro Mid Swap rate plus a spread of 653 basis points. Interest is payable at the option of the issuer and on a non-cumulative basis, commencing 30 December 2023. The issue price was set at 100%.

345. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

Other information

1. Commitments and guarantees given (other than those measured at fair value)

€m	Nominal value on commitments and financial guarantees given				Total al 31.12.2023	Total al 31.12.2022
	Stage 1	Stage 2	Stage 3	*Acquired or originated impaired*		
1. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**2,260**
a) Central banks	-	-	-	-	-	-
b) Public Administration entities	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	2,260
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-
2. Financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**
a) Central banks	-	-	-	-	-	-
b) Public Administration entities	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**2,260**

3. Assets pledged as collateral for liabilities and commitments

Portfolios €m	Total at 31.12.2023	Total at 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	4,093	6,246
3. Financial assets measured at amortised cost	6,822	7,013
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

"Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost" relate to securities used as collateral in repurchase agreements.

4. Brokerage and management on behalf of third parties

Type of services €m	Amount
1. Execution of orders on behalf of customers	**-**
a) purchase	-
1. settled	-
2. not settled	-
b) sale	-
1. settled	-
2. not settled	-
2. Individual portfolio management	**-**
3. Custody and administration of securities	**75,743**
a) Third-party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) third-party securities in custody (excluding portfolio management): other	10,008
1. securities issued by the reporting bank	-
2. other securities	10,008
c) third-party securities deposited with third parties	10,008
d) own securities deposited with third parties	65,735
4. Other transactions	**259,218**
a) Postal Savings Books	91,649
b) Interest-bearing Postal Certificates	167,569

The "Custody and administration of third-party securities deposited with third parties" relates to customers' securities held at primary market operators and, to a marginal degree, securities received as collateral. With the exception of securities received as collateral, orders received from customers are executed by qualified, designated credit institutions.

"Other transactions" include the principal of postal savings deposits accepted for and on behalf of Cassa Depositi e Prestiti and the MEF.

5. Financial assets offset in the financial statements or subject to framework master netting agreements or similar arrangements

Technical forms €m	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2023 (f=c-d-e)	Net amount at 31 December 2022
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	4,257	-	4,257	1,068	2,812	377	91
2. Repurchase agreements	4,106	2,337	1,769	1,769	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2023	**8,363**	**2,337**	**6,026**	**2,837**	**2,812**	**377**	**x**
Total at 31.12.2022	**10,684**	**3,217**	**7,467**	**2,555**	**4,821**	**x**	**91**

6. Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical forms €m	Gross amount of financial liabilities (a)	Amount of financial assets offset in financial statements (b)	Amount of net financial liabilities reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2023 (f=c-d-e)	Net amount at 31 December 2022
				Financial instruments (d)	Cash deposits provided as collateral (e)		
1. Derivatives	1,136	-	1,136	1,053	83	-	-
2. Repurchase agreements	10,554	2,337	8,217	7,762	455	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2023	**11,690**	**2,337**	**9,353**	**8,815**	**538**	**-**	**x**
Total at 31.12.2022	**14,313**	**3,217**	**11,096**	**10,183**	**913**	**x**	**-**

The above tables have been compiled in accordance with IFRS 7, which requires a specific disclosure regardless of whether or not the financial instruments have been offset in the financial statements.

In particular, the tables show:

- the statement of financial position values, before and after the effects of accounting netting, of repo transactions that meet the conditions necessary for the recognition of such effects;
- the statement of financial position values of derivative and repurchase agreements transactions that do not meet these conditions but are governed by standardised bilateral netting agreements that allow, in the event of counterparty default, the netting of credit and debit positions (ISDA and GMRA contracts);
- the value of the collateral attached to them.

In order to present the tables in compliance with the requirements of IFRS 7 and Bank of Italy Circular no. 262, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

Part C – Information on profit or loss

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms €m	Debt securities	Loans	Other transactions	FY 2023	FY 2022
1. Financial assets measured at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**
1.1. Financial assets held for trading	-	-	-	-	-
1.2. Financial assets measured at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**935**	**-**	**x**	**935**	**822**
3. Financial assets measured at amortised cost	**1,346**	**-**	**-**	**1,346**	**1,023**
3.1. Due from banks	35	-	-	35	8
3.2. Due from customers	1,311	-	-	1,311	1,015
4. Hedging derivatives	**x**	**x**	**182**	**182**	**(58)**
5. Other assets	**x**	**x**	**309**	**309**	**273**
6. Financial liabilities	**x**	**x**	**x**	**6**	**35**
Total	**2,281**	**-**	**491**	**2,778**	**2,095**
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on financial leases	x	-	x	-	-

The sub-items "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost" mainly include interest accrued on securities portfolios in the amount of €1,716 million and on the deposit with the MEF in the amount of €441 million due to deposits on current accounts of the Public Administration.

The sub-item "Other assets" includes interest income accrued during the year relating to tax credits Law no. 77/2020, as described in "Section 12 - Other assets - Item 120" of Part B.

The sub-item "Financial liabilities" reflects mainly interest income accruing during the year on repurchase agreement.

The increase in this item compared to the previous year is mainly due to the upward shift in the interest rate curve, which resulted in higher income mainly on investements in debt securities and on commitments of public customers' inflows bearing interest at a variable rate as described in Part B - Section 4 of Assets. In addition, the increase in the item also refers to the positive effects of hedging derivatives described in this section under "Differentials related to hedge transactions".

1.3 Interest expense and similar charges: breakdown

Items/Technical forms €m	Payables	Securities	Other transactions	FY 2023	FY 2022
1. Financial liabilities measured at amortised cost	**(587)**	**-**	**-**	**(587)**	**(148)**
1.1 Due to Central Banks	-	x	x	-	-
1.2 Due to banks	(198)	x	x	(198)	(22)
1.3 Due to customers	(389)	x	x	(389)	(126)
1.4 Debt securities in issue	x	-	x	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**x**	**x**	**-**	**-**	**-**
5. Hedging derivatives	**x**	**x**	**-**	**-**	**-**
6. Financial assets	**x**	**x**	**x**	**-**	**(24)**
Total	**(587)**	**-**	**-**	**(587)**	**(172)**
of which: interest expense on lease payables	-	x	x	-	-

The increase in the item interest expense and similar charges compared to the previous year was due to the change in the interest rate curve, which mainly generated higher charges on repurchase agreements and guarantee deposits received from counterparties, and higher interest paid to public customers for deposits on postal current accounts.

1.5 Differentials related to hedge transactions

Items €m	FY 2023	FY 2022
A. Positive hedge differentials	330	93
B. Negative hedge differentials	(148)	(151)
C. Balance (A-B)	**182**	**(58)**

The increase in this item compared to the year 2022 is mainly due to the effects of the upward shift in the interest rate curve and the forward start of fair value hedges which became operational during the year, partially offset by early settlements described in Part B - Section 5 of Assets.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts €m		FY 2023	FY 2022
a)	**Financial instruments**	**12**	**6**
	1. Securities placement	11	5
	1.1 On a firm and/or irrevocable commitment basis	-	-
	1.2 Without irrevocable commitment	11	5
	2. Reception and transmission of orders and execution of orders on behalf of customers	1	1
	2.1. Receipt or transmission of orders for one or more financial instruments	1	1
	2.2. Execution of orders on behalf of customers	-	-
	3. Other commissions related to financial instrument activities	-	-
	of which: proprietary trading	-	-
	of which: individual portfolio management	-	-
b)	***Corporate Finance***	**-**	**-**
	1. Advice on mergers and acquisitions	-	-
	2. Treasury services	-	-
	3. Other fee and commission income related to corporate finance	-	-
c)	**Investment advisory activities**	**-**	**-**
d)	**Clearing and settlement**	**-**	**-**
e)	**Custody and administration**	**2**	**2**
	1. Depository banking	-	-
	2. Other commissions related to custody and administration activities	2	2
f)	**Central administrative services for collective portfolio management**	**-**	**-**
g)	**Trust activity**	**-**	**-**
h)	**Payments services**	**725**	**728**
	1. Current accounts	290	290
	2. Credit cards	-	-
	3. Other debit cards and payment cards	-	-
	4. Bank transfers and other payment orders	75	63
	5. Other fees related to payment services	360	375
i)	**Distribution of third-party services**	**2,908**	**2,697**
	1. Collective portfolio management	-	-
	2. Insurance products	623	538
	3. Other products	2,285	2,159
	of which: individual portfolio management	2	1
j)	**Structured finance**	**-**	**-**
k)	**Securitisation servicing activities**	**-**	**-**
l)	**Commitments to disburse funds**	**-**	**-**
m)	**Financial guarantees given**	**-**	**-**
	of which: credit derivatives	-	-
n)	**Financing transactions**	**-**	**-**
	of which: factoring services	-	-
o)	**FX trading**	**1**	**1**
p)	**Commodities**	**-**	**-**
q)	**Other fee and commission income**	**22**	**20**
	of which: for management of multilateral trading facilities	-	-
	of which: for management of organised trading facilities	-	-
Total		**3,670**	**3,454**

Fees for "distribution of third-party services" include, in relation to other products, interest on postal deposits relating for €1,740 million to the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books, carried out on behalf of Cassa Depositi e Prestiti under the Agreement renewed on 23 December 2021, for the three-year period 2021-2024, and based on the Supplementary and Amending Deed of 30 January 2024, effective retroactively from 1 January 2023 to 31 December 2023.

The increase in this item compared to the previous year is mainly due to the increase in commissions on postal savings collection activities and the increase in commissions on the placement of insurance products.

Revenue from contracts with customers

Description €m	FY 2023	FY 2022
Financial instruments	**12**	**6**
Recognised at a point in time	-	-
Recognised over time	12	6
Custody and administration	**2**	**2**
Recognised at a point in time	-	-
Recognised over time	2	2
Payments services	**725**	**728**
Recognised at a point in time	224	229
Recognised over time	500	499
Distribution of third-party services	**2,908**	**2,697**
Recognised at a point in time	-	-
Recognised over time	2,908	2,697
FX trading	**1**	**1**
Recognised at a point in time	1	1
Recognised over time	-	-
Other fee and commission income	**22**	**20**
Recognised at a point in time	-	-
Recognised over time	22	20
Total	**3,670**	**3,454**

Revenue from contracts with customers relate mainly to: (i) revenue from distribution of third-party services: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. With regard to the remuneration for postal savings deposits, the agreement entered into with Cassa Depositi e Prestiti provides for the payment of a variable fee when certain levels of funding are reached, the quantification of which is determined annually on the basis of volumes of deposits and early redemptions; certain commercial agreements, entered into with leading financial partners for the placement of loan products, provide for the relegation of placement fees in the event of early redemption or subrogation by customers; (ii) revenue for payment services: recognised at point in time on the basis of the number of transactions accepted at the counter (e.g. commissions on postal current account slips) and valued on the basis of the contractual terms of sale and recognised over time based on the customer's use of the service, mainly with reference to commissions on delegated services and current account maintenance and management services.

2.2 Fee and commission income by product and service distribution channel

Channels/Amounts €m		FY 2023	FY 2022
A.	**own branches:**	**2,919**	**2,702**
	1. portfolio management	-	-
	2. securities placements	11	5
	3. third-party products and services	2,908	2,697
B.	**door-to-door:**	**-**	**-**
	1. portfolio management	-	-
	2. securities placements	-	-
	3. third-party products and services	-	-
C.	**other distribution channels:**	**-**	**-**
	1. portfolio management	-	-
	2. securities placements	-	-
	3. third-party products and services	-	-

"Own counters" means Poste Italiane SpA's post office network.

2.3 Fee and commission expense: breakdown

Services/Amounts €m		FY 2023	FY 2022
a)	**Financial instruments**	**-**	**-**
	of which: financial instrument trading	-	-
	of which: financial instrument placement	-	-
	of which: individual portfolio management	-	-
	- Own	-	-
	- For third parties	-	-
b)	**Clearing and Settlement**	**-**	**-**
c)	**Custody and administration**	**-**	**-**
d)	**Collection and payment services**	**198**	**214**
	of which: credit cards, debit cards and other payment cards	-	-
e)	**Securitisation servicing**	**-**	**-**
f)	**Commitments to receive funds**	**-**	**-**
g)	**Financial guarantees received**	**-**	**-**
	of which: credit derivatives	-	-
h)	**Door-to-door marketing of financial instruments, products and services**	**-**	**-**
i)	**FX trading**	**-**	**-**
j)	**Other fee and commission expense**	**2**	**2**
Total		**200**	**216**

Fee and commission expense for collection and payment services mainly relate for €184 million to costs accrued for services under the contract with PostePay.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

During the year, BancoPosta RFC received dividends of €0.2 million on its shares in Visa Incorporated, accounted for in "Financial assets measured at fair value through profit or loss".

Section 4 – Profits/(losses) on trading – Item 80

4.1 Profits/(losses) on trading: breakdown

Transactions/Profit component €m	Unrealised Gains (A)	Trading profits (B)	Unrealised Losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**2**	**-**	**-**	**-**	**2**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	2	-	-	-	2
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**1**
4. Derivative instruments	**-**	**-**	**(2)**	**(3)**	**(5)**
4.1 Financial derivatives:	-	-	(2)	(3)	(5)
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	-	-	(2)	(3)	(5)
- on foreign exchange and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with the fair value option	x	x	x	x	-
Total	**2**	**-**	**(2)**	**(3)**	**(2)**

Section 5 – Profits/(losses) on hedging – Item 90

5.1 Profits/(losses) on hedging: breakdown

Profit components/Amounts €m	FY 2023	FY 2022
A. Income on:		
A.1 Fair value hedge derivatives	273	11,137
A.2 Hedged financial assets (fair value)	894	1
A.3 Hedged financial liabilities (fair value)	-	141
A.4 Cash flow hedge derivatives	-	1
A.5 Foreign currency assets and liabilities	-	-
Gross hedging income (A)	**1,167**	**11,280**
B. Cost of:		
B.1 Fair value hedge derivatives	(894)	(141)
B.2 Hedged financial assets (fair value)	(171)	(11,121)
B.3 Hedged financial liabilities (fair value)	(103)	-
B.4 Cash flow hedge derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Gross hedging cost (B)	**(1,168)**	**(11,262)**
C. Profits/(Losses) on hedging (A – B)	**(1)**	**18**
of which: result of hedges of net positions	-	-

Section 6 – Profits/(losses) on disposal or repurchase – Item 100

6.1 Profits/(Losses) on disposal or repurchase: breakdown

Items/Profit components €m	FY 2023			FY 2022		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	48	-	48	130	(53)	77
1.3 Due from banks	-	-	-	-	-	-
1.2 Due from customers	48	-	48	130	(53)	77
2. Financial assets measured at fair value through other comprehensive income	164	(54)	110	262	(4)	258
2.1 Debt securities	164	(54)	110	262	(4)	258
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**212**	**(54)**	**158**	**392**	**(57)**	**335**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Profits/(losses) on other 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 mandatorily measured at fair value

Transactions/Profit component €m	Unrealised Gains (A)	Realised gains (B)	Unrealised Losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**8**	**1**	**-**	**-**	**9**
1.1 Debt securities	8	1	-	-	9
1.2 Equity instruments	-	-	-	-	-
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange differences	**x**	**x**	**x**	**x**	**(1)**
Total	**8**	**1**	**-**	**-**	**8**

Section 8 – Net losses/recoveries due to credit risk – Item 130

8.1 Net losses/recoveries due to credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Profit component €m	Impairment losses (1)						Recoveries (2)				FY 2023	FY 2022
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
			Write-off	Other	Write-off	Other						
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-		-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Due from customers	**(4)**	**(12)**	**-**	**-**	**-**	**-**	**-**	**7**	**-**	**-**	**(9)**	**3**
- Loans	-	(12)	-	-	-	-	-	7	-	-	(5)	5
- Debt securities	(4)	-	-	-	-	-	-	-	-	-	(4)	(2)
Total	**(4)**	**(12)**	**-**	**-**	**-**	**-**	**-**	**7**	**-**	**-**	**(9)**	**3**

8.2 Net losses/recoveries due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Profit component €m	Impairment losses (1)						Recoveries (2)				FY 2023	FY 2022
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
			Write-off	Other	Write-off	Other						
A. Debt securities	**(5)**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**(3)**	**(4)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(5)**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**(3)**	**(4)**

Total net value adjustments were negative by €12 million and mainly related to the deterioration of the creditworthiness of debt securities. The negative change of €11 million compared to the previous year is mainly due to higher recoveries recognised during the year.

Section 9 – Profits/(losses) from contract amendments without termination – Item 140

Not applicable

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

Type of expenses/Amounts €m	FY 2023	FY 2022
1) Employees	(35)	(32)
a) wages and salaries	(25)	(23)
b) social security	(6)	(5)
c) employee termination benefits	(1)	(1)
d) social security costs	-	-
e) provision for employee termination benefits	-	-
f) provisions for post-employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	(1)	(1)
- defined contribution plans	(1)	(1)
- defined benefit plans	-	-
h) cost of share-based payments	(1)	(1)
g) other employee benefits	(1)	(1)
2) Other active personnel	-	-
3) Directors and Statutory Auditors	-	-
4) Retirees	-	-
5) Recovery of employment costs of staff seconded to other companies	-	-
6) Refund of costs of third-party employees seconded to the company	-	-
Total	**(35)**	**(32)**

10.2 Average number of employees by category*

	FY 2023	FY 2022
Employees	**412**	**397**
a) executives	26	28
b) middle managers	313	298
c) other employees	73	71
Other employees	**-**	**-**
Total	**412**	**397**

* Figures expressed in full time equivalent terms.

10.4 Other employee benefits

This primarily relates to redundancy payments.

10.5 Other administrative expenses: breakdown

Type of expenses/Amounts €m	FY 2023	FY 2022
1) Cost of services provided by Poste Italiane SpA	(4,887)	(4,551)
2) Advisory and other professional services	(13)	(14)
3) Taxes, penalties and duties	(38)	(30)
4) Other expenses	-	-
Total	**(4,938)**	**(4,595)**

The cost of services provided by Poste Italiane functions outside the ring-fence relates to those services described in Part A - *Accounting policies*, A.1, Section 4 - *Other information*.

Section 11 – Net provisions for risks and charges – Item 170

11.3 Net provisions for other risks and charges: breakdown

Items/Profit components €m	Provisions	Reversals	Net profit/(loss) for 2023	Net profit/(loss) for 2022
Provisions for litigation	(2)	8	6	10
Provisions for other risks and charges	(5)	7	2	11
Total	**(7)**	**15**	**8**	**21**

The main provisions and releases are discussed in Part B – Section 10 of Liabilities.

The decrease from the previous year of €13 million is due to the higher absorption in the statement of profit or loss recognised in the previous year mainly due to the prescription of certain stocks related to the funds transfer business.

Section 12 – Net losses/recoveries on property, plant and equipment – Item 180

Nothing to report.

Section 13 – Net losses/recoveries on intangible assets – Item 190

Nothing to report.

Section 14 – Other operating income/(expense) – Item 200

14.1 Other operating expense: breakdown

Profit components/Amounts €m	FY 2023	FY 2022
1. Burglaries and theft	(4)	(2)
2. Other expenses	(24)	(25)
Total	**(28)**	**(27)**

14.2 Other operating income: breakdown

Profit components/Amounts €m	FY 2023	FY 2022
1. Other revenue from contracts with customers	3	5
2. Other operating income	13	16
Total	**16**	**21**

The sub-item “Other revenue from contracts with customers” includes income recognised at a point in time for copying documents and prescription of certified cheques and income recognised over time for postal cheque protests.

Section 15 – Profits/(losses) on investments – Item 220

Nothing to report.

Section 16 – Profits/(losses) on fair value measurement of property, plant and equipment and intangible assets – Item 230

Nothing to report.

Section 17 – Impairment of goodwill – Item 240

Nothing to report.

Section 18 – Profits/(losses) on disposal of investments – Item 250

Nothing to report.

Section 19 – Income tax expense on continuing operations - Item 270

19.1 - Income tax expense on continuing operations: breakdown

Profit components/Amounts €m		FY 2023	FY 2022
1.	Current taxes (-)	(226)	(219)
2.	Increase/(decrease) in current taxes of prior period taxation (+/-)	-	1
3.	Reduction in current taxes (+)	-	-
3. *bis*	Reduction in current taxes due to tax credit pursuant to Law 214/2011 (+)	-	-
4.	Increase/(decrease) in deferred tax assets (+/-)	(8)	(13)
5.	Increase/(decrease) in deferred tax liabilities (+/-)	1	-
6.	**Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)**	**(233)**	**(231)**

19.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description €m	FY 2023		FY 2022	
	IRES	Tax Rate	IRES	Tax Rate
Profit before tax	*834*		*834*	
Theoretical tax charge	200	24.0%	200	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Net provisions for risks and charges and impairments of receivables	1	0.1%	(1)	-0.1%
Taxation for previous years	-	0.0%	(1)	-0.1%
Other	(5)	-0.6%	(4)	-0.5%
Effective tax charge	**196**	**23.5%**	**194**	**23.3%**

Description €m	FY 2023		FY 2022	
	IRAP	Tax Rate	IRAP	Tax Rate
Profit before tax	*834*		*834*	
Theoretical tax charge	38	4.5%	37	4.5%
Effect of increases/(decreases) on theoretical tax charge				
Provisions for risks and charges	-	0.0%	(1)	-0.1%
Other	(1)	-0.1%	1	0.1%
Effective tax charge	**37**	**4.4%**	**37**	**4.5%**

Section 20 – Profit/(loss) after tax from discontinued operations – Item 290

Nothing to report.

Section 21 – Other information

All information has been presented above.

Section 22 – Earnings per share

Nothing to report.

Part D – Comprehensive income

ANALYSIS OF COMPREHENSIVE INCOME

Items €m		FY 2023	FY 2022
10.	**Profit/(Loss) for the year**	**600**	**602**
	Other components of comprehensive income not reclassified to profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income:	-	-
	a) changes in fair value	-	-
	b) transfers to other equity	-	-
30.	Financial liabilities measured at fair value through profit or loss (changes in own credit rating):	-	-
	a) changes in fair value	-	-
	b) transfers to other equity	-	-
40.	Hedges of equity instruments measured at fair value through other comprehensive income:	-	-
	a) changes in fair value (hedged instrument)	-	-
	b) changes in fair value (hedging instrument)	-	-
50.	Property, plant and equipment		-
60.	Intangible assets		-
70.	Defined benefit plans		1
80.	Non-current assets and disposal groups held for sale		-
90.	Share of valuation reserve attributable to equity-accounted investments		-
100.	Tax expense on other comprehensive income not reclassified to profit or loss		-
	Other components of comprehensive income reclassified to profit or loss		
110.	Hedges of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) changes in value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(232)	(130)
	a) changes in fair value	80	280
	b) reclassified to profit or loss	(312)	(410)
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedges (elements not designated):	-	-
	a) changes in value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	2,164	(4,544)
	a) changes in fair value	1,938	(4,527)
	b) reclassified to profit or loss	226	(147)
	- impairment losses due to credit risk	3	4
	- realised gains/(losses)	223	(151)
	c) other changes	-	130
160.	Non-current assets and disposal groups held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves attributable to equity-accounted investments:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	- impairment losses	-	-
	- realised gains/(losses)	-	-
	other changes	-	-
180.	Tax expense on other comprehensive income reclassified to profit or loss	(549)	1,332
190.	**Total other comprehensive income**	**1,383**	**(3,341)**
200.	**Comprehensive income (Items 10+190)**	**1,983**	**(2,739)**

Part E – Information on risks and related hedging policies

Introduction

BancoPosta RFC's operations, conducted in accordance with Presidential Decree 144/2001, consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The funds deposited by private account holders in postal current accounts are invested in euro zone government securities[346], whilst deposits by Public Administration entities are deposited with the MEF.

In 2023, BancoPosta RFC's operations focused on investment of the significantly increased volume of current account deposits, the reinvestment of funds deriving from maturing government securities and in the active management of financial instruments.

The financial year 2023 was characterised by a reduction in yields on Italian government bonds (the 10-year BTP fell from 4.72% to 3.7%), which brought the BTP-Bund spread to 168 basis points compared to 214 last year. These movements led to an increase in the price of securities.

BancoPosta's capital structure, which is subject to the prudential provisions introduced with the third update of Bank of Italy Circular 285/2013, is particularly solid due to its CET1 ratio, which stood at 18.9% at 31 December 2023, and its Total Capital Ratio, which stood at 22.1% at 31 December 2023. The Leverage Ratio stood at 3.2%[347] at the end of 2023, an increase compared to 31 December 2022, also as a result of the contraction in the assets of the Statement of financial position linked, mainly, to the decrease in investments.

The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of postal current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned system is thus the general reference for the investments (the limits of which are determined by specific guidelines approved by the Board of Directors) in order to limit exposure to interest rate and liquidity risks.

Financial risk management

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures, both within and without the BancoPosta ring-fence, that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including through the progressive implementation of adequate IT tools. In this regard, on 16 February 2021, the Board of Directors adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains inte-

346. The funds raised by private customers on postal current accounts must be used in euro area government securities and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee (as provided by Law no. 296 of 27 December 2006, and subsequent amendments provided by the 2015 Stability Law, no. 190 of 23 December 2014). With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits pursuant to Law Decree no. 34/2020 (the so-called "Decreto Rilancio") and subsequent amendments and additions, i.e. other transferable tax credits pursuant to current legislation (Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021).
347. The CET1 ratio and the Total Capital ratio already take into account the proposed capital strengthening of €60 million by means of a profit provision for the financial year 2023, in application of the provisions of Article 26 of Regulation (EU) no. 575/2013. In addition, the Total Capital ratio was affected by the capital increase of €100 million through Additional Tier 1 on 30 June 2023.

grated guidelines for BancoPosta RFC's Internal Control and Risk Management System. From an organisational viewpoint, the model consists of:

- the **Control and Risk Committee,** established in 2015 within the Board, has the task of supporting, through an appropriate investigative, proposal-making and advisory activity, the evaluations and decisions of the Board of Directors on the internal control and risk management system and on the approval of the relative periodic financial and non-financial reports;
- the **Financial and Insurance Services Committee**, established on 19 March 2018 has the objective of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested;
- the **BancoPosta's Risk Management and Governance Outsourcing function**, responsible for measuring and controlling risk and duly observing the independence of control functions from management.

The management of investments and risk hedging related to BancoPosta RFC have been assigned by means of a specific mandate to the specialist functions of BancoPosta Fondi SpA SGR, a Poste Italiane Group company.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

The above prudential standards have imposed the same obligations on BancoPosta as those applicable to banks in terms of corporate governance, internal controls and risk management, requiring, among other things, achievement of the following objectives:

- definition of a Risk Appetite Framework (RAF);
- oversight of implementation of the Company's strategies and policies;
- the containment of risks within the limits set by the RAF;
- protection of the value of assets and against losses;
- identification of material transactions to be subject to prior examination by the risk control function;
- application of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them.

Section 1 – Credit risk

Credit risk regards the types of risk described below.

Credit risk is defined as the possibility that a change in the creditworthiness of a counterparty, to which the entity is exposed, could result in a matching change in the value of the amount due. It thus represents the risk that the debtor is partially or entirely unable to repay the principal and interest due.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be derivatives and repurchase agreements.

Concentration risk is related to the overexposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographic region.

Qualitative information

1. Generalities

Presidential Decree 144/2001 prohibits BancoPosta RFC from making loans to members of the public. As a result, there are no credit policies.

The nature of BancoPosta RFC's operations, however, results in a considerable concentration of exposure to Republic of Italy risk, as a result of its investments in Government securities and its deposits at the MEF. Credit risk models, explained below, show, however, that for capital requirements this type of investment does not determine capital absorption.

2. Credit risk management policies

2.1 Organisational aspects

The role of BancoPosta RFC's Risk Management function is the management and control of credit, counterparty and concentration risks.

Monitoring credit risk is particularly focused on the following exposures:
- euro area government securities or other securities backed by the Italian State for the use of liquidity collected through current accounts from private customers;
- deposits at the MEF in which Public Administration and private account deposits are invested;
- any eventual amounts due from the Treasury as a result of depositing funds gathered less payables for advances disbursed;
- items in progress: cheque clearing, use of electronic cards, collections;
- temporarily overdrawn postal current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2024;
- cash collateral for outstanding transactions with banks and customers, in accordance with agreements intended to mitigate counterparty risk (CSA - Credit Support Annexes and GMRA – Global Master Repurchase Agreements);
- cash collateral provided to the guarantee fund of the Central Counterparty "Cassa di Compensazione e Garanzia" for repurchase agreement transactions;
- cash deposits from collateralisation for centrally margined derivatives transactions through clearing brokers;
- trade receivables payable by partners in relation to financial/insurance product placement.

Monitoring counterparty risk particularly regards hedging derivatives and repurchase agreements.

BancoPosta RFC's concentration risk is monitored to limit the instability that could be caused by the default of one customer or a group of related customers to which BancoPosta has a significant credit and counterparty risk exposure.

2.2 Management, measurement and control systems

Credit risk is controlled through the following:
- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

The limits for BancoPosta RFC's financial transactions contain rating limits that only permit dealings with investment grade counterparties. The limits referred to above have been established by the "Guidelines on Poste Italiane SpA's financial management" for BancoPosta RFC. Specifically, as regards rating limits, transactions are allowed solely with investment grade counterparties and euro area government issuers with a rating at least equal to that of the Italian Republic.

With reference to the monitoring thresholds of concentration risk, the limits set by prudential regulations are applied[348].

348. According to prudential regulations, with reference to the rules on Large Exposures, risk-weighted assets must remain below 25% of own funds. As a rule, exposures are recognised at nominal value, taking into consideration any credit risk mitigation techniques. To take into account the lower risk related to the nature of the borrower, more favourable weighting factors are applied.

The standardised approach[349] as defined by EU Regulation 575/2013, is used by BancoPosta to measure credit and counterparty risks. Application of this method entails the use of Standard & Poor's, Moody's, Fitch and DBRS for the computation of counterparty credit rating classes.

In terms of prudential oversight, the following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:
- the "standardised" approach[350], is used for interest rate swaps and forward purchases of government securities;
- Credit Risk Mitigation (CRM) techniques, the Full Method[351], are used for repurchase transactions.

Concentration risk is measured using the method described in EU Regulation 575/2013 with regard to large exposures.

2.3 Measurement of expected credit losses

The Expected Credit Loss (ECL) method introduced by IFRS 9 applies to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income.

For financial assets other than trade receivables, BancoPosta RFC applies the General deterioration approach, with models to estimate risk parameters depending on the type of counterparty:
- Internal risk parameter estimation models for debt securities and deposits with Sovereign, Banking and Corporate counterparties;
- risk parameters deriving from agency ratings or average default rates for the sector for Public Administration and Central Counterparties.

Expected credit losses are determined either over a 12-month horizon or a lifetime horizon, depending on the stage of the exposure, on the basis of the following metrics:
- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

Below, the main assumptions adopted in determining the single factors are illustrated:
- PD: as indicated from the start, a Point in Time (PIT) and forward-looking evaluation has been adopted;
- LGD: values have been used consistent with the Internal Ratings-Based (IRB) Base Approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed-rate securities, variable-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

The collective impairment of a homogeneous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

349. The standardised approach entails risk weightings in accordance with the nature of the exposure and the identity of the counterparty and the counterparty's external credit rating.
350. According to this methodology, the risk exposure of derivatives is calculated through the sum, increased by 40%, of the following two components: the replacement cost, represented by the fair value of derivatives considering the effect of collateral provided and received, and the add-on, calculated on the basis of the contractual characteristics of the derivatives, including the notional amount, maturity and reference risk driver.
351. The full CRM method entails reducing risk exposure by the value of the guarantee. Specific rules are applied to take into account market price volatility of the guaranteed asset as well as the collateral received.

BancoPosta RFC elected not to adopt the low risk credit exemption and to proceed instead with the staging of the financial instruments concerned.

Based on the impairment models described above, to allocate properly performing exposures in stage 1 or stage 2, the significant increase in exposures other than trade receivables is determined on the basis of the change in notches between the rating at the time of investment and the rating at the reporting date.

This change in notches is compared with a threshold that takes into account the following factors:
- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the portfolio (vintage factor);
- an additive factor to mitigate the non-linearity of the PD vis-à-vis the rating classes[352];
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating[353].

Based on the above information, BancoPosta RFC does not apply the presumption that an exposure past due for over 30 days indicates automatically significant increases in credit risk after initial recognition.

BancoPosta RFC defines a default on the basis of ad hoc assessments that take into consideration:
- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

With reference to late payments, a default definition based on a payment delay of 90 days is used.

In keeping with the accounting standard, in determining ECL consideration was given also to forward looking elements based on broad-consensus scenarios.

The approach followed involves inclusion of forward-looking information in the estimation of the PD. In particular, prospective estimates made available by the International Monetary Fund, the UN and the World Bank are used to calculate the PD of sovereign counterparties; with regard to other counterparties, on the other hand, the internal model adopted allows the input dataset needed to calculate PD to be completed from scenario values referring to some of the model variables. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information[354].

Variables reflecting social and governance factors were introduced into the PD Sovereign estimation model using indicators provided by authoritative sources such as the UN and the World Bank. The Environmental factor is negligible for these purposes in view of the 1-year time horizon of the PD itself. This factor is monitored, as part of BancoPosta RFC, through scenario analyses and verification of ratings provided by external agencies.

As to the estimation techniques used, it is noted that since the approaches to calculate the PD for Sovereign, Banking and Corporate counterparties cannot use default events, as they are not frequent, a shadow rating approach was adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies; the target is identified as the default rate linked to the rating level. A key rating agency was selected to construct the target, taking into account both the large number of rated counterparties and the availability of historical data over what was deemed to be an adequate period of time.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:
- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

352. The additive factor is built in view of the rating level at the reporting date, where the better the rating the higher the threshold for the transition to Stage 2.
353. The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:
- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.

354. In particular, the use of such approach is limited to situations where, actually, the final data are deemed to be no longer representative of the counterparty's risk.

For trade receivables BancoPosta applies the *Simplified Approach,* where no significant increase in credit risk is expected. However, the loss provisions are calculated for an amount equal to lifetime expected credit loss.

Such approach is implemented through the following process:
- based on total revenue or the historical credit exposure, a credit threshold is identified beyond which the single receivables or the single exposure is evaluated. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages estimated on the basis of historical losses, where they exist, or alternatively on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

2.4 Credit risk mitigation techniques

BancoPosta RFC adopts credit and counterparty risk mitigation techniques. Specifically:
- Fixed income instruments

Debt instruments secured by guarantees or other credit risk mitigation instruments are securities issued by Cassa Depositi e Prestiti SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,000 million at 31 December 2023. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic.

- Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, BancoPosta RFC has concluded standard ISDA master agreements (with attached CSA) and GMRAs which govern the collateralisation, in cash or government securities, of derivative transactions and repurchase agreements, respectively. As of 2021, certain derivatives entered into by Bancoposta RFC through bilateral contracts will be routed to a Qualified Central Counterparty for centralised clearing through the services provided by a clearing broker. With reference to repo transactions, in order to mitigate counterparty risk and gain readier access to the market, from December 2017, BancoPosta RFC has begun to enter into repurchase agreements with the Central Counterparty, the "Cassa di Compensazione e Garanzia".

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in Part B – Other Information, tables 5 and 6, to which reference is made.

- Trade receivables

To mitigate the risks arising from the extension of credit terms to its customers, BancoPosta RFC has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

BancoPosta RFC accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions, security deposits or the opening of postal escrow account.

Considering the limited risk of insolvency of government customers, BancoPosta RFC as a rule exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

Accordingly, the guarantees held are related mainly to private customers.

For all the exposures evaluated individually, to calculate the provisions for doubtful debts, guarantees reduce the amount of the exposure at risk.

At 31 December 2023, unsecured trade receivables minus the relevant loss provisions amount to €995 million.

At 31 December 2023, BancoPosta RFC does not hold financial assets secured by guarantees or other credit risk mitigation instruments for which no loss provisions have been made (except for the temporary use of liquidity in reverse repurchase agreements).

3. Credit-impaired financial assets

At 31 December 2023, BancoPosta RFC held no impaired financial assets.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: balance, impairment, trends and business distribution

A.1.1 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNTS))

Portfolios/quality €m	Bad loans	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	-	-	-	13	44,549	44,562
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	33,069	33,069
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total at 31.12.2023	**-**	**-**	**-**	**13**	**77,618**	**77,631**
Total at 31.12.2022	**-**	**-**	**-**	**25**	**79,712**	**79,737**

A.1.2 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET AMOUNTS)

Portfolios/quality €m	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure	*Total partial write-offs**	Gross exposure	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	-	-	-	-	44,643	81	44,562	44,562
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	33,088	19	33,069	33,069
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total at 31.12.2023	**-**	**-**	**-**	**-**	**77,731**	**100**	**77,631**	**77,631**
Total at 31.12.2022	**-**	**-**	**-**	**-**	**79,828**	**91**	**79,737**	**79,737**

* amount reported for disclosure purposes.

Portfolios/quality €m	Assets of evidently low credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	4,257
Total at 31.12.2023	**-**	**-**	**4,257**
Total at 31.12.2022	**-**	**-**	**6,109**

A.1.3 DISTRIBUTION OF FINANCIAL ASSETS BY PAST DUE CATEGORIES (CARRYING AMOUNTS)

Portfolios/stages of risk €m	Stage 1			Stage 2			Stage 3			Acquired or originated impaired financial assets		
	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days
1. Financial assets measured at amortised cost	-	-	-	6	-	7	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2023	**-**	**-**	**-**	**6**	**-**	**7**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2022	**-**	**-**	**12**	**5**	**2**	**6**	**-**	**-**	**-**	**-**	**-**	**-**

A.1.4 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: OVERALL IMPAIRMENT LOSSES AND OVERALL PROVISIONS

Causes/stages of risk €m	Total impairment losses																	
	Assets in stage 1						Assets in stage 2						Assets in stage 3					
	Due from banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Due from banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Due from banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment
Total opening impairment losses	**-**	**18**	**16**	**-**	**-**	**34**	**-**	**57**	**-**	**-**	**34**	**23**	**-**	**-**	**-**	**-**	**-**	**-**
Increases in acquired or originated financial assets	-	1	3	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	(2)	-	-	(2)	-	(3)	-	-	-	(3)	-	-	-	-	-	-
Net impairment losses/ reversals of impairment losses due to credit risk (+/-)	-	3	2	-	-	5	-	8	-	-	10	(2)	-	-	-	-	-	-
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	(3)	-	-	(3)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing impairment losses	**-**	**22**	**19**	**-**	**-**	**41**	**-**	**59**	**-**	**-**	**41**	**18**	**-**	**-**	**-**	**-**	**-**	**-**
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Causes/stages of risk €m	Total impairment losses					Total provisions for commitments to disburse funds and financial guarantees given				Total
	Acquired or originated impaired financial assets									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees issued - impaired acquired or originated	
Total opening impairment losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91**
Increases in acquired or originated financial assets	X	X	X	X	X	-	-	-	-	4
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	(5)
Net impairment losses/ reversals of impairment losses due to credit risk (+/-)	-	-	-	-	-	-	-	-	-	13
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	(3)
Other changes	-	-	-	-	-	-	-	-	-	-
Total closing impairment losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-

The increase in the provision to cover expected losses is mainly due to the adjustment of the creditworthiness on the securities portfolio and deposits with the MEF. The assumptions adopted in the valuations at 31 December 2023, in fact, led to an increase in the PD of Italy and other *Sovereign* counterparties in general compared to what was used in the valuations in the Separate Report at 31 December 2022.

A.1.5 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: TRANSFERS BETWEEN THE DIFFERENT CREDIT RISK STAGES (GROSS AND NOMINAL AMOUNTS)

	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
Portfolios/stages of risk €m	**from stage 1 to stage 2**	**from stage 2 to stage 1**	**from stage 2 to stage 3**	**from stage 3 to stage 2**	**from stage 1 to stage 3**	**from stage 3 to stage 1**
1. Financial assets measured at amortised cost	-	-	-	-	-	-
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	-	-	-	-	-	-
Total at 31.12.2023	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2022	**-**	**-**	**-**	**-**	**-**	**12**

A.1.6 ON- AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS

		Gross exposure					total impairments and total provisions					Net exposure	Total partial write-offs*
Types of exposures/Amounts €m			**Stage 1**	**Stage 2**	**Stage 3**	**Acquired or originated impaired financial assets**		**Stage 1**	**Stage 2**	**Stage 3**	**Acquired or originated impaired financial assets**		
A.	**On-balance sheet credit exposures**												
A.1	**Demand**												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	763	763	-	X	-	-	-	-	X	-	763	-
A.2	**Other**												
a)	Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b)	Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c)	Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d)	Performing past-due exposures	-	-	-	X	-	-	-	-	X	-	-	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e)	Other performing exposures	976	946	30	X	-	-	-	-	X	-	976	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total A		**1,739**	**1,709**	**30**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,739**	**-**
B.	**Off-balance sheet credit exposures**												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	3,362	-	-	X	-	-	-	-	X	-	3,362	-
Total B		**3,362**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,362**	**-**
Total A+B		**5,101**	**1,709**	**30**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,101**	**-**

* Amount reported for disclosure purposes.

"Off-balance sheet exposures, Performing" relates to the counterparty risk associated with derivatives registering fair value gains, gross of any netting agreements[355], and Repo financing with Securities Financing Transactions (SFT)[356] margins.

A.1.7 ON- AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS

	Types of exposures/Amounts €m	Gross exposure					total impairments and total provisions					Net exposure	Total partial write-offs*
			Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
A.	**On-balance sheet credit exposures**												
a)	Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b)	Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c)	Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d)	Performing past-due exposures	70	-	70	X	-	57	-	57	X	-	13	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e)	Other performing exposures	76,685	75,731	954	X	-	43	41	2	X	-	76,642	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total A		**76,755**	**75,731**	**1,024**	**-**	**-**	**100**	**41**	**59**	**-**	**-**	**76,655**	**-**
B.	**Off-balance sheet credit exposures**												
a)	Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	1,088	-	-	X	-	-	-	-	X	-	1,088	-
Total B		**1,088**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,088**	**-**
Total A+B		**77,843**	**75,731**	**1,024**	**-**	**-**	**100**	**41**	**59**	**-**	**-**	**77,743**	**-**

* Amount reported for disclosure purposes.

"Off-balance sheet exposures, Performing" relates to the counterparty risk associated with derivatives registering positive fair value gross of any existing netting agreements.

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on external and internal ratings

BancoPosta RFC has no lending policies as it does not grant loans to the public. It also uses internal models only for the measurement of expected losses as required by IFRS 9, but not for the quantification of capital requirements for credit risk.

355. BancoPosta RFC is not a party to enforceable master netting agreements or similar arrangements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements but used standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions in relation to derivative financial instruments.
356. As defined in the prudential requirements.

A.2.1 DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BY EXTERNAL RATING CLASSES (GROSS AMOUNTS)

Esposizioni €m	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**287**	**602**	**43,154**	**56**	**-**	**-**	**544**	**44,643**
- Stage 1	287	592	42,655	56	-	-	-	43,590
- Stage 2	-	10	499	-	-	-	544	1,053
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**33,088**	**-**	**-**	**-**	**-**	**33,088**
- Stage 1	-	-	33,088	-	-	-	-	33,088
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
Total (A + B + C)	**287**	**602**	**76,242**	**56**	**-**	**-**	**544**	**77,731**
D. Commitments to disburse funds and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B + C + D)	**287**	**602**	**76,242**	**56**	**-**	**-**	**544**	**77,731**

Stage 2 reflects mainly financial assets represented by trade receivables for which loss provisions are measured with the simplified approach.

The rating agency equivalents of credit rating classes are shown below:

Credit rating class	Fitch	Moody's	S&P	DBRS
1	from AAA to AA-	from Aaa to Aa3	from AAA to AA-	from AAA to AAL
2	from A+ to A-	from A1 to A3	from A+ to A-	from AH to AL
3	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-	from BBBH to BBBL
4	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-	from BBH to BBL
5	from B+ to B-	from B1 to B3	from B+ to B-	from BH to BL
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC

The nature of BancoPosta's operations exposes it to a substantial degree of concentration in respect of the Italian state. The concentration can be seen in Table A.2.1 under External Rating Class 3, which includes the Italian state.

A.3 Distribution of guaranteed credit exposures by type of guarantee

A.3.1 GUARANTEED ON- AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
			Mortgages	Real estate - leasing finance	Securities	Other collateral	CLNs	Other derivaties				Public Administration entities	Banks	Other financial companies	Other entities	
€m								Central counterparties	Banks	Other financial companies	Other entities					
1. Guaranteed on-balance sheet credit exposures:																
1.1 guaranteed in full	150	150	-	-	150	-	-	-	-	-	-	-	-	-	-	**150**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed off-balance sheet credit exposures:																
2.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	2,406	2,406	-	-	15	2,082	-	-	-	-	-	-	-		-	**2,097**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

Guaranteed credit exposures to banks at 31 December 2023 relate to reversal repo transactions and derivative transactions with a positive net fair value.

A.3.2 GUARANTEED ON- AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
			Mortgages	Real estate - leasing finance	Securities	Other collateral	CLNs	Other derivaties				Public Administration entities	Banks	Other financial companies	Other entities	
€m								Central counterparties	Banks	Other financial companies	Other entities					
1. Guaranteed on-balance sheet credit exposures:																
1.1 guaranteed in full	5,342	5,341	-	-	3,956	-	-	-	-	-	-	1,385	-	-	-	**5,341**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	1,505	1,505	-	-	-	-	-	-	-	-	-	1,500	-	-	-	**1,500**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed off-balance sheet credit exposures:																
2.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	798	798	-	-	-	729	-	-	-	-	-	-	-	-	-	**729**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

Cash credit exposures refer to:
- fixed-rate securities with a nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State;
- reversal repo transactions managed through the Central Counterparty (CC&G) that meet the requirements of IAS 32 and are therefore offset in the financial statements in the amount of €2,337 million.

Off-balance sheet credit exposures refer to derivative transactions with a positive net fair value.

At 31 December 2023, reverse repurchase agreements for €361 million were entered into, but still not settled, with Central Counterparty, secured by securities with a nominal amount of €339 million.

B. Distribution and concentration of credit exposures

B.1 Distribution of on and off-balance sheet credit exposures to customers by economic sector

		Public Administration entities		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
Exposures/Counterparties €m		**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**
A.	**On-balance sheet credit exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4	Performing exposures	70,647	44	5,618	3	332	-	384	26	6	27
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
Total A		**70,647**	**44**	**5,618**	**3**	**332**	**-**	**384**	**26**	**6**	**27**
B.	**Off-balance sheet credit exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	-	-	1,088	-	-	-	-	-	-	-
Total B		**-**	**-**	**1,088**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2023		**70,647**	**44**	**6,706**	**3**	**332**	**-**	**384**	**26**	**6**	**27**
TOTAL (A+B) at 31.12.2022		**75,382**	**37**	**9,459**	**2**	**288**	**-**	**372**	**29**	**6**	**23**

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

Exposures/geographic areas €m	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	76,548	100	107	-	-	-	-	-	-	-
Total A	**76,548**	**100**	**107**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	1,088	-	-	-	-	-	-	-
Total B	**-**	**-**	**1,088**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2023	**76,548**	**100**	**1,195**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2022	**82,603**	**91**	**2,616**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Exposures/geographic areas €m	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	2	8	1	5	76,540	57	5	30
Total A	**2**	**8**	**1**	**5**	**76,540**	**57**	**5**	**30**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2023	**2**	**8**	**1**	**5**	**76,540**	**57**	**5**	**30**
TOTAL (A+B) at 31.12.2022	**3**	**9**	**13**	**4**	**82,582**	**50**	**5**	**28**

The concentration in central Italy is due to the fact that nearly all exposures consist of Italian Government securities and deposits at the MEF.

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

Exposures/geographic areas €m	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	941	-	798	-	-	-	-	-	-	-
Total A	**941**	**-**	**798**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	429	-	2,740	-	-	-	-	-	-	-
Total B	**429**	**-**	**2,740**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2023	**1,370**	**-**	**3,538**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2022	**3,132**	**-**	**4,854**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Exposures/geographic areas €m	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	30	-	-	-	911	-	-	-
Total A	**30**	**-**	**-**	**-**	**911**	**-**	**-**	**-**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	262	-	-	-	167	-	-	-
Total B	**262**	**-**	**-**	**-**	**167**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2023	**292**	**-**	**-**	**-**	**1,078**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2022	**738**	**-**	**-**	**-**	**2,394**	**-**	**-**	**-**

B.4 Large exposures

In compliance with the supervisory standards in force, the table for "Large exposures" shows information on exposures to customers or groups of connected customers that exceed 10% of total own funds. The exposures are determined with reference to total on-balance sheet risk assets and off-balance sheet transactions, without applying any risk weightings. Based on these criteria, the table includes entities that, despite having a risk weighting of 0%, represent an unweighted exposure in excess of 10% of own funds. Exposures to the Italian state shown in the table represent approximately 94% of the total carrying amount. The remaining exposures regard primary counterparties represented by European banks and other central counterparties in Italy. However, in view of the fact that it cannot lend to the public, the Bank of Italy has exempted BancoPosta RFC from application of the requirements regarding limits on large exposures. No further exemptions from the remaining obligations have been granted.

Large exposures	
a) Carrying amount (€m)	81,512
b) Weighted amount (€m)	1,135
c) Number	5

E. Disposal of assets

A. Financial assets sold but not fully derecognised

Qualitative information

In the case of BancoPosta RFC, this category only regards Italian government securities provided as collateral for repurchase agreements. BancoPosta uses these transactions to access the interbank market to raise funds, with the aim of funding the purchase of government securities and the deposits necessary for margin lending.

Quantitative information

E.1 Financial assets sold recognised in full and related financial liabilities: carrying amounts

€m	Financial assets sold recognised in full				Associated financial liabilities		
	Carrying amount	of which: securitised	of which: subject to repurchase agreements	of which non-performing	Carrying amount	of which: securitised	of which: subject to repurchase agreements
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**4,093**	**-**	**4,093**	**-**	**3,986**	**-**	**3,986**
1. Debt securities	4,093	-	4,093	-	3,986	-	3,986
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**6,822**	**-**	**6,822**	**-**	**6,567**	**-**	**6,567**
1. Debt securities	6,822	-	6,822	-	6,567	-	6,567
2. Loans	-	-	-	-	-	-	-
Total at 31.12.2023	**10,915**	**-**	**10,915**	**-**	**10,553**	**-**	**10,553**
Total at 31.12.2022	**13,012**	**-**	**13,012**	**-**	**13,342**	**-**	**13,342**

Section 2 – Market risk

Market risk relates to:
- price risk: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates;
- spread risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers;
- cash flow interest rate risk: the risk that the cash flows will fluctuate because of movements in market interest rates;
- interest rate risk of future cash flows: the risk that the cash flows will fluctuate because of movements in inflation rates in the market.

2.1 Interest rate and price risks - supervisory trading book

At 31 December 2023, there were financial liabilities for trading deriving exclusively from the stipulation of a forward contract for the sale of 95 thousand ordinary shares of *Visa Incorporated* for the purpose of stabilising their yield. This transaction does not meet the "trading intent" requirement, as defined by art. 104 of Regulation (EU) no. 575/2013, for classification in the "Regulatory trading book"; this intent is, however, excluded from the "Guidelines on Poste Italiane SpA's financial management" for BancoPosta RFC.

Information on the market risks associated with this transaction is provided in the "Banking Book" section.

2.2 Interest rate and price risks - banking book

Qualitative information

A. Generalities, management policies and interest rate and price risk measurement methods

- **Interest rate risk**

Interest rate risk is inherent in the operations of a financial institution and can affect income (cash flow interest rate risk) and the value of the firm (fair value interest rate risk). Movements in interest rate can affect the cash flows associated with variable rate assets and liabilities and the fair value of fixed rate instruments.

Cash flow interest rate risk arises from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and an impact on future results. This risk is of particular relevance to variable-rate assets and liabilities or assets and liabilities which have been transformed into variable rate by fair value hedges.

Fair value interest rate risk primarily refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of variable-rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration.[357]

Interest rate risk on the banking book is measured internally using the economic value method. This results in a need to develop an amortisation schedule for the sight deposits consistent with its nature and to select a time horizon and confidence levels for the estimates. A maximum time horizon (cut-off point) of 24 years is used for retail customer deposits, 6 years for business

357. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

customer deposits, 10 years for Postepay cards[358] and 2 years for Public Administration deposits, based on a 99% confidence level. This approach entails the computation of an ALM rate risk through the determination of asset/liability.

The exposure to interest rate risk, as measured internally, is subject to stress tests of the principal risk factors – such as the duration of deposits, the value of assets and liabilities in the statement of financial position – that contribute to determining the measurement of exposure. In particular, the stress tests assumed include a reduction in the maximum maturity horizon (cut-off) for on-demand funding and the revaluation of assets and liabilities under adverse market scenarios.

Interest rate risk management and mitigation is based on the conclusions of the measurement of risk exposure and compliance - in line with the risk appetite and thresholds and limits established in the RAF - with financial operations guidelines as approved from time to time by the Poste Italiane SpA's Board of Directors.

Details on the risk management model are contained in the note on financial risks in Part E.

BancoPosta RFC monitors market risk, including fair value interest rate and spread risks, inherent in financial assets measured at fair value through other comprehensive income and derivative financial instruments through the computation of Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

- **Spread risk**

Spread risk regards commitments in euro area government securities or guaranteed by the Italian government and classified as financial assets measured at fair value through other comprehensive income. The year 2023 witnessed an average reduction in the yields on Italian government bonds compared with the previous year and, at 31 December 2023, the spread between ten-year Italian government bonds and German bunds is approximately 168 bps, down on the figure for the previous year (214 bps at 31 December 2022).

In the reporting period, the above resulted, in the portfolio of financial assets measured at fair value through other comprehensive income (notional of around €35 billion), held by BancoPosta RFC, in an overall net increase in fair value of approximately €2.3 billion: this change was partly recognised in the profit and loss for a positive amount of approximately €0.4 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the positive change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in equity for approximately €1.9 billion.

- **Price risk**

Price risk relates to financial assets measured at fair value through profit or loss.

This sensitivity analysis takes into account the main positions potentially exposed to the greatest risk of price movements.

BancoPosta RFC monitors the price risk to which its shareholdings are exposed by computing Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

358. Since 1 October 2018, prepaid cards are the responsibility of Postepay SpA. The liquidity collected through these cards is transferred to BancoPosta, which invests it in accordance with the investment constraints imposed on other deposits from private customers. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

Quantitative information

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

CURRENCY: EURO

Type/Time-to-maturity €m		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**13,067**	**8,586**	**6,597**	**630**	**10,213**	**9,278**	**32,358**	**-**
1.1	Debt securities	-	4,391	6,597	630	10,213	9,278	32,358	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	4,391	6,597	630	10,213	9,278	32,358	-
1.2	Due from banks	1,587	150	-	-	-	-	-	-
1.3	Due from customers	11,480	4,045	-	-	-	-	-	-
	- current accounts	6	-	-	-	-	-	-	-
	- other loans	11,474	4,045	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	11,474	4,045	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**81,349**	**3,631**	**251**	**210**	**6,472**	**-**	**-**	**-**
2.1	Due to customers	78,940	2,628	-	10	-	-	-	-
	- current accounts	72,803	1	-	10	-	-	-	-
	- other loans	6,137	2,627	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	6,137	2,627	-	-	-	-	-	-
2.2	Due to banks	2,409	1,003	251	200	6,472	-	-	-
	- current accounts	307	-	-	-	-	-	-	-
	- other deposits	2,102	1,003	251	200	6,472	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment 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	-	15,697	-	3,000	10,939	2,123	555	-
	+ Short positions	-	5,346	-	4,332	-	50	22,586	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

CURRENCY: US DOLLAR

Type/Time-to-maturity €m		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment 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	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

CURRENCY: SWISS FRANC

Type/Time-to-maturity €m		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment 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	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

CURRENCY: OTHER CURRENCIES

Type/Time-to-maturity €m		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment 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 portfolio: internal models and other methods of sensitivity analysis

- **Fair value interest rate risk**

The sensitivity of exposures to fair value interest rate risk was tested by assuming a parallel shift of the market yield curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

BancoPosta RFC's financial assets measured at fair value through other comprehensive income at 31 December 2023 had a duration of 5.38 for the portfolio of securities and derivatives (31 December 2022: 5.01). The sensitivity analysis is shown in the table.

FAIR VALUE INTEREST RATE RISK

Description €m	Risk exposure				Equity reserves before taxation	
	31.12.2023		31.12.2022		31.12.2023	
	Notional value*	Fair value	Notional value*	Fair value	+100bps	-100bps
Financial assets measured at fair value through other comprehensive income						
Fixed income instruments	34,859	33,069	37,489	33,161	(1,044)	1,067
Assets - Hedging derivatives	-	-	1,806	350	-	-
Liabilities - Hedging derivatives	-	-	2,793	(96)	-	-
Total	**34,859**	**33,069**	**42,088**	**33,415**	**(1,044)**	**1,067**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

All of BancoPosta RFC's investments are classified as either "Financial assets measured at amortised cost" or "Financial assets measured at fair value through other comprehensive income". The sensitivity analysis shown above is for the last of these categories.

In particular, in relation to financial assets measured at fair value through other comprehensive income, the risk in question concerns fixed income government bonds for €33,069 million, consisting of fixed-rate securities for €16,093 million, variable-rate securities for €652 million, variable-rate securities converted into fixed-rate positions through cash flow hedge interest rate swaps for €3,730 million, inflation-linked securities for €1,116 million and fixed- or variable-rate securities converted into variable-rate positions through fair value hedge derivatives for €11,478 million (of which €4,680 million with forward starts).

- **Spread risk**

Spread risk reflects the impact of the difference between yields on sovereign debt and the fair value of euro area government bonds, where such difference, or spread, reflects the perception of markets regarding issuers' creditworthiness.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable rate components. In this latter case, in fact, fair value hedge derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The sensitivity to the spread[359] has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

The sensitivity analyses are shown below.

359. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 249 bps and the spread of the BTP compared to the 10-year swap rate of 121 bps).

FAIR VALUE SPREAD RISK

Description €m	Risk exposure				Equity reserves before taxation	
	31.12.2023		31.12.2022		31.12.2023	
	Notional value*	Fair value	Notional value*	Fair value	+100bps	-100bps
Financial assets measured at fair value through other comprehensive income						
Fixed income instruments	34,859	33,069	37,489	33,161	(2,993)	3,508
Assets - Hedging derivatives	-	-	1,806	350	-	-
Liabilities - Hedging derivatives	-	-	2,793	(96)	-	-
Total	**34,859**	**33,069**	**42,088**	**33,415**	**(2,993)**	**3,508**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

It is worthy of note that any change in the spread would not entail any accounting effect on financial assets measured at amortised cost but would affect solely unrealised gains/losses. In other words, fixed income instruments measured at amortised cost, which at 31 December 2023 amounted to €30,398 million (nominal value of €30,877 million) and have a fair value of €28,318 million, would be reduced in fair value by approximately €2.72 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

The following is the result of the VaR analysis performed with reference to financial assets measured at fair value through other comprehensive income and the related derivative financial instruments, taking into account the variability of both spread and interest rate risk on fair value:

€m	2023	2022
Average VaR	(415)	(454)
Minimum VaR	(296)	(285)
Maximum VaR	(565)	(641)

Taking into account financial assets measured at fair value through other comprehensive income (including the related hedges outstanding), the combined analysis of spread risk and fair value interest rate risk at 31 December 2023 results in a potential loss of €313 million (VaR at the end of the period). The decrease in VaR at the end of the period, compared with the €513 million at 31 December 2022, reflects the reduction in market volatility during the year and the different portfolio composition.

- **Cash flow interest rate risk**

The sensitivity to cash flow interest rate risk at 31 December 2022 and 31 December 2023 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve.

CASH FLOW INTEREST RATE RISK

Description €m	Risk exposure		Net interest and other banking income	
	31.12.2023	31.12.2022	31.12.2023	
	Notional	Notional	+100bps	-100bps
Cash				
- Deposits with Bank of Italy	756	1,885	8	(8)
- Deposits with banks	7	5	-	-
Financial assets measured at amortised cost				
Due from banks				
- Collateral guarantees	796	1,468	8	(8)
Due from customers				
- Deposits at MEF (PA deposits)	8,936	11,907	89	(89)
- Deposits at MEF (private customer deposits)	873	1,991	9	(9)
- Collateral guarantees	427	989	4	(4)
- Due from Poste Italiane SpA outside the ring-fence	355	349	4	(4)
- Fixed income instruments	6,456	8,115	64	(64)
Financial assets measured at fair value through other comprehensive income				
- Fixed income instruments	8,895	10,540	89	(89)
Financial liabilities measured at amortised cost				
Due to banks				
- Collateral guarantees	(2,102)	(3,636)	(21)	21
- Repurchase agreements	(3,996)	(3,996)	(40)	40
Due to customers				
- Collateral guarantees	(729)	(1,188)	(7)	7
Total variability	**20,674**	**28,429**	**207**	**(207)**

Cash flow interest rate risk at 31 December 2023 was primarily due to:
- the placement of Public Administration and private deposits with the MEF;
- deposits with the Bank of Italy of account temporary excess of liquidity deriving from private customer deposits;
- fixed-rate securities issued by the Italian State converted into variable-rate positions through fair value hedge derivatives for a total nominal amount of €14,701 million, including: (i) €1,964 million with hedging effects in the 12 months following the reporting period; (ii) €2,395 million with inflation-linked return;
- variable-rate securities issued by the Italian State with a total nominal value of €650 million;
- receivables for a total amount of €1,223 million for guarantee deposits provided as collateral for derivative liabilities and repurchase agreements;
- payables for a total amount of €2,831 million for guarantee deposits provided as collateral for derivative liabilities and repurchase agreements;
- repos swapped in variable-rate bonds through fair value hedge derivatives for a total nominal amount of €3,996 million.

- **Cash flow inflation risk**

Cash flow inflation rate risk at 31 December 2023 relates to government inflation-indexed bonds which were not hedged through the arrangement of cash flow hedges or fair value hedges entered into by BancoPosta RFC, having a nominal value of €1,301 million and a carrying amount of €1,445 million. The effects of sensitivity analysis are immaterial.

- **Price risk**

The sensitivity of financial instruments to price risk is analysed using a variability stress calculated with reference to one-year historical volatility, considered to be representative of potential market movements.

PRICE RISK

Description €m	Risk exposure 31.12.2023	Risk exposure 31.12.2022	Net interest and other banking income 31.12.2023 +Vol	Net interest and other banking income 31.12.2023 -Vol
Financial assets measured at fair value through profit or loss				
Equity instruments	26	40	4	(4)
Financial liabilities held for trading	(3)	(4)	(3)	3
Total	**23**	**36**	**1**	**(1)**

Notes on the related equity instruments (shares) are contained in Part B, Assets, Table 2.5.

The preference Visa Incorporated shares (Series C Convertible Participating Preferred Stock) held in portfolio were sensitivity tested using similar Class A shares, after adjusting for the volatility of the shares traded on the NYSE. This volatility was mitigated by the partial forward sale of Visa Incorporated Series C ordinary shares in 2021 and 2023. The shares' price risk is also monitored through the computation of VaR.

€m	2023	2022
Closing VaR	(0.2)	(0.2)
Average VaR	(0.2)	(0.2)
Minimum VaR	(0.1)	(0.2)
Maximum VaR	(0.2)	(0.2)

2.3 Foreign exchange risk

Qualitative information

A. Generalities, management policies and foreign exchange risk measurement methods

Foreign exchange risk relates to losses that could be incurred on foreign currency positions, regardless of portfolio, through fluctuations in foreign exchange rates. In BancoPosta RFC's case, this risk primarily derives from foreign currency bank accounts, foreign currency cash and VISA shares[360].

Foreign exchange risk is controlled by the Risk Management unit using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (see EU Regulation 575/2013). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate volatility for each currency position. Movements in exchange rates equal to the historical volatility are assumed to emulate market fluctuations.

360. The exchange rate risk relating to VISA shares was mitigated through forward sale transactions carried out during 2021 and 2023.

B. Foreign exchange hedges

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items €m		Currency					
		US Dollar	Swiss Franc	GB Sterling	Japanese Yen	Tunisian Dinar	Other currencies
A.	**Financial assets**	**27**	**1**	**-**	**-**	**-**	**1**
	A.1 Debt securities	-	-	-	-	-	-
	A.2 Equity instruments	26	-	-	-	-	-
	A.3 Due from banks	1	1	-	-	-	1
	A.4 Due from customers	-	-	-	-	-	-
	A.5 Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**48**	**8**	**3**	**-**	**-**	**-**
C.	**Financial liabilities**	**-**	**-**	**-**	**-**	**-**	**-**
	C.1 Due to banks	-	-	-	-	-	-
	C.2 Due to customers	-	-	-	-	-	-
	C.3 Debt securities	-	-	-	-	-	-
	C.4 Other financial liabilities	-	-	-	-	-	-
E.	**Financial derivatives**	**-**	**-**	**-**	**-**	**-**	**-**
	- Options						
	- Options						
	+ Long positions	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-
	- Other derivatives						
	+ Long positions	21	-	-	-	-	-
	+ Short positions	23	-	-	-	-	-
Total assets		**96**	**9**	**3**	**-**	**-**	**1**
Total liabilities		**23**	**-**	**-**	**-**	**-**	**-**
Net position (+/-)		**73**	**9**	**3**	**-**	**-**	**1**

"Other assets" relate to foreign currencies held in post offices for the foreign exchange service.

2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatility during the period to the most important equity instruments held by BancoPosta are shown in the following table.

FOREIGN EXCHANGE RISK - US DOLLAR

Description €m	Risk exposure				Net interest and other banking income	
	31.12.2023		31.12.2022		31.12.2023	
	USD	Euro	USD	Euro	- Vol 260 days	- Vol 260 days
Financial assets measured at fair value through profit or loss						
Equity instruments	29	26	42	40	2	(2)
Liabilities held for trading	(3)	(3)	(4)	(4)	(2)	2
Total	**26**	**23**	**38**	**36**	**-**	**-**

Section 3 – Derivative instruments and hedging policies

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: year-end notional amounts

Underlying assets/Types of derivative €m	Total at 31.12.2023				Total at 31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	**-**	**21**	**-**	**-**	**-**	**35**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	21	-	-	-	35	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**21**	**-**	**-**	**-**	**35**	**-**	**-**

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

Tipologie derivati €m	Total at 31.12.2023				Total at 31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	(3)	-	-	-	(4)	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**(3)**	**-**	**-**	**-**	**(4)**	**-**	**-**

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

Underlying assets €m		Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting agreements					
1)	**Debt securities and interest rates**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
2)	**Equity instruments and equity indexes**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
3)	**Currencies and gold**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
4)	**Commodities**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
5)	**Other**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
Contracts falling within the scope of netting agreements					
1)	**Debt securities and interest rates**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-
2)	**Equity instruments and equity indexes**				
	- notional amount	-	21	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	(3)	-	-
3)	**Currencies and gold**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-
4)	**Commodities**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-
5)	**Other**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-

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

Underlyngs/Residual life €m		1 year or less	1 - 5 years	Over 5 years	Total
A.1	Financial derivatives on debt securities and interest rates	-	-	-	-
A.2	Financial derivatives on equity instruments and equity indexes	-	21	-	21
A.3	Financial derivatives on currencies and gold	-	-	-	-
A.4	Financial derivatives on commodities	-	-	-	-
A.5	Other financial derivatives	-	-	-	-
Total at 31.12.2023		**-**	**21**	**-**	**21**
Total at 31.12.2022		**35**	**-**	**-**	**35**

3.2 Hedge accounting

BancoPosta RFC has fair value and cash flow hedge policies for which it elected, under IFRS 9, to maintain the accounting treatment provided for by IAS 39.

The reform of key interest rate benchmarks, called the "InterBank Offered Rate (IBOR) Reform", involved regulators in various jurisdictions around the world with the aim of replacing some interbank rates with risk-free alternative rates and preparing guidelines to update contract models.

Currently, the main benchmarks for the euro area are:
- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published as of 2 October 2019) which replaced the Euro OverNight Index Average (EONIA - no longer listed as of 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

BancoPosta RFC holds financial instruments indexed to the EURIBOR, which continues to be quoted daily, and the related cash flows continue to be exchanged with counterparties as usual. In relation to this parameter, there is therefore no uncertainty resulting from the IBOR reform on 31 December 2023. These instruments are subject to daily collateralisation remunerated to EONIA (from 2022 ESTR + 8.5 bps).

In particular, BancoPosta RFC holds interest rate swaps designated as fair value hedges that have the "EURIBOR-indexed variable "leg" with a notional amount of €29,027 million. With particular reference to almost all of these instruments, the cash flows at 31 December 2023 are discounted at the EONIA rate defined as ESTR plus 8.5 bps and not at the ESTR rate as defined in the contracts in place with the counterparties.

Qualitative information

A. Fair value hedges

BancoPosta RFC has a government bond portfolio – made up of fixed income BTPs and inflation-linked BTPs – subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into Interest Rate Swap (IRS) Over the Counter (OTC) to hedge the fair value of the bonds held in portfolio. The objective of these transactions is to have instruments that can offset changes in fair value of the portfolio due to interest rate fluctuations and the rate of inflation.

In addition, BancoPosta RFC carries out transactions in repurchase agreements, on euro-government securities or with the guarantee of the Italian state for various purposes, including to invest in government bonds, to meet liquidity needs arising from the dynamics of funding on current accounts, and to actively manage the treasury position and guarantee deposits for collateralisation transactions. These transactions are mainly fixed-rate transactions and, therefore, are exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into Interest Rate Swap (IRS) Over the Counter (OTC) to hedge the fair value of the repos held in portfolio.

B. Cash flow hedges

BancoPosta RFC enters into:
- **forward purchases** of government bonds, to limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by matured bonds held in portfolio and the 10-year indexed component of the returns on deposits with the MEF of funding from the Public Administration;
- **forward sales** of government bonds to pursue the stabilisation of returns.

These derivatives qualify as cash flow hedges of forecast transactions.

In addition, BancoPosta RFC has a portfolio of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, BancoPosta RFC enters into OTC interest rate swaps to hedge the cash flows of the bonds held in portfolio. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

C. Hedges of foreign operations

BancoPosta RFC does not have a policy for hedges of foreign operations.

D. Hedging instruments

Regarding fair value hedge instruments, the main source of ineffectiveness is the use of different spreads/fixed rates[361] in determining the fair value of the hypothetical derivative and the derivative actually entered into. In particular, to evaluate the effectiveness of the hedge relationship, for the hypothetical derivative use is made of the mid-market spread/fixed rate, which makes the present value at the settlement date equal to zero, and for the actual derivative the interest rate agreed upon with the counterparty.

As to cash flow hedge instruments, the main source of ineffectiveness is the use of the fixed income component used in determining the fair value of the hypothetical derivative and the actual derivative. In particular, to evaluate the effectiveness of the hedge relationship use is made, for the hypothetical derivative, the fixed rate that makes the present value at the settlement date equal to zero while for the actual derivative the calculation is performed with the interest rate agreed upon with the counterparty.

With respect to the hedges of forecast transactions, no source of ineffectiveness was identified, as the forward prices of the counterparties were assumed to be perfectly equal to the theoretical forward prices.

E. Hedged items

BancoPosta RFC designates as hedged items:
- fixed-rate and index-linked bonds and repos at fixed rate, in connection to the fair value hedge policy;
- inflation-linked bonds and forecast transactions, in connection with cash flow hedge policies.

In particular, in fair value hedges of Italian government bonds, the credit risk of the Italian Republic is not hedged and is set for the duration of the swap. In addition, full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

As regards fair value hedges of repos, total hedges are implemented, with an immediate start date.

361. For Repos, hedging is performed by defining the variable-rate component simply indexed to EURIBOR and the fixed-rate component incorporating market conditions.

Regarding fair value hedges, BancoPosta RFC evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test[362], using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative[363]". With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have a settlement date consistent with the hedge inception (spot or forward start - solely for government bonds) and differ solely in their spread/fixed rate which is considered, as already indicated, the main source of ineffectiveness. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:
- the "Critical terms[364]" approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for forward start swaps and forward hedging swaps, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[365]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Regarding cash flow hedges, BancoPosta RFC evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regards to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction entered into with the counterparty on the test and inception date and the present value of the difference between the theoretical forward price of the BTP calculated as of the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts[366].

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value

362. IAS 39 requires two effectiveness tests:
    - prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
    - retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

    For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.
    A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.
363. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:
    - on a cumulative basis, by observing the performance of the hedge since inception;
    - on a periodic basis, by comparing the hedge performance with that of the last test.

    The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in far value or cash flow with those of the hedged instrument (actual derivative).
364. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.
365. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.
366. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the portfolio) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.

at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:
- the "Critical terms" approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the derivative entered into[367]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: year-end notional amounts

Underlying assets/Types of derivative €m	Total at 31.12.2023				Total at 31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**32,314**	**-**	**-**	**-**	**39,478**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	32,314	-	-	-	34,879	-	-
c) Forwards	-	-	-	-	-	4,599	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**32,314**	**-**	**-**	**-**	**39,478**	**-**	**-**

At 31 December 2023, BancoPosta RFC had outstanding OTC derivatives transactions with Qualified Central Counterparty clearing through clearing brokers for a notional amount of €226 million.

367. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.

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

	Positive and negative fair value								Change in value used to recognise ineffective portion of hedge	
	Total at 31.12.2023				Total at 31.12.2022				Total at 31.12.2023	Total at 31.12.2022
	Over the counter			Organised markets	*Over the counter*			Organised markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
Types of derivatives €m		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	4,257	-	-	-	5,759	-	-	(348)	9,738
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	350	-	-	-	350
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**4,257**	**-**	**-**	**-**	**6,109**	**-**	**-**	**(348)**	**10,088**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	(1,136)	-	-	-	(875)	-	-	(311)	962
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	(96)	-	-	-	(96)
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**(1,136)**	**-**	**-**	**-**	**(971)**	**-**	**-**	**(311)**	**866**

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

Underlying assets €m		Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting agreements					
1)	**Debt securities and interest rates**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
2)	**Equity instruments and equity indexes**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
3)	**Currencies and gold**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
4)	**Commodities**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
5)	**Other**				
	- notional amount	x	-	-	-
	- positive fair value	x	-	-	-
	- negative fair value	x	-	-	-
Contracts falling within the scope of netting agreements					
1)	**Debt securities and interest rates**				
	- notional amount	-	24,252	8,062	-
	- positive fair value	-	3,169	1,088	-
	- negative fair value	-	(786)	(350)	-
2)	**Equity instruments and equity indexes**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-
3)	**Currencies and gold**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-
4)	**Commodities**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-
5)	**Other**				
	- notional amount	-	-	-	-
	- positive fair value	-	-	-	-
	- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional amounts

Underlying assets/Residual life €m		1 year or less	1 - 5 years	Over 5 years	Total
A.1	Financial derivatives on debt securities and interest rates	4,021	609	27,684	32,314
A.2	Financial derivatives on equity instruments and equity indexes	-	-	-	-
A.3	Financial derivatives on currencies and gold	-	-	-	-
A.4	Financial derivatives on commodities	-	-	-	-
A.5	Other financial derivatives	-	-	-	-
Total at 31.12.2023		**4,021**	**609**	**27,684**	**32,314**
Total at 31.12.2022		**4,739**	**4,096**	**30,643**	**39,478**

D. Hedged instruments

D.1 Fair value hedges

€m	Micro-hedges: carrying amount	Micro-hedges - net positions: balance sheet value of assets or liabilities (before netting)	Micro-hedges			Macro-hedges: carrying amount
			Cumulative changes in fair value of hedged instrument	Termination of the hedge: residual cumulative changes in fair value	Change in value use to recognise ineffective portion of hedge	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging:						
1.1 Debt securities and interest rates	11,478	-	(1,656)	(615)	383	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging:						
1.1 Debt securities and interest rates	11,073	-	(1,944)	(419)	340	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total at 31.12.2023	**22,551**	**-**	**(3,600)**	**(1,034)**	**723**	**-**
Total at 31.12.2022	**23,737**	**-**	**(5,554)**	**(1,308)**	**(11,119)**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging:						
1.1 Debt securities and interest rates	(3,966)	-	38	-	(103)	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total at 31.12.2023	**(3,966)**	**-**	**38**	**-**	**(103)**	**-**
Total at 31.12.2022	**(3,863)**	**-**	**141**	**-**	**141**	**-**

D.2 Cash flow hedges and hedges of foreign investments

€m	Change in value use to recognise ineffective portion of hedge	Hedge reserve	Termination of hedge: residual value of hedge reserve
A. Cash flow hedges			
1. Assets			
1.1 Debt securities and interest rates	38	(413)	-
1.2 Equity instruments and equity indexes	-	-	-
1.3 Currencies and gold	-	-	-
1.4 Receivables	-	-	-
1.5 Other	-	-	-
2. Liabilities			
2.1 Debt securities and interest rates	-	-	-
2.2 Currencies and gold	-	-	-
2.3 Other	-	-	-
Total (A) at 31.12.2023	**38**	**(413)**	**-**
Total (A) at 31.12.2022	**43**	**(181)**	**-**
B. Hedges of foreign investments	**X**	**-**	**-**
Total (A + B) at 31.12.2023	**38**	**(413)**	**-**
Total (A + B) at 31.12.2022	**43**	**(181)**	**-**

E. Effects of hedging transactions through Equity

E.1 Reconciliation of equity components

	Cash flow hedge reserve					Hedge reserve of foreign investments				
€m	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other
Opening balance	**(181)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value (effective portion)	80	-	-	-	-	-	-	-	-	-
Reclassifications to profit or loss	(312)	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	-	-	-
of which: transfers to initial carrying amount of hedged instruments	-	-	-	-	-	X	X	X	X	X
Closing balance	**(413)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 4 – Liquidity risk

Qualitative information

A. Generalities, management policies and liquidity risk measurement methods

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds at off-market rates.

It is policy to minimise liquidity risk through:
- diversification of the various forms of short-term and long-term loans and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term loans;
- use of dedicated analytical models to monitor the maturities of assets and liabilities;
- the availability of the interbank markets as a source of repurchase agreement finance, with collateral in the form of securities held in portfolio, due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In order to mitigate liquidity and market risk in the event of extreme market scenarios, BancoPosta RFC can access financing facilities, details of which are provided in Part B, Liabilities, Section 1.

In terms of BancoPosta RFC's operations, liquidity risk regards the deposits in current accounts and prepaid cards[368], in relation to investment in euro-government and/or Italian government-guaranteed securities or tax credits as well as the margins on derivative transactions. The potential risk derives from a mismatch between the maturities of investments in securities and in tax credits and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of loan and deposit maturities, using the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of 24 years for retail customers, 6 years for business customers, 10 years for PostePay cards and 6 years for Public Administration customers. BancoPosta RFC closely monitors the behaviour of deposits taken in order to assure the model's validity.

In addition to postal deposits, BancoPosta also funds itself through:
- long-term repos, amounting to an outstanding €7 billion;
- short-term deposits created through repurchase agreements as funding for incremental deposits used as collateral for interest rate swaps and Repos (collateral provided, respectively, under CSAs and GMRAs).

BancoPosta RFC's maturity mismatch approach entails an analysis of the mismatch between cash in and outflows for each time band of the maturity ladder.

BancoPosta RFC's cash is dynamically managed by treasury for the timely and continual monitoring of private customer postal current account cash flows and the efficient management of short-term cash shortfalls and excesses. In order to assure flexible investments in securities consistent with the dynamic nature of current accounts, BancoPosta RFC can also use the MEF buffer account within certain limits and subject to payment of a fee.

Details on the risk management model are contained in the note on financial risk at the beginning of this Part E.

The liquidity risk resulting from contract terms requiring the provision of additional collateral in the event of a downgrade of Poste Italiane SpA is negligible. Such contracts include those for margin lending of derivatives, which require the threshold amount[369] to be reduced to zero in the event that Poste Italiane SpA's rating is downgraded to below "BBB-". The threshold amounts relating to margin lending contracts included in repurchase agreements are equal to zero, meaning that these transactions are not subject to liquidity risk.

368. Since 1 October 2018, prepaid cards are the responsibility of Postepay SpA. The liquidity collected through these cards is transferred to BancoPosta, which invests it in accordance with the investment constraints imposed on other deposits from private customers. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

369. The threshold amount is the amount of collateral that is not required to be provided under the contract; it therefore represents the residual counterparty risk to be borne by a counterparty.

BancoPosta RFC's liquidity is assessed, in the form of stress tests, through risk indicators (the Liquidity Coverage Ratio and Net Stable Funding Ratio) defined by the Basel 3 prudential regulations. These indicators aim to assess whether or not the entity has sufficient high-quality liquid assets to overcome situations of acute stress lasting a month, and to verify that assets and liabilities have sustainable maturity profiles assuming a stress scenario lasting one year. Taking into account the capital structure of BancoPosta RFC characterised by the presence of a high amount of EU government securities and deposits mainly made up of retail deposits, these indicators are well above the limits imposed by prudential regulations.

Moreover, liquidity risk is monitored through the development of early warning indicators that, in addition to taking into account the level of deposit withdrawals under conditions of stress, aim to monitor funding outflows in line with the estimated performance of deposits at a 99% confidence level.

Quantitative information

1. Distribution of contractual time-to-maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below, as established for banks' financial statements (Bank of Italy Circular 262/2005 and subsequent updates), using accounting data reported for the residual contractual term to maturity.

Management data, such as the modelling of demand deposits and the reporting of cash and cash equivalents taking account of their degree of liquidity, has, consequently, not been used.

CURRENCY: EURO

	Items/Time-to-maturity €m	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**11,995**	**4,560**	**828**	**250**	**825**	**3,835**	**1,268**	**16,304**	**53,763**	**-**
A.1	Government bonds	-	-	58	250	803	2,124	1,236	9,899	50,022	-
A.2	Other debt securities	-	-	-	-	22	10	32	1,500	1,500	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	11,995	4,560	770	-	-	1,701	-	4,905	2,241	-
	- Banks	791	946	-	-	-	-	-	-	-	-
	- Customers	11,204	3,614	770	-	-	1,701	-	4,905	2,241	-
B.	**On-balance sheet liabilities**	**79,906**	**4,998**	**462**	**150**	**854**	**255**	**210**	**6,572**	**-**	**-**
B.1	Deposits and current accounts	73,110	-	-	-	-	-	10	-	-	-
	- Banks	307	-	-	-	-	-	-	-	-	-
	- Customers	72,803	-	-	-	-	-	10	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	6,796	4,998	462	150	854	255	200	6,572	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	5	359	80	456	-	-	-
	- Short positions	-	-	-	-	267	31	261	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of contractual time-to-maturity of financial assets and liabilities

CURRENCY: US DOLLAR

Items/Time-to-maturity €m		Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of contractual time-to-maturity of financial assets and liabilities

CURRENCY: SWISS FRANC

Items/Time-to-maturity €m		Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of contractual time-to-maturity of financial assets and liabilities

CURRENCY: OTHER CURRENCIES

	Items/Time-to-maturity €m	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

Section 5 – Operational risks

Qualitative information

A. Generalities, management policies and operational risk measurement methods

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk, but not strategic and reputational risks.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2023, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses, monitoring and reporting more efficient and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and the owner of the process of analysing and assessing IT risk, in keeping with the approach adopted in 2022, and the monitoring of IT risk recovery plans was reinforced.

The activities carried out in 2023 also included assessments of the risk profile related to the assignment and outsourcing of BancoPosta RFC, the fine-tuning of the model for monitoring outsourcing risk, and ex-ante assessments of the risk profile related to the innovation of BancoPosta's offering and/or specific project initiatives.

Quantitative information

At 31 December 2023, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

OPERATIONAL RISK

Event type	Number of types
Internal fraud	28
External fraud	44
Employee practices and workplace safety	8
Customers, products and business practices	37
Damage to material property	4
Business disruption and system failure	8
Execution, delivery and management of the process	107
Total at 31 December 2023	**236**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model.

Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Part F – Information on equity

Section 1 – BancoPosta RFC'S equity

A. Qualitative information

The prudential regulations applicable to banks and investment firms from 1 January 2014 are contained in Bank of Italy Circular 285/2013 and subsequent updates, the purpose of which was to implement EU Regulation 575/2013 (the so-called Capital Requirements Regulation, or "CRR") and Directive 2013/36/EU (the so-called Capital Requirements Directive, or "CRD IV"), containing the reforms required in order to introduce the "Basel 3" regulations. In the third revision of the above Circular, the Bank of Italy has extended the prudential requirements applicable to banks to BancoPosta, taking into account the specific nature of the entity. As a result, BancoPosta RFC is required to comply with Pillar 1 capital requirements (credit, counterparty, market and operational risks) and those regarding Pillar 2 internal capital adequacy (Pillar 1 and interest rate risks), for the purposes of the ICAAP process. The relevant definition of capital in both cases is provided by the above supervisory standards[370].

In view of the extension of prudential standards to BancoPosta, BancoPosta RFC is now required to establish a system of internal controls in line with the provisions of Bank of Italy Circular 285/2013, which, among other things, requires the definition of a Risk Appetite Framework (RAF) and the containment of risks within the limits set by the RAF[371]. Compliance with the objective, threshold and limit system established by the RAF influences decisions regarding profit distributions as part of capital management.

370. Regulatory capital takes account of the provisions set forth in "Regulation (EU) no. 2020/873 of the European Parliament and of the Council of 24/06/2020 amending Regulations (EU) no. 575/2013 and (EU) no. 2019/876 as regards certain adjustments in response to the COVID-19 pandemic" ("Quick Fix"). BancoPosta RFC made use of the possibility, recognised by this legislation, to adopt the new percentages for the transitional period from 31 December 2020 to 31 December 2024.
371. A definition of the RAF is provided in the "Introduction" to Part E.

B. Quantitative information

B.1 Company equity: breakdown

Items/Amounts €m	Amount at 31.12.2023	Amount at 31.12.2022
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	2,570	2,585
- profit	1,358	1,373
a) legal	-	-
b) required by articles of association	-	-
c) treasury shares	-	-
d) other	1,358	1,373
- other	1,212	1,212
4. Equity instruments	450	350
5. (Treasury shares)	-	-
6. Valuation reserves:	(841)	(2,223)
- Equity instruments measured at fair value through other comprehensive income	-	-
- Hedges of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(544)	(2,092)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	(295)	(129)
- Hedges (elements not designated)	-	-
- Translation differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains/(losses) on defined benefit plans	(2)	(2)
- Share of valuation reserves relating to equity accounted investments	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	600	602
Total	**2,779**	**1,314**

"Reserves, other" consists of: i) the specific equity reserve of €1 billion, of which the initial reserve provided to BancoPosta RFC on its creation, through the attribution of BancoPosta RFC's retained earnings and increased by the €210 million contribution, resolved by the Extraordinary Shareholders' Meeting of 29 May 2018, through the allocation of BancoPosta RFC's available reserves; ii) profit reserve of €2 million for incentive plans, described in Part I.

The "Equity instruments" include the capital contributions completed on 30 June 2021 and 30 June 2023, through the granting of two perpetual subordinated loans, under terms and conditions that allow them to be counted as Additional Tier 1 capital ("AT 1")[372], for amounts of €350 million and €100 million respectively.

372. For more details on the characteristics of the capital instruments issued, please refer to the Public Disclosure ("Pillar 3").

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts €m	Total at 31.12.2023		Total at 31.12.2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	578	(1,122)	236	(2,328)
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
Total	**578**	**(1,122)**	**236**	**(2,328)**

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

€m	Debt securities	Equity instruments	Loans
1. Opening balance	**(2.092)**	**-**	**-**
2. Increases	**1.576**	**-**	**-**
2.1 Increases in fair value	1.407	-	-
2.2 Impairment losses due to credit risk	5	x	-
2.3 Reclassification to profit or loss of negative reserve for realised losses	163	x	-
2.4 Transfers to other equity (equity instruments)	-	-	-
2.5 Other changes	1	-	-
3. Decreases	**(28)**	**-**	**-**
3.1 Decreases in fair value	(22)	-	-
3.2 Recoveries due to credit risk	(2)	-	-
3.3 Reclassification to profit or loss of positive reserve for realised gains	(4)	x	-
3.4 Transfers to other equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**(544)**	**-**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

€m	Total at 31.12.2023	Total at 31.12.2022
Opening actuarial gains/(losses)	**(2)**	**(2)**
Actuarial gains/(losses)	-	-
Taxation of actuarial gains/(losses)	-	-
Closing actuarial gains/(losses)	**(2)**	**(2)**

Section 2 – Own funds and capital ratios

BancoPosta RFC's own funds are all Tier 1 capital (CET 1 and AT1).

Common Equity Tier 1 ("CET 1") is composed of:
- other reserves, being revenue reserves, amounting to €1 billion originating from the creation of the ring-fence, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds[373];
- undistributed earnings, being BancoPosta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements.

Additional Tier 1 ("AT 1") includes the capital injections of €350 million and €100 million finalised on 30 June 2021 and 30 June 2023.

At 31 December 2023, own funds totalled €3,104 million, including €60 million calculated from the profit for 2023 (in compliance with the provisions of art. 26 of Regulation (EU) no. 575/2013) and €14 million deriving from the application of the transitional arrangements pursuant to Regulation (EU) no. 2020/873 (CRR "Quick fix").

Based on prudential standards, BancoPosta is required to comply with the following minimum capital ratios:
- Common Equity Tier 1 ratio (the ratio of CET1 to total risk weighted assets - RWAs[374]): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer);
- Tier 1 ratio (the ratio of Tier 1 to total risk weighted assets - RWAs): equal to 8.5% (6.0% being the minimum requirement and 2.5% being the capital conservation buffer);
- Total Capital ratio (the ratio of total own funds to total risk weighted assets - RWAs): equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer).

Following the Supervisory Review and Evaluation Process (SREP), on 20 May 2022 the Bank of Italy communicated to BancoPosta RFC the decision on the amount of capital BancoPosta must hold, in addition to the regulatory minimum, to cover its overall risk exposure. The new limits (Overall Capital Requirement (OCR) ratios) required by the Supervisory Authority are as follows:
- CET 1 ratio: 7.80%, comprising a binding measure of 5.30% (of which 4.50% against the minimum regulatory requirements and 0.80% against the additional requirements determined on the basis of the SREP results) and, for the remainder, the capital conservation buffer component;
- Tier 1 ratio: 9.55%, comprising a binding measure of 7.05% (of which 6.00% against the minimum regulatory requirements and 1.05% against the additional requirements determined on the basis of the SREP results) and, for the remainder, the capital conservation buffer component;
- Total Capital ratio: 11.95%, comprising a binding measure of 9.45% (of which 8% against the minimum regulatory requirements and 1.45% against the additional requirements determined on the basis of the SREP results) and, for the remainder, the capital conservation buffer component.

Moreover, in order to ensure compliance with the binding measures outlined above and to ensure that BancoPosta's own funds can absorb any losses arising from stress scenarios, taking into account the results of stress tests performed by BancoPosta RFC under ICAAP, the Bank of Italy has identified the following capital levels that BancoPosta is required to maintain:
- CET 1 ratio: 8.55%, consisting of an OCR CET1 ratio of 7.80% and a Target Component (Pillar 2 Guidance, P2G), against a higher risk exposure under stress conditions, of 0.75%;
- Tier 1 ratio: 10.30%, consisting of an OCR T1 ratio of 9.55% and a Target Component of 0.75%, against a higher risk exposure under stress conditions;
- Total Capital ratio: 12.70%, consisting of an OCR TC ratio of 11.95% and a Target Component of 0.75%, against a higher risk exposure under stress conditions.

At 31 December 2023 BancoPosta RFC complies with the requirements of the prudential regulations in force, with a Tier 1 ratio and a Total Capital ratio of 22.1% and a CET1 ratio of 18.9%[375], which are also in line with the additional requirements provided for by the aforementioned procedure.

For more details, reference is made, as provided for by Circular no 262 of the Bank of Italy, to the information on own funds and capital adequacy contained in the public disclosure ("Pillar 3").

373. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.
374. Risk weighted assets, or RWAs, are calculated by applying a risk weighting to the assets exposed to credit, counterparty, market and operational risks.
375. The ratios take into account the computation of €60 million, as they are the subject of the resolution of Poste Italiane's Board of Directors concerning the proposed allocation of profit for the year 2023 and in compliance with the provisions of Article 26 of Regulation (EU) no. 575/2013.

Part G – Business combinations

No business combinations took place either during or subsequent to the period under review.

Part H – Related party transactions

1. Payments to key management personnel

Key management personnel consist of Directors and first-line managers of Poste Italiane SpA, whose compensation before social security and welfare charges and contributions are disclosed in section 6.5 - *Related parties* - of this section - Poste Italiane SpA's financial statements - of the Annual Report and are reflected in BancoPosta RFC as part of the expenses for services provided by functions outside the ring-fence (see Part C, Table 10.5), and defined by the specific operating guidelines (Part A, paragraph A.1, Section 4).

2. Related party transactions

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2023

	Total at 31.12.2023						
Name €m	**Financial assets**	**Due from banks and customers**	**Hedging derivative assets and liabilities**	**Other assets**	**Financial liabilities**	**Due to banks and customers**	**Other liabilities**
Poste Italiane SpA	-	370	-	39	-	279	3
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	26	-	-	-	11	3
Consorzio PosteMotori	-	3	-	-	-	1	-
Consorzio Servizi ScpA	-	-	-	-	-	-	-
EGI SpA	-	-	-	-	-	1	-
PatentiViaPoste ScpA	-	-	-	-	-	1	-
Poste Vita SpA	-	324	-	-	-	695	26
Postel SpA	-	-	-	-	-	-	-
PostePay SpA	-	73	-	190	-	10,152	107
SDA Express Courier SpA	-	-	-	-	-	3	-
Milkman Deliveries SpA	-	-	-	-	-	3	-
Indirect subsidiaries							
Kipoint SpA	-	-	-	-	-	-	-
LIS Pay SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	8	-	-	-	6	-
Poste Insurance Broker	-	-	-	-	-	2	-
Associates							
Financit SpA	-	3	-	-	-	-	-
Sennder Italia Srl	-	-	-	-	-	36	-
External related parties							
MEF	-	10,060	-	-	-	5,371	-
Cassa Depositi e Prestiti Group	2,891	247	-	-	-	-	-
Monte dei Paschi Group	-	56	164	-	-	348	-
Other related parties external to the Group	-	-	-	-	-	-	1
Provision for doubtful debts due from external related parties	(2)	(5)	-	-	-	-	-
Total	**2,889**	**11,165**	**164**	**229**	**-**	**16,910**	**140**

IMPACT OF RELATED PARTY TRANSACTIONS ON THE FINANCIAL POSITION AT 31 DECEMBER 2022

Name €m	Total at 31.12.2022						
	Financial assets	Due from banks and customers	Hedging derivative assets and liabilities	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	349	-	44	-	227	36
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	19	-	-	-	7	3
Consorzio PosteMotori	-	3	-	-	-	3	-
Consorzio Servizi ScpA	-	-	-	-	-	1	-
EGI SpA	-	-	-	-	-	1	-
PatentiViaPoste ScpA	-	-	-	-	-	3	-
Poste Vita SpA	-	280	-	-	-	179	17
Postel SpA	-	-	-	-	-	-	-
PostePay SpA	-	141	-	83	-	9,404	102
SDA Express Courier SpA	-	-	-	-	-	5	-
Milkman Deliveries SpA	-	-	-	-	-	20	-
Indirect subsidiaries	-	-	-	-	-	7	-
Kipoint SpA							
LIS Pay SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	-	-	-	-	23	-
Poste Insurance Broker	-	7	-	-	-	12	-
Associates	-	-	-	-	-	3	-
Financit SpA	-	3	-	-	-	-	-
External related parties							
MEF	-	14,158	-	-	-	4,169	-
Cassa Depositi e Prestiti Group	2,865	21	-	-	-	-	-
Monte dei Paschi Group	-	73	203	-	-	396	-
Other related parties external to the Group	-	-	-	-	-	-	1
Provision for doubtful debts due from external related parties	(1)	(5)	-	-	-	-	-
Total	**2,864**	**15,049**	**203**	**127**	**-**	**14,461**	**159**

IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS AT 31 DECEMBER 2023

	FY 2023							
Name €m	**Interest and similar income**	**Interest expense and similar charges**	**Fee income**	**Fee expenses**	**Dividends and similar income**	**Net impairment (losses)/ recoveries on impairment**	**Administrative expenses**	**Other operating income/ (expense)**
Poste Italiane SpA	13	(233)	-	-	-	-	(4,887)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	96	(13)	-	-	-	-
Consorzio PosteMotori	-	-	-	-	-	-	-	-
Poste Vita SpA	-	(24)	600	-	-	-	-	-
Postel SpA	-	(43)	252	(184)	-	-	-	2
Indirect subsidiaries								
Poste Assicura SpA	-	-	56	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	-	-	-
Associates								
Financit SpA	-	-	30	-	-	-	-	-
External related parties								
MEF	441	-	61	-	-	-	-	-
Cassa Depositi e Prestiti Group	73	-	1,740	-	-	-	-	-
Enel Group	-	-	-	-	-	-	-	-
Eni Group	-	-	-	-	-	-	-	-
Monte dei Paschi Group	3	(7)	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(3)	-
Total	**530**	**(307)**	**2,836**	**(197)**	**-**	**-**	**(4,890)**	**2**

IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS AT 31 DECEMBER 2022

	FY 2022							
Name €m	**Interest and similar income**	**Interest expense and similar charges**	**Fee income**	**Fee expenses**	**Dividends and similar income**	**Net impairment (losses)/ recoveries on impairment**	**Administrative expenses**	**Other operating income/ (expense)**
Poste Italiane SpA	1	(1)	-	-	-	-	(4,551)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	71	(13)	-	-	-	-
Consorzio PosteMotori	-	-	4	-	-	-	-	-
Poste Vita SpA	-	(3)	521	-	-	-	-	-
Postel SpA	-	(26)	252	(200)	-	-	-	1
Indirect subsidiaries								
Poste Assicura SpA	-	-	50	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	-	-	-
Associates								
Financit SpA	-	-	40	-	-	-	-	-
External related parties								
MEF	323	(4)	61	-	-	(1)	-	-
Cassa Depositi e Prestiti Group	65	-	1,600	(1)	-	-	-	-
Enel Group	-	-	1	-	-	-	-	-
Eni Group	-	-	1	-	-	-	-	-
Monte dei Paschi Group	(1)	(1)	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(3)	-
Total	**388**	**(35)**	**2,602**	**(214)**	**-**	**(1)**	**(4,554)**	**1**

Part I – Share-based payment arrangements

A. Qualitative information

1. Description of share-based payment arrangements

Long-term incentive scheme: performance share plan

The Shareholders' Meeting of Poste Italiane SpA, held on 28 May 2019 approved the information circular for the "Equity-based incentive plans – Performance Share LTIP", prepared in accordance with art 84-bis of Regulations for Issuers with reference to the first Cycle 2019-2021 and the second cycle 2020-2022.

The Shareholders' Meeting of Poste Italiane SpA, held on 28 May 2021 approved the information circular for the "Equity-based incentive plans – 2021-2023 Performance Share LTIP", prepared in accordance with art 84-bis of Regulations for Issuers with reference to the performance period 2021-2023.

The Shareholders' Meeting of Poste Italiane SpA held on 27 May 2022 approved the information circular for the "Equity-based incentive plans – 2022-2024 Performance Share LTIP", prepared in accordance with art 84-bis of Regulations for Issuers with reference to the performance period 2022-2024.

The Shareholders' Meeting of Poste Italiane SpA held on 8 May 2023 approved the information circular for the "Equity-based incentive plans – 2023-2025 Performance Share LTIP", prepared in accordance with art 84-bis of Regulations for Issuers with reference to the performance period 2023-2025.

These incentive systems, constructed in line with market practices, aim to strengthen the link between the variable component of remuneration and the Group's medium to long-term strategy, in line with the budget and the goals in the Strategic Plan, over a multi-year period.

Description of the Plans

The "Performance Share LTIPs", as described in the relevant Information Circulars, provide for the assignment of Rights to the Poste Italiane's ordinary Shares. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle and Qualifying Conditions. Plans are developed over a three-year time horizon and shares are awarded if performance targets are achieved or after a retention period. The key characteristics of the Plans are described below.

Beneficiaries

The beneficiaries of the Plan are some BancoPosta RFC resources.

Plans' terms and conditions

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, for the first award cycle are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[376].

For the 2021-2023, 2022-2024 and 2023-2025 Performance Share LTIPs, the following KPIs are added to the two targets indicated above for the ESG component:

- 2021-2023 Performance Share LTIP: sustainable finance, target linked to the inclusion of an ESG component in Poste Vita investment products by 2023. In particular, the indicator is calculated by comparing the number of products offered with ESG components to the total number of products offered;
- 2022-2024 Performance Share LTIP: equal gender representation in succession plans, an objective linked to strengthening the presence of women in managerial succession plans, to help increase the presence of women in positions of greater responsibility in the Poste Italiane Group. Specifically, the indicator is calculated by comparing the number of succession applications occupied by women to the total number of applications;
- 2023-2025 Performance Share LTIP: Green Transition, a target related to the reduction of tCO_2 emissions; this target is intended to measure the reduction of the Group's total emissions (tCO_2e) over the 2023-2025 time horizon. Creating value for the country, an objective that takes into account the progress of the construction sites related to the "Polis Project". In particular, the indicator is calculated as the ratio of the number of initiatives launched to the total number of physically feasible initiatives.

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, vesting of the phantom stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares relating to the 2019-2021 and 2020-2022 Performance Share LTIPs will be awarded by the end of the year following the end of the Performance Period as follows:

- 40% up-front;
- the remaining 60% in two portions, with deferral periods of 2 and 4 years, respectively.

For BP Beneficiaries (including the General Manager) in relation to the 2021-2023, 2022-2024 and 2023-2025 Performance Share LTIPs, the following disbursement method is envisaged: 40% upfront and 60% in five deferred annual instalments over a five-year period (the first three equal to 10% of the total rights accrued and the next two equal to 15% of the total rights accrued). A further Retention Period of one year will be applied to both the up-front and deferred portions.

The allocation of deferred Shares will take place following the verification of the continued existence of BancoPosta RFC's levels of capital adequacy, short-term liquidity and risk-adjusted profitability.

For more details on the operating mechanisms of the incentive plans, please refer to the Information Circular and/or the Report on the Remuneration Policy, in force from time to time, approved by the Shareholders' Meeting.

376. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

Determination of fair value and effects on profit or loss

The valuations of these plans were mainly based on the conclusions reached by actuaries outside the Group.

The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

Incentive plans	Number of beneficiaries	Units (No. of Phantom Stocks/ Rights to receive shares) Number of Units	Of which under retention period	Fair value at grant date – BP Beneficiaries – Grant date	Fair Value	Cost	IFRS 2 Reserve/ Liabilities	Payments/ Countervalue delivery of treasury shares
Deliver 3 anni	13	8,044	8,044	29.05.18	€9.19	0.01	0.08	-
ILT Perfomance Share 19-21	10	32,866	-	07.10.19	€7.01	0.01	0.23	(0.2)
ILT Perfomance Share 20-22	10	39,573	13,563	12.11.20	€ 4.89 - € 5.41	(0.07)	0.20	(0.0)
ILT Perfomance Share 21-23	10	73,148	-	28.05.21	€ 8.27 - € 9.07	0.15	0.58	-
ILT Perfomance Share 22-24	12	61,793	-	27.05.22	€4.65	0.09	0.19	-
ILT Perfomance Share 23-25	14	99,899	-	08.05.23	€4.47	0.15	0.15	-
Total						**0.3**	**1.3**	**(0.2)**

Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Provisions for BancoPosta (Part IV, Chapter I, “BancoPosta” including in Circular 285 of 17 December 2013 “Prudential supervisory standards for banks”) which, in taking into account BancoPosta’s specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 “Remuneration and incentive policies and practices” in the above Circular 285). These standards provide that a part of the bonuses paid to BancoPosta RFC’s Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2018, where the incentive is above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane’s shares, and application of the following deferral mechanisms:

- 60% of the award to be deferred for a 5-year period on a pro-rata basis, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme and long-term incentive scheme, “Phantom Stock LTIP”;
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The most recent short-term management incentive schemes (MBO 2019, MBO 2020, MBO 2021, MBO 2022 and MBO 2023), provide, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of Poste Italiane SpA’s Shares and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata for the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata[377] for the Other Beneficiaries.

377. For the MBO 2021, MBO 2022 and MBO 2023 only, the pro-rata years are 4, although for the fourth year only a cash payment is provided.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019, MBO 2020, MBO 2021, MBO 2022 and MBO 2023) is subject to the existence of a Performance Hurdle (Group Profitability EBIT) and Qualifying Conditions as follows:

- Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Risk-adjusted earnings (RORAC) threshold level approved in the Risk Appetite Framework (RAF) for MBO 2023 only.

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital, liquidity and risk-adjusted earnings requirements have been met (solely for MBO 2023). The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

Determination of fair value and effects on profit or loss

The valuations of these plans were mainly based on the conclusions reached by actuaries outside the Group.

	Number of beneficiaries	Units (No. of Phantom Stocks/ Rights to receive shares)		Fair value at grant date		Cost	IFRS 2 Reserve/ Liabilities	Payments/ Countervalue delivery of treasury shares
				BP Beneficiaries				
Incentive plans		Number of Units	Of which under retention period	Grant date	Fair Value			
MBO 2018	8	8,764	-	19.03.19	€10.21	0.02	0.09	-
MBO 2019	4	2,848	1,659	05.03.20	€7.63	-	0.02	(0.04)
MBO 2020	9	3,843	1,895	24.03.21	€ 8.36 - € 8.83	(0.01)	0.03	(0.02)
MBO 2021	12	20,504	8,117	22.03.22	€ 8.25 - € 8.77	(0.01)	0.17	(0.20)
MBO 2022	11	56,570	27,842	28.03.23	€ 7.7 - € 8.31	0.1	0.45	-
MBO 2023*	10	58,785	-	19.03.24	€ 7.79 - € 8.21	0.5	0.47	-
Total						**0.6**	**1.2**	**(0.3)**

* MBO 2023 estimated on the basis of the best available information, pending the actual finalisation of the system, in order to identify the cost of the service received.

Part L – Operating segments

The economic flows and performance of the operations are reported internally on a regular basis to executives without identifying segments. BancoPosta RFC's results are consequently evaluated by senior management as one business division.

Furthermore, in accordance with IFRS 8.4, when separate and consolidated financial statements are combined segment information is only required for the consolidated statements.

Part M – Information on leases

During the reporting period, BancoPosta RFC did not carry out any transactions in accordance with IFRS 16 relating to *Leases*.


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