



Banca Valsabbina S.C.p.A.

Report by independent auditing firm pursuant to
Articles 14 of Italian Legislative Decree of 27 January
2010, No. 39 and 10 of Regulation (EU) No. 537/2014

Financial statements as at 31 December 2022



Via Augusto Righi, 6
37135 Verona
Tel: +39 045 47 53 200
www.mazars.it

Report by independent auditing firm pursuant to Articles 14 of Italian Legislative Decree of 27 January 2010, No. 39 and 10 of Regulation (EU) No. 537/2014

To the shareholders of
Banca Valsabbina S.C.p.A.

Report on the audit of the year's financial statements

Opinion

We have audited the financial statements of Banca Valsabbina S.C.p.A. (also the "Bank"), comprising the balance sheet as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year then ended and the note to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position and financial position of Bank at 31 December 2022, the income and cash flows for the year ended on that date in compliance with International Financial Reporting Standards adopted by the European Union as well as with the measures issued in implementation of art. 43 of Legislative Decree no. 136/2015.

Basis for judgement

We carried out the audit in compliance with the international auditing standards (IAS Italy). Our responsibilities under these standards are further described in the section called *Responsibility of the independent auditing firm for the auditing of the financial statements* of this report. We are independent from the Bank in compliance with the regulations and principles on ethics and independence applicable in Italian law to the auditing of the financial statements. We believe we have obtained sufficient and appropriate evidence on which to base our opinion.

Key aspects of the audit

The key aspects of the audit are those aspects that, according to our professional opinion, were most significant in the audit of the financial statements of the year under review. These issues were addressed by us as part of our audit and in forming our opinion on the financial statements as a whole; therefore, we do not express a separate opinion on these issues.

Mazars Italia S.p.A.

Authorised, subscribed and paid-up share capital € 120,000 - Head office: Via Ceresio, 7 - 20154 Milan
Rea MI-2076227 - Tax Code and VAT number 11176691001
Registration at Register of Auditors Legal Auditors n. 163788 with MINISTERIAL DECREE of 14/07/2011
OJ No. 57 of 19/07/2011



Classification and measurement of Receivables from customers

Explanatory notes "Part A – Accounting policies": paragraph A.2.3 "Financial assets measured at amortised cost"

Explanatory notes "Part B - Information on the Balance Sheet - Assets": Section 4 - "Financial assets measured at amortised cost - Item 40"

Explanatory notes "Part C - Information on the income statement": Section 8 - "Net impairment losses for credit risk - Item 130"

Explanatory notes "Part E - Information on risks and related hedging policies": Section 1 - "Credit risk"

Key aspect	Review procedures carried out
<p>The disbursement of loans to customers is a significant activity of the Bank. The receivables from customers, entered among the assets financial valued at cost amortised, as at 31 December 2022 amount to € 5,507 million and represent 78.8% of the total assets of the balance sheet.</p> <p>The adjustments of value net on receivables from customers debited to the account of the year ended 31 December 2022 amount to € 31 million.</p> <p>For the purposes of the classification, the directors carry out analyses, sometimes complex, aimed at identifying the positions that, subsequent to disbursement, show evidence of a possible loss of value, considering both internal information, linked to the performance of creditor positions, and external information, linked to the reference sector or the debtors' overall exposure to the banking system.</p> <p>The valuation of loans to customers is a complex estimation activity, characterised by a high degree of uncertainty and subjectivity, in which the directors use valuation models developed internally, which take into consideration numerous quantitative and qualitative elements such as, among others, historical data relating to collections, expected cash flows and related expected recovery times, the existence of indicators of possible impairment, the valuation of possible guarantees, the impact of macroeconomic variables, future scenarios and the risks of the sectors in which the Bank's customers operate.</p> <p>For these reasons, we considered the classification and valuation of loans and advances to customers recognised as financial assets measured at amortised cost a key aspect of the audit.</p>	<p>In response to the key aspect, our audit procedures included:</p> <ul style="list-style-type: none"> • the understanding of the business processes and of the related environment of the Bank with reference to the disbursement, the monitoring, the classification and the valuation of the receivables from the customers. • reviewing the design and implementation of controls and conducting procedures to assess the operational effectiveness of controls deemed relevant, with particular reference to the identification of loans with indicators of impairment and the determination of value adjustments. • the analysis of the classification criteria used at end of reconcile the loans to the customers to the categories required by IFRS 9 (so-called "staging"); • the analysis of policies and valuation models analytical and lump-sum used and the examination of the reasonableness of the main assumptions and variables in them; • the selection of a sample of receivables valued with lump-sum methodologies, the verification of the application of the valuation models adopted and the verification of the correspondence of the percentages of write-downs applied with those provided for by such models; • the selection of a sample of receivables evaluated analytically and the examination of the reasonableness of the indicators of losses of value identified and of the assumptions relating to recoverability, also on the basis of any guarantees received;

-
- the analysis of significant changes in the categories of receivables and of related adjustments of value compared to data of the previous years and the discussion of the results with the corporate departments involved;
 - examining the appropriateness of financial statement disclosures relating to receivables from customers recorded among the financial assets valued at amortised cost.
-

Responsibilities of directors and board of statutory auditors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the measures issued in implementation of Article 43 of Legislative Decree No. 136/2015 and, within the terms of the law, for that part of the internal control they deem necessary to enable the preparation of financial statements that do not contain material misstatements due to fraud or unintentional conduct or events.

The directors are responsible for assessing the Bank's ability to continue to operate as a going concern and, when preparing the financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure. Directors use the going concern assumption in the preparation of the annual financial statements unless they have assessed that the conditions for the liquidation of the Bank or for the interruption of its activities are met or they have no realistic alternative but to make such choices.

The board auditors has the responsibility of supervision, in the terms provided for by law, on the process of preparation of the Bank's financial reporting.

Responsibility of the independent auditing firm for the auditing of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or unintentional behaviour or events, and to issue an audit report that includes our opinion. By reasonable assurance we mean a high level of assurance that, however, does not provide the guarantee that audit accounting performed in compliance with international auditing standards (ISA Italy) always identifies a material error, if existing. Errors may arise from fraud or from unintentional conduct or events and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit in compliance with international auditing standards (IAS Italy), we exercised our professional judgement and maintained our professional scepticism throughout the entire audit. Moreover:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or unintentional conduct or events; we have defined and performed audit procedures in response to those risks; and we have obtained sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a significant error resulting from

unintentional conduct or events, as fraud may involve collusion, falsifications, intentional omissions, misleading representations or bending internal oversight;

- we have obtained an understanding of internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Bank's internal oversight;
- we have considered the appropriateness of the accounting standards used as well as the reasonableness of the accounting estimates made by the directors, including the related disclosure;
- we have reached a conclusion as to the appropriateness of the directors' use of the going concern assumption and, based on the evidence obtained, as to whether there is any material uncertainty about events or circumstances that may cast significant doubt about the Bank's ability to continue as a going concern. In the event of significant uncertainty, we are required to draw attention in the audit report to the relevant disclosure or, if such disclosure is inadequate, to express such circumstance in the formulation of our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may cause the Bank to cease operating as a going concern;
- we considered the presentation, structure and contents of the financial statements as a whole, including the disclosure provided, and whether the financial statements represent the underlying transactions and events in such a way as to provide a true and fair view.

We have communicated to those responsible for governance activities, identified at an appropriate level as required by the ISA Italy, among other aspects, the scope and the time line planned for the audit and the significant findings emerged, including any significant deficiencies in internal oversight identified in the course of the audit.

We have also provided those responsible for governance activities with a declaration that we have complied with the rules and principles on ethics and independence applicable in the Italian legal system, and we have disclosed to them any situation that may reasonably have an effect on our independence and, where applicable, the relevant safeguards.

Of the issues communicated to those responsible for governance, we identified those that were most relevant to the audit of the financial statements for the year under review, and thus constituted the key aspects of the audit. We described these aspects in the audit report.

Other information communicated pursuant to Article 10 of Regulation (EU) 537/2014

On 29 June 2020, the shareholders' meeting of Banca Valsabbina S.C.p.A. appointed us to audit the financial statements of the Bank for the financial years from 31 December 2020 to 31 December 2028.

We declare that no non-audit services prohibited under Article 5(1) of Regulation (EU) 537/2014 have been provided and that we have remained independent of the Bank in performing the audit.

We confirm that the opinion on the financial statements expressed in this report is in line with that indicated in the additional report for the Board of Statutory Auditors, in its function as internal control and audit committee, prepared pursuant to Article 11 of the said Regulation.

Report on other law and regulatory provisions

Opinion pursuant to Art. 14 (2)(e) of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Banca Valsabbina S.C.p.A. are responsible for the preparation of the directors' report and the specific section of the report on corporate governance and ownership structure of Banca Valsabbina S.C.p.A. as at 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures set forth in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the directors' report and of certain specific information contained in the specific section on the Report on Corporate Governance and Ownership Structures set forth in Article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Banca Valsabbina S.C.p.A. as at 31 December 2022 and on their compliance with the law, and to issue a statement on any material misstatement.

In our opinion, the directors' report on operations and certain specific information contained in the specific section of the report on corporate governance and ownership structure referred to above are consistent with the financial statements of Banca Valsabbina S.C.p.A. as at 31 December 2022 and have been prepared in accordance with the law.

With reference to the declaration referred to in Article 14, par. 2, letter e), of Legislative Decree No. 39/10, issued on the basis of the knowledge and understanding of the company and its context that we have gained in the course of the audit, we have nothing to report.

Declaration pursuant to Article 4 of Consob Regulation implementing Italian Legislative Decree No. 254 of 30 December 2016.

The directors of Banca Valsabbina S.C.p.A. are responsible for preparing the Non-financial Statement pursuant to Italian Legislative Decree No. 254 of 30 December 2016. We have verified that the directors have approved the Non-financial Statement.

Pursuant to Article 3, Paragraph 10 of Legislative Decree No. 254 of 30 December 2016, this declaration is the subject of a separate declaration of conformity by us.

Verona, 8 March 2023

Mazars Italy S.p.A.


Alfonso Iorio
Partner

TABLE OF CONTENTS

FOREWORD	2
MACROECONOMIC DEVELOPMENTS, FINANCIAL SECTOR TRENDS AND SOCIAL IMPACTS	4
REGULATORY CHANGES AND THEIR IMPACTS	7
NEW CRITICAL SUCCESS FACTORS: DIGITISATION AND SUSTAINABILITY	10
CORPORATE STRUCTURE.....	12
COMMERCIAL POLICIES IN CORPORATE STRATEGIES	15
ASSETS AND CAPITAL RATIOS.....	25
FUNDING FROM CUSTOMERS.....	32
THE USES	38
FINANCIAL ASSETS AND SHAREHOLDINGS	49
HUMAN RESOURCES.....	58
FUNCTIONAL AND ORGANISATIONAL STRUCTURES	64
CULTURE AND RISK MANAGEMENT	65
THE SYSTEM OF INTERNAL CONTROLS AND SUPERVISORY BODY PURSUANT TO LEG. DECREE 231/2001.....	75
TRANSACTIONS WITH RELATED PARTIES.....	79
THE REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE PURSUANT TO ART. 123-BIS TUF	81
ECONOMIC PERFORMANCE	86
SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR	98
OUTLOOK FOR OPERATIONS.....	99
PROPOSAL FOR APPROVAL OF THE FINANCIAL STATEMENTS AND ALLOCATION OF THE PROFIT FOR THE YEAR.....	100
ACKNOWLEDGEMENTS.....	101



Layouts as at 31/12/2022

BALANCE SHEET

Assets (in whole Euros)

	Asset items	31-12-2022	31-12-2021
10.	Cash and cash equivalents	159,212,342	31,781,340
20.	Financial assets at fair value through profit or loss	256,936,341	206,545,722
	a) financial assets held for trading	628,833	145,715
	b) financial assets designated at fair value	14,458,934	14,479,000
	c) other financial assets mandatorily measured at fair value	241,848,574	191,921,007
30.	Financial assets measured at fair value with impact on comprehensive income	564,028,114	643,168,671
40.	Financial assets measured at amortised cost		
	a) loans to banks	5,590,728,219	5,565,910,851
	b) loans to customers	83,747,293	421,029,218
	Equity investments	5,506,980,926	5,144,881,633
70.	Tangible assets	3,064,632	1,936,860
80.	Intangible Assets	56,518,207	49,323,336
90.	of which: start-up	10,556,127	9,916,190
	Tax assets	8,458,447	8,458,447
100.	a) current	65,213,194	54,273,566
	b) advance payments	5,318,913	6,166,165
		59,894,281	48,107,401
120.	Other assets	279,682,626	129,650,067
	Total Assets	6,985,939,802	6,692,506,603

DELIBERA FAVOREVOLE
 Consiglio di Amministrazione
 Del 1 MAR 2023


Liabilities (in whole Euros)

	Liabilities and shareholders' equity items	31-12-2022	31-12-2021
10.	Financial liabilities measured at amortised cost	6,487,532,803	6,152,485,657
	a) Due to banks	1,581,991,920	1,318,486,476
	b) due to customers	4,797,655,920	4,679,723,365
	c) securities issued	107,884,963	154,275,816
20.	Financial liabilities held for trading	316,644	101,647
60.	Tax liabilities	4,718,791	11,886,819
	a) current	3,889,688	10,587,929
	b) deferred	829,103	1,298,890
80.	Other liabilities	97,028,260	118,022,674
90.	Staff severance pay	2,457,481	3,172,020
100.	Provisions for risks and charges	5,778,715	5,499,916
	a) commitments and guarantees given	2,768,053	1,845,085
	c) other provisions for risks and charges	3,010,662	3,654,831
110.	Valuation reserves	(45,699,668)	(1,963,704)
140.	Reserves	63,206,477	36,707,137
150.	Issue surcharges	228,709,293	230,083,105
160.	Capital	106,550,481	106,550,481
170.	Own shares (-)	(6,080,195)	(9,225,112)
180.	Net profit (loss) for the year{+/-}	41,420,720	39,185,963
	Total liabilities and shareholders' equity	6,985,939,802	6,692,506,603

Income statement (in whole Euros)

Items		31-12-2022	31-12-2021
10.	Interest income and similar revenues	158,772,329	118,721,693
	Of which: interest income calculated using the effective interest method	130,192,404	92,871,306
20.	Interest expenses and similar charges	(16,927,751)	(18,262,071)
30.	Net interest income	141,844,578	100,459,622
40.	Commissions receivable	62,765,560	54,507,933
50.	Commissions payable	7,709,410	(9,060,535)
60.	Net fee and commission income	55,056,150	45,447,398
70.	Dividends and similar income	2,903,681	2,157,424
80.	Net trading income	21,750,511	6,867,318
100.	Gains (losses) on disposal or repurchase of:	2,666,048	5,753,913
	(a) financial assets measured at amortised cost	1,897,044	882,148
	b) financial assets measured at fair value with impact on comprehensive income	772,802	4,916,879
	c) financial liabilities	(3,798)	(45,114)
110.	Net result of financial assets and liabilities valued at <i>fair value</i> with impact on income statement	(11,545,897)	18,017,042
	a) financial assets and liabilities designated at fair value	(20,066)	103,730
	b) other financial assets mandatorily measured at fair value	(11,525,831)	17,913,312
120.	Net interest and other banking income	212,675,071	178,702,717
130.	Net adjustments/write-backs for credit risk for:	(31,936,223)	(22,054,334)
	a) financial assets measured at amortised cost	(31,024,170)	(21,911,339)
	b) financial assets measured at fair value through other comprehensive income	(912,053)	(142,995)
140.	Modification gains (losses) without derecognition	(102,658)	(66,056)
150.	Net profit (loss) from financial operations	180,636,190	156,582,327
160.	Administrative expenses:	(126,240,167)	(109,017,294)
	a) labour costs	(65,609,012)	(59,470,223)
	b) other administrative expenses	(60,631,155)	(49,547,071)
170.	Net accruals to provisions for risks and charges	(1,088,291)	(1,892,049)
	a) commitments and guarantees given	(922,968)	(441,985)
	b) other net accruals	(165,323)	(1,450,064)
180.	Net Value Adjustments/Write-backs on Tangible Assets	(5,064,736)	(4,527,343)
190.	Net value adjustments/write-backs on intangible assets	(1,012,337)	(943,002)
200.	Other operating charges/income	10,519,061	10,193,207
210.	Operating costs	(122,886,470)	(106,186,481)
220.	Net gains (losses) on equity investments	(32,231)	(425,237)
250.	Net gains (losses) on sales of investments	89,763	1,805
260.	Profit (Loss) from current operations gross of taxation	57,807,252	49,972,414
270.	Income taxes for the year on current operations	(16,386,532)	(10,786,451)
280.	Profit (Loss) from current operations net of taxation	41,420,720	39,185,963
300.	Profit (Loss) for the year	41,420,720	39,185,963

Statement of Comprehensive income (whole euros)

	Items	31-12-2022	31-12-2021
10.	Profit (loss) for the year	41,420,720	39,185,963
	Other income components net of taxation without reversal to income statement:	1,113,470	1,723,523
20.	Equity securities designated at fair value with impact on profitability overall	786,243	1,706,030
70.	Defined benefit plans	327,227	17,493
	Other income components net of taxation with reversal to income statement:	(44,849,434)	(8,449,483)
140.	Financial assets (other than equity securities) measured at fair value with impact on comprehensive income	(44,849,434)	(8,449,483)
170.	Total other income components after tax	(43,735,964)	(6,725,960)
180.	Comprehensive income (Item 10+170)	(2,315,244)	32,460,003

Statement of changes in shareholders' equity as at 31-12-2022 (in whole Euros)

	Balances as at 31-12-2021	Change in opening balances	Balances as at 01-01-2022	Allocation of previous year result		Changes during the year							Shareholders' equity as at 31-12-2022	
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity					Comprehensive income as at 31-12-2022		
							Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Change in capital instruments	Derivatives on own shares			Stock options
Share capital:	106,550,481	-	106,550,481	-	-	-	-	-	-	-	-	-	-	106,550,481
a) ordinary shares	106,550,481	-	106,550,481	-	-	-	-	-	-	-	-	-	-	106,550,481
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	230,083,105	-	230,083,105	-	-	-	(1,373,812)	-	-	-	-	-	-	228,709,293
Reserves:	36,707,137	-	36,707,137	21,896,546	-	4,602,794	-	-	-	-	-	-	-	63,206,477
a) income-related	39,799,229	-	39,799,229	21,896,546	-	4,602,794	-	-	-	-	-	-	-	66,298,569
b) other	(3,092,092)	-	(3,092,092)	-	-	-	-	-	-	-	-	-	-	(3,092,092)
Valuation Reserves	(1,963,704)	-	(1,963,704)	-	-	-	-	-	-	-	-	(43,735,964)	-	(45,699,668)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	(9,225,112)	-	(9,225,112)	-	-	-	4,502,312	(1,357,395)	-	-	-	-	-	(6,080,195)
Profit (loss) for the year	39,185,963	-	39,185,963	(21,896,546)	(17,289,417)	-	-	-	-	-	-	41,420,720	-	41,420,720
Shareholders' equity	401,337,870	-	401,337,870	-	(17,289,417)	4,602,794	3,128,500	(1,357,395)	-	-	-	(2,315,244)	-	388,107,108

Statement of changes in shareholders' equity as at 31-12-2021 (in whole Euros)

	Balances as at 31-12-2020	Change in opening balances	Balances as at 01-01-2021	Allocation of previous year result		Changes during the year							Shareholders' equity as at 31-12-2021	
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity					Comprehensive income as at 31-12-2021		
							Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Change in capital instruments	Derivatives on own shares			Stock options
Capital:	106,550,481	-	106,550,481	-	-	-	-	-	-	-	-	-	-	106,550,481
a) ordinary shares	106,550,481	-	106,550,481	-	-	-	-	-	-	-	-	-	-	106,550,481
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	230,298,585	-	230,298,585	-	-	-	(215,480)	-	-	-	-	-	-	230,083,105
Reserves:	17,302,691	-	17,302,691	19,407,766	-	(3,320)	-	-	-	-	-	-	-	36,707,137
c) income-related	20,394,783	-	20,394,783	19,407,766	-	(3,320)	-	-	-	-	-	-	-	39,799,229
d) others	(3,092,092)	-	(3,092,092)	-	-	-	-	-	-	-	-	-	-	(3,092,092)
Valuation Reserves	4,762,256	-	4,762,256	-	-	-	-	-	-	-	-	-	(6,725,960)	(1,963,704)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	(9,616,966)	-	(9,616,966)	-	-	-	548,606	(156,752)	-	-	-	-	-	(9,225,112)
Profit (loss) for the year	24,339,380	-	24,339,380	(19,407,766)	(4,931,614)	-	-	-	-	-	-	-	39,185,963	39,185,963
Shareholders' equity	373,636,427	-	373,636,427	-	(4,931,614)	(3,320)	333,126	(156,752)	-	-	-	-	32,460,003	401,337,870

Cash flow statement (units of euro)

CASH FLOW STATEMENT - Indirect method	Amounts	
	31-12-2022	31-12-2021
A. OPERATING ACTIVITIES		
1. Cash flow from operating activities	109,113,650	77,105,733
- result for the year (+/-)	41,420,720	39,185,963
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (+/-)	11,877,584	(2,300,901)
- net impairment losses for credit risk (+/-)	31,936,223	22,054,334
- net value adjustments/reversals on tangible and intangible fixed assets(+/-)	6,077,073	5,470,345
- net provisions for risks and charges and other costs/revenues(+/-)	1,088,291	1,892,049
- unliquidated taxes, fees and tax credits(+/-)	16,386,532	10,786,451
- other adjustments (+/-)	327,227	17,492
2. Cash flow generated/used by financial assets	(240,313,872)	(722,931,118)
- financial assets held for trading	941,590	712,984
- financial assets designated at fair value		(2,456,080)
- other assets mandatorily measured at fair value	(63,327,775)	11,158,046
- financial assets measured at fair value with impact on comprehensive income	35,195,348	(80,874,950)
- financial assets measured at amortised cost	56,753,591	(595,345,822)
- other assets	(156,369,444)	(56,125,296)
3. Cash flow generated/used by financial liabilities	289,189,192	661,929,170
- Financial liabilities measured at amortised cost	335,047,146	647,208,408
- financial liabilities held for trading	214,997	51,011
- other liabilities	(46,072,951)	14,669,751
Cash flow from (used in) operating activities	157,988,970	16,103,785
B. INVESTING ACTIVITIES		
Cash flow used in	(15,039,656)	(12,553,874)
- purchases of shareholdings	(1,127,772)	(285,983)
- purchases of tangible assets	(12,259,607)	(10,846,607)
- purchases of intangible assets	(1,652,277)	(1,421,284)
Cash flow from (used in) investing activities	(15,039,656)	(12,553,874)
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	1,771,105	176,374
- dividend distribution and other purposes	(17,289,417)	(4,931,614)
Cash flow from (used in) financing activities	(15,518,312)	(4,755,240)
CASH FLOW GENERATED/USED DURING THE YEAR	127,431,002	(1,205,329)

RECONCILIATION		
Financial statement items	31-12-2022	31-12-2021
Cash and cash equivalents at the beginning of the year	31,781,340	32,986,669
Total net liquidity generated/absorbed during the year	127,431,002	(1,205,329)
Cash and cash equivalents at the end of the year	159,212,342	31,781,340



Part A - Accounting policies

A.1 - General section

Section 1 – Statement of compliance with International Financial Reporting Standards

The financial statements as of 31 December 2022 are prepared in accordance with the international accounting standards issued by the International Accounting Standard Board (IASB) and endorsed at the date of their preparation, illustrated in point A.2 below, as well as the related interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and Bank of Italy Circular 262 of 22 December 2005, updated with the VII update of 29 October 2021, issued on the basis of the delegation contained in Legislative Decree No. 38/2005, which implemented EC Regulation No. 606/2002 on international accounting standards in Italy.

Circular No. 262 contains the formats of the financial statements, the guidelines and the contents of the explanatory notes.

Reference was also made to the "framework for the preparation and presentation of financial statements" (known as IAS framework).

No use was made of the derogation in Art. 5, para 1, of Legislative Decree 38/2005.

Section 2 – Basis of presentation

The financial statements comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of changes in shareholders' equity, Statement of cash flows and the Explanatory notes and are also accompanied by a Directors' Report on operations.

The financial statements are drawn up using the Euro as the accounting currency. The amounts in the tables are expressed in units of euro, while the figures in the Notes to the Financial Statements and in the tables of the Directors' Report are expressed in thousands of euro.

In drafting the Report, account was taken of the documents, guidelines, and calls for attention published over the last few years by the various regulatory bodies (Bank of Italy, ESMA and Consob) concerning both Covid19 and Russian-Ukrainian conflict impacts.

The application of certain accounting standards necessarily entails the use of estimation processes and assumptions that have an effect on the balance sheet values; all information available up to the date of preparation of the financial statements, as well as assumptions that can be considered reasonable with respect to assumed future scenarios, are taken into account in reporting these items.

The general principles of preparation dictated by IAS 1 and used in the preparation of the annual financial statements are:

- 1) Going Concern: the financial statements have been prepared on the assumption that the Bank will continue its operations for the foreseeable future, therefore assets, liabilities and off-balance sheet transactions have been measured at their carrying amounts.

Part B - Information on the Balance Sheet

Assets

Section 1 - Cash and cash equivalents - Item 10



Stocks of legal tender, free deposits with the Bank of Italy and current accounts/deposits on demand held with other banks are recognised in this section.

1.1 Cash and cash equivalents: breakdown

Item/Amounts	Total 31-12-2022	Total 31-12-2021
a) Cash	19,054	16,678
b) Demand deposits with Central Banks	130,007	-
e) Current accounts and sight deposits with banks	10,151	15,103
Total	159,212	31,781

The item "cash" includes the stocks of coins and banknotes at branch cash desks, ATMs and the centralised cash desk; foreign banknotes amount to € 389 thousand. Unrestricted deposits with the Bank of Italy in the amount of € 130 million were posted at the end of the year, while the Compulsory Reserve is posted under item '40 Loans and advances to banks'.

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

This item can include:

- Debt instruments
 - that failed the SPPI test;
 - that failed the benchmark test where required.
- Equity instruments
 - registered and managed within "Other" business models.
- All instruments purchased for trading only.
- Instruments designated at Fair Value: upon initial recognition, the entity may irrevocably designate the financial asset as measured at fair value recognized in net income (loss) for the period if doing so would eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as "accounting asymmetry") that would otherwise result from measuring the assets or liabilities or recognizing the related gains and losses on different bases.

This is an accounting portfolio measured at fair value with a balancing entry in the profit and loss account.

The term 'level', at the top of the different columns of the tables below, represents the different valuation method of financial assets with the use for level 1 of

Part C - information on the income statement



Section 1 - Interest - Items 10 and 20

The interest recognised under item "10. Interest and similar income" includes interest accrued on financial instruments qualifying as loans and debt securities classified under item "20. Financial assets at fair value through profit or loss", under item "30. Financial assets measured at fair value with an impact on comprehensive income" and under item "40. Financial assets measured at amortised cost" on the asset side of the balance sheet. While the heading "20. Interest expense and similar charges" includes interest on financial instruments recorded under item "10. Financial liabilities measured at amortised cost".

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Financing	Other transactions	Total 31-12-2022	Total 31-12-2021
I. Financial assets at fair value through profit or loss:	1,442	-	-	1,442	2,934
1.1 Financial assets held for trading	35	-	-	35	2
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	1,407	-	-	1,407	2,932
2. Financial assets measured at fair value with impact on Comprehensive income	2,876	-	-	2,876	2,834
3. Financial assets measured at amortised cost:	52,088	95,354	-	147,442	99,298
3.1 Loans and receivables with banks	33	654	-	687	115
3.2 Loans and receivables with customers	52,055	94,699	-	146,754	99,183
4. Hedging derivatives	-	-	4	4	2
5. Other assets	-	-	1,164	1,164	1,492
6. Financial liabilities	-	-	-	5,845	12,161
Total	56,406	95,354	1,167	158,772	118,721
of which: interest income on impaired assets	-	5,136	-	5,136	4,231
of which: interest income on finance leases	-	-	-	-	-



Part D – Statement of Comprehensive Income

This is the additional disclosure required to present not only the profit for the year but also the other income components not recognised in the income statement (essentially, changes in valuation reserves in equity). In addition to the statement of comprehensive income shown after the financial statements, further details are provided below.

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME (In thousands of euros)		
Items	31-12-2022	31-12-2021
10. Profit (Loss) for the year	41,421	39,186
Other comprehensive income without reversal to income statement	1,113	1,723
20. Equity securities designated at fair value with impact on comprehensive income	848	2,197
a) changes in fair value	355	2,139
b) transfers to other components of equity	493	58
70. Defined benefit plans	451	26
100 Income taxes on other income components without reclassification to the profit and loss account	(186)	(500)
Other income components with reversal to the profit and loss account	(44,849)	8,449
150. Financial assets (other than equity securities) measured at fair value with impact on comprehensive income:	(67,009)	(12,308)
a) Variationsions of fair value	(68,021)	(10,155)
b) reversal to income statement	1,012	(2,153)
- credit risk adjustments	912	142
- gains (losses) on sales	100	(2,295)
180. Income taxes on other income components with reversal to profit and loss account	22,160	3,859
190. Total other income components	(43,736)	(6,726)
200. Comprehensive income (10+190)	(2,315)	32,460

The amount of income tax of € 21,974,000 (item 180 net of item 100) is also shown in Tables 10.5 and 10.6 of the Assets "Tax Assets", as follows:

10.5 Changes in deferred tax assets with a balancing entry in equity	21,698
Increases	22,285
Decreases	(587)
10.6 Changes in deferred taxes with a balancing entry in equity	276
Increases	(84)
Decreases	360

Information on risks and the related hedging policies



Introduction

The Bank carries out its activities on a sound and prudent basis and with a contained propensity to risk, in relation to:

- the need for stability associated with the performance of banking activities;
- the profile of its investors.

The overall propensity to risk is measured in summary form by identifying, as part of the Bank's equity ("own funds"), a capital component not intended for risk taking (unexpected losses), but oriented to pursue the following purposes:

- the business as a going-concern over the mid/long-term, gradually strengthening equity and maintaining conditions of operational flexibility (known as "strategic capital reserve");
- equity coverage of the impacts deriving from the occurrence of stress (known as "stress capital coverage").

The Internal Control and Risk Management System is defined as a set of rules, procedures and organisational structures allowing the identification, measurement, management and monitoring of the main risks. This system is integrated into the organisational and corporate governance structures adopted by the Bank.

In particular, the Bank's system of internal controls ensures the implementation of the corporate strategies and policies and is made up of a series of rules, procedures and organisational structures that aim to observe the standards of sound and prudent management.

The Corporate Bodies have the prime responsibility of ensuring, according to specific responsibilities, the completeness, adequacy, functionality and reliability of the internal control system.

The Bank has adopted a traditional type of governance model that envisages the presence of a Board of Directors, a Board of Statutory Auditors and General Management.

The Board of Directors is responsible for strategic supervision and for managing the Bank, accompanied also by the General Management, whereas the control functions are assigned to the Board of Statutory Auditors.

The Board of Directors defines the business model through the approval of multi-year business plans and annual budgets, with an awareness of the risks to which this model exposes the Bank and an understanding of how risks are recognised and assessed. The Board of Directors defines and approves the strategic guidelines and sees to their periodic review, establishes within the Risk Appetite Framework the propensity to risk and the related tolerance thresholds as well as the risk controlling policies, ensuring that the Bank's structure is consistent with the activities carried on and the business model adopted.

The risk controlling policies are formalised in specific regulations/policies that are promptly submitted for the approval of the Board of Directors.

The adoption of new products and services, the launch of new activities, introduction into new markets and, in general, the most significant operations are always approved by the Board of Directors.



PART F - Information on equity

Section 1 - Corporate equity

A. Qualitative information

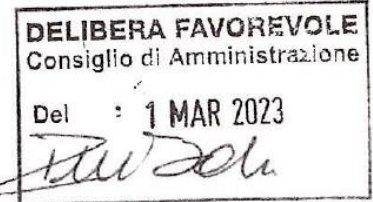
The Bank's equity corresponds to the algebraic sum of the items 110 "Valuation reserves", 140 "Reserves", 150 "Share premium reserve", 160 "Share capital", 170 "Own shares (-)" and 180 " Profit/loss for the year" under liabilities in the balance sheet.

The amount and the trend of equity represent one of the Bank's strategic priorities, both in relation to the growth and development prospects of the risk and in relation to regulatory legislation.

Therefore, also with regard to the future, the capital requirements are determined:

- - by the observance of the capital requirements laid down by supervisory regulations;
- - by the supervision of the risks related to the banking business;
- - by business development projects;
- - by assessments on the amount of profits to be distributed to the shareholders and to be capitalised.

Part B - Liability Section 12 of these explanatory notes provides disclosure regarding the components, amounts, origin, degree of availability and distributable nature of the various items.



PART H - Related Party Transactions

Section 1 - Information on remuneration of key executives

The following table discloses the fees for the year of the directors and statutory auditors, as well as the remuneration paid to key executives over the last two years:

Item/Amounts	31-12-2022	31-12-2021
Directors	750	750
Statutory Auditors	218	218
Key executives	1,571	1,437

The fees for the Directors refer to the matters established by the Shareholders' meeting held on 31/03/2021, net of VAT and social security charges if due.

The emolument of the Board of Statutory Auditors is equal to that resolved by the Shareholders' meeting held on 31 March 2021 for the three-year period from 2021 to 2023, again net of VAT and the social security charges when due.

The amount indicated for "key executives" includes the amount of the remuneration disbursed to those who have held the office, as well as the social security and welfare charges payable by the Bank and the portion of the post-employment benefit accrued during the year. With regard to the executives, no incentive payments linked to the profits achieved are envisaged; no pension plans are envisaged other than those enjoyed by employees; and no stock option incentive plans are envisaged.

Section 2 - Information on transactions with related parties

Related parties, as defined by the international standard IAS 24, are the following:

1. Subsidiary companies, parent companies or those subject to joint control;
2. The companies that may exercise significant influence over the company that draws up the financial statements;
3. Associates;
4. Joint ventures in which the company that draws up the financial statements invests;
5. The Directors, statutory auditors and key executives of the company that draws up the financial statements.
6. Close family members of one of the parties as per point 5;
7. Subsidiary companies, jointly controlled companies or parties subject to the significant influence of one of the parties as per points 5 and 6;
8. Pension funds of employees or any other body related to them.

Close family members are understood to be those who it is expected may influence, or be influenced by, the party concerned in their dealings with the company such as spouses not legally separated and common-law spouses, offspring and dependent individuals of the party, the spouse not legally separated and the common-law spouse.

On the basis of the legislation on industrial co-operative banks, there is no controlling party or a party that exercises management and co-ordination activities over Banca Valsabbina S.C.p.A.



Part L - Segment reporting

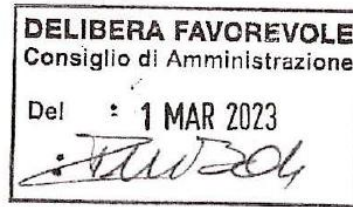
This part is not drawn up since the banking activities carried out by the Bank predominantly concern retail customers resident in the province of Brescia and residually in other provinces.

Publication of the fees for the auditing and of other services differing from the audit as per the Consob Issuers' Regulations Article 149 duodecies

In the following table, drawn up in accordance with art. 149-duodecies of the Consob Issuers' Regulations, shows the fees paid in 2022 for services provided by the Independent Auditing Firm.

Type of services	Subject who supplied the service	Recipient	Fees due in 2022 (in Euro 000)
Audit	Mazars Italia S.p.A.	Banca Valsabbina S.C.p.A.	36 (1)
Services of attestation	Mazars Italia S.p.A.	Banca Valsabbina S.C.p.A.	87 (2)

- 1) Includes fees for the performance of the limited audit of the half-yearly financial statements and the verification of the proper keeping of accounts
2) Attestation services relating to the verification of the presentation of the non-financial statement, verification of the derecognition of accounts receivable assignment transactions, attestation for the purposes of the eligibility of the profit for the year in own funds and other minor activities



Part M - Disclosure on leases

Section 1 - Lessee

IFRS 16 defines a lease as an agreement by which a party (lessor) grants another party (lessee/user) the right to use a specific asset, against payment of a fee, for a specified period of time. If, at the end of the period, the user can return the asset or become the owner by paying the difference between the amount already paid and the value of the asset, this is a lease contract in the strict sense of the term, whereas if the user can only return the asset or extend the contract, this is a rental contract, which falls within the scope of IFRS 16 as of 1 January 2019.

The leased asset is subject to the application of IFRS 16 if the following conditions are met:

- control, an asset is controlled when one has the direction of its use, in other words the operational management of the asset, and when one is able to obtain the benefits of its use;
- identifiability: the contract identifies the asset subject to the right of use. An asset is not considered to be identified if there is a substantial right of replacement during the contractual period.

The application of IFRS 16 for existing contracts is always due, except for contracts with an original duration of 12 months or less or for contracts for which the value of the underlying asset is of low value, value determined internally in Euro 10,000.

The accounting guidelines used are described in the 'Accounting Policies' in the section on 'Tangible Assets'; for the discounting of lease/rental instalments, the fixed rate for real estate leases was used, a rate published by the MEF in the third quarter of each year. Conventionally and in line, new contracts entered into up to 30 September of year N will be discounted at the rate published at 30 September of year N-1.

As of 31 December 2022, 57 lease contracts for real estate (branches) were processed, having met the conditions, and the following items are shown for these contracts in the financial statements:

Item/Amounts Euro 00	31-12-2022	31-12-2021
Rights of use - gross value	12,366	10,128
Depreciation fund	(6,332)	(4,914)
Rights of use - net value	6,034	5,214
- due within one month	231	191
- due beyond 1 month and within the year	1,485	1,454
- due beyond one year and within two years	1,336	1,448
- due after two years	2,964	2,117
Total lease payables	6,016	5,210
Depreciation of rights of use	1,876	1,772
Finance costs on liabilities IFRS 16	213	199