Layouts as at 31/12/2022

BALANCE SHEET

Assets *(euro units)*

	Asset items	31-12-2022	31-12-2021
10.	Cash and cash equivalents	159,212,342	31,781,340
20.	Financial assets measured 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 through other comprehensive income	564,028,114	643,168,671
40.	Financial assets measured at amortised cost	5,590,728,219	5,565,910,851
	a) loans and receivables with banks	83,747,293	421,029,218
	b) loans and receivables with customers	5,506,980,926	5,144,881,633
70.	Equity investments	3,064,632	1,936,860
80.	Tangible assets	56,518,207	49,323,336
90.	Intangible assets	10,556,127	9,916,190
	of which: goodwill	8,458,447	8,458,447
100.	Tax assets	65,213,194	54,273,566
	a) current	5,318,913	6,166,165
	b) prepaid	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**

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.	Post-employment benefits	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.	Share premium reserve	228,709,293	230,083,105
160.	Share capital	106,550,481	106,550,481
170.	Own shares (-)	(6,080,195)	(9,225,112)
180.	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 with the effective interest method	130,192,404	92,871,306
20.	Interest expense and similar charges	(16,927,751)	(18,262,071)
30.	**Net interest income**	**141,844,578**	**100,459,622**
40.	Fee and commission income	62,765,560	54,507,933
50.	Fee and commission expense	(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 profit (loss) from trading activities	21,750,511	6,867,318
100.	Profit (Loss) on sale 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 through other comprehensive income	772,802	4,916,879
	c) financial liabilities	(3,798)	(45,114)
110.	Net income from financial assets and liabilities measured at *fair value* 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 impairment losses for credit risk of:	(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) staff 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.	Depreciation and net impairment losses on tangible assets	(5,064,736)	(4,527,343)
190.	Amortisation and net impairment losses on intangible assets	(1,012,337)	(943,002)
200.	Other operating income/expense	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 *(in 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 through other comprehensive income	786,243	1,706,030
	overall		
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 through other comprehensive income	(44,849,434)	(8,449,483)
170.	**Total other income components net of taxation**	**(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
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income as at 31-12-2022	
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)
Capital 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
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income as at 32-12-2021	
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	230,298,585	-	230,298,585	-	-	-	(215,480)	-	-	-	-	-	-	230,083,105
Reserves:	17,302,691	-	17,302,691	19,407,766	-	(3,320)	-	-	-	-	-	-	-	36,707,137
a) income-related	20,394,783	-	20,394,783	19,407,766	-	(3,320)	-	-	-	-	-	-	-	39,799,229
b) other	(3,092,092)	-	(3,092,092)	-	-	-	-	-	-	-	-	-	-	(3,092,092)
Valuation reserves	4,762,256	-	4,762,256	-	-	-	-	-	-	-	-	-	(6,725,960)	(1,963,704)
Capital 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 (in whole Euros)

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**
- profit (loss) for the year (+/-)	41,420,720	39,185,963
- capital gains/losses on financial assets held for trading and on other financial assets/liabilities measured 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
- depreciation/amortisation and net impairment losses on tangible and intangible assets (+/-)	6,077,073	5,470,345
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	1,088,291	1,892,049
- unpaid duties, taxes 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 through other 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		
2. Cash flow used in	**(15,039,656)**	**(12,553,874)**
- purchases of equity investments	(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 cash flow generated/used 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 at 31/12/2022 have been drawn up in compliance with the international accounting standards issued by the International Accounting Standard Board (IASB) and approved at the date of preparation of the same, illustrated in the following point A.2, as well as the related interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and Circular 262 of 22 December 2005 of the Bank of Italy, updated with the VII update as of 29 October 2021, issued on the basis of the mandate contained in Legislative Decree 38/2005, which implemented EC Regulation No. 1606/2002 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 recourse was made to the exception provided for in Article 5, par. 1 of Legislative Decree no. 38/2005.

Section 2 – Basis of preparation

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 reported in the Financial Statements are expressed in Euro, while the figures in the Notes to the Financial Statements and the tables in the Directors' Report on operations are 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 implies the use of estimation processes and assumptions that have an effect on the balance sheet values; for the reporting of these items, all the information available up to the date of preparation of the financial statements is taken into account, as well as the assumptions that can be considered reasonable with regard to the assumed future scenarios.

The basis of presentation laid down by IAS 1 and used for preparing these annual financial statements involved:

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

The foreseeable possible future examined is the one emerges from all available information used in the preparation of the strategic plan. In addition in relation to its business, taking into account all risks that are analysed and explained elsewhere in the financial statements, the Bank believes that it falls within the scope of the criterion of IAS 1 according to which, when there is a history of profitable activity and easy access to financial resources, the going concern assumption is appropriate without performing a detailed analysis.

When assessing the business as a going concern, the references to IAS 1 contained in the joint “Bank of Italy/Consob/ISVAP No. 2 dated 6 February 2009” were used.

The directors also believe that the risks and uncertainties that the Bank may face in the course of operations have not been found to be significant and will not be; therefore, at present there are no doubts about the Bank as a going concern.

2) Accrual-basis accounting: costs and revenues are recognised, irrespective of the time of their monetary settlement, on the basis of economic accrual and according to the correlation criterion.

3) Financial statement presentation consistency: the presentation and classification of the items are maintained from one year to the next for the purpose of ensuring the comparability of the information unless a change is requested by an International Accounting Standard, such as in applying IFRS 9, or by an Interpretation or it is clear that another presentation or classification is more appropriate in terms of relevancy and reliability for the representation of the information. When the presentation or classification of the financial statement items is changed, the comparative amounts are reclassified, where possible, also indicating the nature and the reasons for the classification.

4) Significance and aggregation: each significant class of similar items is stated separately in the financial statements. Items dissimilar in nature or with regard to intended use are presented separately unless they are insignificant.

5) Substance over form: transactions and other events are recognised and stated in compliance with their economic substance and reality and not only according to their legal form.

6) Offsetting: assets, liabilities, costs and revenues are not offset unless this is required or permitted by an International Accounting Standard or by an interpretation or it is expressly envisaged by the financial statement reporting format for banks.

7) Comparative information: the comparative information is provided for the previous period for all the figures stated in the financial statements except when an International Accounting Standard or Interpretation allows otherwise. The commentary and descriptive information is also included when this is significant for an improved comprehension of the related annual financial statements.

Estimates and valuations

The preparation of the financial statements requires the use of estimates and valuations that may have a significant impact on the values recorded in the balance sheet and income statement.

The use of valuations and assumptions is more commonly required for:

- quantifying the impairment of financial assets, loans and receivables, tangible and intangible assets;
- determining the fair value of financial instruments to be used for disclosure purposes and the use of valuation models for determining fair value of financial instruments not listed on active markets;
- assessing the reasonableness of the amount of goodwill and of other intangible assets;
- quantifying employees' provisions and provisions for risks and charges;
- the actuarial and financial assumptions used to determine liabilities associated with defined benefit plans for employees;
- the estimates and assumptions made with regard to the recoverability of deferred tax assets;
- calculating parameters that significantly increase risk, mainly based on models for measuring probability of default (PD) at the origin of the financial assets and at the end of the reporting period;
- the inclusion of forward looking factors, including macroeconomic factors, for determining PD and LGD;
- determining the probability of the sale of non-performing financial assets through the realisation of market positions.

Reasonable estimates and assumptions are formulated by using all the internal and external information available and past experience.
The adjustment of an estimate further to changes in the circumstances on which it was based or further to new information or additional experience, is applied prospectively and therefore generates an impact on the income statement for the year in which the change takes place and, possibly, on that relating to future years.
The valuation process is particularly complex in consideration of the current macro-economic and market scenario, characterised by unusual levels of volatility that can be found on all the financial balances decisive for the purposes of the valuation and consequent difficulty in the formulation of performance forecasts, including short-term, relating to financial parameters that significantly affect the estimated values.

Classification criteria of financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 applied as from 1 January 2018 depends on two classification criteria or drivers: the business model with which the financial instruments are managed (or Business model) and the contractual characteristics of the cash flows of the financial assets (or the "SPPI test"). The combination of the two drivers mentioned above results in the classification of financial assets as follows:

- financial assets valued at amortized cost - assets that fall under the Hold to Collect (HTC) business model which, by passing the "SPPI test" demonstrate that they meet the requirements to be included in the portfolio in question;
- financial assets measured at fair value through other comprehensive income (FVOCI) - assets included in the Hold to collect and sell (HTCS) business model that, having passed the SPPI test, prove that they meet the necessary requirements to be recognised in the portfolio in question. An exception is made for equity securities that can be recognised in this portfolio by exercising the "Fair value option" even if they do not pass the SPPI test;

- financial assets measured at fair value through profit or loss (FVTPL) - this is a residual category and includes financial assets defined as held for trading or designated at fair value according to their business model and instruments included in different business models but that do not pass the "SPPI test".

In order for a financial asset to be classified at amortised cost or FVOCI, in addition to the analysis relating to the business model, the contractual terms of the asset itself must provide, at certain dates, for cash flows represented by payments of principal and interest on the amount of principal to be repaid ("solely payment of principal and interest" SPPI).
The SPPI test must be carried out on each individual financial instrument when it is recognised in the financial statements. Subsequent to initial recognition, and as long as it is recognised in the financial statements, the asset is no longer subject to new valuations for the purposes of the "SPPI test". If a financial instrument is to be cancelled (accounting derecognition) and a new financial asset is to be recorded, it is necessary to carry out the “SPPI test” on the new asset.

If the test shows that the contractual cash flows (not discounted) are "significantly different" from the cash flows (also not discounted) of a benchmark instrument (i.e. without the modified time value element), the contractual cash flows cannot be considered as meeting the definition of the "SPPI test".

With regard to the business model, IFRS 9 identifies three cases in relation to the way cash flows and sales of financial assets are managed:

- Hold to Collect (HTC): this is a business model whose objective is achieved through the collection of contractual cash flows from the financial assets included in the associated portfolios. The inclusion of a portfolio of financial assets in this business model does not necessarily mean that it is impossible to sell the instruments even if it is necessary to consider the frequency, value and timing of sales in previous years, the reasons for the sales and expectations regarding future sales;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved through the collection of contractual cash flows from financial assets in the portfolio and (also) through a sales activity that is an integral part of the strategy. Both activities (collection of contractual flows and sales) are essential to achieve the objective of the business model. Therefore, sales are more frequent and significant than in an HTC business model and are an integral part of the pursued strategies;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed using a business model that does not fall under the previous categories (Hold to Collect and Hold to Collect and Sell).

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

For the Hold to Collect portfolios, the Bank defined the eligibility thresholds for sales that do not affect the classification and, at the same time, established the parameters for identifying sales consistent with this business model as they are attributable to an increase in credit risk.

Method for determining the amortised cost

The “amortised cost” of a financial asset or liability is equal to the initial recognition cost, decreased/increased by the capital repayments, impairment losses/reversals of impairment losses and the amortisation - calculated using the effective interest rate method - of the difference between the amounts disbursed and that which can be repaid on maturity, attributable typically to the costs/income booked directly to the individual loan/receivable.
The effective interest rate is the rate that equalises the current value of a financial asset or liability to the contractual flows, for principal and interest, of the future payments or those received up until maturity or on the subsequent rate recalculation date.
With regard to fixed rate instruments or those at fixed rate for temporary periods (e.g. step up bonds), the future cash flows are determined in the basis of the interest rate known during the life of the instrument.
With regard to floating rate financial assets or liabilities, the determination of the future cash flows is carried out on the basis of the last known rate. As of each price review date, steps are taken to recalculate the repayment plan and the effective rate of return on the entire useful life of the financial instrument, in other words until the maturity date.
Amortised cost is applied to receivables and debt securities recognised in the asset portfolio under items "30 Financial assets measured at fair value through other comprehensive income" or "40 Financial assets measured at amortised cost" and to liabilities and securities issued recognised as liabilities.
The financial assets and liabilities traded under market conditions are initially recognised at their fair value, which normally corresponds to the amount paid or disbursed inclusive of the transaction costs and the directly bookable commission.
Transaction costs are considered to be the internal marginal costs and income attributable at the time of initial recognition of the instrument, not rechargeable to the customer.
These accessory components, which must be attributable to the individual assets or liability, affect the effective return and make the effective interest rate different from the contractual interest rate.
The costs and income referable without distinction to several transactions and the correlated components that may be subject to recognition during the life of the financial instrument, are excluded. Furthermore, the costs that the Bank will have to incur irrespective of the transactions, such as administrative, stationery and communication costs, are not considered in the calculation.
Amortised cost also applies to the measurement of the impairment of the financial instruments listed above and to the recognition of those issued or purchased at a value other than their fair value. As indicated by IFRS 9, in some cases, a financial asset is considered non performing upon initial recognition because the credit risk is very high and, if purchased, it is purchased at a large discount. If the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and Business model), are classified as assets measured at amortised cost or fair value through other comprehensive income, they are classified as "Purchased or Originated Credit Impaired Assets" (in short "POCI") and are subject to a special treatment with regard to the impairment process. The measurement criterion at amortised cost does not apply to financial assets/liabilities backed by hedging derivatives for which changes in fair value relating to the hedged risk are recognised in the Income Statement.

Estimated impairment of financial assets

Pursuant to IFRS 9, at the end of each reporting period, financial assets other than those measured at fair value through profit or loss undergo an assessment to determine whether there is evidence that the carrying amount of the assets cannot be fully recovered.

For financial assets for which there is no evidence of impairment, i.e. for performing financial instruments classified under STAGE 1, the measurement envisages the recognition of expected losses over the following twelve months. However, at the end of each reporting period, it is necessary to check whether there is evidence that the credit risk of the individual transaction has increased significantly since initial recognition. In fact, should there be evidence of a significantly increased credit risk, the financial instruments, while remaining performing, will decrease in terms of both staging and measurement. Where such evidence exists, the financial asset is included in STAGE 2 and a measurement is applied to it which envisages the recognition of impairment losses equal to the expected losses over the entire residual life of the financial instrument (known as PD Lifetime).

In order to identify the "significant increase" in credit risk, the change in the probability of default with respect to the time of initial recognition of the financial instrument is considered; in addition, the possible presence of a past-due amount that is at least 30 days past due, the existence of (forborne) concession measures, and the management's classification in the "under control" watchlist determine recognition in STAGE 2.

Focusing on the change in the probability of default, the significant increase in credit risk ("SICR") is determined by comparing the relative change in the probability of default recorded between the date of first recognition of the relation and the date of observation (Delta PD) with predetermined significance thresholds.

With regard to non-performing positions classified in STAGE 3, the measurement is usually carried out according to analytical methods.

The criteria for estimating the write-downs to be made to non-performing loans are based on the discounting of expected cash flows, taking into account any guarantee assisting the positions and any advance received. To determine the current value of the flows, the key elements are the identification of the estimated collections, the related maturities and the discount rate to be applied. The amount of the adjustment is equal to the difference between the book value of the asset and the current value of the expected future cash flows, discounted at the original effective interest rate, properly updated in the case of instruments with variable interest rates, or, in the case of positions classified as bad loans, at the effective interest rate at the date of transition to bad loans status. Depending on the severity of the state of impairment and the significance of the exposure, the estimates of the recoverable amount consider a going concern approach, which assumes the going concern of the counterparty and the continuous generation of operating cash flows, or a gone concern approach: in the event of a scenario of disposal of the asset in which the recovery of the receivable is substantially based on the value of the assisting guarantees or on the realisable value of the assets, taking into account the amount of liabilities and any pre-emption rights.

Moving on to analyse an alternative recovery scenario, note that, as a strategy that can maximise the recovery of cash flows under certain conditions, the sale of certain bad loans with transferable characteristics is envisaged.

As far as non-performing loans are concerned, the Bank removes/derecognises uncollectable accounting entries and writes off the unadjusted balance in the event of non-recoverability, assignment or waiver of the loan.

Recognition criteria for income components

Besides the matters illustrated in the basis of presentation, revenues are recognised at a specific point in time, when the entity meets its obligation to perform by transferring the promised good or service to the customer, or over time, as the entity meets its obligation to perform by transferring the promised good or service to the customer. The asset is transferred when, or during the period in which, the customer acquires control.

In detail:

a) interest payments are recognised on a pro rata basis according to the contractual rate of interest or the actual rate in the case of the application of amortised cost. The item interest income (or interest expense) also includes the differentials or margins, positive or negative, accrued until the end of the reporting period, relating to the derivative contracts:
   - to hedge assets or liabilities that generate interest;
   - classified in the Balance Sheet in the trading book, but related to financial assets and/or liabilities measured at fair value (as per the fair value option);
   - related operationally to assets and liabilities classified in the trading book and that envisage the settlement of differentials or margins with several maturities;

b) default interest, which may be provided for contractually, is recognised in the Income Statement only when it is actually collected;

c) dividends are recognised in the income statement during the financial year in which their distribution is resolved;

d) fees and commissions on revenues from services are recognised on the basis of contractual agreements in the period in which the services are provided. The commissions considered in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;

e) revenues from the sale of financial instruments, determined by the difference between the consideration paid or received for the transaction and the fair value of the instrument, are recognised in the Income Statement when the transaction is recognised;

f) revenues from the sale of non-financial assets are recognised when the sale is completed, i.e. when the obligation to perform with regard to the customer is fulfilled;

g) costs are recognised when they are incurred, following the criterion of correlation between costs and revenues that derive directly and jointly from the same transactions or events;

h) costs directly attributable to the assets measured at amortised cost and that can be determined from the beginning, regardless of the moment when they are paid, flow to the income statement by applying the effective interest rate;

i) costs that cannot be linked to revenues are immediately charged to the income statement. Impairment losses are recognised in the income statement in the financial year in which they are recognised.

Section 3 - Events after the end of the reporting period

In the period of time between the reference date of this Report and its approval by the Board of Directors, which took place on 01/03/2023, no events occurred that could influence the truthfulness, clarity and correctness of the accounting representation provided.

Section 4 – Other aspects

Audit

The financial statements are audited pursuant to Legislative Decree No. 58/98, by the company Mazars Italia S.p.A., in application of the assignment given for the period 2020/2028 to that company by the shareholders' resolution of 29 June 2020.

Accounting standards/interpretations approved and applicable on a mandatory basis as from 2022

For financial years beginning on or after 1 January 2022, the following is an obligation that has recently come into force:

IFRS	IASB Effective Date
Annual Improvements to IFRSs - 2018-2020 cycle (amendments to IFRS1, IFRS9, IFRS16, IAS41)	1 January 2022
IFRS 3 *Business Combinations* (Amendment - Reference to Conceptual Framework)	1 January 2022
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment - Onerous Contracts - Costs of Fulfilling a Contract)	1 January 2022
IAS 16 *Property, Plant and Equipment* (Amendment - Income arising from assets before they are ready for use)	1 January 2022

These amendments to the Accounting Principles did not change the criteria used in the preparation of the Institute's financial statements.

Accounting standards/interpretations approved and applicable on a mandatory basis as from financial years after 2022

The Regulations approved by the European Commission during 2022 or in previous years, whose application will be mandatory as from 2023 or subsequent financial years and amending or supplementing the international accounting standards, are listed below:

Mandatorily effective for financial years beginning on or after 1 January 2023	**Mandatorily effective for financial years beginning on or after 1 January 2024**
IFRS 17 *Insurance Contracts*	IFRS 16 Leases (amendment- liabilities in a sale and lease-back)
IAS 1 *Presentation of Financial Statements and* IFRS Practice Statement 2 (Amendment - Disclosure of Accounting Policies)	IAS 1 *Presentation of Financial Statements* (Amendment - Classification of Liabilities as Current or Non-Current)
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment - Definition of Accounting Estimates)	IAS 1 *Presentation of Financial Statements* (Amendment - non-current liabilities with covenants)
IAS 12 *Income Tax*es (Amendment - Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction)	

These changes in accounting standards are still being analysed; preliminarily, no material impact is expected.

Risks, uncertainties and impacts of the Russian-Ukrainian conflict

This section describes the balance sheet values relating to customer relationships, direct exposures, the possible impact of the Russian-Ukrainian crisis on credit risk, and the risk monitoring measures related to the international crisis.

Loan transactions or direct/indirect deposits with counterparties having Russian/Belarusian/Ukrainian citizenship or residence, on the basis of the analyses carried out during the year, are limited to limited amounts, altogether under 10 million euro, and in any case these same counterparties are actually resident in Italy; these transactions are therefore characterised by a credit risk not directly impacted by the war events.
With regard to credit risk, on the basis of a questionnaire forwarded by the bank to a number of counterparties of relevance to the institution, they indicated that they were either not directly affected by the conflict or - to a limited extent - that they had supply relationships, but that these were limited in terms of percentage. In terms of indirect consequences, on the other hand, the counterparties recorded a further increase in energy and raw material costs compared to the end of the previous year.

Direct exposure in debt securities (ownership) is limited to one corporate security with a nominal value of EUR 1 million for which the issuing counterparty has not been and does not appear to be affected by default risk.

The institute has put in place, among other things, measures to monitor the movement/blocking of relationships in the name of citizens/residents/nationals of Russia and Belarus, verify the presence of such persons on the "black list" and block movements to and from the sanctioned foreign banks. Specific information circular letters were also periodically prepared and sent to the network on the sanction regimes adopted by international authorities, internal safeguards and behavioural practices adopted and to be adopted.

Risks, uncertainties and impacts of the Covid-19 epidemic

From a general point of view, it should be noted that on 16 December 2022, the European Banking Authority published the closing report on Covid-19-related measures (EBA/REP/2022/32), a report that provides an overview of the current status of the wide range of measures taken by the EU authorities to deal with the pandemic and the path that intermediaries are being asked to follow in order to exit the support policies. On the whole, the European banking system showed good resilience to what happened, also and above all due to the temporary overcoming of some prudential constraints put in place by the European Central Authorities. In a process geared towards the normalisation of the overall situation, characterised by a reduction in the volume of loans subject to various forms of moratoria and public guarantees, the EBA has decided to cancel the disclosures and guidelines on pandemic-related reports as of 01 January 2023.

On the other hand, with regard to the situation of the Institute in respect of the loans disbursed during the pandemic and assisted by specially established state guarantees, as well as with regard to the development of the loan relationships to which moratorium measures had been granted, the following should be noted.

The outstanding debt from COVID-19 publicly guaranteed loans, at the end of 2022, amounted to EUR 993 million, compared to approximately EUR 872 million at the end of the previous year; loans of this type were therefore also disbursed in 2022, although obviously to a lesser extent than in the previous two years. On the other hand, with regard to the value of loans covered by moratorium measures granted in the COVID period and still outstanding, whether by law, ABI, or discretionary, at the end of the financial year, approximately EUR 6 million remained.
Recalling that, at the end of 2020, the volume of loans to which a COVID moratorium measure had been granted amounted to no less than EUR 700 million, of which 41.7 million gross were impaired (net 30.8 million) as at 31 December 2022, while within the newly disbursed loans backed by government guarantees there were 16.1 million impaired loans with a write-down of EUR 2.9 million; the portion not covered was backed by government guarantees.

A.2 Section relating to the main financial statement items

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

Classification criteria

This category includes:

- financial assets held for trading consisting mainly of debt and equity securities and the positive value of derivative contracts held for trading;
- financial assets which, although falling under the “Hold to Collect” and “Hold to Collect and Sell” business models, do not pass the "SPPI test". This category also includes financial assets that are not held as part of a business model whose objective is ownership ("Hold to Collect" Business model), or whose objective is achieved both through the collection of contractual cash flows and through sale ("Hold to Collect and Sell" Business model);
- financial assets designated at fair value: in fact, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss at the time of recognition if by doing so, it eliminates or significantly reduces a valuation inconsistency.

Debt securities and loans that are included in an Other/Trading business model or that do not pass the "SPPI test", equity instruments that do not qualify as control, connection and joint control instruments held for trading purposes or for which no designation at fair value with impact on comprehensive income was opted for upon initial recognition, and units of UCITS.
The item also includes derivative contracts, recorded under financial assets held for trading, which are represented as assets if the fair value is positive and as liabilities if the fair value is negative.

According to the rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, highly infrequent, financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories envisaged by IFRS 9.
If the entity reclassifies the financial asset from the FVTPL category during the year to amortised cost, its fair value at the date of reclassification becomes the new gross carrying amount.

If the entity reclassifies the financial asset from FVTPL to FVOCI, the financial asset continues to be measured at fair value and the effective interest rate is determined on the basis of its fair value at the date of reclassification.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity securities, on the disbursement date for loans and on the subscription date for derivative contracts.
On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, excluding transaction costs or income directly attributable to the instrument itself. On the basis of IFRS 13 (Fair Value Measurement), effective as from 1 January 2013, the fair value is the "price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators on the measurement date", without considering the transaction costs and revenues relating to said instrument.

Measurement criteria

Financial assets measured at fair value through profit or loss are measured at fair value, the determination of which is based on prices recorded in active markets or through internal valuation models generally used in financial practice as described in more detail in Part A.4 "Information on fair value" of the Explanatory Notes.
If the fair value of a financial asset becomes negative, this asset is recognised as a financial liability.

Derecognition criteria

The financial assets are derecognised from the financial statements when the contractual rights on the cash flows of the assets in question expire and when, further to disposal, essentially all the risks and benefits relating to the same financial asset are transferred.

Recognition criteria for income components

The result of the sale/redemption or valuation of financial assets held for trading is charged to the profit and loss account under item “80. Net result from trading activities”.
The result of the sale/redemption or valuation of financial assets or liabilities measured at fair value is recognised in the income statement under item “110. Net result of financial assets and liabilities at fair value”.
The interest recognised under item “10. Interest and similar income” also includes interest accrued on financial instruments in the form of loans and debt securities classified under item “20. Financial assets at fair value through profit or loss” on the asset side of the balance sheet.

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

Classification criteria

This category includes:

- assets and financial instruments held in accordance with a "Hold to Collect and Sell" business model (debt securities and loans) whose contractual terms envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be returned ("SPPI test" passed);
- capital instruments (equity investments), not held for trading, for which the option to be designated at fair value through other comprehensive income was exercised at the time of initial recognition and is known as "OCI option".

Hence, the following are included under this heading: debt securities that are attributable to a Hold to Collect and Sell business model and that have passed the "SPPI test", shareholdings that do not qualify as control, connection and joint control, that are not held for trading purposes, for which the option to designate at fair value with impact on comprehensive income has been exercised, loans that are attributable to a Hold to Collect and Sell business model and that have passed the "SPPI test".
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets that is expected to be highly infrequent.
If the entity reclassifies the financial asset from the FVOCI category to the amortised cost category, the financial asset is reclassified at its fair value at the date of reclassification. The cumulative gains/losses previously recognised in the other components of shareholders' equity are derecognised from it, adjusting them against the fair value of the financial asset at the date of reclassification. Therefore, this adjustment does not affect profit/(loss) for the year and is not a reclassification adjustment.
If the entity reclassifies the financial asset from FVOCI to FVTPL, the financial asset continues to be measured at fair value. The cumulative profit (loss) previously recognised in shareholders' equity is reclassified from it to the profit/loss for the year through a reclassification adjustment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equities, and on the disbursement date for loans. Upon initial recognition, the assets are recorded at fair value, inclusive of the transaction costs or income directly attributable to said instrument.

Measurement criteria

Subsequent to initial recognition, financial assets classified at fair value with an impact on comprehensive income, other than equity securities, are measured at fair value, with the impact of the application of amortised cost, the effects of impairment and any exchange rate effect recognised in the income statement, while other gains or losses arising from a change in fair value are recognised in a specific equity reserve item “110. Valuation reserves”, until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is transferred to the Income Statement.

The capital instruments chosen for classification in this category are measured at fair value and the amounts recognised with corresponding item in shareholders' equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equities in question that is recognised in the income statement is represented by the related dividends.

For further information on the criteria for determining fair value, please refer to the "A.4 Information on fair value" section in Part A of the Explanatory Notes to the Financial Statements.

For financial instruments both in the form of debt securities and loans classified as STAGE 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as STAGE 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and STAGE 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument. Vice versa, equity securities are not subject to impairment.

Derecognition criteria

The derecognition of the available-for-sale financial assets takes place when the contractual rights on the cash flows of the assets in question expire and when, further to disposal, essentially all the risks and benefits relating to the same financial asset are transferred.

Recognition criteria for income components

In the income statement, under item “10. Interest income and similar income”, interest and the amount represented by the gradual release of discounting calculated at the time the value adjustment is recognised, on financial instruments in the form of loans and debt securities classified under item “30. Financial Assets Valued at Fair Value with Impact on Comprehensive Income” of the financial assets. Value adjustments calculated at each balance sheet or interim reporting date, determined in accordance with the impairment rules of IFRS 9, are immediately recognised in the income statement under item “130. Net value adjustments/write-backs for credit risk', with a balancing entry under item “110. Valuation reserves”, as well as recoveries of part or all of the amounts subject to previous write-downs. Furthermore, in the Income Statement, under item “70. Dividends and similar income”, the dividends relating to equity securities for which the so-called “dividend policy” has been opted for are recognised. “OCI option”.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements are recognised in shareholders' equity when the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is recognised in the income statement, the associated exchange rate difference is also recognised in the income statement.

3 - Financial assets measured at amortised cost

Classification criteria

This category includes financial assets held according to a business model whose objective is achieved through the collection of contractually agreed cash flows, i.e. financial assets associated with the Hold to Collect Business Model, the contractual terms of which envisage, at certain dates, cash flows represented solely by payments of principal and interest on the principal to be returned (known as "SPPI test passed").
Therefore, this item includes loans and receivables with banks (current accounts, guarantee deposits, debt securities), loans and receivables with customers (current accounts, advances on invoices, mortgages, finance leasing operations, factoring transactions, debt securities).

This category also includes operating loans related to the provision of financial assets and services as defined by the Consolidated Banking Law (TUB) and the Consolidated Law on Finance (TUF).

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not allowed except in highly infrequent cases, where the entity changes its business model for the management of financial assets.
If the entity reclassifies the financial asset from Amortised Cost to FVOCI, its fair value is measured at the date of reclassification. Gains or losses resulting from a difference between the previous amortised cost of the asset and its fair value are recognised in valuation reserves. The effective interest rate and the assessment of expected losses on loans and receivables are not adjusted as a result of the reclassification.
If the entity reclassifies the financial asset from Amortised Cost to FVTPL, its fair value is measured at the date of reclassification. Gains or losses resulting from a difference between the previous amortised cost of the asset and fair value are recognised in profit or loss for the year.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, the assets are recorded at fair value, inclusive of the transaction costs or income directly attributable to said instrument.
In particular, with regard to loans, the date of disbursement normally coincides with the date of signing of the agreement. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.
Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

Measurement criteria

Following their initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. The effective interest rate is identified by calculating the rate that makes the current value of the future flows of the asset, in terms of capital and interest, equal to the amount disbursed inclusive of the costs/income attributable to the financial asset itself. This accounting method allows the economic impact of costs/income directly attributable to a financial asset to be distributed throughout its expected residual life.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.
The measurement criteria, as better described in the chapter in Section 2 of the Accounting Policies "Estimate of impairment losses on financial assets", are strictly related to the inclusion of the instruments in question in one or the three STAGES (stages of credit risk) envisaged by IFRS 9, the last of which (STAGE 3) includes non-performing financial assets and the remaining (STAGES 1 and 2) performing financial assets.
If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation, depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from models and properly adjusted to take account of the provisions of IFRS 9.
However, if, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "non-performing", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate.
The amount of the loss to be recognised in the income statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position and considers forward looking information and possible alternative recovery scenarios.

Non-performing assets include financial instruments that have been granted the status of bad, unlikely to pay or past due by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations. The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.

Derecognition criteria

Changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative considerations. Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will have to consider the purposes for which the changes were made.

Recognition criteria for income components

In the income statement, under item “10. Interest income and similar income”, interest and the amount represented by the gradual release of discounting calculated at the time the value adjustment is recognised, on financial instruments in the form of loans and debt securities classified under item “40. Financial assets measured at amortised cost” on the asset side of the balance sheet.

Value adjustments relating to this type of asset are recognised in the Income Statement under item “130. Net impairment losses for credit risk”.

If the reasons for the impairment cease to exist further to an event that has taken place after the recognition of the drop in value, reversals of impairment losses are booked to the income statement. The reversal of impairment loss cannot exceed the amortised cost that the financial instrument would have had in the absence of previous impairment losses.
Reversals related to the passage of time are recognised in net interest income. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements (derecognition) and a new financial instrument must be recognised.

4 - Hedging transactions

Risk hedging transactions are aimed at neutralising potential losses on exchange and interest rates. The hedges can be divided up into the following categories:

- hedging of the fair value of a specific asset or liability, which has the aim of maintaining the current value of a financial asset/liability in the presence of interest rate changes;
- hedging of the future cash flows attributable to a specific asset or liability, which has the aim of maintaining the cash flow of a financial asset/liability in the presence of interest rate changes;
- hedging of the effects of an investment in foreign currency.

Banca Valsabbina avails itself of the possibility, at the time of introduction of IFRS 9, of continuing to apply in full the provisions of the former IAS 39 on hedge accounting for each type of hedge (both for specific hedges and for macro hedges).

Recognition criteria

Financial hedging derivatives are initially recognised and subsequently measured at fair value and classified in asset item 50, and liability item 40. “Hedging derivatives”.
A relation qualifies as hedging if all the following conditions are satisfied:
- at the start of the hedge, there is a designation and formal documentation of the hedge accounting, the nature of the risk hedged and the risk objectives pursued;
- the definition of the criteria for determining the efficacy of the hedge;
- the expected hedge is highly effective and can be reliably measured and the measurement is carried out on an on-going basis.

Measurement criteria

The determination of the fair value of the derivative instruments is based on prices taken from regulated markets or provided by qualified operators on models for the measurement of the options or on models discounting back future cash flows. A hedge is considered highly effective if, both at the start and during its life, the change in the fair value or the cash flows of the element hedged are almost completely offset by the change in the fair value or the cash flows of the hedging derivative, or rather the effective results remain within an interval between 80% and 125%.

Transactions are no longer considered hedging if:
- the hedge made via the derivative ceases or is no longer highly effective;
- the derivative expires, is sold, terminated or exercised;
- the element hedged is sold, expires or is reimbursed;
- the hedging definition is revoked.

The ineffective part of the hedge is provided by the difference between the change in the fair value of the hedging instrument and the change in the fair value of the hedged element. For the purposes of determining the efficacy of the hedge, both forecast and retrospective tests are carried out, at least at the end of each reporting period.

Derecognition criteria

The recognition in the financial statements of hedging transactions is interrupted when the efficacy requirements are no longer observed, when they are revoked, when the hedging instrument or the instrument hedged expires, is discharged or sold.

Recognition criteria for income components

The change in fair value of the hedging instrument in effective fair value hedges is recorded in the income statement under item “90. Net result of hedging activities”. The fair value changes of the hedged element, attributable to the hedged risk with the derivative instrument, are recorded in the income statement to offset the change in the book value of the hedged element.
If the hedge no longer satisfies the criteria for being recorded as such or the derivative is terminated, also due to the insolvency of the counterpart, the difference between the book value of the hedged element at the time the hedge ceases and that which would have been its book value if the hedge had never existed, in the event of interest-bearing financial instruments, is amortised in the income statement, over the residual life of the original hedge; in the event of non-interest bearing financial instruments, this difference is recorded directly in the income statement.

5 - Equity Investments

Recognition criteria

Equity investments are stated in the financial statements at purchase value.

Classification criteria

The item includes the equity investments in subsidiaries, associates and jointly controlled entities (joint ventures) or subject to significant influence of the Bank.

Measurement criteria

Equity investments are carried at cost.
If evidence exists that the value of an equity investment may have undergone a reduction, steps are taken to estimate the recoverable amount of said investment, including the final disposal value of the investment and/or other measurement elements, which are compared with the book value of the equity

investment. If this is lower, the difference is booked to the income statement under the item “Net gains (losses) on equity investments”.

If the reasons for the impairment cease to exist further to an event that has taken place after the recognition of the drop in value, reversals of impairment losses are booked to the income statement, in the same item indicated above, up to the extent of the previous impairment.

Derecognition criteria

Equity investments are derecognised when the contractual rights to the corresponding cash flows deriving from the assets expire or when the equity investments are sold substantially transferring all related risks and benefits.

Recognition criteria for income components

In compliance with IAS 18, dividends are recognised when the right of the shareholders to receive the payment is established and, therefore, after the date of adoption of the resolution by the shareholders’ meeting of the company in which the shareholdings are held.

6 - Tangible assets

Recognition criteria

Tangible assets whose cost is reliably determined and from which it is probable future economic benefits will derive, are recognised in the financial statements.
Tangible assets are initially recognised at purchase cost, inclusive of accessory charges incurred for the purchase and putting the asset into operation.
For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, Article 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2005.
The cost model was adopted for the measurement of buildings subsequent to that date. Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer. Ordinary maintenance costs are recognised directly in the income statement.

Tangible assets acquired under financial leasing operations or through lease agreements similar to Leases under IFRS 16 are accounted for in accordance with the same IFRS, which primarily requires the right of use of the asset (ROU) and the current value of lease payments to be recognised as assets and liabilities, respectively.
ROU ASSET = Liabilities (Lease Liability) + payment of advance rentals - incentives received + initial costs of the lessee + costs of recovery, removal or demolition.
The liability is nothing more than the sum of the current value of outstanding lease or rental payments.
After initial recognition of the right of use and the related liability, the lessee must measure the right to use the asset through the cost method, i.e. carry out the depreciation process in accordance with IAS 16 and any impairment losses in accordance with IAS 36.
The depreciation must be calculated taking into account the useful life of the asset in the event of redemption, or, if this is not the case, it will be calculated by choosing the closest time between the expiry of the contract and the end of the useful life of the asset. Finally, in the income statement, the

lessee must present the interest expense on the lease liabilities separately from the depreciation charge on the asset consisting of the right of use.

Leasehold improvements and incremental expenses incurred as a result of a lease agreement on third-party assets from which future benefits are expected are entered under item “120. Other assets” when they do not have independent identifiability and separability.

Classification criteria

Tangible assets include real estate properties, land, installations, furniture and furnishings and other office equipment. These are assets instrumental for the supply of services.
The value of the land pertaining to the property units owned is recorded separately from the building in that fixed asset with an indefinite useful life. Therefore, lands are not depreciated whereas buildings with a limited life are depreciated.

Measurement criteria

Subsequent to initial recognition, tangible assets are measured at cost net of depreciation and any impairment losses.
The amortisation is calculated systematically on a straight-line basis by means of technical-economic rates representative of the residual possibility of use of the assets. Land is an exception, not subject to depreciation given the impossibility of determining its useful life, and in consideration of the fact that the related value is not usually destined to drop in relation to the passage of time.
At the end of each reporting period or interim period, if there is any indication that the asset may have been impaired, a comparison is made between the book value of the asset and its recoverable amount, equal to the fair value, net of any sales costs, and the related value in use of the asset, understood as the current value of the future flows originated by the asset, whichever is the lower. Potential impairments are recognised in the income statement.

Derecognition criteria

A tangible fixed asset is eliminated from the balance sheet at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Recognition criteria for income components

Value adjustments are recorded in the income statement under item “180. Net value adjustments/reversals on tangible assets”.
The depreciation of leasehold improvements to and expenses for third party assets takes place on the basis of the duration of contracts underlying the right of use, a minimum of 5 years, in relation to the physical deterioration and the residual possible useful life. It is recognised in the income statement under item “200. Other operating charges/income”.

7 - Intangible assets

Intangible assets comprise software for long-term use, intangible assets linked to the enhancement of relations with customers (core deposits) and goodwill.

Recognition and classification criteria

Intangible assets represented by software and user licences owned by the Bank are recognised in the financial statements only if they comply with the requirements that they are independently identifiable and distinct, that it is probable that future economic benefits will be realised, and that the cost itself can be measured reliably.

The goodwill is represented by the difference, when positive, between the purchase cost incurred and the value in use, as from the purchase date, of the assets and the balance sheet elements acquired within the sphere of a company merger.

Measurement criteria

Intangible assets represented by software and user licences are recorded in the financial statements at cost net of amortisation and impairment losses. The amortisation is calculated systematically on a straight-line basis by means of technical-economic rates representative of the residual possibility of use of the assets. At the end of each reporting period, the residual life is measured to check the adequacy.
Goodwill is not amortised in consideration of its indefinite useful life, but it is subject to checking of the adequacy of the recognition value (impairment test) at least once a year, generally at the time of preparation of the annual financial statements and in any event on occurrence of events that suggest that the asset has been impaired. Any goodwill impairment, even if in subsequent years the reasons they were made cease to exist, cannot be reinstated.

Derecognition criteria

An intangible fixed asset is eliminated from the balance sheet at the time of disposal or when its use permanently ceases.

Recognition criteria for income components

Value adjustments are recorded in the income statement under item “190. Net value adjustments/reversals on intangible assets".

Negative goodwill

When in a business combination the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the purchaser:

- reviews the identification and measurement of identifiable assets, liabilities and contingent liabilities of the acquiree and the determination of the cost of the combine;
- recognises immediately in the income statement any residual excess after the new measurement.

8 - Current and deferred taxation

The items “tax assets” and “tax liabilities” in the Balance Sheet contain tax receivables and payables. Current taxes for the year are determined by applying current tax rates and legislation. They are recorded as liabilities, net of payments on account, to the extent that they have not been paid; this includes unpaid amounts relating to previous years.

They are recognised as assets in the event that the amount paid, by way of advance or withholdings made, is in excess with respect to the amount due and to the extent that the receivables are recoverable in subsequent years.

Prepaid and deferred taxes are determined on the basis of the balance sheet liability method, taking into account the timing differences (deductible or taxable) between the book value of an asset or liability and its value recognised for tax purposes.
"Deferred tax assets" are recognised if their recovery is considered probable. They involve a future reduction of the taxable income in the presence of an advance tax paid with respect to the accrual basis of accounting.

“Deferred tax liabilities” are recognised in all the cases where it is probable that the related liability will arise. They represent a future increase in the taxable income determining a deferral of the taxation with respect to the accrual basis of accounting.
Deferred taxes have not been provided for with regard to reserves subject to deferred taxation since no distributions are envisaged with regard to these reserves.
The provision for income taxes is determined on the basis of a prudential forecast of the current, prepaid and deferred tax liability.

Tax assets and liabilities, as a rule, are recognised as an offsetting item in the income statement, except in the case that they derive from transactions whose effects are attributed to shareholders' equity, in which case they concern the calculation of the specific valuation reserves.

9 - Provisions for risks and charges

Provisions for risks and charges include:

- pension funds and similar obligations;
- provisions for risks and charges against commitments and guarantees given;
- other funds.

The provisions for risks and charges against commitments and guarantees given include the provisions for credit risk recognised against commitments to grant finance and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three STAGES of credit risk and calculation of the expected loss shown with reference to financial assets at amortised cost or at fair value through other comprehensive income, are adopted.
The aggregate also includes provisions for risks and charges set up to cover other types of commitments and guarantees given that, by virtue of their specific characteristics, do not fall within the aforementioned scope of application of the impairment in accordance with IFRS 9.

Provisions for risks and charges concern specific costs and liabilities whose existence is certain or likely, but whose amount or timing is not yet known at the end of the reporting period. The allowance to provisions for risks and charges is made exclusively when:
- an actual obligation exists (legal or implicit) being the result of a past event;

- it is probable that the fulfilment of this obligation will involve payment;
- a reliable estimate can be made of the amount of the obligation.

The amount of the allowance is represented by the current value of the liabilities that it is supposed will be incurred for discharging the obligation. Whenever the time factor is significant, provisions are discounted using current market rates. The effect of discounting is recognised in the income statement, as is the increase in provisions as a result of the passing of time.

10 - Financial liabilities measured at amortised cost

The various forms of interbank and customer borrowings are represented in Financial Statement items:
10 a) Financial liabilities measured at amortised cost Due to banks;
10 b) Financial liabilities measured at amortised cost: Due to customers;
10 c) Financial liabilities measured at amortised cost: Outstanding Securities.

These items also include the payables entered by the lessee within the financial leasing operations.

Recognition and classification criteria

The liabilities in hand are entered in the financial statements when the collected amounts are received or when the debt securities are issued. The value at which they are initially recognised is equal to their fair value, normally equal to the consideration received or the issue price including any additional costs/income directly attributable to the transaction and determinable from the beginning regardless of when they are paid. All the charges that are repayable by the creditor or that are attributable to internal costs of an administrative nature, are not included in the initial recognition value.

Measurement criteria

After initial recognition, medium/long-term financial liabilities are measured at amortised cost by using the effective interest rate method. Short-term liabilities, for which the time factor is not significant, are measured at cost.

Derecognition criteria

The financial liabilities are cancelled from the financial statements when paid off or fallen due. The repurchase of own securities issued implies their derecognition with subsequent redefinition of the debt for securities issued.

Recognition criteria for income components

In the Profit and Loss Account under item “20. Interest expense and similar charges' recognises interest on financial instruments configured by “10. Financial liabilities measured at amortised cost”. Any difference between the repurchase value and the corresponding book value of the liability in the event of repurchase of securities issued by the company is recognised in the Income Statement under item "100. c) Profit (Loss) on sale or repurchase of: financial liabilities".

Any subsequent replacement of bank's own securities, subject to derecognition, is a new issue for what concerns accounting with subsequent recognition at the new replacement price, without any effect on the Income statement.

11 - Financial liabilities held for trading

A financial liability is defined as held for trading and therefore recognised under this item if:

- it is acquired or held mainly in order to be sold or repurchased in the short term;
- it is part of a portfolio of identified financial instruments that are managed jointly and whose recent and actual strategy for obtaining a profit in the short term is substantiated by accounting records;
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Recognition and classification criteria

Financial liabilities held for trading are recognised at the subscription or issue date at an initial recognition value equal to the cost intended as the fair value of the instrument without considering any transaction costs or income directly attributable to it. Included in this category of liabilities are, in particular, the negative value of trading derivative contracts, the negative value of any implicit derivatives present in complex contracts, but not closely related to them and therefore subject to unbundling, and liabilities originating from technical overdrafts generated by securities trading activities.

Measurement criteria

Subsequent to initial recognition, the financial instruments in question are measured at fair value, with changes in value recognised in item “80. Net result from trading activities”.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows deriving from them expire or when they are sold with the substantial transfer of all the related risks and benefits deriving from their ownership.

Recognition criteria for income components

The result of the sale of financial liabilities held for trading is charged to the Profit and Loss Account under item “80. Net result from trading activities”.

12 - Financial liabilities designated at fair value

A financial liability may be recognised, upon initial recognition, under “Financial liabilities designated at fair value”, on the basis of the so-called Fair Value Option, recognised by IFRS 9, only when:

- this is a hybrid contract containing one or more embedded derivatives, and the embedded derivative significantly changes the cash flows that would otherwise be expected from the contract;

- designation at fair value through profit and loss provides more reliable disclosure in that it eliminates or considerably reduces inconsistency in measurement.

Recognition and classification criteria

Financial liabilities designated at fair value, recorded in accordance with the so-called Fair Value Option, are recognised at the date of issue. The initial recognition value is equal to the cost deemed as the fair value of the instrument, without considering any transaction costs or income directly attributable to it.

Measurement criteria

Subsequent to initial recognition, the financial instruments in question are measured at fair value with changes in value recognised in profit or loss, however, changes in fair value that are attributable to changes in creditworthiness must be recognised in the Statement of Comprehensive Income (Shareholders' Equity).

Derecognition criteria

Financial liabilities designated at fair value are derecognised when the contractual rights to the cash flows deriving from them expire or when they are sold with the substantial transfer of all the related risks and benefits deriving from their ownership.

Recognition criteria for income components

Changes in value due to measurement subsequent to the initial recognition of financial instruments must be booked to item "110. a) Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss: financial assets and liabilities designated at fair value". With specific reference to changes in value relating to its creditworthiness, these are recognised under item “110. Valuation reserves” in equity unless the treatment of the effects of changes in the credit risk of the liability creates or amplifies an accounting asymmetry in the Profit and Loss Account; in the latter case, these changes are recognised in the above-mentioned item of the Profit and Loss Account.

The result of the disposal of financial liabilities held for trading is recognised in profit or loss in item "110. a) Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss - financial assets and liabilities designated at fair value".

13 - Post-employment benefits

On the basis of the international accounting standards, post-employment benefits are considered to be “a benefit subsequent to the employment relationship” of a defined-benefit type, whose value is determined by means of actuarial methods. Consequently, the year end measurement of the item in question is carried out on the basis of the method of the benefits accrued using the unit credit method envisaged (Projected Unit Credit Method). This method envisages the discounting back of the projection of the future outlays on the basis of historical, statistical and probabilistic analyses and the adoption of suitable demographic technical bases. This makes it possible to calculate the post-employment benefits accrued at a given date in an actuarial sense, distributing the liability over all

the years of estimated residual permanence of the existing workers, and no longer as a liability to be settled in the event the company ceases its activities at the end of the reporting period, as envisaged by Italian legislation.
The measurement of post-employment benefits of employees is carried out by an independent actuary in compliance with the method indicated above.

Further to Italian Law No. 296 of 27 December 2007, the portions of indemnity accrued up until 31 December 2006 remain with the company, while those accrued after are assigned to supplement pension funds or the INPS treasury fund, at the choice of the employee. No actuarial calculations have been made on these amounts, which take on the form of a defined-contribution plan, since the Bank’s obligation vis-à-vis the employee ceases with the payment of the accrued portions.

The actuarial gains and losses, which arise due to changes or adjustment of the previous cases formulated, including the effects of changes in the discount rate, lead to a re-measurement of the post-employment benefits liability. They are booked to shareholders' equity under the valuation reserve “Actuarial gains/loss on defined-benefit pension plans” and their booking to the income statement is no longer allowed.

Italian Law No. 190/2014 (2015 Stability Law) introduced the possibility for the workers to directly perceive the portion of post-employment benefits accrued in the month in their pay packet; in this case, the booking of the cost to the income statement takes place directly in the month of disbursement.

14 - Other information

Other assets

This item includes assets not attributable to the other balance sheet asset items. It also includes leasehold improvements, consisting essentially of the costs of renovating rented premises; the related depreciation is recorded under item “200. Other operating income and expenses”.

Tax credits from building interventions and similar (Decree-Law 34/2020)

The *Bank of Italy/CONSOB/IVASS Joint Document No. 9 of 05/01/2021 'Accounting Treatment of Tax Credits Related to Law Decrees Cura Italia and Relaunch acquired following disposal by direct beneficiaries or previous purchasers”* requires intermediaries to adopt “Accounting Policies” suitable for representing the administrative facts inherent in the management of the above-mentioned tax credits; this is in the wake of *“IAS 8 Accounting Policies, Estimates and Errors”* which provides that in cases where there is a case not explicitly covered by an Accounting Standard, management must define an accounting treatment deemed appropriate to ensure relevant and reliable disclosure of such transactions.
This *document* also expresses some useful suggestions and guidelines for both the accounting treatment and the presentation of tax credits in the financial statements, suggestions and guidelines adopted in the 'Accounting Policies' illustrated below; these accounting policies can also be extended to other purchasable tax credits that have, in substance, the same characteristics as those introduced with the Relaunch Decree. In addition, the accounting policies set out below are based on certain

provisions of IFRS 9 and structured with regard to the criteria for classifying tax credits, their initial recognition and subsequent measurement, and their usability characteristics.

Tax credits purchased and held until offset against tax debts, with the purpose of recognising income in the income statement on the basis of the passage of time (interest) - business model Held-to-collect/booking assets at amortised cost.

Receivables are recorded at the time of purchase at fair value, which is equal to the consideration paid to the customer for the tax credit transaction; subsequently, they are valued at amortised cost, taking into account the value and timing of offsetting with tax liabilities, as well as ancillary charges.

Given the characteristics of the receivables and the current inexistence of an active market in which this type of receivable is traded, the fair value level for recognition is 3.

In the event that an active market is formed for such loans, and thus a different rate of return is inferred from the market than that for the loans purchased by the bank, and this rate is significantly different from the contractual rate, then recognition takes place at the present value of future compensation determined by applying this market rate. In this case, the difference between the price paid and the present value of future cash flows, calculated using this market rate, is recognised immediately under financial income/expenses in the income statement at the time of purchase.

The IFRS 9 accounting framework for the calculation of expected losses (ECL) is not applicable to tax credits, i.e., the expected loss is not calculated as there is no counterparty credit risk taking into account that (i) the realisation of the receivable occurs through offsetting with tax liabilities and not through collection (ii) the ceiling of tax credits that can be purchased is defined on the basis of the bank's current and prospective tax capacity. In addition, an assessment will be made on an ongoing basis on the possibilities of recovery of these claims based on fiscal capacity.

Bearing in mind that, in accordance with international accounting standards, purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets in the strict sense of the term, the most appropriate classification for balance sheet presentation purposes is the residual classification of “other assets” in the balance sheet. It is deemed that the offsetting entry relating to the differential between the initial recognition value and the total value recognised during the life of the tax credit (equal to the portion offset against tax liabilities) should be recorded in income statement item “10. Interest income and similar revenues”.

Tax credits purchased and resold in the short term, with the aim of realising a profit from the sale of the credits measured on the basis of the difference between the purchase price and the selling price - business model Trading/booking financial assets held for trading

Receivables are recorded, at the time of purchase, at a fair value equal to the consideration paid to the customer for the transaction relating to the tax credit, excluding transaction costs or income directly attributable to the receivables (which are recognised independently in the income statement).

Given the characteristics of the receivables and the current inexistence of an active market in which this type of receivable is traded, the fair value level for recognition is 3.

Subsequent to recognition, these receivables are periodically remeasured at a Fair Value that takes into account the expected or foreseeable price that will be realised in a future sale; a price that can also be recorded on an active market if one exists.

Tax credits recorded in the trading portfolio will be derecognised in the event that they are no longer transferable to third parties because they are past due with respect to their original recovery schedules.

Bearing in mind that, in accordance with international accounting standards, purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets in the strict sense of the term, the most appropriate classification for balance sheet presentation purposes is the residual classification of “other assets” in the balance sheet. It is considered that the economic counterpart, relating both to the differential between the initial recognition value and the transfer value and to the differential between the initial recognition value and the valuation value, can be recognised in the income statement item “80. Net result from trading activities”.

Amendments to contracts for financial assets

During the life of the financial assets (receivables), the original contractual terms can be subsequently amended by the parties to the contract. When the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised and a new financial instrument must be recognised.

Among other conditions, the derecognition of financial assets measured at amortised cost occurs if there is a "substantial" contractual change (par 3.2.6 IFRS 9).

In order to determine whether or not the contractual amendments are substantial, it was decided to consider the purposes for which they were made; specifically:

- commercial renegotiations. They are aimed at preventing the customer relationship from being transferred to another financial intermediary; this includes all modifications aimed at adjusting the onerousness of the debt to market conditions. It is considered that in any case the bank makes a renegotiation in order to avoid losing its customer, such renegotiation should be considered substantial because if not granted the relation would be terminated and transferred to another intermediary. In commercial renegotiations, the customer does not show any signs of financial difficulty. Renegotiations for which the number of customer relationship, post-contractual amendment, does not change are also considered as “substantial”; formally there is no derecognition, but substantially there is one.
- renegotiations made during forbearance measures. In these cases, the customer is in financial difficulty or could be in financial difficulty if the measure were not granted; through these granting measures, the bank aims to maximise the recovery of the original loan. The risks/benefits underlying the contract after the amendment are not materially changed and therefore there is no derecognition. On the other hand, the case described in par. “5.4.3 IFRS 9 Modification of contractual cash flows” falls under the case for which the “Modification accounting” process must be observed; this process involves the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate (item 140. Profits/losses from contract changes without cancellations). This differential is recognised with an offsetting entry in balance sheet assets and then amortised over the remaining contractual term.

Repurchase agreements and security lending transactions

Repurchase agreement transactions that envisage the obligation for the transferee to resell/repurchase forward the assets covered by the transaction (for example, securities) and security lending transactions in which the guarantee is represented by cash that falls under the complete disposition of the bearer, are treated as repos. Therefore, the amounts received and disbursed are recorded in the financial statements as payables and receivables. In detail, the afore-mentioned funding repurchase agreements and security lending transactions are stated in the financial statements as payables for the forward amount received, while those involving lending are stated as receivables for the spot amounts.
These transactions do not lead to changes in the securities portfolio. Accordingly, the cost of the funding and the income from lending, represented by the coupon accrued on said securities and the

differential between the spot price and the forward price, are stated on an accrual basis in the income statement items relating to interest.

Foreign currency assets and liabilities

Foreign currency assets and liabilities are recognised at the time of settlement of the related transactions.
Transactions denominated in foreign currency are recorded, at initial recognition, in the reporting currency by applying the exchange rate ruling on the transaction date.
A the end of each reporting period, the foreign currency items are measured as follows:
• monetary items are converted using the exchange rate at the end of the reporting period;
• non-monetary items carried at their historical cost are converted at the exchange rate in effect at the transaction date;
• non-monetary items valued at fair value are converted using the exchange rates at the end of the reporting period.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements are recognised in the income statement relating the period in which they arise. When a gain or loss from a non-monetary item is carried at shareholders' equity, the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is recognised in the income statement, the associated exchange rate difference is also recognised in the income statement.

Own shares

Shares issued and repurchased are recorded as a direct reduction of shareholders' equity. No profit or loss resulting from the purchase, sale, issue or cancellation of said instruments is recorded in the income statement. Any amount paid or received for said instruments is recorded directly under shareholders' equity. Gains and losses arising from their subsequent sale are recognised as changes in shareholders’ equity.

Securitisations

All the existing securitisation transactions were carried out after 1 January 2004. The loans sold are not derecognised from the financial statements if a substantial amount of risks and benefits is still retained, although formally they have been sold without recourse to a special purpose vehicle. This may occur, for example, when the bank subscribes tranches of Junior notes or similar exposures, as in this case it shall bear the risk of the initial losses, and likewise it shall benefit from the return on the transaction.
Similar representation criteria, based on the prevalence of substance over form, are applied in recognising accruals.

Accounting for interest on TLTRO financing

The special mechanisms for recognising interest on TLTRO financing do not appear to be directly attributable to any IAS/IFRS accounting standards. This is confirmed by the request ESMA made to the IFRS *Interpretations Committee* (IFRIC), the committee responsible for providing official interpretations of international accounting standards, on 9 February 2021, in order to receive clarification on the accounting treatment to be applied to the accounting of interest on loans under review.
In light of the above, and taking into account that no official interpretations on the accounting treatment of TLTRO III transactions had been received by the date of preparation of these financial statements, the Bank has defined its accounting policy, based on the provisions of IAS 8, as detailed below.

The provisions of accounting standard IFRS 9 "Financial Instruments" are deemed applicable to TLTRO III financing, as the remuneration terms defined by the ECB are considered to be market terms, from the moment the ECB defines and implements monetary policy for the Euro area. In more detail, the rules set forth in IFRS 9 for floating-rate financial instruments (paragraph B5.4.5) are deemed applicable, in line with the treatment pursued in the past for loans obtained under previous TLTRO programmes.
In particular, with reference to the application terms, it is considered that interest should be recognised on the basis of the rates from time to time in place and applicable for each reference period, according to the probability of achieving certain "benchmark" targets. In this regard, it should be noted that, in the course of the financial year 2022, the benchmarks were reached and thus the type of rate to be applied was definitively determined in the "Deposit Rate" published by the ECB.
As at 31 December 2022, a total of EUR 17.5 million in interest income had therefore been recognised, yet to be collected; the collection will take place when the individual financing items taken out are extinguished, which for EUR 750 million will take place by September 2023 and for the remaining EUR 580 million in the year 2024.

A.3 - Disclosure on transfers between financial asset portfolios

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

A.3.2 Reclassified financial assets: change in the business model, fair value and effects on comprehensive income

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

There were no transfers of securities between the various accounting portfolios during the year.

A.4 - Information on fair value

In December 2012, the European Commission approved, by means of EU Regulation No. 1255/2012, the new IFRS 13 standard “Fair Value Measurement”, in force as from 1 January 2013.

IFRS 13 defines the fair value as: "the price which would be perceived for the sale of an asset or would be paid for the transfer of a liability in a regular transaction between market operators as of the valuation date".

In determining the fair value, IFRS 13 provides a hierarchy of techniques to determine this value in order to maximise the criteria of reliability and verifiability (IFRS 13 par. 72).
The concept of Fair Value Hierarchy (hereinafter also "FVH") provides for the classification of the fair value measurement based on three different levels (Level 1, Level 2 and Level 3) in descending order of observability of the inputs used to estimate the fair value.

FVH provides for the following levels:
1. Quoted prices taken from active markets (Level 1): the fair value derives from quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (IFRS 13 par. 76).
An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis (IFRS 13 Appendix A).
2. Measurement methods based on observable market parameters (Level 2): the fair value is determined from inputs that are observable for the asset or liability, either directly or indirectly (IFRS 13 par. 81).

Level 2 inputs include (IFRS 13 para. 82):
- quoted prices in active markets for identical assets or liabilities;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable (for example: interest rates, yield curves, volatility etc.);
- input from or corroborated by observable market data.

3. Measurement methods based on unobservable market parameters (Level 3): the fair value is a level 3 if the inputs used in the valuation techniques of the fair value are unobservable on the market (IFRS 13 par. 86).
When using level 3 inputs, it must be considered that the aim of the measurement is to determine an exit price (transfer price) to the market participant holding the financial instrument. Level 3 inputs must reflect the assumptions of the Bank, on market participant assumptions, in attributing a price to the instrument (IFRS 13 par. 87).
Level 3 inputs are developed based on the best information available on the basis of inside information to the Bank.

As a result, the information inside the Bank must be correct if there are evidences, without excessive costs or efforts, that the market participants will use different assumptions (IFRS 13 par. 89).
The Fair Value Hierarchy gives the highest priority to the use of Level 1 inputs and the lowest priority to Level 3 inputs (IFRS 13 par. 72). In general, if the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement, as described in IFRS 13 par. 73.

A fair value measurement, developed using the technique of the present value, could be classified in level 2 or 3 depending on the significant inputs for the entire measurement and the level of these inputs (IFRS 13 par. 74).
The assessment as to the significance of the input, which determines the classification in level 2 rather than level 3, requires the expression of a judgment by the evaluator, which takes into account specific factors of the asset or liability.

For the financial instruments measured at fair value in the financial statements, the Bank uses a "Fair Value Policy" that gives the highest priority to quoted prices in active markets and the lowest priority to the use of unobservable inputs, in that they are more discretionary, in line with the fair value hierarchy shown above.
More specifically, this policy defines:
- the rules for identifying the market data, the selection/hierarchy of information sources and price configurations required for enhancing the financial instruments on active markets and classified at level 1 of the fair value hierarchy (“Mark to Market Policy”);
- the valuation techniques and the related input parameters in all cases where it is not possible to adopt the Mark to Market Policy ("Mark to Model Policy" for level 2 or 3 of the hierarchy).

Mark to Market Policy
To determine fair value, the Bank uses information based on market data, any time it is available, obtained from independent sources, in that considered to be the best evidence of fair value. In this case, the fair value is the market price of the same measured instrument, meaning without changes in or recomposition of the instrument itself, which can be taken from the listings expressed by an active market (and classified in level 1 of the fair value hierarchy). A market is considered active when the transactions occur with sufficient frequency and volume to provide useful information for determining the price on an ongoing basis (IFRS 13 Appendix A).
The following are generally considered active markets:
- regulated securities and derivative markets, with the exception of the Luxembourg stock market;
- certain OTC electronic trading networks, when given circumstances are in place based on the presence of a certain number of contributors with executable offers, characterised by bid-ask spreads – i.e., the difference between the price a seller is offering for a security (ask price) and the price a buyer is willing to pay (bid price) – falling within a given tolerance threshold;
- the secondary market for UCIT units, expressed by the official NAV (Net Asset Value), based on which the issuing asset management company guarantees to settle the units in a short time. In particular, these are open-end harmonised UCIT funds, characterised by type of investment and high levels of transparency and liquidity

Mark to Model Policy
When the Mark to Market Policy is not applicable because there are no prices directly observable on active markets, it is necessary to use valuation techniques that maximise the use of information

available on the market, based on the following measurement approaches: recent transactions, transactions in similar instruments, methods of asset valuation, discounting of future cash flows.

In detail:

- debt securities are measured by discounting expected cash flows, suitably adjusted to account for issuer risk;
- unlisted equity securities are measured by referring to direct transactions of the same security or similar securities observed over a suitable time frame as compared to the valuation date, using the comparably company market multiples method, and subordinately using financial, income and equity valuation methods;
- investments in UCITs, other than those harmonised open-end, are measured on the basis of the NAVs made available by the fund administrator or by the management company. These investments usually include private equity funds, real estate funds and hedge funds. For real estate funds and funds managing impaired loans - classified in level 3 of the Fair Value hierarchy - a liquidity discount is also applied to the NAVs reported by the SGRs.

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

In the absence of prices listed on active markets, the financial instruments must be classified in levels 2 or 3.

Classification in level 2 rather the Level 3 is determined on the basis of the possibility to observe on the market significant inputs used for the purpose of determining the fair value. A financial instrument must be classified in its entirety in a single level; therefore, if inputs belonging to different levels are used in the valuation technique, the entire valuation must be classified at the level of the hierarchy in which the lowest level input is classified, if it is considered significant for the determination of fair value as a whole.
In the cases where the weight of the data which cannot be observed is predominant with respect to the overall valuation, the level assigned is "3".

Fair value determined on the basis of level 2 input

The following types of investments are normally considered level 2:
- unlisted equity securities on active markets, measured:

- based on the prices of recent transactions;
- by means of the multiple valuation techniques, referring to a selected sample of comparable companies with respect to the subject-matter of valuation;
- assuming price indications provided by the issuer possibly adjusted to take into account the counterpart and/or liquidity risk (for example: the price resolved by the Board of Directors/Shareholders' meeting for the shares of unlisted industrial co-operative banks, the value of the holding communicated by the management company for closed-end funds reserved for institutional investors, the redemption value determined in compliance with the issue regulations for insurance agreements);

- debt securities, not listed on active markets, for which the inputs, including the credit spreads, are taken from market sources (for example, interest rates or yield curves observable at commonly quoted intervals, implicit volatility and credit spreads);
- funds characterised by significant levels of transparency and liquidity, measured on the basis of NAVs provided by the management company/fund administrator, published on a weekly and/or monthly basis.

Fair value determined on the basis of level 3 input

The following financial instruments are generally considered Level 3:

- hedge funds characterised by significant levels of illiquidity and for which it is believed that the valuation process of the fund significantly requires a number of assumptions and estimates. The fair value measurement is carried based on the NAV, adjusted if necessary to account for the fund's diminished liquidity, i.e., the time span between the date of the request for redemption and that of the actual redemption, as well as for possible commissions for exiting from the investment;
- real estate funds measured based on the latest available NAV;
- illiquid share-based securities for which no recent transactions are observable or comparable, usually measured on the basis of the equity model;
- illiquid equity securities not traded on an active market, in relation to which the fair value cannot be determined to a reliable extent according to the most common methods (in the fist place, the discounted cash flow analysis) stated at cost, adjusted to take account of any significant decreases in value;
- debt securities characterised by complex financial structures for which sources not publicly available are generally used. These are non-binding prices and also not corroborated by market evidence;
- debt securities issued by entities in financial distress for which the management must use its judgement in defining the "recovery rate", since there is no significant prices observable on the market.

Starting in 2022 and with regard to level 3 UCITS funds, the Institute's fair value policy was implemented by introducing an adjustment to the NAVs, reported by the fund management companies, for the liquidity risk (liquidity premium) attributable to the underlyings.
The Institute operates its investments in different types of funds that can be differentiated by the nature of the underlying assets, assets that are inherently characterised by a different liquidity profile:

- real estate funds;
- funds that manage impaired loans;
- private equity/private debt funds.

In any case, excluding from the scope of application of the liquidity premium those funds that by their own fair value policy already include the adjustment for the liquidity discount within the calculation of the NAV, the Institute determines the discount for real estate funds and for funds that manage impaired loans, considering that private equity funds instead typically take into account the liquidity component in their valuation policies.
In determining the scope of application, further considerations are also made as to the materiality of the investment in the individual mutual fund with respect to the Institute's accounting assets, and as

to the fund's age, given that the observation of the performance of the funds in terms of the disinvestment of the underlying assets can only be given solidity when some time has elapsed since the fund's inception.
For funds subject to the liquidity discount calculation, it is calculated as either the "risk of non-disposal" or the "opportunity cost":

- risk of non-disposal, used for real estate funds. The liquidity premium is calculated by quantifying what costs the fund would incur if the assets in which it invests are not disposed of. The assumption of non-disposal of assets is measured by the historically observed ability, in terms of time and cost, to liquidate assets;
- opportunity cost, used for funds managing impaired loans. This premium is calculated by quantifying the "opportunity cost", i.e. the foregone income that the fund would have to forego as a consequence of possible delays in the collection/execution of managed receivables. The opportunity cost thus represents the time value of not reinvesting the cash flows represented in the fund's business plans, based on the fund's projected timing of receipts. This time value refers to the period between the payment date expected in the business plans and the actual collection time, should a delay occur, and is identified in the return on an investment in debt securities whose creditworthiness is equivalent to the average creditworthiness of the debt securities on the bank's balance sheet.

A.4.2 Processes and sensitivity of measurements

The measurement methods indicated above are periodically implemented to take into account the change in the observable elements (e.g. rates, market prices) and any significant change in the credit and market risk of the financial assets measured that requires a change to the measurement technique.

A.4.3 Fair value level

The Bank classifies the measurements at fair value of the financial assets and liabilities on the basis of a level hierarchy that reflects the significance of the inputs used in the measurements, whose criteria has been stated previously.

A.4.4 Other information

As part of the financial assets and liabilities, the IAS standards also include loans and receivables with banks and customers and liabilities with banks and customers or represented by securities.
In case of bonds and government securities, whatever the accounting portfolio and the FV hierarchy, the objective evidence of impairment is recorded when there is insolvency in the payment of principals and interests, there are significant delays in the payment of the principal/interest or there is a granting of moratoria and at the same time renegotiations at rates lower than those paid by the market.
With regard to medium/long-tern debt, represented by securities and for which application of the fair value options was opted for, the fair value is determined discounting back the residual contractual flows using the “zero coupon” rate curve obtained, via the bootstrapping method, from the curve of the market rates.

With regard to medium/long-term debt represented by securities valued at amortised cost and subject to hedging for the rate risk, the book value is adjusted due to the hedging of the fair value attributable to the risk hedged discounting back the related flows.
With regard to derivative contracts traded on regulated markets, the market price on the last listing day of the period is adopted as fair value.

With regard to over the counter derivative contracts: the market value as at the reference date is adopted as fair value, determined according to the following methods in relation to the type of contract:

- for contracts on interest rates: the market value is represented by the so-called “replacement cost”, determined by means of the discounting back of the differences, to the envisaged settlement dates, between the flows calculated at the contract rates and the estimated flows calculated at market rates, objectively determined, current at year end by equal residual maturity;
- for option contracts on securities and other instruments: the market value is determined making reference to recognised pricing models.

Quantitative information

A.4.5 Fair value level

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

Financial assets/liabilities at fair value	**Total 31-12-2022**			**Total 31-12-2021**		
	L 1	**L 2**	**L 3**	**L 1**	**L 2**	**L 3**
1. Financial assets measured at fair value through profit or loss	78,787	4,395	173,754	66,690	8,207	131,650
a) Financial assets held for trading	243	386	-	43	103	-
b) Financial assets designated at fair value	-	-	14,459	-	-	14,479
c) Other financial assets mandatorily measured at fair value	78,544	4,009	159,295	66,647	8,104	117,171
2. Financial assets measured at fair value through other comprehensive income	532,892	15,000	16,136	611,029	16,200	15,940
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**611,679**	**19,395**	**189,890**	**677,719**	**24,407**	**147,590**
1. Financial liabilities held for trading	-	317	-	-	102	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**317**	**-**	**-**	**102**	**-**

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

In FV Level 2 of "Financial assets measured at FV with impact on profit and loss account compulsorily measured at fair value" there is a securities-type OICR for €2.5 million having the characteristics to be recorded in this level (periodic quotation on the official market), as well as equity interests for €1.5 million recently acquired and therefore valued at the price at which the transaction took place.

Level 2 of the portfolio of "Financial assets at fair value with impact on comprehensive income" includes, as in previous years, the equity investment held in Bank of Italy, amounting to 0.20% of the capital and recorded in our balance sheet at EUR 15 million; in recent months, sales by other financial intermediaries of equity investments in Bank of Italy at the same price as our purchase continued.

The FV 3 level of the portfolio "Financial assets measured at FV with impact on the income statement mandatorily measured at fair value" amounting to € 159,295 thousand, compared to € 117,171 thousand classified as at 31/12/2021, includes the securities listed below:

- bonds issued by vehicles for the purchase of loans to the public administration and subscribed by the bank. In particular, this concerns the security issued by the special purpose vehicle Valsabbina Investimenti (€ 55,334 thousand compared to € 26,350 recorded at the end of the previous year). The value attributed to this security represents, in substance, the value of the underlying loans, loans represented in the balance sheet of the special purpose vehicle; the security is recorded in this portfolio due to the failure to pass the SPPI test due to the lack of certain contractual interest flows;
- junior and mezzanine ABS securities subscribed as part of the assignment of receivables for a non-material amount of € 262,000;
- shares in real estate mutual funds in the amount of € 39.2 million. The valuation was based on the latest NAV communicated by the management companies, NAV adjusted by the "liquidity discount" referred to in section "*A.4.1 Fair Value Levels 2 and 3: Valuation Techniques and Inputs Used"*. With the application of NAVs alone, this type of mutual fund would have been valued at € 41.3 million in the balance sheet, resulting in an overall capital loss of € 436,000 compared to 31/12/2021 (cumulative capital loss on individual funds € 1,836,000, capital gain € 1,400,000); the liquidity discount applied amounted to € 2.1 million, bringing the overall valuation loss to € 2.5 million;
- UCITS securities from the sale of impaired loans such as the Efesto fund, Eleuteria fund, Illimity ICCT fund, Atlante and Illimity IREC fund for a total of € 20.5 million. These funds are valued at the most up-to-date NAV available and provided by the management company or at cost in the case of the Illimity IREC fund because it is newly established; the "liquidity discount" is also applied;
- other securities funds totalling € 37.6 million; there are periodic NAV valuations for these UCITS, and the latest one available has been incorporated by us into the financial statements. The aggregate contains the SME B-Tech fund in the amount of € 20,235,000, a fund set up at the end of 2021 and dealing with the disbursement of state-guaranteed loans, and other UCITS funds with insignificant single amounts;

- shares for €6,387,000 for part of which a NAV is available and for part of which the valuation was based on the latest available fair value (i.e. cost, as the acquisitions were recent) in accordance with the limits prescribed by the fair value policy adopted by the Bank.

The FV 3 level of the portfolio "Financial assets measured at FV with impact on comprehensive income" includes equity interests totalling € 16,136 thousand; of this amount, € 6,750 thousand relates to Vivibanca, an equity investment measured according to the valuation method, and € 7,876 thousand to Arca Sgr, an equity investment measured according to the equity method. The residual aggregate amount of € 1.5 million contains other equity interests with a non-material value, thus substantially represented at cost, in accordance with the FV Policy adopted by the Institute.

The item “Financial assets at FV with impact on profit or loss designated at fair value” includes certain insurance policies issued by leading issuers.

Moreover, movements in securities classified in level 3 are described also using a breakdown by accounting portfolio, in Table A.4.5.2; for securities in the portfolio of “Other financial assets mandatorily measured at Fair Value”, an analytical table follows.

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

	Financial assets measured at fair value through profit or loss				**Financial assets measured at fair value through other comprehensive income**	**Hedging derivatives**	**Tangible assets**	**Intangible assets**
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which c) other financial assets mandatorily measured at FV				
1. Opening balances	**131,650**	**-**	**14,479**	**117,171**	**15,940**	**-**	**-**	**-**
2. Increases	**49,168**	**-**	**112**	**49,056**	**2,446**	**-**	**-**	**-**
2.1 Purchases	41,007	-	-	41,007	62	-	-	-
2.2 Gains recognised in:	2,638	-	112	2,526	1,184	-	-	-
2.2.1 Income statement	2,638	-	112	2,526	-	-	-	-
- of which: Capital gains	2,638	-	112	2,526	-	-	-	-
2.2.2 Shareholders’ equity	-	-	-	-	1,184	-	-	-
2.3 Transfers from other levels	5,516	-	-	5,516	1,200	-	-	-
2.4 Other increases	7	-	-	7	-	-	-	-
3. Decreases	**7,064**	**-**	**132**	**6,932**	**2,250**	**-**	**-**	**-**
3.1 Sales	-	-	-	-	2,000	-	-	-
3.2 Redemptions	926	-	-	926	-	-	-	-
3.3 Losses recognised in:	6,128	-	132	5,996	249	-	-	-
3.3.1 Income statement	6,128	-	132	5,996	-	-	-	-
- of which capital losses	6,128	-	132	5,996	-	-	-	-
3.3.2 Shareholders’ equity	-	-	-	-	249	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-

3.5 Other decreases	10	-	-	10	1	-	-	-
4. Closing balances	**173,754**	**-**	**14,459**	**159,295**	**16,136**	**-**	**-**	**-**

	Breakdown of financial assets measured at fair value on a recurring basis (Level 3) – Portfolio of Other financial assets mandatorily measured at Fair Value through profit or loss						**TOTAL**
	Bonds		**Shares**	**Mutual funds**			
	VALSABBINA PA	**ABS securities from the sale of loans**	**Shares of LV3**	**Private Equity/Private Debt Funds**	**Real estate funds**	**Impaired Credit Management Funds**	
1. Opening balances	**26,350**	**514**	**25**	**32,262**	**41,729**	**16,291**	**117,171**
2. Increases	**29,903**	**8**	**6,386**	**6,024**	**924**	**5,811**	**49,056**
2.1 Purchases	29,899	5	-	5,317	-	5,786	41,007
2.2 Gains recognised in:	-	-	870	707	924	25	2,526
2.2.1 Income statement	-	-	870	707	924	25	2,526
-of which: Capital gains	-	-	870	707	924	25	2,526
2.2.2 Shareholders' equity	-	-	-	-	-	-	-
2.3 Transfers from other levels	-	-	5,516	-	-	-	5,516
2.4 Other increases	4	3	-	-	-	-	7
3. Decreases	**919**	**260**	**25**	**688**	**3,430**	**1,610**	**6,932**
3.1 Sales	-	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	926	926
3.3 Losses recognised in:	919	250	25	688	3,430	684	5,996
3.3.1 Income statement	919	250	25	688	3,430	684	5,996
-of which Capital losses	919	250	25	688	3,430	684	5,996
3.3.2 Shareholders' equity	-	-	-	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	
3.5 Other decreases	-	10	-	-	-	-	10

4. Closing balances	**55,334**	**262**	**6,387**	**37,598**	**39,223**	**20,491**	**159,295**

A.4.5.3 Annual changes of financial liabilities at fair value on a recurring basis (level 3)

The Bank did not issue financial liabilities at fair value.

A.4.5.4 Assets and liabilities not measured at fair value or 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	**31-12-2022**				**31-12-2021**			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	5,590,728	1,192,773	-	4,387,110	5,565,911	1,238,701	-	4,545,656
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	**5,590,728**	**1,192,773**	**-**	**4,387,110**	**5,565,911**	**1,238,701**	**-**	**4,545,656**
1. Financial liabilities measured at amortised cost	6,487,533	23,472	-	6,463,378	6,152,486	62,749	-	6,089,787
2. Liabilities associated with assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**6,487,533**	**23,472**	**-**	**6,463,378**	**6,152,486**	**62,749**	**-**	**6,089,787**

A.5 Information on "day one profit/loss"

This section is not filled in as no transactions giving rise to this accounting event occurred during the year.

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	-
c) 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", in the heading of the various columns of the tables shown below, represents the different method of measurement of the financial assets with the use for level 1 of market

values, for level 2 of different external sources either direct (prices) or indirect (derived from prices), and for level 3 of internal measurements or the cost.
Complete disclosure on the fair value level is provided at the end of the accounting standards: “Fair value disclosure”.

2.1 Financial assets held for trading: breakdown by type

Item/Amounts	Total 31-12-2022			Total 31-12-2021		
	L1	L2	L3	L1	L2	L3
A On-balance sheet assets						
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**88**	**-**	**-**	**-**	**-**	**-**
3. UCIT units	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**88**	**-**	**-**	**-**	**-**	**-**
B Derivative instruments						
1. Financial derivatives	**156**	**385**	**-**	**43**	**102**	**-**
1.1 trading	156	385	-	43	102	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**156**	**385**	**-**	**43**	**102**	**-**
Total (A+B)	**244**	**385**	**-**	**43**	**102**	**-**

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

Financial assets for trading "derivative instruments" are made up of:
- with level 1 in the amount of Euro 156 thousand from warrants listed on ordinary stock exchange markets;
- with regard to level 2, Euro 385 thousand in foreign currency forward transactions, offset by the liability item 20 "Financial liabilities held for trading". The balance sheet amount (intrinsic value) is the expression of a notional value of € 9.4 million.

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

Item/Amounts	Total 31-12-2022	Total 31-12-2021
A. On-balance sheet assets	-	-
1. Debt securities	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	**88**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which insurance companies	-	-
c) Non-financial companies	88	-
d) Other issuers	-	-
3. UCIT units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**88**	**-**
B. Derivative instruments	**541**	**146**
a) Central counterparties	-	-
b) Other	541	146
Total B	**541**	**146**
Total (A+B)	**629**	**146**

2.3 Financial liabilities designated at fair value: breakdown by type

Item/Amounts	Total 31-12-2022			Total 31-12-2021		
	L1	L 2	L 3	L1	L 2	L 3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Loans	-	-	**14,459**	-	-	**14,479**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	14,459	-	-	14,479
Total	-	-	**14,459**	-	-	**14,479**

Key:

L1 = Level 1

L2 = Level 2
L3 = Level 3

Financial assets designated at fair value consist of policies issued by leading insurance companies.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

Item/Amounts	Total 31-12-2022	Total 31-12-2021
1. **Debt securities**	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. **Loans**	**14,459**	**14,479**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	14,459	14,479
of which: insurance companies	14,459	14,479
e) Non-financial companies	-	-
f) Households	-	-
Total	**14,459**	**14,479**

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

Item/Amounts	Total 31-12-2022			Total 31-12-2021		
	L1	L 2	L 3	L1	L 2	L 3
1. Debt securities	**12,885**	**-**	**55,596**	**13,938**	**-**	**26,864**
1.1 Structured securities	4,973	-	-	2,867	-	-
1.2 Other debt securities	7,912	-	55,596	11,071	-	26,864
2. Equity securities	**9,951**	**1,487**	**6,386**	**9,938**	**5,516**	**25**
3. UCIT units	**55,708**	**2,522**	**97,313**	**42,770**	**2,588**	**90,282**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**78,544**	**4,009**	**159,295**	**66,646**	**8,104**	**117,171**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The portfolio of other financial assets mandatorily measured at fair value includes:
- government securities and bonds (banking book) not intended for trading;
- units of mutual investment funds (UCIT);
- equity securities including interests held for long-term investment.

For the contents of the portfolio, reference should be made to the "Report on Operations".

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

Item/Amounts	Total 31-12-2022	Total 31-12-2021
1. Equity securities	**17,824**	**15,480**
of which: banks	-	25
of which: other financial companies	1,497	1,067
of which: non-financial companies	16,327	14,388
2. Debt securities	**68,481**	**40,802**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	769	973
d) Other financial companies	61,623	34,054
of which: insurance companies	191	211
e) Non-financial companies	6,089	5,775
3. UCIT units	**155,543**	**135,639**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**241,848**	**191,921**

Section 3 – Financial assets measured at fair value through other comprehensive income - Item 30

This section is intended to recognise financial assets measured at fair value through other comprehensive income.

This portfolio can include:

- Debt instruments:
  - that passed the SPPI test;
  - that passed the benchmark test where required;
  - that are held to collect cash flows and for sale (HTCS business model).
- Equity securities for which the appropriate option for inclusion in this portfolio has been exercised.

This is a portfolio at amortised cost measured at fair value with recycling (for debt securities, there is a reversal of the equity reserve to the profit and loss account in the event of sales of the securities therein); fair value measurements do not go to the profit and loss account, but to the equity reserve.

Non-trading equity instruments can also be included in this portfolio with the special feature that in these cases only dividends can be recognised in the income statement, while any income from sale and fair value measurements must be recognised in shareholders' equity, in income-related reserved, without any recycling in the income statement in the event of sale. The reserve thus formed is never discharged.
Finally, it is specified that equity instruments initially classified in the FVOCI portfolio cannot be reclassified to another portfolio.

The term "level", in the heading of the various columns of the tables shown below, represents the different method of measurement of the financial assets with the use for level 1 of market values, for level 2 of different external sources either direct (prices) or indirect (derived from prices), and for level 3 of internal measurements or the cost.
Complete disclosure on the fair value level is provided at the end of the accounting standards: "Fair value disclosure".

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

Item/Amounts	Total 31-12-2022	Total 31-12-2021

	L1	L 2	L 3	L1	L 2	L 3
1. Debt securities	**525,167**	-	-	**601,642**	-	-
1.1 Structured securities	456	-	-	1,154	-	-
1.2 Other debt securities	524,711	-	-	600,488	-	-
2. Equity securities	**7,725**	**15,000**	**16,136**	**9,387**	**16,200**	**15,940**
3. Loans	-	-	-	-	-	-
Total	**532,892**	**15,000**	**16,136**	**611,029**	**16,200**	**15,940**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

Item/Amounts	Total 31-12-2022	Total 31-12-2021
1. Debt securities	**525,167**	**601,642**
a) Central Banks	-	-
b) Public administrations	414,183	479,926
c) Banks	23,801	27,603
d) Other financial companies	19,331	24,197
of which: insurance companies	-	-
e) Non-financial companies	67,852	69,916
2. Equity securities	**38,861**	**41,527**
a) Banks	23,090	24,455
b) Other financial companies:	9,359	8,045
- of which: insurance companies	1,338	1,302
c) Non-financial companies	6,412	9,027
d) Other issuers	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**564,028**	**643,169**

For the contents of the portfolio, reference should be made to the "Report on Operations".

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

	Gross value	Total impairment losses	Total partial write-offs(*)

	Stage 1	of which instruments with low credit risk	Stage 2	Stage 3	Impaired acquired or originated	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	
Debt securities	514,751	514,751	12,112	-	-	(612)	(1,084)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31-12-2022	**514,751**	**514,751**	**12,112**	**-**	**-**	**(612)**	**(1,084)**	**-**	**-**	**-**
Total 31-12-2021	**591,411**	**591,411**	**11,016**	**-**	**-**	**(356)**	**(429)**	**-**	**-**	**-**

(*) Value to be shown for information purposes

IFRS 9 introduces for debt instruments measured at amortised cost and at fair value through Other Comprehensive Income (FVOCI) a new *impairment* model based on the concept of *expected loss* instead of actual *incurred loss*, with the aim of recognising losses in the income statement on a more timely basis. The standard envisages that, for the purposes of assessing creditworthiness, financial instruments must be allocated in three different stages:

step 1: for exposures that have not deteriorated in credit quality since the time of origination or purchase or that imply negligible credit risk at that time;

stage 2: for exposures whose original credit quality has deteriorated significantly and whose credit risk is not negligible, although they are not yet classified as impaired;

stage 3: for exposures whose credit risk has increased to the point where the instrument is considered *impaired*, i.e. classified as impaired; this stage also includes financial instruments in default.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total impairment losses

As at 31 December 2022, there were no loans measured at fair value through other comprehensive income subject to Covid-19 support measures.

Section 4 - Financial assets measured at amortised cost - Item 40

This portfolio can include:

- Financial assets (debt securities and loans):
  - that passed the SPPI test;
  - that passed the benchmark test where required;
  - that are held to collect cash flows (HTC business model).

This is a portfolio at amortised cost not measured at fair value.

The term “level”, in the heading of the various columns of the tables shown below, represents the different method of measurement of the financial assets with the use for level 1 of market

values, for level 2 of different external sources either direct (prices) or indirect (derived from prices), and for level 3 of internal measurements or the cost.
Complete disclosure on the fair value level is provided at the end of the accounting standards: “Fair value disclosure”.

4.1 Financial assets measured at amortised cost: breakdown by type of loans and receivables with banks

	Total 31-12-2022						Total 31-12-2021					
	Book value			Fair value			Book value			Fair value		
Type of transaction/Amounts	**First and second stages**	**Stage 3**	**Impaired acquired or originated**	**L1**	**L2**	**L3**	**First and second stages**	**Stage 3**	**Impaired acquired or originated**	**L1**	**L2**	**L3**
A. Loans and receivables due from Central Banks	**49,811**	-	-	-	-	**49,811**	**329,443**	-	-	-	-	**329,443**
1. Time deposits	-	-	-	-	-	-	-	-	-	-	-	-
2. Compulsory reserve	49,811	-	-	-	-	-	329,443	-	-	-	-	-
3. Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
B. Amounts due from banks	**33,936**	-	-	-	-	**33,939**	**91,586**	-	-	-	-	**91,588**
1. Loans	**31,716**	-	-	-	-	**31,716**	**89,038**	-	-	-	-	**89,038**
1.1 Current Accounts	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Time deposits	14,991	-	-	-	-	-	15,064	-	-	-	-	-
1.3. Other loans:	16,725	-	-	-	-	-	73,974	-	-	-	-	-
- Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
- Other	16,725	-	-	-	-	-	73,974	-	-	-	-	-
2. Debt securities	**2,220**	-	-	-	-	**2,223**	**2,548**	-	-	-	-	**2,550**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,220	-	-	-	-	2,223	2,548	-	-	-	-	2,550
Total	**83,747**	-	-	-	-	**83,750**	**421,029**	-	-	-	-	**421,031**

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

Receivables from Central Banks only include the balance of the Compulsory Reserve, amounting to € 49.8 million. Loans and receivables with banks amounted to Euro 33.9 million, including, under debt securities, a bond loan of Euro 2.2 million subscribed by us and issued by a bank.

4.2 Financial assets measured at amortised cost: breakdown by type of loans and receivables with customers

	Total 31-12-2022						Total 31-12-2021					
Type of transaction/Amounts	Book value			Fair value			Book value			Fair value		
	First and	**Stag e 3**	**Impa**	**L1**	**L2**	**L3**	**First and**	**Stag e 3**	**Impa ired**	**L1**	**L2**	**L3**

1. Loans	**3,788,003**	**100,153**	**5,365**	**-**	**-**	**3,981,613**	**3,619,539**	**98,592**	**2,679**	**-**	**-**	**3,926,974**
1.1. Current accounts	421,288	8,212	146	-	-	-	381,653	10,623	105	-	-	-
1.2. Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.3. Mortgages	2,985,667	90,874	5,190	-	-	-	2,964,740	87,402	2,565	-	-	-
1.4. Credit cards, personal loans and salary-backed loans	50	29	-	-	-	-	86	60	-	-	-	-
1.5. Financial leases	-	-	-	-	-	-	-	-	-	-	-	-
1.6. Factoring	-	-	-	-	-	-	-	-	-	-	-	-
1.7. Other financing	380,998	1,039	29	-	-	-	273,060	507	9	-	-	-
2. Debt securities	**1,613,444**	**15**	**-**	**1,192,773**	**-**	**321,746**	**1,424,072**	**-**	**-**	**1,238,701**	**-**	**197,650**
2.1. Structured securities	4,620	15	-	1,509	-	3,194	2,972	-	-	-	-	2,990
2.2. Other debt securities	1,608,824	-	-	1,191,264	-	318,552	1,421,100	-	-	1,238,701	-	194,660
Total	**5,401,447**	**100,168**	**5,365**	**1,192,773**	**-**	**4,303,359**	**5,043,611**	**98,592**	**2,679**	**1,238,701**	**-**	**4,124,625**

Financial statement regulations require items to be shown in separate columns for first- and second-stage (performing), third-stage (impaired) acquired or originated transactions and on separate rows according to technical form.
Impaired exposures include loans classified as non-performing loans, probable defaults, and impaired past due loans as better detailed in Part E of these Notes: Section 1 - Credit risk
The item "Other debt securities" includes securities issued by non-banking counterparties, including government securities with a book value of € 1,292.7 million and ABS securities with a book value of € 306.4 million; these securities are described in more detail in Part *E of the Notes to the Financial Statements "Information on risks and related hedging policies", subsection C "Securitisation transactions"*.

For the contents of this accounting portfolio, please refer to what is specifically described in the "Report on Operations" in the sections "Loans" and "Financial Assets".

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

Type of transaction/Amounts	Total 31-12-2022			Total 31-12-2021		
	First and second stages	Stage 3	Impaired acquired or originated	First and second stages	Stage 3	Impaired acquired or originated
1. Debt securities	**1,613,444**	**15**	-	**1,424,072**	-	-
a) Public administrations	1,292,643	-	-	1,227,755	-	-
b) Other financial companies	309,521	-	-	189,185	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	11,280	15	-	7,132	-	-

2. Loans to:	**3,788,003**	**100,153**	**5,365**	**3,619,539**	**98,592**	**2,679**
a) Public administrations	13,662	-	-	15,659	-	-
b) Other financial companies	238,237	4,108	-	178,576	119	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	2,327,405	68,969	3,086	2,375,436	57,382	885
d) Households	1,208,699	27,076	2,279	1,049,868	41,091	1,794
Total	**5,401,447**	**100,168**	**5,365**	**5,043,611**	**98,592**	**2,679**

The distribution of loans and receivables by debtor/issuer is carried out using the classification criteria envisaged by the Bank of Italy.

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

	Gross value					**Total impairment losses**				**Write-off**
	Stage 1	**Of which instruments with low credit risk**	**Stage 2**	**Stage 3**	**Impaired acquired or originated**	**Stage 1**	**Stage 2**	**Stage 3**	**Impaired acquired or originated**	**Overall Subtotals (*)**
Debt securities	1,623,099	1,623,099	307	15	-	(7,708)	(34)	-	-	-
Loans	3,526,002	-	368,194	181,514	8,035	(11,547)	(13,118)	(81,361)	(2,670)	(9,132)
Total 31-12-2022	**5,149,101**	**1,623,099**	**368,501**	**181,529**	**8,035**	**(19,255)**	**(13,152)**	**(81,361)**	**(2,670)**	**(9,132)**
Total 31-12-2021	**5,196,131**	**1,427,934**	**293,581**	**194,565**	**5,277**	**(13,889)**	**(11,184)**	**(95,973)**	**(2,598)**	**(10,263)**

(*) Value to be shown for information purposes

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total impairment losses

This table provides details of the gross value and total *write-offs* broken down by risk stage and by "impaired acquired or originated", as well as information on the total partial *write-offs* for loans, which were the subject of moratoria or other granting measures in place at the balance sheet date, or which constitute new liquidity provided through public guarantee mechanisms, for which the granting measures or disbursements are defined as Covid-19.

	Gross value					**Total impairment losses**				**Total partial write-offs(*)**
	Stage 1		**Stage 2**	**Stage 3**	**Impa ired**	**Stage 1**	**Stage**	**Stage**	**Impa ired**	

		of which instruments with low credit risk								
1.Loans granted in accordance with the GL	-	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not assessed as being part of grants	-	-	1,094	505	-	-	(96)	(115)	-	-
3. Other forborne loans	-	-	2,481	4,011	50	-	(142)	(683)	(17)	-
4.New Loans	866,136	-	110,344	15,705	865	(1,850)	(1,950)	(2,830)	(59)	-
Total 31-12-2022	**866,136**	-	**113,919**	**20,221**	**915**	**(1,850)**	**(2,188)**	**(3,628)**	**(76)**	-
Total 31-12-2021	**861,827**	-	**91,910**	**7,354**	**738**	**(2,459)**	**(3,412)**	**(1,606)**	**(172)**	-

(*) Value to be shown for information purposes

Section 5 - Hedging derivatives - Item 50

This section is not drawn up because as at 31 December 2022 the Bank did not have any transactions of this type, as in the previous year.

Section 6 - Value adjustment to financial assets subject to macro-hedging - Item 60

This section is not drawn up because as at 31 December 2022 the Bank did not have any transactions of this type, as in the previous year.

Section 7 – Equity investments - Item 70

This section includes the equity investments in subsidiary companies, jointly controlled companies and equity investments in companies subject to significant influence.

7.1 Equity investments: information on investment relationships

Company name	Head Office	Operating office	% equity investment	% voting rights available
A. Exclusively-controlled subsidiary companies	-	-	-	-
1. Valsabbina Real Estate S.R.L.	Brescia	Brescia	100.00%	-
B. Jointly-controlled subsidiary companies	-	-	-	-

C. Companies subject to significant influence	-	-	-	-
1. Credit Service S.p.A.	Mestre	Mestre	17.50%	-
2.Integrae SIM	Milan	Milan	26.30%	-
3.Sandbox S.r.l.	Milan	Milan	31.60%	-

7.2 Significant equity investments: book value, fair value and dividends received

Company name	Book value	Fair value	Dividends received
A. Exclusively-controlled subsidiary companies	**55**	-	-
1. Valsabbina Real Estate S.R.L.	55	-	-
B. Jointly-controlled subsidiary companies	-	-	-
C. Companies subject to significant influence	-	-	-
Total	**55**	-	-

On 01/10/2021 Valsabbina Real Estate was put into liquidation due to the substantial absence of real estate purchase transactions in the last few years; the business is therefore now focused on the disposal of the few remaining properties.
The financial statement total of the subsidiary (Euro 565 thousand) is lower than the limits envisaged by the Supervisory instructions for the consolidated indications (balance sheet assets less than Euro 10 million).

The reporting formats of the Company are enclosed with the financial statements of the Bank.

7.3 Significant equity investments: accounting information

Comprehensive income (3) = (1) + (2)	**(47)**	(47)	-	-
Other income components net of taxation (2)	-	-	-	-
Profit (loss) for the year (1)	**(47)**	(47)	-	-
Profit (loss) from discontinued operations net of taxation	-	-	-	-

Profit (Loss) from current operations net of taxation	**(47)**	(47)	-	-
Profit (Loss) from current operations gross of taxation	**(42)**	(42)	-	-
Depreciation/amortisation and net impairment losses on tangible and intangible assets	**-**	-	-	-
Net interest income	**-**	-	-	-
Total revenues	**694**	694	-	-
Non-financial liabilities	**159**	159	-	-
Financial liabilities	**354**	354	-	-
Non-financial assets	**565**	565	-	-
Financial assets	-	-	-	-
Cash and cash equivalents	**-**	-	-	-
Company name	**A. Exclusively-controlled subsidiary**	Valsabbina Real Estate s.r.l	**B. Jointly-controlled subsidiary companies**	**C. Companies subject to significant influence**

The figures in the table relate to the financial statements as at 31/12/2022; the company's equity including the result for the year amounted to € 52 thousand.

7.4 Non-significant equity investments: accounting information

Comprehensive income (3) = (1) + (2)	-	-		1,508	33	(95)
Other income components net of taxation (2)	-	-		(15)	-	-
Profit (loss) for the year (1)	-	-		1,523	33	(95)
Profit (loss) from discontinued operations net of taxation	-	-		-	-	-
Profit (Loss) from current operations net of taxation	-	-		1,523	33	(95)
Total revenues	-	-		6,739	568	28
Total liabilities	-	-		7,194	748	470
Total assets	-	-		10,995	3,012	783
Book value of equity investments	-	-		500	1,350	1,160
Company name	**A. Exclusively controlled .**	**B. Jointly controlled**	**Companies under significant**	Integrae SIM	Credit Service S.p.A.	Sandbox S.r.l

Companies subject to significant influence include the Bank's holdings in Integrae SIM, Credit Service S.p.A. and Sandbox srl.

The former, in which 26.30% is held, was acquired during 2020; the 17.50% stake held in "Credit Service S.p.A." was acquired during 2021 for an amount of EUR 1.35 million, while a 31.60% stake in Sandbox Srl was acquired during the year for an amount of EUR 1.16 million.
The figures shown refer to the financial statements as at 31 December 2021.

The Report on Operations summarises the activities of subsidiaries and associates.

7.5 Equity investments: annual changes

	Total 31-12-2022	Total 31-12-2021
A. Opening balances	**1,937**	**1,651**
B. Increases	**1,160**	**1,450**
B.1 Purchases	1,160	1,350
B.2 Reversals of impairment losses	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	100
C. Decreases	**32**	**1,164**
C.1 Sales	-	774
C.2 Impairment losses	-	-
C.3 Write-downs	32	150
C.4 Other changes	-	240
D. Closing balances	**3,065**	**1,937**
E. Total revaluations	-	-
F. Total value adjustments	**32**	**1,164**

The purchases include the new investment in the associated company Sandbox srl for EUR 1.16 million; a Milan-based fintech that created Fleap, software based on Hyperledger blockchain technology for issuing and exchanging digital assets of a financial nature.

During the year, Banca Valsabbina wrote down the investment in Valsabbina Real Estate recorded in the financial statements by € 32 thousand (other increases/writedowns).

7.6 Commitments referred to equity investments in jointly controlled companies

There are no equity investments in jointly controlled companies.

7.7 Commitments referred to equity investments in companies subject to significant influence

At present, there are no outstanding commitments with associated companies or companies under significant influence.

7.8 Significant restrictions

There are no cases of significant restrictions as indicated in section 22 b) and c) of IFRS 12.

7.9 Other information

For further information on the activities of the investee companies, please refer to the relevant section in the “Report on Operations”.

Section 8 – Tangible assets - Item 80

This item includes the tangible assets (properties, plant, machinery, furniture and other tangible assets used in operations) owned or acquired under finance lease.

8.1 Tangible assets used in operations: breakdown of assets measured at cost

Asset/Amounts	Total 31-12-2022	Total 31-12-2021
1 Owned assets	**50,484**	**44,109**
a) land	6,768	5,544
b) buildings	37,790	33,374
c) furniture	1,690	1,744
d) electronic systems	464	426
e) other	3,772	3,021
2 Rights of use acquired through the lease	**6,034**	**5,214**
a) land	-	-
b) buildings	6,034	5,214
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**56,518**	**49,323**
of which: obtained through the enforcement of guarantees received	-	-

Owned properties have been used almost entirely during the year for banking activities.

8.2 Investment property: breakdown of assets measured at cost
There are no assets held for investment purposes.

8.3 Tangible assets used in operations: breakdown of revalued assets
There are no revalued assets used in operations.

8.4 Investment property: breakdown of assets measured at fair value
There is no investment property.

8.5 Inventories of tangible assets regulated by IAS 2: breakdown
There are no tangible assets governed by IAS 2.

8.6 Tangible assets used in operations: changes during the year

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances	**5,544**	**54,275**	**6,716**	**1,880**	**9,675**	**78,092**
A.1 Net total impairment	-	15,687	4,972	1,454	6,654	28,769
A.2 Net opening balances	**5,544**	**38,588**	**1,744**	**426**	**3,021**	**49,323**
B. **Increases:**	**1,224**	**8,605**	**568**	**327**	**1,985**	**12,709**
B.1 Purchases	1,224	8,605	568	327	1,985	12,709
B.2 Capitalised improvement expenditure	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive fair value changes	-	-	-	-	-	-
recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. **Decreases:**	-	**3,369**	**622**	**289**	**1,234**	**5,514**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciations	-	3,093	622	289	1,061	5,065
C.3 Impairment	-	-	-	-	-	-
losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value changes	-	-	-	-	-	-
recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	276	-	-	173	449
D. Net closing balances	**6,768**	**43,824**	**1,690**	**464**	**3,772**	**56,518**
D.1 Net total impairment	-	18,323	5,413	1,737	7,052	32,525
D.2 Gross closing balances	**6,768**	**62,147**	**7,103**	**2,201**	**10,824**	**89,043**
E. Measured at cost	-	-	-	-	-	-

The item tangible fixed assets amounts to € 56,518 thousand, with an increase of € 7,195 thousand compared to the previous year, as the imbalance between purchases of € 12,709 thousand, depreciations of € 5,065 thousand and other net changes of - € 449 thousand.

Purchases of buildings/land include the costs for the purchase of buildings in Milan in Via Domodossola, in Montichiari, in Pavia and in Brescia for a total amount of euro 5,097 thousand. In the event of the purchase of properties, without indication in the deed of the separate value pertaining to the underlying land, steps are taken to assign this category 20% of the initial cost and the remaining 80% to the item property.

The purchases recorded in the table columns called “furniture, electronic system and other assets” concern the purchase of furniture, plant, electronic machines for the office, alarm systems and other minor categories, both for the head offices and the branches.

The depreciation has been calculated on all the tangible assets, with the exclusion of land, in relation to their estimated useful life as indicated below:

- Properties 33 - 50 years;
- Furniture and furnishing 7 years;
- Vehicles 4 years;
- Armoured counters 5 years;
- Electronic systems 4 years;
- Sundry machinery and equipment 5 years;
- Assets with a gross value of less than Euro 516 are subject to 100% depreciation in the year of acquisition.

Other changes include the effect of early terminations of lease contracts, which are recorded under "rights of use" in accordance with IFRS 16, as well as the effect of disposals of assets that are not fully depreciated such as cars and machinery.

From 1 January 2019, as required by the EU Regulations, the accounting standard IFRS 16 "Leases", issued by the IASB and endorsed by the European Commission, was applied. The Standard replaced as from 1 January 2019 the previous Standard IAS 17 and the related interpretations, intervening on the definition of lease and overcoming the accounting dualism between finance lease and operating lease, introducing a single accounting model based on the recognition in the financial statements of an asset (Right of use) and Lease liabilities.
The reference values expressing the application of the standard for the current year are shown below in "Part M - Leasing Disclosures".

8.7 Investment property: annual changes
There are no assets held for investment purposes and therefore steps have not been taken to draw up the related tables.

8.8 Inventories of tangible assets regulated by IAS 2: changes during the year
There are no tangible assets governed by IAS 2.

8.9 Commitments to purchase tangible assets
There are no commitments to purchase tangible assets.

Section 9 – Intangible assets - Item 90
This section comprises the intangible assets as defined by IAS 38.

9.1 Intangible assets: breakdown by type of asset

Asset/Amounts	Total 31-12-2022		Total 31-12-2021	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill	**-**	**8,458**	**-**	**8,458**
A.2 Other intangible assets	**2,098**	**-**	**1,458**	**-**
of which: software	2,098	-	1,458	-
A.2.1 Assets measured at cost:	2,098	-	1,458	-
a) internally generated intangible assets	-	-	-	-
b) other assets	2,098	-	1,458	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**2,098**	**8,458**	**1,458**	**8,458**

Intangible assets with a definite duration refer for € 2,098 thousand to the costs incurred for the purchase of EDP programmes inclusive of those supplied with specific invoicing by our outsourcer; these costs are amortised each year on the basis of the useful life, as a rule 3 years. All the classes of intangible assets are measured at cost.

Intangible assets with an indefinite duration comprise:
- Euro 6,476 thousand for the goodwill relating to the acquisition of Credito Veronese;
- for € 1,982 thousand from the residual goodwill - after deducting the amortisation of € 2,238 thousand effected from 2000 to 2004 - accounted for with the merger of Cassa Rurale di Storo in 2000.

On the basis of the IAS international accounting standards, systematic amortisation is no longer applied, but it is necessary at least once a year to check whether the goodwill assigned to a specific CGU (Cash Generating Unit) has suffered an impairment loss (impairment test). Pursuant to IAS 36, an asset has undergone an impairment when its book value exceeds its recoverable amount understood as the higher between its fair value less selling costs and its value in use.

Over time, Banca Valsabbina followed a strategy of territorial development that included a programme of growth in neighbouring areas through the opening of new branches or through the acquisition of already existing and established structures. This context includes the purchase of Cassa Rurale di Storo (merged in 2000), Credito Veronese (incorporated in 2012) and, subsequently, the branch of the 7 former Hypo Alpe Adria Bank branches. As a result of the acquisitions of Cassa Rurale di Storo and Credito Veronese, goodwill and specific intangible assets emerged in the Bank's assets and must be tested for impairment in accordance with IAS 36.
Over the years, the process of integrating the branch networks acquired and incorporated into the Bank continued, reviewing and integrating the organisational and territorial set-up; in this context, the consolidation of a model structured by geographic areas took place. Therefore, from a strategic, management and reporting point of view, the area referring to the former Cassa di Risparmio di Storo and the former Credito Veronese is no longer relevant, whereas the wider geographical areas into which the branches, once belonging to them, have merged are relevant.
For the reasons set out above, the geographical areas correspond, in general terms, to the Bank's Cash Generating Units (CGUs) and each of them constitutes the smallest group of activities generating

independent cash inflows and, moreover, the minimum level at which internal planning and reporting processes are managed by the Bank.
In summary, the process of implementing the network with the branches acquired by the incorporation of Cassa Rurale di Storo and Credito Veronese, as well as the normal territorial expansion process, resulted in homogeneous areas characterised by a perimeter other than the one identifiable at the time of initial acquisition. The branches acquired with the Credito Veronese operation merged into the new "North East Area" which also includes some branches aggregated with the Bank following the Hypo Alpe Adria Bank S.p.A. merger.
The four branches acquired with Cassa Rurale di Storo merged into the "Valsabbia and Valtrompia Area".
These CGUs were defined in 2017 and the impairment test starting from that year was carried out with reference to these entities.

As mentioned above, the accounting standard suggests writing down goodwill when the net book value of the CGU is greater than the recoverable amount, where, in the definition of the recoverable amount, it was deemed to show preference for the estimate of the value in use with respect to the fair value. Due to its characteristics, the value in use is an evaluation method that is well suited to the characteristics of the banking sector, as well as being aligned with the practice that has developed in this field. Furthermore, the need to calculate both the value in use and the fair value ceases when one of the two is higher than the book value of the asset, given that this condition excludes that the same has undergone an impairment.

The value in use of the CGU was established by discounting back the forecast cash flows, which in the case of banking concerns correspond to the values of capital available after the capitalisation requirements laid down by sector regulations (Excess Capital Method or Dividend Discount Method - DDM) have been met.
The development of the DDM envisages the estimate of (i) the projections of the available cash flows, (ii) the discounting back rate and the (iii) long-term growth rate (g).
The cash flows available for the 2023-2027 period were estimated on the basis of the economic and financial projections prepared by the Management.
The discount rate was estimated to be equal to the cost of capital based on the Capital Asset Pricing Model (CAPM), resulting in a rate of 9.74%, instead of the 7.80% used in the previous impairment test exercise. The model expresses a linear relationship, under conditions of market equilibrium, between the return on an investment and its systematic, non-diversifiable risk. In more detail, the return on an investment is calculated as the sum of the risk free rate and the risk premium attributed to it (the latter given by the beta-weighted equity risk premium-ERP), as outlined below:
$Ke = rf + MRP \times \beta$ where:
- rf is the return on a risk-free investment (free risk rate);
- MRP, Market risk premium, given by the difference between the return of a diversified portfolio consisting of all risky investments available on the market and the return of a risk-free security;
- β, as an index of correlation between the returns of a single risky investment and the returns of the market portfolio;

The parameters used for the financial year are:
- Risk free rate: 3.91%, i.e. the average value of 10-year Italian government bond yields. In particular, the average value of yields observed in the last six months of 2022 was considered;
- MRP: 5.50%, a value within the range of values found from various sources including impairment testing activities in financial statements analysed and reported as at 30/06/2022, the annual publication of Fernandez's “Market Risk Premium” study and periodic updates issued by A. Damodaran;

- Beta: 1.06, expresses the average of the betas of various Italian credit institutions observed over a five-year period.

The growth rate (g) was assumed to be 2.00%, a rate based on expected long-term inflation, instead of the 1.50% used in the last financial year.

In order to verify the extent to which the values obtained varied with respect to the parameters used, sensitivity analyses were also carried out on the variation of the parameters (i) discount rate 'Ke' (±0.50%) and the medium to long-term growth rate 'g' (±50 bps).

The North East Area CGU has an accounting goodwill of Euro 6.5 million; Using the economic-financial projections prepared by management and the parameters set forth above, the asset was then subjected to an impairment test and the estimated value in use for this CGU was Euro 39.7 million, compared to an allocated capital of Euro 31.1 million; the theoretical goodwill is therefore Euro 8.6 million, higher than the Euro 6.5 million of the book value of the intangible assets recognised.

The sensitivity analysis provided a range of estimates of the value of the goodwill attributable to the CGU ranging from Euro 5.9 million to Euro 12.0 million; therefore, also varying the parameters used, it is indicated that the book value of the intangible assets is substantially confirmed.

CGU Valsabbia e Valtrompia has accounting goodwill of € 2 million; this goodwill is residual compared to the initial goodwill of € 4.2 million, which has been partially amortised; the estimated value in use for this area is € 39.0 million compared to an allocated capital of € 30.1 million, which corresponds to goodwill of € 8.9 million, thus exceeding the carrying value of the intangible assets recognised.

The sensitivity analysis provided a range of estimates of the value of the goodwill attributable to the CGU ranging from Euro 6.3 million to Euro 12.2 million; therefore, also varying the parameters used, it is indicated that the book value of the intangible assets is confirmed.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated	Other intangible assets: other	Total

		DEF	INDEF	DEF	INDEF	
A. Opening balances	**8,458**	**-**	**-**	**2,685**	**-**	**11,143**
A.1 Net total impairment	-	-	-	1,227	-	1,227
A.2 Net opening balances	**8,458**	**-**	**-**	**1,458**	**-**	**9,916**
B. Increases	-	-	-	**1,652**	-	**1,652**
B.1 Purchases	-	-	-	1,652	-	**1,652**
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive fair value changes:	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	**1,012**	-	**1,012**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	1,012	-	**1,012**
- Amortisation	-	-	-	1,012	-	**1,012**
- Write-downs:	-	-	-	-	-	-
+ shareholders’ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative fair value changes:	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	**8,458**	-	-	**2,098**	-	**10,556**
D.1 Total net impairment losses	-	-	-	1,657	-	1,657
E. Gross closing balance	**8,458**	-	-	**3,755**	-	**12,213**
F. Measured at cost	-	-	-	-	-	-

Key

DEF: with definite life

INDEF: with indefinite life

9.3 Intangible assets: other information

With regard to intangible fixed assets (IAS 38, sections 122 and 124), it is hereby specified that:

- there are no intangible assets pledged as collateral for the Bank’s liabilities;
- there are no commitments to purchase intangible assets;
- - there are no intangible assets acquired under financial or operating lease agreement or via government concession;

- there are no revalued intangible assets recorded at fair value.

Section 10 – Tax assets and tax liabilities - Asset item 100 and liability item 60

This section includes the tax assets (current and prepaid) and tax liabilities (current and deferred), without offsetting between the deferred tax assets and deferred tax liabilities, stated respectively in items 100 of the assets and 60 of the liabilities.
Deferred tax assets, for which balances and changes are shown in the tables below, are recognised on the basis of the probability of their future recovery. The tax rates in effect for the year 2022 of 27.50% for IRES (including the 3.50% surcharge introduced by Legislative Decree 147/2015, effective 01/01/2017) and 5.57% for IRAP are also used for the recognition of deferred tax assets and liabilities. The Bank operates under a tax consolidation scheme for IRES purposes, a scheme in which the subsidiary Valsabbina Real Estate in liquidation (voluntary) participates.

Effect of taxes on the profit and loss account
The impact of taxes in the income statement, recorded under item "270 income taxes for the year on current operations", amounted to € 16,387 thousand as the algebraic sum of current taxes for € 12,753 thousand, positive effects from the adjustment of current taxes of the previous year for € 178 thousand, negative effects from prepaid taxes for € 4,006 thousand, and positive effects from deferred taxes for € 194 thousand.

Taxes recorded in the balance sheet
Current assets, amounting in total to € 5,319 thousand, include an amount requested for reimbursement with the consolidated return filed in 2018 in the amount of € 5 million (amount originating from the payment of IRES advances that later turned out to be in excess), IRAP tax credits arising from the conversion of the "Aid to economic growth" for the year 2017 in the amount of € 244 thousand, as well as other credits in the amount of € 75 thousand. While current liabilities, amounting to € 3,890 thousand, include, for the most part, payables (net of advances paid in 2022) for direct taxes arising from the calculation made in the financial statements.

A description of the composition of deferred tax assets/liabilities follows.

10.1 Deferred tax assets: breakdown

Items	Total 31-12-2022		Total 31-12-2021	
	Law No.	Others	Law No.	Others
Through the income statement:				
Impairment of loans and receivables deductible on	26,277	-	36,267	-

Exemption of goodwill and other elements from incorporation	1,321	584	2,055	-
Exemption of goodwill from consolidation	2,261	-	2,555	-
FTA IFRS 9	-	831	-	831
Allowance to provision for risks and charges	-	996	-	1,209
Provision for guarantees given	-	761	-	507
Financial assets	-	169	-	148
Administrative expense and other items	-	1,506	-	1,045
Total through the income statement	**29,859**	**4,847**	**40,877**	**3,740**
Through shareholders' equity:				
Securities	**-**	**25,186**	**-**	**3,364**
- bonds	-	25,118	-	3,307
- shares	-	68	-	57
Actuarial effect on employee benefits	**-**	**2**	**-**	**126**
Total through shareholders' equity	**-**	**25,188**	**-**	**3,490**
Total	**29,859**	**30,035**	**40,877**	**7,230**

Over the past few years, the regulations concerning the methods and timing of tax recovery of certain items recognised in the income statement have undergone both changes and deferrals in the timing of recovery.

Decree-Law 83/2015 introduced a regime of full deductibility of loan write-downs in the year of their recognition in the financial statements for both IRES and IRAP purposes, a regime fully in force since 2016; for those recognised in previous financial statements and still to be recovered, a timeframe for recovery was envisaged by that decree until 2025. Subsequently, both the Budget Law of 2019 and the Budget Law of 2020 provided for a postponement and rescheduling of the fiscal recovery timeframe of what had been recognised in the income statement in the past, extending them until 2026. The remodulation was also envisaged, in different terms, on part of the goodwill. With Decree Law 01.03.2022 no. 17 "Urgent measures for the containment of electricity and natural gas costs, for the development of renewable energies and for the relaunch of industrial policies" the deduction of the portion of past receivable write-downs planned for 2021 had initially been deferred in constant instalments from 2022 to 2025.

Subsequent to the approval of the 2021 budget and upon conversion of Decree-Law No. 17/2022, the deductibility of past loan write-downs for the year 2021 was fully reinstated, instead rescheduling the time for recovery from 2022 to 2026.

Moreover, the terms of tax recovery of the valuation components determined as a result of the transition from Accounting Standard IAS 39 to IFRS 9 (transition carried out in 2018) had been firstly defined by Decree 10/01/2018 and secondly by Budget Law 2019 no. 145 of 2018; in particular, for loan write-downs, the timing of tax recovery had been set at 10 years, starting in 2018 and equal to 10% for each financial year. The tax deductibility originally planned for the 2019 financial year was then shifted to 2028, the year in which the plan will end. It should be emphasised that the Bank has - substantially - not recognised deferred tax assets in the financial statements in respect of loan write-downs defined at the time of IFRS9 transition; taxable income of about € 42 million remains for this purpose, to be claimed in the returns pertaining to 2022 onwards, for both IRES and IRAP purposes.

Prepaid taxes "as per Italian law No. 214/2011" are those recorded in relation to the impairment of loans and receivables not yet deducted and the value of the goodwill and other intangible assets whose negative components are deductible in subsequent tax periods. In the event of the recording of a statutory or tax loss, they permit transformation into a tax credit that can be used immediately. According to Stability Law No. 147/2013, the same possibility of conversion into a tax credit was also extended to IRAP, in the presence of a balance sheet closed with a loss or a negative net production value (IRAP declaration with a loss).

The amount of taxes "referred to in Law 214/2011" decreased compared to 31/12/2021 and amounted to € 29,859 thousand:

- with regard to the write-downs of past receivables still to be recovered, the receivable as of 31/12/2022 amounted to € 26,277 thousand, compared with € 36,267 thousand recognised in the financial statements as of 31/12/2021; as a result of Law Decree 01.03.2022 no. 17 prior to conversion, the receivable recognised in the 2021 financial statements for this case was unchanged with respect to 31/12/2020. In 2022, on the basis also of the provisions of the decree converted into law, we adjusted the relevant accounting by discharging both the deferred tax assets relating to the 2021 portion of previous write-downs and the amount accruing in 2022;
- € 1,321,000 derives from the residual amount of the redemption of items resulting from the merger of Credito Veronese, of which € 1,264,000 relates to the goodwill resulting from the individual financial statements as at 31/12/2012 and € 57,000 relates to "other items from merger", i.e. the Fair Value of Receivables. In 2021, in accordance with Law 104/2020, a further realignment of the tax value of goodwill was carried out, paying in 2022 a substitute tax such as to allow for tax recovery over 18 years; in this case, the deferred tax assets recognised are not safeguarded by Law 214/2011 and amount to € 584 thousand;
- € 2,261 thousand deriving from the portion not yet recovered for tax purposes relating to the realignment, carried out in the past, of goodwill and other intangible assets recognised autonomously in the 2011 consolidated financial statements, as provided for by Article 23 of Decree-Law No. 98/2011 and Article 20 of Decree-Law No. 201/2011.

Other deferred tax assets through the income statement refer mainly to income statement components for which deduction is expected when the financial event occurs.

On the other hand, prepaid taxes through shareholders' equity amount to € 25,188 thousand; of this, € 25,186 thousand refers to the capital losses recognised against the negative securities valuation reserves recorded in the FVOCI portfolio and € 2 thousand refers to the actuarial differences registered on post-employment benefits.

10.2 Deferred tax liabilities: breakdown

Items	Total 31-12-2022	Total 31-12-2021
Through the income statement:		
- on amortisation of goodwill	152	140
- on accumulated depreciation of land	181	181
- on dividends still to be collected	-	-
- on payments to S.V. F.I.T.D.	-	8
- on measurement of financial instruments	85	251
- on exchange rates of financial instruments	-	32

- from reclassification of securities for IFRS 9	-	-
Total through the income statement	**418**	**612**
Through shareholders' equity:		
FVOCI financial assets	411	687
- bonds	404	355
- shares	7	332
Total through shareholders' equity	**411**	**687**
Total	**829**	**1,299**

10.3 Changes in prepaid taxes (through the income statement)

	Total 31-12-2022	Total 31-12-2021
1. Opening balance	**44,617**	**43,583**
2. Increases	**1,647**	**2,127**
2.1 Prepaid taxes recognised in the financial year	1,647	2,127
a) relating to previous financial years	-	30
b) due to changes in accounting policies	-	-

c) reversals of impairment losses	-	-
d) other	1,647	2,097
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**11,558**	**1,093**
3.1 Prepaid taxes cancelled during the financial year	11,558	1,093
a) reversals	11,558	1,093
b) impairment losses due to non-recoverability	-	-
c) changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	-	
a) transformation into tax credits as per Law No. 214/2011	-	-
b) other	-	-
4. Closing balance	**34,706**	**44,617**

10.3bis Changes in prepaid taxes set forth in Italian Law 214/2011

	Total 31-12-2022	**Total 31-12-2021**
1. Opening balance	**40,877**	**40,654**
2. Increases	**58**	**618**
3. Decreases	**11,076**	**395**
3.1 Reversals	11,076	395
3.2 Transformations into tax credits	-	-
a) deriving from losses for the year	-	-
a) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**29,859**	**40,877**

10.4 Changes in deferred taxes (through the income statement)

	Total 31-12-2022	**Total 31-12-2021**
1. Opening balance	**612**	**1,092**
2. Increases	**25**	**237**
2.1 Deferred taxes recognised in the financial year	25	237
a) relating to previous financial years	-	-
b) due to changes in accounting policies	-	-
c) other	25	237

2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**219**	**717**
3.1 Deferred taxes cancelled during the financial year	219	717
a) reversals	219	717
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**418**	**612**

10.5 Changes in prepaid taxes (through shareholders' equity)

	Total 31-12-2022	**Total 31-12-2021**
1. Opening balance	**3,490**	**843**
2. Increases	**22,285**	**3,410**
2.1 Prepaid taxes recognised in the financial year	22,285	3,410
a) relating to previous financial years	-	-
b) due to changes in accounting policies	-	-
c) other	22,285	3,410
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**587**	**763**
3.1 Prepaid taxes cancelled during the financial year	234	233
a) reversals	98	75
b) impairment losses due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	136	158
3.2 Reductions in tax rates	-	-
3.3 Other decreases	353	530
4. Closing balance	**25,188**	**3,490**

10.6 Changes in deferred taxes (through shareholders' equity)

	Total 31-12-2022	**Total 31-12-2021**
1. Opening balance	**687**	**1,398**
2. Increases	**84**	**295**
2.1 Deferred taxes recognised in the financial year	84	236

a) relating to previous financial years	-	-
b) due to changes in accounting policies	-	-
c) other	84	236
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	59
3. Decreases	**360**	**1,006**
3.1 Deferred taxes cancelled during the financial year	321	1,006
a) reversals	38	815
b) due to changes in accounting policies	-	-
c) other	283	191
3.2 Reductions in tax rates	-	-
3.3 Other decreases	39	-
4. Closing balance	**411**	**687**

Section 11 - Non-current assets held for sale and disposal groups and associated liabilities - Item 110 under assets and item 70 under liabilities

At the end of the reporting period, there are no non-current assets and liabilities held for sale and discontinued operations.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

Items	**Total 31-12-2022**	**Total 31-12-2021**
Sundry utilities to be debited/SDD/Other items	32,632	24,788
Amounts deriving from transactions in securities awaiting recognition/receipt	9,473	12,737

Amounts due from tax authorities for advances paid	17,426	17,194
Tax credits from building works and investments	186,786	66,637
Tax credits Gas/Energy users	9,883	-
Credit transfers and debits to be made	5,181	2,497
Prepaid expenses and accrued income	15,255	1,706
Withholdings	791	1,872
Current account cheques and foreign currency drawn on banks and third parties	10	24
Guarantee deposits on behalf of the Bank	177	150
Cheques being processed	29	23
Credit cards and Cashline card withdrawals	880	836
Costs for leasehold improvements	1,160	1,186
Total	**279,683**	**129,650**

The amounts due from tax authorities for advances paid refer to the advances paid for stamp duty, for substitute tax on mortgage loans and on capital gain.
The items "Tax credits from construction and investment activities" and "Tax credits from construction and investment activities" include tax credits acquired by the Bank from beneficiary companies for the purpose of future tax offsetting or re-sale.

Liabilities

Section 1 – Financial liabilities measured at amortised cost - Item 10

Liabilities item 10 includes the various forms of interbank and customer borrowings.

The item is broken down in:

10 a) Financial liabilities measured at amortised cost Due to banks;
10 b) Financial liabilities measured at amortised cost: Due to customers;
10 c) Financial liabilities measured at amortised cost: Outstanding Securities.

These aggregates, if any, also include the payables entered by the lessee within the financial leasing operations.

The term “level”, in the heading of the various columns of the tables shown below, represents the different method of measurement of the financial assets with the use for level 1 of market values, for level 2 of different external sources either direct (prices) or indirect (derived from prices), and for level 3 of internal measurements or the cost.
Complete disclosure on the fair value level is provided at the end of the accounting standards: “Fair value disclosure”.

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

Type of transaction/Amounts	Total 31-12-2022				Total 31-12-2021			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**1,312,515**	-	-	-	**1,318,172**	-	-	-
2. Payables due to banks	**269,477**	-	-	-	**314**	-	-	-
2.1 Current accounts and demand deposits	308	-	-	-	314	-	-	-
2.2 Time deposits	24,002	-	-	-	-	-	-	-
2.3 Loans	245,167	-	-	-	-	-	-	-
2.3.1 Repurchase agreements	245,167	-	-	-	-	-	-	-
2.3.2 Other	-	-	-	-	-	-	-	-
2.4 Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
2.5 Lease payables	-	-	-	-	-	-	-	-
2.6 Other payables	-	-	-	-	-	-	-	-
Total	**1,581,992**	**-**	**-**	**1,581,725**	**1,318,486**	**-**	**-**	**1,318,486**

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

The amount of liabilities to banks as at 31/12/2022 was € 1,581.9 million, compared to the balance of € 1,318.5 million at the end of last year.

The aggregate includes debts to the ECB related to the TLTROIII programme for a total nominal value of € 1,330 million, of which € 460 million maturing on 28/06/2023, € 290 million maturing on 27/09/2023, € 120 million maturing on 27/03/2024 and € 460 million maturing on 18/12/2024. These loans contribute to the balance net of accrued interest income.

The interest rate applied since the inception of the TLTROIII for our institute (June 2020) and until 22/06/2022 was -1.00%. This is on the basis of the surveys concerning the performance of loans "eligible" under the TLTRO regulations (survey concerning the period 01/03/2020-31/03/2021 "Special reference period" - covering the period 23/06/2020-22/06/2021; survey concerning the period 01/10/2020-31/12/2021 "Additional special reference period" - covering the period 23/06/2021-22/06/2022). The negative 1.00% interest rate (interest income is earned on loans received) was composed of -0.50% as the deposit rate and -0.50% as the premium component.

Since the beginning of the second half of 2022, the ECB has progressively implemented a restrictive monetary policy in order to cope with the high inflationary growth caused by the sharp rise in energy costs that also occurred as a result of the war in Ukraine. The rates on deposits, which are useful for calculating interest on TLTRO loans, evolved as follows during the second half of the year:

-0.50% Until 26/07/2022
0.00% From 27/07/2022 to 13/09/2022
0.75% From 14/09/2022 to 01/11/2022
1.50% From 02/11/2022 to 20/12/2022
2.00% From 21/12/2022 onwards.

Moreover, as from 23/11/2022, applying the provisions of the ECB meeting of 27/10/2022 (amendment of the TLTROIII regulations), the rate applied on loans is that in force from time to time and no longer, as before, the average interest rate measured over the entire duration of the relevant TLTROIII auction.

As a result, in the last months of the year, interest expenses were recognised in the income statement for the loans received; however, a total of EUR 5.7 million in interest income was recognised in the income statement during the year, compared to EUR 12.1 million in 2021.

As at 31 December 2022, there are also Repurchase agreements (repos) for an amount of Euro 245 million, transactions with leading banking counterparties and with a maximum maturity in January 2023.

1.2 Financial liabilities measured at amortised cost: breakdown by product of due to customers

Type of transaction/Amounts	Total 31-12-2022				Total 31-12-2021			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	3,667,418	-	-	-	3,735,217	-	-	-

2. Time deposits	1,055,729	-	-	-	939,243	-	-	-
3. Loans	68,187	-	-	-	-	-	-	-
3.1 Repurchase agreements	68,187	-	-	-	-	-	-	-
3.2 Other	-	-	-	-	-	-	-	-
4. Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
5. Lease payables	6,016	-	-	-	5,210	-	-	-
6. Other payables	306	-	-	-	53	-	-	-
Total	**4,797,656**	-	-	**4,797,626**	**4,679,723**	-	-	**4,679,723**

Key:

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

The current accounts and demand deposits comprise:

	Total 31-12-2022	Total 31-12-2021
Euro current accounts	3,637,699	3,699,704
Savings deposits	20,050	22,296
Foreign currency current accounts	9,669	13,217
Total	**3,667,418**	**3,735,217**

Time deposits are restricted deposits with a maximum maturity of 5 years.

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

Type of security/Amounts	Total 31-12-2022				Total 31-12-2021			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities	**107,885**	**23,472**	-	**84,027**	**154,276**	**62,749**	-	**91,577**
1. bonds	95,844	23,472	-	71,986	138,848	62,749	-	76,149
1.1 structured	95,844	-	-	-	-	-	-	-
1.2 other	-	23,472	-	71,986	138,848	62,749	-	76,149
2. Other securities	12,041	-	-	12,041	15,428	-	-	15,428
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	12,041	-	-	12,041	15,428	-	-	15,428
Total	**107,885**	**23,472**	-	**84,027**	**154,276**	**62,749**	-	**91,577**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Outstanding bonds are inclusive of current accrued coupons and are net of repurchased bonds, which are to be eliminated under IAS accounting standards; the recognition criterion used for the balance sheet value is amortised cost. The volume of securities issued – a typical component of medium-term deposits – was significantly reduced in recent years, as a result of the commercial policy implemented with the entry into force of the bail-in regulations aimed at encouraging the replacement of maturing bonds with other forms of compulsory deposits such as time deposits.

The value shown in the Level 1 column of FV refers to bonds listed on the MTF market, while the value shown in the Level 3 column of FV refers to unlisted bonds and was obtained by discounting the flows based on the average rate of a basket of bank bonds having the same degree of subordination as the loan.

Medium/long-term certificates of deposit are recorded under other securities.

1.4 Breakdown of subordinated debts/securities

Items	Book value	
	Total 31-12-2022	Total 31-12-2021
Subordinated securities issued and in issue	56,851	60,505
Total	**56,851**	**60,505**

Outstanding subordinated bonds amounted to EUR 56.8 million, of which EUR 36.2 million was included in equity.

Subordinated bonds include the following securities:
-IT0005366924 issued on 29/03/2019 of Euro 20 million, fixed rate of 4.67% and maturity 29/09/2024, nominal residual value Euro 20 million (book value including accruals Euro 20,237 thousand);
-IT0005415119 issued on 1 July 2020 of Euro 8 million, fixed rate of 4.67% and maturity 1 January 2026, nominal residual value Euro 8 million (book value including accruals Euro 8,187 thousand);
-IT0005436198 issued on 19/02/2021 for € 7.5 million, fixed rate 4.75% and maturity 19/08/2026, residual nominal value € 7.5 million (book value including accruals € 7,540 thousand);
-IT0005453813 issued on 26/07/2021 of € 7.5, fixed rate of 4.80% and maturity 26/01/2027, nominal residual value € 7.5 (book value including accruals € 7,655);
-IT0005436198 issued on 25/03/2022 for € 3 million, fixed rate 4.60% and maturity 25/09/2027, residual nominal value € 3 million (book value including accruals € 3,037 thousand);
-IT0005505109 issued on 29/07/2022 for € 10 million, fixed rate 4.60% and maturity 29/01/2028, residual nominal value € 10 million (book value including accruals € 10,195 thousand).

1.5 Breakdown of structured debts

This section is not drawn up because as at 31 December 2022 the Bank did not have any transactions of this type, as in the previous year.

1.6 Lease payables

Lease payables, shown in Table 1.2, include the discounted value of real estate rentals; see Part M for a specific description.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	Total 31-12-2022	Total 31-12-2021

	NV	Fair value			Fair Value (*)	NV	Fair value			Fair Value (*)
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
1. Payables due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
TOTAL A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	-	-	317	-	-	-	-	102	-	-
1.1 Trading	-	-	317	-	-	-	-	102	-	-
1.2 Related to the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
TOTAL B	-	-	**317**	-	-	-	-	**102**	-	-
TOTAL A+B	-	-	**317**	-	-	-	-	**102**	-	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated by excluding changes in value due to the change in creditworthiness of the issuer with respect to the issue date

The amount of € 317 thousand (level 2) consists of:

- Euro 316 thousand in foreign currency forward transactions, whose value is offset by asset item 20 “Financial assets held for trading”. The book amount (intrinsic value) is the expression of a notional value of the transactions of € 8.1 million;
- for € 1 thousand from the intrinsic value referring to the hedging of currency transactions carried out by the Bank, with a notional value of € 0.5 million.

2.2 Breakdown of item 20 "Financial liabilities held for trading": subordinated liabilities;

In the absence of operations, subsections are not drawn up.

2.3 Breakdown of item 20 "Financial liabilities held for trading": structured debts.

In the absence of operations, subsections are not drawn up.

Section 3 - Financial liabilities designated at fair value - Item 30

In the absence of operations, the specific tables and subsections are not drawn up.

Section 4 - Hedging derivatives - Item 40

As at 31 December 2022 and 31 December 2021 the bank did not have any hedging derivatives outstanding.
In the absence of operations, the specific tables and subsections are not drawn up.

Section 5 - Value adjustment to financial liabilities subject to macro-hedging - Item 50

The Bank has not established any liability subject to macro hedging from the interest rate risk.

5.1 Value adjustment to hedged financial liabilities: breakdown by hedged portfolio.

In the absence of operations, the tables are not drawn up.

Section 6 - Tax liabilities - Item 60

See section 10 under assets.

The breakdown as well as the changes in liabilities for current and deferred taxes are illustrated in part B - Asset Section 10 of these explanatory notes.

Section 7 - Liabilities associated with assets held for sale and discontinued operations - Item 70

At the end of the reporting period, there were no liabilities associated with assets held for sale and discontinued operations.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

Items	Total 31-12-2022	Total 31-12-2021
Tax withholdings and contributions relating to staff	4,118	3,718
Amounts to be paid to staff and related contributions	6,751	5,063
Taxes to be paid to the tax authorities	3,722	3,491
Taxes to be paid to the tax authorities on behalf of third parties	5,998	6,615
Credit transfers to be carried out	32,705	15,445
Credit cards and Cashline card withdrawals	149	114
Amount paid for withdrawal of bills and cheques and payment by advice collections	645	965

Currency spreads on portfolio transactions	23,870	60,998
Trade payables	10,570	10,029
Deferred income and provisions	697	730
Charity Fund	298	542
Other items	7,505	10,313
Total	**97,028**	**118,023**

The “amounts to be paid to staff, inclusive of related contributions” also include variable remuneration, including contributions and holiday accruals, relating to the management of employees.

“Currency spreads on portfolio transactions” represent the imbalance between the “debit adjustments” and the “credit adjustments” of the portfolio subject to due reserve and after collection, whose breakdown is indicated in the specific table Other information in part B of these explanatory notes.

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	Total 31-12-2022	Total 31-12-2021
A. Opening balances	**3,172**	**3,485**
B. Increases	**2,732**	**2,339**
B.1 Provision in the year	2,602	2,339
B.2 Other changes	129	-
C. Decreases	**3,447**	**2,652**
C.1 Settlements made	317	298
C.2 Other changes	3,130	2,354
D. Closing balances	**2,457**	**3,172**
Total	**2,457**	**3,172**

"Increases" of the row provisions include the costs attributable to the revaluation of the provision in the company, in so far as it concerns the Treasury Fund and the Supplementary Funds, as well as the cost relating to post-employment benefits paid directly in the payroll. With regard to other decreases, the main items are represented by the amounts paid to the Treasury Funds and the Supplementary Funds as well as the IAS actuarial changes (which have an impact on the shareholders’ equity reserves).

The provision for severance indemnities as at 31 December 2022 calculated in accordance with national legislation amounted to € 2,670 thousand, € 213 thousand higher than the balance sheet; in 2021 it was € 2,779 thousand, € 393 thousand lower than the balance sheet. The financial parameters used for the discounting process are described below.

IAS 19 "Employee benefits" enforces the recognition of the actuarial changes offset by shareholders' equity and the recognition in the income statement is no longer allowed.
The actuary carried out the calculation on the basis of the following financial assumptions:

- annual discount rate 3.63 % (determined in accordance with par. 83 of IAS 19, with reference to the average yield curve derived from the IBOXX Eurozone Corporates AA index with

duration 7-10 recognised on 31/12/2022, a rate considered to be the best expression of returns of top-quality companies), instead of the 0.98% used at 31/12/2021;
- annual rate of inflation 2.30%, instead of 1.75%;
- annual Post-employment benefit rate 3.225%, instead of 2.813%

The actuarial change is illustrated in part "D - Comprehensive income”.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges - provisions

Item/Amounts	Total 31-12-2022	Total 31-12-2021
1. Provisions for credit risk related to commitments and financial guarantees given	583	609
2. Provisions on other commitments and other guarantees given	2,185	1,236
3. Company pension funds	-	-
4. Other provisions for risks and charges	3,011	3,655
4.1 legal and tax disputes	3,000	3,640
4.2 labour costs	-	-
4.3 other	11	15
Total	**5,779**	**5,500**

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Pension funds	Other provisions for risks and charges	Total
A. Opening balances	**1,845**	**-**	**3,655**	**5,500**
B. Increases	**1,270**	**-**	**510**	**1,780**
B.1 Provision in the year	1,270	-	510	1,780

B.2 Changes due to the passing	-	-	-	-
of time	-	-	-	-
B.3 Variations due to changes	-	-	-	-
of the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	**347**	**-**	**1,154**	**1,501**
C.1 Uses in the year	-	-	764	764
C.2 Variations due to changes	-	-		
of the discount rate	-	-	-	-
C.3 Other changes	347	-	390	737
D. Closing balances	**2,768**	**-**	**3,011**	**5,779**

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

	Provisions for credit risk related to commitments and financial guarantees given				
	Stage 1	**Stage 2**	**Stage 3**	**Impaired acquired or originated**	**Total**
1. Commitments to grant finance	243	270	-	-	513
2. Financial guarantees given	30	15	25	-	70
Total	**273**	**285**	**25**	**-**	**583**

10.4 Provisions on other commitments and other guarantees given

The Bank has no other funds of this kind recorded in the financial statements.

10.5 Defined benefit company pension funds

The Bank has no funds of this kind recorded in the financial statements.

10.6 Provisions for risks and charges - other provisions

The provision for legal disputes includes the amounts set aside for disputes relating to revocatory action on bad loans or those already written off or for other disputes that arise during the performance of the ordinary activities. The Bank makes provisions for such reasons when, in agreement with its legal advisors, it believes it probable that it will have to make a payment and the amounts of the same can be reasonably estimated.

Section 11 - Redeemable shares - Item 120

The Bank has not issued any redeemable shares. The related tables are not drawn up.

Section 12 – Company equity - Items 110, 130, 140, 150, 160, 170, and 180

12.1 “Share capital” and “Own shares: breakdown

The fully paid-in and subscribed share capital is made up of 35,516,827 shares with a par value of Euro 3.00 each for a total of Euro 106,550 thousand.

12.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Others
A. Shares at the beginning of the year	**35,516,827**	-
- fully paid-up	35,516,827	-
- not fully paid-up	-	-
A.1 Own shares (-)	(1,225,534)	-
A.2 Outstanding shares: opening balances	**34,291,293**	-
B. Increases	**607,496**	-
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sales of own shares	607,496	-
B.3 Other changes	-	-
C. Decreases	**244,460**	-
C.1. Cancellation	-	-
C. 2 Purchase of own shares	244,460	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balances	**34,654,329**	-
D.1 Own shares (+)	862,498	-
D.2 Shares at the end of the year	35,516,827	-
- fully paid-up	35,516,827	-
- not fully paid-up	-	-

During the year, 244,460 shares were purchased, of which 17,948 following the enforcement of pledges and guarantees, at a total price of € 1,357,394 (average unit price € 5.55); 607,496 were sold at a total price of € 3,128,500 (average unit price € 5.15), bringing the total number of treasury shares in the portfolio to 862,498 for a countervalue of € 6,080,195 (average unit book value of € 7.05), treasury shares recorded under item 170 of liabilities. Thus, 2.43% of the total existing shares with a total nominal value of € 2,587,494 on a share capital of € 106,550,481 remain in ownership.

12.3 Share capital - Other information.

The following revaluation reserves have been transferred over time to the share capital:

- Italian Law No. 576 dated 2 December 1975 for Euro 88 thousand, reserve from monetary revaluation;

- Italian Law No. 72 dated 19 March 1983 for Euro 2,067 thousand, reserve from monetary revaluation;
- Italian Law No. 413 dated 30 December 1991 for Euro 1,375 thousand, reserve from monetary revaluation;
-Legislative Decree 28-2-2005, No. 38 (application of IAS in Italy) for € 7,955 thousand.

12.4 Income-related reserves: other information

Positive reserves of € 63,206 thousand are reflected in liability item 140: € 66,298 thousand are positive profit reserves, while "other reserves" include € 3,092 thousand in negative reserves from the merger of Credito Veronese.
Additional information relating to changes can be found in the statement of changes in shareholders' equity and in part F of these explanatory notes.
Pursuant to Article 2427.7 bis of the Italian Civil Code, the composition of Shareholders' equity, according to the origin and the degree of availability and distributable nature of the various items, is detailed in the following table:

Items	Amount	Possibility of use	Portion available	Tax restriction	Uses made in the last three accounting periods	
					to cover losses	for other reasons
A) SHARE CAPITAL						
- Share capital (1)	106,550	-	90,531	16,019	no use	no use
B) CAPITAL RESERVES						
- Share premium reserve (2)	228,709	ABC	228,709	-	no use	no use
C) INCOME-RELATED RESERVES						
- Legal reserve (3)	34,096	B	-	-	no use	no use
- Extraordinary reserve (7)	82,287	ABC	78,861	3,426	no use	no use
- Reserve for purchase of own shares (4)	10,100	ABC	4,020	-	no use	no use
- Other reserves (6)	(60,185)	-	-	-	no use	no use
D) OTHER RESERVES						
- Merger differences	(3,092)	-	-	-	no use	no use
- IAS valuation reserves (5)	(45,699)	-	-	-	no use	no use
E) OWN SHARES						
- Own shares	(6,080)	-	-	-	-	-
TOTAL						
- 2022 profit for the year	41,421	-	-	-	-	-
TOTAL EQUITY	**388,107**	-	-	-	-	-

Key:
A: for increase in portion; B: to cover losses; C: for distribution to Shareholders

Notes:
1) In the event of distribution, the share capital is subject to a tax restriction equal to the booking of monetary revaluation reserves of Euro 11,485 thousand as specified in point 12.3 plus Euro 4,534 equal to the difference between the amount tax sheltered in 2013 of the additional values acknowledged to the properties for Euro 5,398 thousand and the substitute tax of 16% for Euro 864 thousand.
2) On the basis of Article 2431 of the Italian Civil Code, the “share premium reserve” can be fully distributed since the legal reserve is higher than one fifth of the share capital, equal to Euro 21,310 thousand.

3) Pursuant to Article 32 of TUB Legislative Decree 1-9-1993 No. 385 cooperative banks must allocate at least ten per cent of their annual net profits to the legal reserve.
4) The reserve is available for the surplus with respect to the amount of own shares in the portfolio, which amounted to € 6,080 thousand as at 31/12/2022.
5) The reserve is restricted in accordance with Article 6 of Italian Legislative Decree No. 38/2005 (introduction of the IAS accounting standards).
6) This item mainly consists of a negative reserve of Euro 66,456 thousand recorded in 2018 on first-time adoption of IFRS 9.
7) The Extraordinary Reserve is subject to a tax restriction of € 3,426 thousand equal to the difference between the amount realigned for tax purposes of Goodwill in 2021 (pursuant to Article 110 of Legislative Decree 104/2020) and the substitute taxes paid for this purpose.

12.5 Capital instruments: breakdown and annual changes
The Bank has not issued the capital instruments indicated in section 80.A and 136.A of IAS 1.

12.6 Other information
The Board of Directors proposes the allocation of a dividend of € 0.50 per share for a total amount of € 17,758 thousand.

Other information

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

	Notional value on commitments and financial guarantees given				Total 31-12-2022	Total 31-12-2021
	Stage 1	Stage 2	Stage 3	Impaired acquired or originated		
Commitments to grant finance	**1,425,313**	**52,588**	**4,629**	**-**	**1,482,530**	**1,462,942**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	8,101	-	-	-	8,101	7,191
c) Banks	1,410	-	-	-	1,410	863
d) Other financial companies	97,314	1,616	-	-	98,930	38,190
e) Non-financial companies	1,234,153	46,153	4,504	-	1,284,810	1,326,126
f) Households	84,335	4,819	125	-	89,279	90,572
Financial guarantees given	**17,803**	**1,382**	**88**	**-**	**19,273**	**17,214**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	250	-	-	-	250	361
c) Banks	10,062	-	-	-	10,062	8,717
d) Other financial companies	-	-	-	-	-	0
e) Non-financial companies	7,217	1,382	88	-	8,687	7,996
f) Households	274	-	-	-	274	140

2. Other commitments and other guarantees given

	Nominal value	Nominal value
	Total 31-12-2022	Total 31-12-2021
Other guarantees given	**114,425**	**113,103**
of which: non-performing	3,219	2,739
a) Central Banks	-	-
b) Public administrations	752	752
c) Banks	2,095	2,173
d) Other financial companies	2,184	2,050
e) Non-financial companies	102,876	101,214
f) Households	6,518	6,914
Other commitments	**138**	**109**
of which: non-performing	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	138	109

3. Assets pledged as guarantee for the Bank's liabilities and commitments

Portfolios	Amount 31-12-2022	Amount 31-12-2021
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	66,750	-
3. Financial assets measured at amortised cost	411,365	413,590
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

The above amounts refer to owned securities granted to third parties as collateral; each amount refers to the specific portfolio used.

4. Management and trading on behalf of third parties

	Amount
1. Execution of orders on behalf of customers	-
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	-
3. Custody and administration of securities	**7,217,984**
a) A) third party securities held on deposit: when acting as custodian bank (excluding portfolio management)	1
1. securities issued by the reporting bank	-
2. other securities	1
b) other third-party securities held on deposit (excluding portfolio management): others	1,659,799
1. securities issued by the reporting bank	181,924
2. other securities	1,477,875
c) third-party securities deposited with third parties	1,637,727
d) portfolio securities deposited with third parties	3,920,457
4. Other transactions	-

6. Receivables collected on behalf of third parties: credit and debit adjustments

The table provides a breakdown of the differences deriving from the elimination of the asset items relating to the portfolio received subject to due reserve and after collection with those of the liabilities relating to transferors with settlement date subsequent to the end of the reporting period. According to the Supervisory instructions, in the annual financial statements the “other assets” or the “other liabilities” will have to contain, according to the sign, only the imbalance of the items relating to the portfolio, indicating the individual components in the Explanatory notes.

The imbalance between the sum of the “debit adjustments” represented by the asset items for bank collection order, bills of exchange, direct debits, etc. accepted subject to due reserve and after collection by customers and banks and the sum of the “credit adjustments” represented by the liability items of the transferors, is equal to € 23,870 thousand and is recorded in the financial statement liability item 80 “other liabilities”.

Points a.1 and b.1 include the amount of the items, with settlement date in 2023, flowing to the current accounts of the correspondent banks already during 2022 and related to remittances of bills for collection. These items have been reversed from the individual pertinent accounts and booked to the original portfolio items (bills received on collection from banks or rather bills sent for collection to banks).

Items	Total 31-12-2022	Total 31-12-2021
a) “debit” adjustments	786,297	677,647
1. Current accounts	-	-
2. Portfolio	783,017	674,831
3. Cash	339	329
4. Other accounts	2,941	2,487
b) “credit” adjustments	810,167	738,645
1. Current accounts	16,046	12,840
2. Transferors’ bills and documents	789,651	722,145
3. Other accounts	4,470	3,660
Currency spreads on portfolio transactions	**23,870**	**60,998**

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	Loans	Other transactions	Total 31-12-2022	Total 31-12-2021
1. Financial assets measured 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 through other 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	**-**	**-**	**-**	**-**	**-**

Sub-item 3.1 “Loans and receivables with banks” includes:

Interest income on loans and receivables with banks due to:	Total 31-12-2022	Total 31-12-2021
- current accounts for services rendered	7	1
- deposit tied to compulsory reserve	242	-
- deposits and Reverse repurchase agreements	405	82
- debt securities	33	32
Total	**687**	**115**

Sub-item 3.2 “Loans and receivables with customers” includes:

Interest income on loans and receivables with customers due to:	Total 31-12-2022	Total 31-12-2021
- current accounts	23,901	20,848
- mortgage loans	25,359	22,775
- import - export advances	1,672	1,220
- other credit transactions	41,415	35,039
- default interest collected	773	690
- discounting back non-performing loans	1,579	1,738
- securities recorded in loans and receivables with customers	52,055	16,873
Total	**146,754**	**99,183**

Item 6 "Financial liabilities" includes, as required by regulation, negative interest on funding transactions with certain institutional intermediaries (mainly interest from the ECB for TLTRO loans).

Default interest of € 723,000 accrued on non-performing positions during the year, which was fully written down, while in the income statement item "10. Interest receivable and similar income' includes only interest on arrears collected in the amount of € 346,000; for other performing and impaired positions other than non-performing loans, interest on arrears totalling € 427,000 was recognised in the income statement. Moreover, following the 5th update of Circular No. 262/2005, interest income as at 31 December 2022 included € 1,579 thousand of interest proportionate to the passage of time in the measurement of non-performing financial assets (discounting back).
With regard to non-performing positions as at 31/12/2022, interest other than default interest and interest arising from the discounting process accrued throughout the year of Euro 2,785 thousand were also recognised in the income statement and divided as follows:

- impaired overdue € 248 thousand;
- probable defaults € 1,914 thousand;
- non-performing loans € 623 thousand.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income on foreign currency financial assets

Interest income on loans and receivables with customers due to:	Total 31-12-2022	Total 31-12-2021
Interest income on foreign currency financial assets	702	456

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31-12-2022	Total 31-12-2021
1. Financial liabilities measured at amortised cost:	(12,554)	(4,335)	-	(16,889)	(17,996)
1.1 Due to central banks	-	-	-	-	-
1.2 Due to banks	(937)	-	-	(937)	(22)
1.3 Due to customers	(11,617)	-	-	(11,617)	(12,967)
1.4 Securities issued	-	(4,335)	-	(4,335)	(5,007)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	-	-	-	-	-
5. Hedging derivatives	-	-	-	-	-
6. Financial assets	-	-	-	(39)	(266)
Total	**(12,554)**	**(4,335)**	**-**	**(16,928)**	**(18,262)**
of which: interest expense related to lease payables	(213)	-	-	(213)	(199)

Under subheading 1.2. "Due to Banks", column "Payables", are included:

Interest expense for due to banks:	Total 31-12-2022	Total 31-12-2021
- current accounts	(7)	(9)
- foreign currency deposits	(1)	(1)
- loans received	(929)	(12)
Total	**(937)**	**(22)**

Under subheading 1.3. "Due to customers", column "Payables" is included:

Interest expense on due to customers:	Total 31-12-2022	Total 31-12-2021
- current accounts	(1,500)	(2,261)
- savings deposits and time deposits	(9,733)	(10,498)
- repurchase agreement transactions	(124)	-
- deposits and accounts in foreign currency	(47)	(10)
- finance leases	(213)	(198)
Total	**(11,617)**	**(12,967)**

Under subheading 1.4. "Securities in Issue", the amount of € 4,335 thousand includes interest on bonds issued in the amount of € 4,288 thousand and interest expense on certificates of deposit in the amount of € 47 thousand.

1.4 Interest expense and similar charges: other information

1.4.1 Interest expense on foreign currency liabilities

Item/Amounts	Total 31-12-2022	Total 31-12-2021
Interest expense on foreign currency liabilities	(50)	(13)

1.5 Differentials relating to hedging transactions

Item/Amounts	Total 31-12-2022	Total 31-12-2021
A Gains on hedging transactions:	4	2
B Losses on hedging transactions:	-	-
C. Balance (A-B)	**4**	**2**

Section 2 - Fees and commissions - Items 40 and 50

These items include the income and expense relating to the services that the bank provides to its customers and those received from third parties. These items do not comprise the costs recharged within the sphere of other operating income.

2.1 Fee and commission income: breakdown

Type of services/Amounts	Total 31-12-2022	Total 31-12-2021
a) Financial instruments	10,933	11,834
1. Securities placement	9,766	10,798
1.1 On a firm and/or irrevocable commitment basis	-	1,680
1.2 Without irrevocable commitment	9,766	9,118
2. Reception and transmission of orders and execution of orders on behalf of clients	1,167	1,036
2.1 Receipt and transmission of orders for one or more financial instruments	1,167	1,036
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 commissions related to corporate finance services	-	-
c) Investment advisory activities	278	189
d) Clearing and Settlement	-	-
e) Custody and administration	357	306
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	357	306
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activities	-	-
h) Payment services	24,618	22,150
1. Current accounts	13,547	12,632
2. Credit Cards	1,312	988
3. Debit and other payment cards	1,071	836
4. Bank transfers and other payment orders	5,533	4,664
5. Other fees related to payment services	3,155	3,030
i) Distribution of third-party services	11,906	11,895
1. Collective portfolio management	-	-
2. Insurance products	9,765	10,198
3. Other products	2,141	1,697
of which: individual portfolio management	-	-
j) Structured finance	792	170
k) Servicing activities for securitisation transactions	850	721
l) Commitments to disburse funds	-	-
m) Financial guarantees given	1,099	1,064
of which: credit derivatives	-	-
n) Financing Operations	3,520	3,726
of which: for factoring transactions	-	-
o) Currency trading	723	604
p) Goods	-	-
q) Other commission income	7,690	1,849
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organised trading systems	-	-
Total	**62,766**	**54,508**

Commission income increased by € 8.3 million compared to 2021; the increase was mainly allocated to the item 'Other commission income'.

The item 'Financial Instruments' includes commissions for the placement of securities issued by third parties, which generated revenue of € 9.8 million compared to € 10.8 million in 2021.

The item 'Payment Services' includes commissions for current account maintenance and management, which amounted to € 13.6 million as at 31 December, compared to € 12.6 million last year.

The item 'Distribution of third-party services', which generated revenue of € 11.9 million in line with the previous year - includes commissions for the placement of insurance policies of € 9.8 million versus € 10.2 million in 2021 and commissions for the placement of other products - in particular Cofidis personal loans - of € 2.1 million versus € 1.7 million in 2021.

Commissions for "Financing transactions" amounting to € 3.5 million, which include income related to brokerage in leasing transactions, financing activities under Law 662/96 with State guarantee, but also penalties charged to customers for the early termination of the relevant financing contracts - were slightly down from € 3.7 million in 2021.

Other commission income of € 7.7 million, up from € 1.8 million in the previous year, includes € 4.4 million as the difference between the value used to offset energy tax credits and their purchase price.

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	Total 31-12-2022	Total 31-12-2021
a) at Bank branches:	**21,672**	**20,739**
1. portfolio management	-	-
2. placement of securities	9,766	8,844
3. third party products and services	11,906	11,895
b) out-of-branch offer:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	-	**1,954**
1. portfolio management	-	-
2. placement of securities	-	1,954
3. third party products and services	-	-

2.3 Fee and commission expense: breakdown

Services/Amounts	Total 31-12-2022	Total 31-12-2021
a) Financial instruments	(1,340)	(1,488)
of which: trading in financial instruments	(13)	(14)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(1,327)	(1,474)
- Own	(1,327)	(1,474)
- Delegated to third parties	-	-
b) Clearing and Settlement	-	-
c) Custody and administration	(271)	(195)
d) collection and payment services	(2,106)	(1,835)
of which: credit cards, debit cards and other payment cards	-	-
e) Servicing activities for securitisation transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(296)	(356)
of which: credit derivatives	-	-
h) offer outside bank premises of financial instruments, products and services	-	-
i) Currency trading	-	-
j) Other commission expenses	(3,696)	(5,187)
Total	**(7,709)**	**(9,061)**

Commission expenses, amounting to € 7.7 million, were € 1.4 million lower; the change, allocated to the item "Other commission expenses", is correlated to the exceptional volume of disbursements of loans backed by State guarantees (typically Covid19) made last year, loans for which the bank incurs and receives both commission expenses and income, charges and revenues partly capitalised and partly with a direct impact on the income statement for the year.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 31-12-2022		Total 31-12-2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	2	-	-	-
B. Other financial assets mandatorily measured at fair value	212	680	90	582
C. Financial assets measured at fair value through other comprehensive income	2,010	-	1,486	-
D. Holdings	-	-	-	-
Total	**2,224**	**680**	**1,576**	**582**

These are mainly dividends collected on equity securities recognised in the portfolio of "Financial assets measured at fair value through other comprehensive income".

Section 4 - Net profit (loss) from trading activities - Item 80

The item includes:

a) the balance between the profits and losses on transactions classified under "financial assets held for trading" and "financial liabilities held for trading", including the results of the valuations of these transactions;

a) the balance between gains and losses on financial transactions, other than those designated at fair value and those for hedging, denominated in foreign currency, including the results of the valuations of these transactions.

4.1 Net profit (loss) from trading activities: breakdown

Transactions / Income components	**Capital gains (A)**	**Trading income (B)**	**Losses (C)**	**Trading losses(D)**	**Net gains (losses) [(A+B) - (C+D)]**
1. Financial liabilities held for trading	**1,377**	**20,292**	**(17)**	**(19)**	**21,633**
1.1 Debt securities	-	836	-	(6)	830
1.2 Equity securities	-	5	(17)	-	(12)
1.3 UCIT units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	1,377	19,451	-	(13)	20,815
2. Financial liabilities held for trading	**-**	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	-	**-**	**-**	**-**	**118**
4. Derivatives	-	-	-	-	-
4.1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	-	-	-	-	-
Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with fair value option	-	-	-	-	-
Total	**1,377**	**20,292**	**(17)**	**(19)**	**21,751**

Sub-item "1.5 Financial assets held for trading: other" includes, in addition to profits and losses from currency trading, profits from the sale of tax credits in the amount of € 18.3 million, as well as valuation gains on tax credits acquired but already being sold in the amount of € 1.4 million.

Section 5 - Net hedging expense - Item 90

5.1 Net hedging expense: breakdown

The Bank has not carried out any hedging transactions over the last few years; therefore, the table belonging to the section is not drawn up.

Section 6 - Profit (Losses) on sale/repurchase - item 100

This section includes the positive and negative balances of the gains and losses generated by means of the sale of financial assets and liabilities other than those relating to trading and those designated at fair value.

6.1 Profit (loss) on sale/repurchase: breakdown

Items/Income components	Total 31-12-2022			Total 31-12-2021		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	4,881	(2,984)	1,897	8,320	(7,438)	882
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	4,881	(2,984)	1,897	8,320	(7,438)	882
2. Financial assets measured at fair value through other comprehensive income	1,234	(461)	773	5,247	(330)	4,917
2.1 Debt securities	1,234	(461)	773	5,247	(330)	4,917
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**6,115**	**(3,445)**	**2,670**	**13,567**	**(7,768)**	**5,799**
B. Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	2	(6)	(4)	-	(45)	(45)
Total liabilities (B)	**2**	**(6)**	**(4)**	**-**	**(45)**	**(45)**

The total positive result from disposal/repurchase activities amounted to € 2,666 thousand compared to € 5,745 thousand in 2021.

It consisted of € 1.9 million from the net profit recorded on the sale of certain financial assets at amortised cost, mainly as the difference between the profits generated from the sale of securities for € 3.2 million and the losses generated from the sale of impaired and performing loans for € 1.3 million, € 0,8 million from the overall gain resulting from the sale of securities included in the portfolio of financial assets measured at fair value with an impact on overall profitability, mainly government bonds, and € 4 thousand from losses on the repurchase of our bonds at an average price higher than the book value at amortised cost.

Section 7 - Profits (Losses) on financial assets and liabilities measured at fair value - Item 110

The section shows the amount resulting from the measurement of financial assets measured at fair value held by the Bank and classified in asset items 20b and 20c.

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

Over the years, the Bank took out some insurance policies were for a total amount of Euro 14 million; the valuation difference of Euro 20 thousand, between 31/12/2022 and the previous year is recorded in this item of the income statement.

Transactions / Income components	Capital gains (A)	Gains on sales (B)	Losses (C)	Losses on sales (D)	Net gains (losses) [(A+B) - (C+D)]
1. Financial assets	**112**	**-**	**(132)**	**-**	**(20)**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	112	-	(132)	-	(20)
2. Financial liabilities	-	-	-	-	-
2.1 Securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in currency: exchange rate differences	-	-	-	-	-
Total	**112**	**-**	**(132)**	**-**	**(20)**

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 / Income components	Capital gains (A)	Gains on sales (B)	Losses (C)	Losses on sales (D)	Net gains (losses) [(A+B) - (C+D)]
1. Financial assets	**2,950**	**2,164**	**(16,615)**	**(290)**	**(11,791)**
1.1 Debt securities	-	306	(2,588)	-	(2,282)
1.2 Equity securities	1,282	490	(2,029)	(208)	(465)
1.3 UCIT units	1,668	1,368	(11,998)	(82)	(9,044)
1.4 Loans	-	-	-	-	-
2. Foreign currency financial assets: exchange rate differences	**-**	**-**	**-**	**-**	**265**
Total	**2,950**	**2,164**	**(16,615)**	**(290)**	**(11,526)**

The net result from trading transactions and the valuation of securities in the portfolio of financial assets mandatorily measured at fair value was a negative € 11.5 million as at 31 December 2022 , compared with a positive result of € 17.9 million in 2021; in particular, profits of € 1.9 million fromdisposals and losses, net of gains, from valuation of € 13.4 million (€ 10.3 million on UCITS, € 2.6 million on debt securities, € 0.5 million on equity securities) were recognised. It should be noted that a capital gain of € 8.1 million was recognised last year on the sale of the shareholding in Cedacri.

Section 8 - Net impairment losses for credit risk - Item 130

The balances of impairment losses and reversals of impairment losses related to impairment of financial assets measured at amortised cost and FVOCI are shown here.

8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

Net impairment losses on loans and receivables are broken down as follows:

Transactions/Income components	Impairment losses (1)						Reversals of impairment losses (2)				Total 31-12-2022	Total 31-12-2021
	Stage 1	Stage 2	Stage 3		Impaired acquired or originated		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		
			write-off	Others	write-off	Others						
A. Amounts due from banks	**(10)**	-	-	-	-	-	-	-	-	-	**(10)**	**5**
- loans	(8)	-	-	-	-	-	-	-	-	-	(8)	2
- debt securities	(2)	-	-	-	-	-	-	-	-	-	(2)	3
B. Amounts due from customers:	**(10,607)**	**(6,005)**	**(1,033)**	**(30,397)**	-	**(109)**	**4,762**	**2,929**	**9,303**	**143**	**(31,014)**	**(21,916)**
- loans	(4,183)	(5,995)	(1,033)	(30,337)	-	(109)	4,446	2,929	9,303	143	(24,836)	(21,538)
- debt securities	(6,424)	(10)	-	(60)	-	-	316	-	-	-	(6,178)	(378)
Total	**(10,617)**	**(6,005)**	**(1,033)**	**(30,397)**	-	**(109)**	**4,762**	**2,929**	**9,303**	**143**	**(31,024)**	**(21,911)**

Notes:

The "First and Second Stage" column includes the impairment losses/reversals of impairment losses relating to performing financial assets, while the "Stage 3" column includes impairment losses/reversals of impairment losses of non-performing financial assets.

The value adjustments in the "First and Second Stage" column are those for the year relating to loans and debt securities classified in STAGE 1 and STAGE 2.

Impairment losses in the “Write-off” column derive from discharging events, while those in the “Other” column correspond to the amount booked to the income statement as a consequence of the analytical write-downs of non-performing loans and receivables, impairment inclusive of the discounting of the estimated future cash flows that populate the specific allowance for impairment.

The write-backs in the "First and Second stage" column represent for the majority the adjustment of the overall risk assessment on loans recorded in the portfolio at amortised cost and have as their accounting contra-entry the provision for performing loans; to a lesser extent, the valuation impact of loans that have become non-interest-bearing or have returned to interest-bearing status.

The reversals of impairment losses in the "Stage 3" column are those pertaining to the year and derive mainly from reversals of impairment losses applied to loans and receivables with customers for loans.

8.1a Net impairment losses for credit risk relating to financial assets at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income components	Net value adjustments						Total 31-12-2022	Total 31-12-2021
	Stage 1	Stage 2	Stage 3		Impaired acquired or originated			
			write-off	Others	write-off	Others		
1. GL-compliant forborne loans	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not assessed as being part of grants	-	-	-	-	-	-	-	(1,187)
3. Other forborne loans	-	(183)	-	(687)	-	(15)	(885)	(1,683)
4. New loans	(558)	(1,420)	-	(2,556)	-	8	(4,526)	(1,402)
Total	**(558)**	**(1,603)**	-	**(3,243)**	-	**(7)**	**(5,411)**	**(4,272)**

This table shows the impact through profit or loss of the impairment losses on new loans granted and on loans subject to a moratorium, loans granted and measures taken in relation to Covid-19, the equivalent values of which are shown in table 4.4a) of the assets and in part E "Information on risks".

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

Transactions/Income components	Value adjustments (1)						Reversals of impairment losses (2)				Total 31-12-2022	Total 31-12-2021
	Stage 1	Stage 2	Stage 3		Impaired acquired or originated		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		
			Write-off	Others	Write-off	Others						
A.Debt securities	**(912)**	-	-	-	-	-	-	-	-	-	**(912)**	**(143)**
B. Financing	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(912)**	-	-	-	-	-	-	-	-	-	**(912)**	**(143)**

Key
A = from interest B = other reversals

The amount of Euro 912 thousand is related to impairment losses due to credit rating of debt securities classified in the FVOCI portfolio.

8.2a Net impairment losses for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

As at 31 December 2022, there were no loans measured at fair value through other comprehensive income.

Section 9 - Modification gains (losses) without derecognition - Item 140

9.1 Modification gains (losses): breakdown

Item 140, which at 31 December 2022 shows a total loss of Euro 103 thousand, is envisaged by IFRS 9 and shows the difference between the book value and the current value of cash flows modified and discounted at the original interest rate.

Section 10 - Administrative expenses - Item 160

This section provides analysis of the "labour costs" and the "other administrative expenses" recorded during the year.

10.1 Labour costs: breakdown

Type of expense/Amounts	Total 31-12-2022	Total 31-12-2021
1) Employees	**(63,456)**	**(57,252)**
a) wages and salaries	(44,252)	(39,801)
b) social security charges	(11,797)	(10,568)
c) post-employment benefits	(373)	(524)
d) pension expenses	-	-
e) accrual for post-employment benefits	(253)	(70)
f) accruals for pension and similar provisions:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	(4,116)	(3,430)
- defined contribution	(4,116)	(3,430)
- defined benefits	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	(2,665)	(2,859)
2) Other personnel in service	**(1,024)**	**(1,087)**
3) Directors and statutory auditors	**(1,129)**	**(1,131)**
4) Retired personnel	**-**	**-**
5) Cost recoveries for employees seconded to other companies	**-**	**-**
6) Cost reimbursement for third party employees seconded to the bank	**-**	**-**
Total	**(65,609)**	**(59,470)**

Personnel expenses as at 31/12/2022, amounting to € 65,609 thousand, were higher than in 2021 (€ 59,470 thousand) in connection with salary trends as well as changes in the workforce.
At the end of 2022, the average number of employees was - including agency workers - 771 compared to 721 in the same period of the previous year, while the year-end figure - again including agency workers - was 804 compared to 752.

With reference to item "1) Employees", we mention in particular: sub-item "c) Employee severance indemnity", which includes the sums allocated to the Inps Treasury Fund, in application of the provisions introduced by the social security reform pursuant to Legislative Decree No. 252/2005 and Law No. 296/2006, as well as the amounts disbursed monthly in payroll to employees who opted for this alternative introduced by Law No. 190/2014; sub-item "e) Provision for severance pay - employees" which includes the revaluation of severance pay remaining in the company (severance pay provision) and the non-actuarial component of IAS valuations; and finally, sub-item "g) Payments to external supplementary pension funds" which includes the amounts relating to supplementary pension benefits paid by the Bank to Supplementary Funds on a mandatory (amounts relating to severance pay) and optional basis.
Item 2) 'other personnel', amounting to € 1,024 thousand, includes expenses related to atypical employment contracts, including those for 'temporary employment' of € 764 thousand.

The item 3) “Directors and statutory auditors” comprises:
- the fee, inclusive of VAT and contributions, if due, for the members of the Board of Directors totalling € 855 thousand;

- remuneration, gross of VAT and contributions, to the Board of Statutory Auditors in the amount of € 273 thousand.

10.2 Average number of employees by category

Type of expense/Amounts	Total 31-12-2022	Total 31-12-2021
Employees:	**756**	**704**
a) executives	12	11
b) middle managers	425	384
c) other employees	319	309
Other personnel:		
a) administrators	10	10
b) agency workers	15	17
c) other collaborators	3	4

The average number of employees is calculated by weighting the 50% part-time employees in addition to the time spent on the job.
The exact number of employees at the end of the year is, without weighting the 50% part-timers, as follows:

Type of expense/Amounts	Total 31-12-2022	Total 31-12-2021
Employees	**786**	**736**
-of which part-time	13	14
Other personnel, of which:		
a) administrators	10	10
b) agency workers	18	16
c) other collaborators	3	4

10.3 Defined benefit company pension funds: costs and revenues
There are no defined benefit company pension funds.

10.4 Other employee benefits
This item includes various types of expense, as broken down below:

Type of expense/Amounts	Total 31-12-2022	Total 31-12-2021
Luncheon vouchers	(940)	(875)
Insurance premiums	(779)	(620)
Training expenses	(264)	(162)
Extraordinary charges for recruitments/layoffs	(562)	(1,131)
Others	(120)	(71)
Total	**(2,665)**	**(2,859)**

10.5 Other administrative expenses: breakdown

Administrative expenses other than personnel expenses amounted to € 60.6 million at the end of the year, an increase of € 11.1 million; the table below shows the comparison with the previous period:

Type of expense/Amounts	Total 31-12-2022	Total 31-12-2021
Contribution to bank resolution funds and depositor guarantees	(7,006)	(6,278)
Telephone, postal and data transmission expense	(2,327)	(2,197)
Maintenance expenses of fixed assets and software fees	(3,047)	(2,436)
Rentals payable on properties	(395)	(345)
Security, transportation and custody of valuables expenses	(750)	(587)
Courier expenses	(329)	(302)
Expert appraisals and real estate documents	(530)	(252)
Legislative, procedural and other consulting	(2,666)	(2,223)
Costs for office materials and supplies	(776)	(705)
Administrative charges for building interventions tax credits	(8,016)	(1,475)
Electricity and heating costs	(1,704)	(907)
Advertising and entertainment expenses	(1,564)	(1,374)
Legal and debt collection costs	(2,146)	(2,405)
Insurance premiums	(3,886)	(3,757)
Costs for information and searches	(3,233)	(3,042)
Data processing centre	(9,015)	(8,285)
Indirect taxes	(8,934)	(8,730)
Cleaning services	(1,135)	(1,115)
Membership fees	(674)	(636)
Processing of bills, cheques and documents with third parties	(695)	(669)
Rented property maintenance and condo charges	(222)	(164)
Subscriptions and ads for newspapers and magazines	(166)	(179)
Purchase of promotional materials	(124)	(81)
Cost of the staff leasing contracts service	(77)	(130)
Expenses for travel and business trips involving personnel in service	(399)	(348)
Securitisation administrative expenses	(220)	(335)
Sundry minor costs and expenses for general meetings	(595)	(590)
Total	**(60,631)**	**(49,547)**

The increase in costs is largely attributable to the administrative charges incurred for the validation and negotiation of dossiers related to tax credits from building and energy-efficient interventions,

charges, however, well supported by the positive margin achieved in terms of negotiation and offsetting mentioned in the previous sections.
On the other hand, the higher costs can be related to the general increase in prices/tariffs that has been taking place since the latter part of the previous year (costs for energy, security and transport of valuables, partly maintenance and outsourcer costs); in particular for electricity costs there was a peak in costs in the third quarter, while in the last quarter they returned to costs that can be defined as almost normal.
On the other hand, legal expenses decreased as a result of the lower volume of impaired loans to be managed compared to the past.
For the mandatory charges arising from the BRRD and DGS regulations (the former gathered by the Single Resolution Fund and the latter by the Interbank Deposit Protection Fund) the upward trend observed in the past continues; if on the one hand it should be noted that 2021 was the last year of payment of the extraordinary contribution to the Resolution Fund for the rescue of Carife/Banca Marche/Pop Etruria in the amount of € 758 thousand, on the other hand the ordinary contribution required by the same Fund for the entire year amounted to € 3.2 million compared to € 2.3 million in 2021. While for the contributions to the Depositors' Guarantee Fund held by the FITD, the quantification of the charge received in December amounted to € 3.8 million against € 3.2 million in 2021; recalling that these charges also include the expenses for the bailouts of Banca Popolare di Bari and CA.RI.GE.
The period for collecting ordinary contributions useful to reach the levels set by the BRRD and DGS regulators will end in 2023 for the former and in 2024 for the latter; thereafter, financial institutions may be charged quotas useful to offset any interventions incurred by these bodies or quotas useful to maintain an invariance between the total contributions collected and the reference amounts.

Section 11 - Net accruals to provisions for risks and charges - Item 170

This item includes the balance, positive or negative, between the allocations and any assignments to the income statement of provisions deemed in excess, relating to the provisions as per sub-item a) "commitments and guarantees given" and b) "other provisions for risks and charges" in item 100 “provisions for risks and charges” under the liability items of the balance sheet.

11.1 - Net accruals to provisions for credit risk relating to commitments to grant finance and financial guarantees given: breakdown

11.2 - Net accruals to provisions relating to other commitments and other guarantees given: breakdown

Items	**Total 31-12-2022**	**Total 31-12-2021**
Write-downs on impaired loans	(956)	(337)
Write-backs on impaired guarantees loans	207	8
Write-downs of signature credits and performing margins	(314)	(113)
Write-backs on performing loans	140	-
Total	**(923)**	**(442)**

11.3 - Net accruals to other provisions for risks and charges: breakdown

Items	Total 31-12-2022	Total 31-12-2021
Provision for legal disputes, compound interest and securities as well as for bankruptcy revocatory action	(510)	(1,731)
Return to income statement for settlement of disputes arising during core business activities	345	281
Total	**(165)**	**(1,450)**

Provisions for risks and charges show a positive imbalance between releases and provisions of Euro 1 million and 88 thousand: imbalance determined by net accruals to provisions for typical banking disputes of Euro 165 thousand and net accruals to provisions for commitments and guarantees given of Euro 923 thousand. Provisions for risks and charges, recorded under liabilities, amounted to € 5.8million (€ 5.5million at the end of 2021); they consist of an estimate of possible charges relating to revocatory actions, anatocism or other claims related to customer complaints, as well as analytical and collective write-downs applied to signature credits and overdraft margins.

Section 12 - Depreciation and net impairment losses on tangible assets - Item 180

The item comprises the balance between the depreciation and net impairment losses on operational tangible assets, including those relating to activities acquired through finance lease.

12.1 Depreciation and net impairment losses on tangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Tangible assets				
1. Used in operations	(5,065)	-	-	(5,065)
- Owned	(3,189)	-	-	(3,189)
- Rights of use acquired through the lease	(1,876)	-	-	(1,876)
2. Investment property	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through the lease	-	-	-	-
3. Inventories	-	-	-	-
Total	**(5,065)**	**-**	**-**	**(5,065)**

Depreciation and amortisation for the financial year 2022 totalled € 5,065 thousand. Reference is also made to table 8.6 in Section 8 of the Balance Sheet - Assets “Tangible assets”.

In detail, the depreciation is broken down as follows:
- on real estate € 1,217 thousand;
- on furniture and fixtures € 622 thousand;

- on electronic equipment € 289 thousand;
- on rights of use and rents € 1,876 thousand;
- on the remaining assets € 1,061 thousand.

As at 31 December 2022, there were no assets held for sale and discontinued operations as per IFRS 5.

Section 13 - Amortisation and impairment losses on intangible assets - Item 190

This section comprises the balance between amortisation and impairment losses on intangible assets, other than goodwill, including those relating to assets acquired through finance lease assets provided under operating lease.

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income items		Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A.	**Intangible assets**				
	Of which: software	(1,012)	-	-	(1,012)
	A.1 Owned	(1,012)	-	-	(1,012)
	- Generated internally	-	-	-	-
	- Other	(1,012)	-	-	(1,012)
	A.2 Rights of use acquired under leases	-	-	-	-
Total		**(1,012)**	-	-	**(1,012)**

The impairment losses refer to the amortisation of intangible assets with a definite useful life acquired externally.
Intangible assets are more fully described in Section 9 of the Balance Sheet - Assets "Intangible assets" in these explanatory notes

Section 14 - Other operating income/expense - Item 200

The costs and revenues not attributable to other items, which contribute to the formation of item 280 “Profit (Loss) from current operations net of taxation” are illustrated in this section.

14.1 Other operating expenses: breakdown

The breakdown of other operating expense is provided below.

Type of expense/Amounts	Total 31-12-2022	Total 31-12-2021
Contingent liabilities	(181)	(293)
Costs for leasehold improvements	(327)	(303)
Bonuses to new customers - collection activities	(95)	(752)
Others	(323)	(72)
Total	**(926)**	**(1,420)**

The item "Leasehold improvements and expenses" includes the depreciation of leasehold improvements, in particular structural works required to equip leased branches; the item "Bonuses to new customers - collection activities" includes bonuses granted to new customers to join Banca Valsabbina, while the item "Other" is substantially composed of expenses for legal and similar settlements pertaining to the year.

14.2 Other operating income: breakdown

The breakdown of other operating income is provided below.

Type of income/Amounts	Total 31-12-2022	Total 31-12-2021
Rent receivable on properties	31	18
Recovery of taxes from customers	8,306	8,215
Recovery of insurance premiums from customers	1,367	1,293
Recovery of expenses on deposits and current accounts	262	240
Services provided to other Group companies	39	17
Recoveries on legal costs	624	815
Extraordinary income	339	520
Fast credit processing fees	300	323
Recovery of car expenses	1	1
Contributions received and tax credits	176	171
Total	**11,445**	**11,613**

The item includes income of € 11.4 million, compared with € 11.6 million in 2021. The most significant income consisted of: stamp duty recovery of € 8.3 million (up from the amount in 2021), fast-track processing fees of € 300 thousand (€ 323 thousand as at 31 December 2021), customer insurance recovery of € 1.3 million (€ 1.3 million as at 31 December 2021), and recovery of legal expenses including related taxes of € 624 thousand (€ 815 thousand as at 31 December 2021).

Section 15 - Net gains (losses) on equity investments - Item 220

15.1 Net gains (losses) on equity investments: breakdown

Income components/Amounts	Total 31-12-2022	Total 31-12-2021
A. Income	-	-
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversals of impairment losses	-	-
4. Other income	-	-
B. Charges	**(32)**	**(425)**
1. Write-downs	(32)	(225)
2. Impairment losses	-	-
3. Losses on sale	-	(200)
4. Other expenses	-	-
Net result	**(32)**	**(425)**

The item comprises the impairment on equity investment held in the subsidiary Valsabbina Real Estate S.r.l.

Section 16 – Net profit (loss) from the fair value measurement of tangible and intangible assets - Item 230

16.1 Net result of valuation at fair value (or revalued amount) or estimated realisable value of tangible and intangible assets: breakdown

This section is not drawn up since no events occurred during the year attributable to these items.

Section 17 - Goodwill impairment - Item 240

This section is not drawn up since no events occurred during the year attributable to these items.

Section 18 - Net gains (losses) on sales of investments - Item 250

18.1 Net gains (losses) on sales of investments: breakdown

Income components/Amounts	Total 31-12-2022	Total 31-12-2021
A. Property	**-**	**-**
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	**90**	**2**
- Gains on sale	108	10
- Losses on sale	(18)	(8)
Net result	**90**	**2**

Section 19 - Income taxes for the year from current operations - Item 270

This item discloses the tax liability - equal to the balance between the current taxation and the deferred taxation - relating to the profit for the year.

19.1 Income taxes for the year from current operations: breakdown

The breakdown of taxation for the year is provided below.

Current taxes were recognised on the basis of current tax regulations and tax rates (27.50% for Ires, 5.57% for IRAP); these taxes are calculated on the basis of the taxable base pertaining to the year for tax purposes.

	Income components/Amounts	Total 31-12-2022	Total 31-12-2021
1.	Current taxes (-)	(12,753)	(12,431)
2.	Changes in current taxes of prior years (+/-)	178	131
3.	Reduction in current taxes for the year (+)	-	-
3.bis	Reduction in current taxes for the year for credit taxes set forth in Italian Law no. 214/2011 (+)	-	-
4.	Change in prepaid taxes (+/-)	(4,006)	1,034
5.	Change in deferred taxes (+/-)	194	480
6.	Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(16,387)**	**(10,786)**

Current taxes impact the income statement by a total of € 12,753 thousand. Also considering the impact on the income statement of prepaid/deferred taxes, a total tax impact of € 16,387 thousand is achieved.

19.2 Reconciliation between theoretical tax expense and actual tax expense

The following table shows the reconciliation of the effective tax expense (28.35%) with respect to the theoretical one calculated on the profit from current operations gross of taxation (income statement item 270).

IRES	Taxable amount	Ires 27.5%	% incidence
Profit gross of taxation (theoretical taxation)	**57,807**	**(15,897)**	**27.50%**
Permanent increases			
- non-deductibility of impairment of investment	32	(9)	0.02%
- other non-deductible expense	561	(154)	0.27%
Permanent decreases			
- dividends	(1,464)	402	(0.70%)
- PEX capital gains	(204)	56	(0.10%)
- equity increase (a.c.e.)	(2,126)	585	(1.01%)
- impairment of FTA receivables annual portion	(6,047)	1,663	(2.88%)
- other changes	(1,177)	324	(0.56%)
Effective IRES tax expense	**-**	**(13,030)**	**22.54%**
IRAP	**Taxable amount**	**IRAP 5.57%**	**% incidence**
Profit gross of taxation (theoretical taxation)	**57,807**	**(3,220)**	**5.57%**
Permanent increases			
- non-recoverable impairment of investment securities	32	(2)	0.00%
- other non-deductible expense (10% general expenses and other associated items)	9,724	(542)	0.94%
- non-recoverable tax loss	-	-	-
Permanent decreases			
- dividends	(1,111)	62	(0.11%)
- IRAP recovery on prior impairment from sale of loans and receivables	(1,005)	56	(0.09%)
- impairment of FTA receivables annual portion	(6,047)	337	(0.58%)
- other changes	867	(48)	0.08%
Effective IRAP tax expense	**-**	**(3,357)**	**5.81%**
Total effective IRES and IRAP tax expense	**-**	**(16,387)**	**28.35%**

Section 20 - Profit (loss) from discontinued operations net of taxation - Item 290

The section is not drawn up in that there are no assets classified as such.

Section 21 – Other information

This section is not drawn up since it is deemed that the information provided previously is complete.

Section 22 - Earnings per share

Accounting standard IAS 33 mandatorily requires the publication of the performance indicator "earnings per share" (commonly known as '*EPS*'), in two formulations:
• "Basic EPS", calculated by dividing the net profit by the weighted average of the ordinary shares outstanding;
• "Diluted EPS", calculated by dividing the net profit by the weighted average of the ordinary shares outstanding, also taking into account the classes of instruments with diluting effects.

22.1 Average number of ordinary shares with diluted share capital

There are no ordinary shares that will be issued in the future with diluting effects on the capital.

22.2 Other information

Items	Total 31-12-2022	Total 31-12-2021
Profit (Loss) for the year	41,420,720	39,185,963
Ordinary shares (weighted average)	34,614,266	34,243,948
Earnings per share	**1.197**	**1.144**

On the basis of sections 19 - 20 of IAS 33, with regard to the calculation of the basic earnings/loss per share, the number of the ordinary shares outstanding must be equal to the weighted average for the number of days the shares have been outstanding, therefore net of the own shares repurchased.

Part D – Statement of Comprehensive Income

This additional disclosure is required for presenting the not only the profit for the year but also the other income components that are not recognised in the income statement (basically those recorded as a change in the shareholders' equity valuation reserves).
In addition to the statement of comprehensive income shown after the financial statements, the following additional details are provided.

ANALYTICAL STATEMENT OF OVERALL 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 through other comprehensive income	848	2,197
a) fair value changes	355	2,139
b) transfers to other components of equity	493	58
70. Defined benefit plans	451	26
100. Income taxes relating to other comprehensive income without reversal to income statement	(186)	(500)
Other comprehensive income with reversal to income statement	**(44,849)**	**(8,449)**
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(67,009)	(12,308)
a) fair value changes	(68,021)	(10,155)
b) reversal to income statement	1,012	(2,153)
- impairment losses for credit risk	912	142
- gains (losses) on sales	100	(2,295)
180. Income taxes relating to other comprehensive income with reversal to income statement	22,160	3,859
190. Total other comprehensive income	**(43,736)**	**(6,726)**
200. Comprehensive income (10+190)	**(2,315)**	**32,460**

The amount of income tax for € 21,974 thousand (item 180 net of item 100), is also indicated in the tables 10.5 and 10.6 of the "Tax assets", as follows:

10.5 Changes in prepaid taxes (through shareholders' equity)	**21,698**
Increases	22,285
Decreases	(587)
10.6 Changes in deferred taxes (through shareholders' equity)	**276**
Increases	(84)
Decreases	360
Effect of the income taxes on comprehensive income	**21,974**

Part E - 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 the strategic supervision function 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 by approving the multi-year business plans and the annual budgets, with the awareness of the risks that this model exposes the Bank to and comprehension of the methods by means of which the risks are reported 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.

The Board of Directors periodically assesses whether the risk profiles taken by the Bank in terms of capital adequacy, liquidity and risk return ratio of the operating activities are consistent with the propensity towards risk defined within the sphere of the strategic planning activities and with the regulatory levels. Furthermore, the Board of Directors assesses the observance of the operating limits defined for the taking of the various types of risks. The Board of Directors ensures the consistency between the strategic projections, the business model, the Risk Appetite Framework, the ICAAP-

ILAAP process, the Budgets as well as the corporate organisation and the internal control system, taking into consideration the developments in the internal and external conditions under which the Bank operates.
During 2022, the “Risk Appetite Framework Policy” document was reviewed as usual further to the breakdown of the planned objectives for 2022, as part of the 2022-2024 Business Plan, updating the types of risk that the Bank intends to assume, the risk objectives, tolerance thresholds and operating limits.
In compliance with Directive (EU) 2014/59 Bank Recovery Resolution Directive (BRRD), the Bank has also adopted the Recovery Plan, i.e. the instrument dedicated to dealing promptly and effectively with crisis situations, regulating the measures to be taken to restore the Bank's economic, equity and financial equilibrium. In particular, the Plan, updated during 2021, sets out the indicators to be assessed for the timely identification of crisis situations, the related methods for their periodic monitoring, as well as any actions to be taken to rebalance the company's situation.
The Board of Directors is supported by the Risks Committee, a body within the board that performs advisory and proposal-related functions with regard to risks and the system of internal controls.
General Management is fully aware of all the business risks, sees to the implementation of the strategic guidelines and the risk controlling policies defined by the Board of Directors. In particular, it proposes operating limits for the taking of the various types of risk, considering the stress tests carried out by the appointed units, in accordance with the matters envisaged by the Bank’s internal policies.
The General Management, with a view to facilitating the development and the divulgation - at all levels - of a culture of risk control, plans the training programmes for the Bank’s personnel on the basis of the proposals made by the HR Division.
The Board of Statutory Auditors carries out periodic checks so as to ascertain the completeness, adequacy, functionality and reliability of the internal control system.
When carrying out its tasks, the Board of Statutory Auditors uses suitable information flows provided by other Corporate Bodies and control functions. The regular attendance of the Board of Statutory Auditors during Board meetings, which are held every two weeks, represents a guarantee with regard to prompt information to the Control Body with regard to management events.

The sound and prudent management of the banks in ensured by a suitable business organisation, which envisages a complete and functional system of internal controls.
Specifically, the Bank’s System of internal controls is divided up into three different levels:

- line controls: aimed at ensuring proper execution of transactions. They are carried out by the production structures themselves or incorporated in the procedures and the IT systems, or carried out as part of back office activities.
  For the purpose of spreading within the entire structure deep-rooted awareness of the internal and external regulations, the Bank immediately communicated their updates to all relevant corporate functions using the dedicated electronic portal. Moreover, the controls to be implemented within each business process are broken down in the special “line control manual”. Finally, with the aim of harmonising the conduct of the operators facilitating the integration of the controls, the mapping of the main business processes is made available on-line for all the personnel by means of a specific application;

- risk and compliance controls (so-called 'second-level controls') which aim to ensure, inter alia:
  - the correct implementation of the risk management process;
  - the observance of the operating limits assigned to the various divisions;
  - the compliance of business operations with standards; including those concerning self-regulation.

The second level controls are delegated by the organisational rules to the Risk Management, Planning & Control Service, the Compliance Service and the Anti-money Laundering Service. The functions in charge of these controls are distinct from the production functions; they contribute to the definition of risk governance policies and the risk management process;

- internal audit (so-called 'third-level controls'): aimed at detecting violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the Internal Control System and the information system. These activities are carried out by the Internal Audit Service.

The company control functions seeing to the second and third level controls have the authority, resources and expertise necessary for the performance of their tasks.
The company organisation chart envisages - in compliance with the Supervisory regulations - the hierarchical and functional relationship of the company's control functions with regard to the Board of Directors.
The control functions have access to all the activities carried out by the Bank, both at the central offices and at the peripheral structures, as well as any information relevant for the performance of their tasks.

The Supervisory Board, established pursuant to Article 6 of Legislative Decree No. 231/2001, has the task of assessing the proper functioning of the organisational controls provided for in the Organisation, Management and Control Model adopted by the Bank in order to avoid involvement in offences punishable under Leg. Decree 231 of 2001.
As of 15 November 2017, the function of Supervisory Board has been assigned to the Board of Statutory Auditors; this assignment completes the list of tasks of the Board of Statutory Auditors, which, by law and by the Articles of Association, is called upon to supervise the adequacy of the company's organisational, administrative and accounting structures, simplifies the structure and allows for more timely controls.
During 2022, no reports were received regarding the commission of crimes and/or offences relevant under the regulations, as well as other information regarding violations or alleged violations of the rules of behaviour or procedures contained in the Organisational, Management and Control Model.

Compliance department

The risk of non-compliance is overseen by the Compliance Service. The activities of the compliance department include the monitoring of new regulations (also with the support of specialist functions), the assessment of impacts, the proposal of organisational and procedural changes aimed at ensuring adequate monitoring of identified non-compliance risks, as well as the checking of the efficacy of the organisational adaptations carried out by the operating units (structures, processes, procedures including operational and commercial) suggested for the prevention of the non-compliance risk. In detail, the Compliance Service works together with the other control functions (Internal Audit, Risk Management, Anti-money Laundering) for the purpose of developing its risk management methods in a consistent manner with strategies and business operations, checks whether situations involving conflicts of interest in "investment services", or the possible occurrence of such conflict, can be eliminated, reduced or managed, and submits the new cases for the attention of General Management, making suggestions for their overcoming or solution.
The Compliance Department sees to consulting and assistance vis-à-vis the Bank’s Corporate Bodies with regard to all the matters in which the risk of non-compliance is relevant. Furthermore, the department collaborates in staff training activities on the provisions applicable to the activities carried

out, for the purpose of spreading a corporate culture instilled with principles of honesty, correctness and respect of the spirit and letter of the law.
The "Compliance Service" monitors, according to a risk-based approach, the management of non-compliance risk with regard to business activities.

Anti-money Laundering Function

The Anti Money Laundering Service is hierarchically and functionally autonomous, compared to each operating structure of the Bank and acts autonomously and independently, reporting the results of the activity carried on to the Corporate bodies with objectivity and impartiality.
The Anti-money Laundering Service has the task of continually checking that the company procedures are consistent with the aim of preventing and contrasting money laundering and the financing of terrorism.

The operations of the Service pursue the twofold need of:

- implementing the fulfilments with regard to reporting of suspect transactions, carrying out checks with regard to the observance of the provisions regarding antimoney laundering, notifying to the Ministry of the Economy and Finance any violations of the regulations on the use of cash and bearer securities as well as responding to the requests of the Authorities;
- providing advisory support to the organisational structures further to the issuance of new provisions regarding anti-money laundering having an impact on the Bank.

The guidelines adopted by the Bank with regard to anti-money laundering consider the provisions issued by the Bank of Italy. The “Anti-money laundering Policy”, approved by the Board of Directors, brings together the guiding principles relating to the strategic stances and the government policies, the organisational and control safeguards for risk, appropriate checks, obligations to abstain and active collaboration vis-à-vis the Supervisory Authorities.

The Anti-Money Laundering Service adopts, as an instrument of internal regulation of the specialised function, its own Regulations approved by the Board of Directors; the internal regulations for use by all staff, on the other hand, are summarised in the form of a Manual, with the aim of organically bringing together the principles and operating rules adopted by the Bank on the prevention of the risks of money laundering and terrorist financing.

The Anti-money Laundering Service, aided by the Compliance Service, takes steps to identify the external regulations applicable and, in collaboration with the competent Corporate Functions, assesses their impact on the process and the internal procedures.

The Anti-Money Laundering Service supports the Training division, which is headed by the HR Division, in the preparation and delivery of dedicated internal staff courses aimed at raising awareness on anti-money laundering and financing of terrorism within the Bank's established training plans.

Risk Management Department

The purpose of the Risk Management Function is to implement risk control policies through an appropriate risk identification, measurement and monitoring process; this Function is assigned to the Risk Management Planning & Control Service. The structure of the Service and its positioning within the organisational model of the Bank provide integrated oversight of the various risks to which the intermediary is exposed.

The Bank’s Organisational Structure and the regulations of the Service regulate the following tasks:

- verify the adequacy of the RAF (*Risk Appetite Framework*) and, continuously, the adequacy of the management process of risks and operating limits;
- collaborate in defining and implementing the RAF, the risk governance policies and the various phases that make up the related management process as well as in fixing the operational limits to the taking of various types of risk;
- monitor the actual risk taken by the Bank and its compliance with the risk objectives as well as the compliance with the operating limits;
- see to the measurement/valuation of the individual Pillar I and II risks, both in situations of normal course of business and in situations of stress, by also analysing the other risks difficult to quantify. The Risk Management department also sees to the development of the instruments and the methods for handling and measuring the risks, reporting to the corporate bodies and the units involved with regard to the results of the analysis, ensuring the necessary disclosure;
- coordinating the internal process for determining capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP) and the adequacy of the governance and liquidity risk management system (Internal Liquidity Adequacy Assessment Process - ILAAP). In particular, as part of the ICAAP, the Bank carries out a capital planning process, assesses the overall risk exposure and consequently determines current and prospective capital requirements. On the other hand, as part of ILAAP, the Bank assesses the adequacy of the liquidity risk governance and management system and its exposure to such risk, planning the level of liquidity reserves to be maintained and the sources and channels of financing to be used;
- proposing the quantity and quality parameters required for defining the RAF (tolerance thresholds and operational limits), consistent with the methods used within the ICAAP-ILAAP process;
- collaborate in the drafting of the "Public disclosure" (Pillar III), as well as the additional disclosures introduced by the regulations also as a result of the current Health Emergency;
- coordinate the preparation and updating of the Recovery Plan, by supporting the Corporate Bodies in particular in the identification of the indicators, in the calibration of the thresholds for the activation of the Plan and in the identification of the recovery options.

The area of operations of the Risk Management Department includes the following types of risk:

- credit risk and counterparty risk;
- market risk (relating to both the trading book and the bank book);
- operational risk;
- concentration risk;
- interest rate risk of the banking book;
- liquidity risk;
- risk related to the portion of encumbered assets;
- risk of excessive leverage;
- reputational risk;
- strategic and business risk;
- residual risk;
- risks deriving from securitisations;
- IT risk;
- country risk;
- Risk of conflict of interest with related parties;

- Risks arising from 'ESG Factors';
- Risks arising from equity and equity-related investments.

As part of the periodic review activities on the risk monitoring perimeter the bank is subject to, the Risk Management, Planning and Control Service also checks the emergence of new types of risk arising from the adoption of new management choices, as well as from changes in the market environment.

The activity of the Department aims at identifying, assessing and monitoring the various types of risk taken or that can be assumed in the various business segments and proposing the appropriate mitigation and prevention, seizing - within an integrated logic - the interrelationships, reporting the records to the Corporate Bodies.

The Risk Management Department checks the adequacy and efficacy of the measures adopted to remedy the shortfalls noted in the risk management process, identifying any areas for improvement and providing disclosure also in the ICAAP-ILAAP Report.

Finally, the Risk Management, Planning and Control Service constantly monitors the risk profile taken by the Bank compared to the risk appetite defined in the RAF, reporting to the Corporate Bodies.

Internal Audit Department

The Internal Audit department, as part of third-level controls carried out both remotely and at central and peripheral structures, operates autonomously and independently. The Internal Audit Department checks, based on the Supervisory Regulations and annual planning, the suitability and the efficiency of the Internal Control System, the regularity of the corporate operations and the observance of the policies adopted with regard to risk taking; it also checks the efficiency and the effectiveness of the second level controls assigned to the other corporate control functions and, in particular, those aimed at ensuring the containment of the business risks within the level deemed acceptable by the Bank. The department also takes steps to ascertain the removal of anomalies reported in the operating processes and in the functioning of the controls by means of follow up activities, and to carry out checks on the overall functioning of the Internal control system.

The unit presents the corporate bodies with an audit plan each year, indicating the planned control activities.

At the request or initiative of the Board of Directors, Board of Statutory Auditors or General Management, the Internal Audit Service also carries out checks on specific behaviour or irregularities. In conclusion, the tasks of the unit include the checking of the observance in the various operating sectors of the limits envisaged by the authorisation mechanisms, with particular reference to the Loans and Financial Sectors.

Section 1 - Credit risk

Qualitative information

1. General aspects

The business model adopted from day one by the Bank is essentially based on loan brokerage activities and is aimed at supporting families and the manufacturing sphere in the various areas of competence, according to the management guidelines outlined by the Board of Directors and in compliance with the statutory provisions.
Credit disbursement activities are mainly aimed at the retail, small business and SME segments, as they need an interlocutor able to understand and meet their needs, and to a lesser extent at the corporate segment. The Bank, in order to standardise the behaviour of the players involved in the credit granting process, defines the lending policies overseeing the quality of the loans both during the first loan proposal resolution and in the subsequent management of the relation.
The Bank's lending policies are based on the principle of splitting loans and diversifying the loan portfolio, favouring technical forms backed by collateral, in order to mitigate the Bank's overall credit risk.
The objective of credit policies is to define the principles and guidelines of the Bank's credit strategies, considering the methodologies adopted both in terms of risk management processes and the definition of risk appetite.
This document was updated in the course of 2022 on the basis of the provisions of Bank of Italy Circular 285 of 2013, with which the Supervisory Authority implemented the European Banking Authority's Guidelines on the granting and monitoring of loans[1].

During 2022, the process initiated by the Bank to translate the EBA guidelines on *Loan Origination and Monitoring* (EBA/GL/2020/06) into operations continued. This adaptation process has required a review of both the practices and procedures and the IT applications supporting credit risk management.
In particular, new PEF appraisal processes have been implemented in accordance with the EBA LOM Guidelines, which provide for the introduction of a series of specific risk indicators (so-called "KRIs), calibrated both in a current and future perspective as well as under stress assumptions, in order to examine counterparties more closely when granting credit.
As part of this overall review, the Bank is taking into account the potential impacts on the assessment of creditworthiness and the effectiveness of real estate collateral acquired resulting from the ongoing transition towards a more sustainable economy and increasing adherence to 'ESG principles' (Environmental, Social and Governance).
However, the Bank maintains its desire to expand its client base, particularly in newly settled areas, while always paying particular attention to the quality of business projects and assessing their profitability prospects.
During 2022, the Bank continued its enhanced monitoring of its performing loan portfolio. Once the effects of the legislative moratoria granted on loans during the pandemic period were over, during the course of the year, targeted analyses focused mainly on credit exposures that were potentially more sensitive to the macroeconomic environment, in particular the so-called "energy-intensive" companies, most impacted by the energy price rises resulting from geopolitical tensions, and in general the floating-rate loan portfolio, impacted by the recent progressive interest rate rises resulting from the ECB's economic policy.

Enhanced monitoring is functional to the timely and early detection of deterioration in creditworthiness, as well as to the timely intervention, with corrective actions, in the removal of

[1] The 36th update of Bank of Italy Circular 285/2013 of 20 July 2021 implemented as supervisory guidelines the '*Guidelines on loan origination and monitoring*' issued by the European Banking Authority (EBA/GL/2020/06).

anomalies for entities deserving financial support that are able, if adequately supported, to overcome temporary crisis situations. The management of credit lines, both in the pandemic context and in the current situation of uncertainty on the macroeconomic front, has therefore been inspired by principles of extreme prudence, seeking to pick up any signals arising from trends that are not in line with proper operations in order to implement the necessary interventions.
Commercial policy is pursued through the branch network both in the geographical areas in which the Bank has a historically presence, the objectives being the constant consolidation of its position and support its existing customers, and in new markets, with the aim of acquiring new market shares by diversifying its credit intermediation activities.

2. Credit risk management policies
2.1 Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected change in the creditworthiness of a counterparty to which there is credit exposure generating a corresponding unexpected change in the current value of such loan exposure.
Therefore, the credit risk is not only the possibility of insolvency of the counterparty but also the mere worsening of its creditworthiness.
As part of the adopted risk management and taking, initial supervision, even in the current emergency context, is in the Branch, both via constant and continual dialogue with the customers and availing itself of information sources of an internal and external nature, with the help also of the IT procedures.
During the loan approval and review, the Bank analyses the financial requirements of the customer and the documents required for making an adequate assessment of the borrower's creditworthiness.
Therefore, the decision to grant credit is based both on the analysis of the complete set of information relating to the economic subject and on the direct knowledge of customers and of the economic environment in which it operates. All the approval process activities concerning the operational process, which lead to the disbursement and periodic review of the position, are developed with the aim of disbursing a fair loan at individual name (and/or group) level, envisaging the most suitable technical forms of the credit facility and proper compensation for the risk taken.
The assumption and management of credit risk has been regulated by detailing the role of the corporate bodies, the operations of all those involved, defining first-level controls and making explicit the role of the control functions.
In particular, the Board of Directors defined, as part of the “Loan Regulations”, the autonomous decision-taking systems of each body delegated to grant credit. The observance of the powers authorised by the Board of Directors is guaranteed by the automated checks provided in the data processing system with which the loan approval process is managed.
The General Management implements the loan policies issued by the Board of Directors and oversees the performance of the process, coordinating in particular the operations of the Loan Division in the disbursement and management of credit facilities.
The control and management of loans and receivables showing signs of anomalies or impairment is the responsibility of the Anomalous Loan Division, including the Trend Monitoring, Pre-dispute, Legal and Disputes Services. The Anomalous Loan Division coordinates and supervises the operations of the various services with the aim of optimising the Bank's debt collection activities by taking care of the related reporting process to corporate bodies.
In particular, the "Performance Monitoring" Service is responsible for monitoring performing loans that show signs of anomalies, in coordination with the area network. This activity is aimed at encouraging an anticipatory management of the credit risk and implementing the management

strategies for improving the Bank's credit quality. The management of relations classified as Past due Impaired and Unlikely To Pay is assigned to the Pre-dispute Service, while the management of positions classified as Bad is the responsibility of the Legal and Dispute Service.
The loan approval process relating to Past due Non-performing and Unlikely to pay positions envisages the granting of decision-making powers to the Pre-dispute Service, the Anomalous Loan Division and the Anomalous Loan Committee, replacing those previously granted to the Loan Division and the Loans Committee with regard to performing loans. This structure of tasks and roles makes it possible to rationalise and optimise credit recovery and restructuring processes.

As part of the overall credit risk management process, second-level controls are included to check the correct monitoring of credit exposures by the Risk Management Service. Third level controls on the credit management process are entrusted to the Internal Audit Service.
The company functions involved in the credit process and the related tasks assigned are summarised below:

- the Loans Committee, whose mission involves guiding and optimising the Bank's loan policies, as part of the strategies established by the Board of Directors;
- the Anomalous Loan Committee, with the aim of supporting General Management in the formulation of strategies for recovery and handling of anomalous relationships and in the adoption of organisational and operative solutions directed at improving the supervision activities in the structures involved in the credit process and their co-ordination;
- the Business Division that, with the aid of the Strategic Planning and Special Project Sector, checks the sustainability of the lending policies adopted, making proposals to the General Management relating to:
    - the instruments and types of counterparty to which the loan is destined for the purpose of generating profitable and fractioned loans;
    - the technical forms to be preferred defining the maximum limits in terms of amount and maturity;
    - the business sectors and geographical areas to be preferred with a view to diversification of the risk;
- the Loans Division that manages and checks the process for taking the risks related to the disbursement of credit, proposes the credit management policies and plans the consequent activities, supporting the branch network both during the first origination and as part of the review of credit facilities granted;
- the Performance Monitoring Service that deals with the monitoring of performing positions with anomalies;
- the Pre-dispute Service that manages the loan portfolio classified as past due impaired and unlikely to pay of the Bank;
- the Legal and Dispute Service sees to the legal aspects of the cases classified as bad, with the aim of optimising the debt recovery phase also by means of the use of outside legal professional and collaborators;
- the Risk Management, Planning & Control Service that is entrusted with the checking of the correct performance of the trend monitoring on the loan exposures, in compliance with the matters envisaged by Bank of Italy Circular 285/2013 "Supervisory instructions for Banks";
- The Internal Audit Service that assesses the functionality and reliability of the entire internal control system and checks, amongst other aspects, that lending is carried out in accordance with the rules.

2.2 Management, measurement and control systems

The credit risk management, measurement and control systems develop within an organisational context that involves the entire credit process cycle, from the initial approval process to the periodic review stage, and up to the revocation and recovery stage.
The Bank also carries out quantitative and qualitative analysis for the purposes of the measurement and periodic control of the Credit Risk. In particular, the quantitative assessments use different instruments that provide information from an economic, financial and equity standpoint of the customer:

- financial statements and tax returns: assessments of the equity and financial balances, determination of the degree of indebtedness, determination of the net financial positions, analysis of the economic indicators;
- relation with the Bank: analysis of the current account transactions, the average use of the credit facilities agreed, checking of the regularity in repayment of loans;
- relations with other Banks: analysis of the Central Credit Register and of other external databanks:

At any given time, the Bank is aware of its exposure to each customer, since the information system adopted makes it possible for each counterparty (customer or group of associated customers) to use updated information and data each day.

Generally speaking, when providing credit, in addition to observance of the legal and supervisory provisions envisaged for financial brokers, the Bank resolves to achieve the following:

- the best knowledge of the contractual counterparties for the purpose of assessing the related current and future credit capacity;
- the use of the most appropriate technical form with regard to the loan requirement to be satisfied, taking into account the guarantees and the duration;
- the diversification of the credit risk, limiting the concentration of the exposures on groups of associated customers/groups of businesses or on individual sectors/branches of business activities;
- a suitable economic return from the relation compared to the risk taken;
- the control of the performance of the individual positions carried out by means of the periodic review of the cases and systematic monitoring activities;
- the best management of non-performing loans.

As part of the credit trend monitoring of individual exposures, both performing and non-performing, the Functions involved in the process are supported by specific operational procedures provided by the Outsourcer Cedacri.

In particular, the Bank, for merely internal management and operational purposes, adopted the rating model provided by the outsourcer Cedacri (CRS Credit Rating System), which is used in monitoring the credit quality of exposures previously granted and that, allowing a timely identification of the signs of credit impairment, represents a management support, both at the individual exposure level and at the overall portfolio level.

This model, broken down on a specific segmentation of customer portfolio, is based on a statistical analysis and on a careful selection of the indicators used for estimating the probability of default
In particular, the adopted model assigns a probability of default for each customer, through an internal statistical scoring system, based on the analysis of internal and external indicators. In particular, the credit relation is analysed on the basis of the following information:

- performance of the relation with the Bank;
- performance of the customer with the system (Central Credit Register);
- economic and financial performance of the customer (financial statements);
- customer's business segment (Private consumers, Small Businesses, SMEs, Large Corporate, Real Estate, Financial and Institutional).

Based on the estimated probability of default, each portion is assigned the corresponding rating. The rating scale used is defined by the IT outsourcer, on the basis of statistical studies.

The Bank also uses the C.Q.M. application. - Credit Quality Management, which supports the relevant departments in the identification of counterparties to be monitored and in the management of positions where anomalies have already occurred.
In particular, the application divides the customers up into monitoring sub-portfolios according to the Bank’s strategic guidelines; for each customer “cluster” identified, it is possible to associate different lending strategies, with a customisation of the process chosen in terms of players and actions to be undertaken, providing an integrated view of current operations and the historical analysis of the relations. The key elements of the procedure are: the definition of the status of the credit, the assignment of the risk classes and the identification of an operating process with various types of action practicable for each position surveyed by the application, also diversifying among the operational roles involved in the process.

The monitoring and management of Credit Risk is also carried out through specific portfolio analyses with the aim of assessing the overall quality of credit exposures and the main trends by checking their compliance with strategic objectives. Portfolio analyses are carried out using both the procedures adopted for monitoring individual exposures and the reworking of databases produced directly from the Bank's IT archives. The results of the portfolio analyses are periodically reported to the corporate bodies.

The strategy adopted, also in light of the uncertain evolution of the current macroeconomic context, is therefore aimed at preventing the possible deterioration of the credit portfolio at an early stage. In this regard, new IT projects were released in preparation for the further strengthening of the monitoring system adopted, in particular through the implementation of the new credit information pursuant to the GL EBA LOM within the 'DWH of Credit' application.

The reporting activity is aimed at closely monitoring the level of credit risk, with particular reference to the trend in credit quality, compliance with the targets for the reduction of impaired loans defined in the NPL Plan, as well as comparing the overall risk taken with the Bank's capital endowment.
In particular, specific objectives and attention thresholds are defined both for indicators relating to the impact of non-performing loans and overall credit quality, and in terms of capital absorption with reference to credit risk.
The definition of risk objectives and limits is carried out on the basis of the expected management development within the RAF process, also taking into account the stress tests carried out in the ICAAP-ILAAP self-assessment process.

In particular, in the ICAAP-ILAAP 2021 process, upstream of the report presented in 2022, the Bank provided for specific scenario analyses, making worsening assumptions on the possible evolution of the main macroeconomic variables compared to the forecasts used to prepare and update the multi-year business plans. The defined adverse scenario is characterised, with respect to the scenario adopted as part of ordinary planning, by the greater severity with which the impacts on the real economy for the two-year period 2022-2023 deriving from the international geopolitical situation and the monetary policy choices made by the Central Banks (in particular the ECB) are assessed.

As part of the credit risk limitation, credit policies are aimed at a careful diversification of risk and at limiting the level of exposures per borrower, per group of related customers and per sector of economic activity. Based on the credit policies, specific risk limits are calibrated within the RAF.
The RAF Process envisages a system of periodic monitoring of the objectives and limits set for all the Bank's significant risks, ensuring constant monitoring of risk taking and allowing for the timely start of any mitigation actions.
With regard to the determination of the capital requirement in the presence of credit risk (First Pillar), the Bank uses the standardised method envisaged by the Supervision Provisions, in line with the proportionality criteria. The related information is subject to quarterly reporting to the Bank of Italy.

The Bank calculates prudential requirements (First Pillar) and assesses the capital adequacy using the SDB Matrix application), integrating supervisory review measurements (Second Pillar) with the support of the procedure known as C.C.M. (Credit Capital Management).

2.3 Methods for measuring expected losses

The general approach defined by IFRS 9 for estimating impairment is based on a process designed to highlight the impairment of the credit quality of a financial instrument at the reporting date compared to the initial recognition date. In particular, at the end of each reporting period, financial assets other than those measured at fair value through profit or loss undergo an assessment to determine whether there is evidence that the carrying amount of the assets cannot be fully recovered.

The process of defining expected losses provides for the preliminary assignment of receivables to the various "stages" provided for by IFRS 9 ("staging" or "stage allocation") which takes place by identifying significant changes in credit risk also on the basis of the change in the creditworthiness of the counterparty at the reporting date compared to the initial recognition.
The classification of exposures determined the related expected loss together with the residual life of the financial asset and forward-looking information that may affect credit risk.
In detail, the exposures are divided into three stages ('stage' or 'bucket') according to the increasing degree of their credit risk:
• "Bucket 1": this includes performing exposures characterised by the absence of a significant increase in the credit risk of the exposure compared to the initial recognition in the financial statements. For this bucket, the expected loss for one year is calculated on a collective basis;
• "Bucket 2": this includes performing exposures characterised by a significant increase in the credit risk of the exposure compared to the initial recognition in the financial statements. For this bucket, the expected loss is calculated on a "life time" basis, i.e. with reference to the entire residual life of the instrument on a collective basis;

• "Bucket 3": this includes non-performing exposures corresponding to positions classified as Non-Performing. The expected loss on non-performing loans is calculated on an analytical basis for each individual position.
Therefore, the exposures included in "Bucket 1" and "Bucket 2" coincide with performing exposures, while the exposures included in "Bucket 3" coincide with non-performing exposures: past due impaired, unlikely to pay and bad.
The identification of the significant increase in credit risk for performing positions with a consequent classification of the exposure as Stage 2 is carried out by the Bank by monitoring the change in the rating class on the reporting date compared to the date of the first granting and/or renewal of the credit facilities assigned by the CRS model. Moreover, for the possible credit allocation in Bucket 2, the presence of past dues of more than 30 days, the presence of "forbearance measures", of 'early warning' accounting indicators, or other signs of anomalies defined by management are taken into account.
The expected loss for performing positions is estimated by applying a specific calculation model that takes into account the credit exposure, the probability of default and the potential loss discounted in the event of default.
The probability of default, which is a function of the creditworthiness of the counterparty, is estimated over a time horizon of one year for loans in Bucket 1, while considering a "life time" perspective for positions in Bucket 2.
The risk parameters are determined on the basis of statistical analyses carried out by the IT outsourcer and take into account the expected development of macroeconomic scenarios from a forward looking perspective.

Changes due to the macroeconomic scenario

During 2022, the difficult environment that began in 2020 following the outbreak of the pandemic crisis and continued last year with the outbreak of the conflict in Ukraine persisted. In this regard, in 2022 the Bank reviewed its policies on the valuation of credit exposures to customers in a prudential logic, critically re-evaluating its business practices in this regard. As part of this update, the criteria for classification as *non-performing* have also been strengthened, further detailing the risk indices (so-called trigger factors) for the reclassification as probable default or non-performing loan.
In addition, the risk parameters for the lump-sum write-down of impaired past-due exposures and probable defaults of less than Euro 200,000 (considering the group to which they belong) were updated for prudential purposes.
Also in 2022, the logics used for the classification from Bucket 1 to Bucket 2 and the related calculation methods for write-downs were further developed, in order to more accurately assess any deterioration in the creditworthiness of counterparties.

Assessment of significant increase in credit risk (SICR)

With regard to the process of assessing the significant increase in credit risk, the Bank, confirming the stringent identification criteria of the SICR, conducted a careful evaluation of the positions characterised by the presence of the 'forborne' attribute and of the positions examined by the Supervisory Authority during the inspection conducted in the first half of the year. In order to measure credit risk more accurately, counterparties with a rating of 8 or higher, corporations with negative shareholders' equity and corporations with the last two Ebitda's both negative, even if classified in Stage 1, were also assessed with the same parameters used for positions classified in Stage 2.

Measuring expected losses

When determining the probability of default, the Bank confirmed the "multi-scenario" logic introduced in 2020 in order to take due account of the extreme volatility that characterises the current forecasts on the evolution of macroeconomic variables. In particular, based on the compliance with the project of the Cedacri outsourcer developed with the help of the advisor Cerved, an approach that envisages the definition of three different possible developments of the macroeconomic context over a three-year period was defined: the "base" scenario, the "worst" scenario and the "best" scenario.
The three scenarios differ due to the different expected development of macroeconomic variables (GDP, consumer price trends, employment and unemployment rates, euro-dollar exchange rates, Btp-Bund spread, Italian equity index, interbank interest rates, etc.). For all three scenarios, estimates on the evolution of the selected variables were provided by Cerved, a provider specialised in conducting macroeconomic estimates, based on the most recent trend data available at the date of analysis.
Under the baseline scenario, Cerved, despite estimating an initial slowdown in Italian GDP growth in 2023 (+0.2%), forecasts growth at a faster pace over the following two years (+1.3% in 2024 and +1.8% in 2025, respectively). Inflation is expected to decline as early as 2023, and then settle at around 2 per cent during 2024 and 2025. The unemployment rate is also estimated to remain stable over the three-year period 2023-2025, while interbank interest rates are expected to rise gradually until 2024, before falling in 2025.
The "alternative" scenarios have been estimated with the help of econometric models that ensure full consistency between the various risk factors and macro-financial variables.
In particular, the "worst case" scenario (severe but plausible) assumed was: a decline of -1.0% of GDP in 2023, with a slower recovery in 2024 (+0.2%) and 2025 (+1.3%), a rising unemployment rate and inflation declining over the three-year period at a slower rate than in the baseline scenario.
In the "best" scenario, on the other hand, GDP is expected to recover more strongly (up to 2.2 % at the end of 2025) and inflation to fall more significantly than in the baseline scenario. Finally, the unemployment rate is estimated to decrease over the three-year period.

The three different scenarios were weighted to define the scenario to be adopted based on the results of the stochastic simulations. The "base" scenario was weighted at 50 per cent, the "worst" scenario at 30 per cent and the "best" scenario at 20 per cent, in continuity with what was adopted in previous years. Adjustment provisions calculated for total performing loans, both on-balance-sheet and off-balance-sheet, amount to Euro 25.9 million, based on the scenario weightings adopted. Assuming the adoption of the "worst" scenario tout court, the adjustment provisions would amount to Euro 32.3 million, while in the event of the full adoption of the "best" scenario, the adjustment provisions would amount to Euro 20.8 million.

In order to accurately consider the persistence of exposures with state guarantees in the bank's loan portfolio, the logic of defining Loss Given Default was also confirmed, which provides for a specific LGD for the portion guaranteed by the central government. The Bank has also prudentially re-evaluated the ratings assigned by the procedure to positions classified as forborne, in order to maintain an ongoing write-down of these positions consistent with their risk profile.

2.4 Credit risk mitigation techniques

The main levers for the mitigation of the credit risk are represented by the system of guarantees that assist the loan exposures, a contained degree of concentration with respect to the borrowers, as well as by a suitable level of diversification of the loan by credit type and commodities sector.
With regard to the management of guarantees, the Bank defined the related operational processes as part of internal regulations.

The method for managing the guarantees is integrated in the information system from which it is possible to infer the main information related to them for the purposes of effective monitoring of credit exposures and the correct determination of risk-weighted assets for the purposes of calculating capital requirements.
In fact, with a view to ensuring the observance of the specific requirements envisaged by the new Supervisory provisions, the Bank adopted a specific system for handling the guarantees implemented by Cedacri has been used, providing the instruments for the management of the processes and the data relating to the classification and assessment of the instruments guaranteeing the credit, in compliance with the Bank's management and strategic objectives.

The Bank, in order to mitigate credit risk, uses collaterals and personal guarantees. In particular, the main types of collaterals used are real estate mortgage liens and financial collaterals.
The Bank uses an ad hoc procedure, known as "Collateral", provided by the outsourcer Cedacri, so as to efficiently oversee the entire process for the acquisition, assessment, checking and realisation of the mortgage liens, identifying all the inherent information and the link between the assets provide as collateral and those entitled to the asset. The procedure also permits the periodic updating of the "current" value of said guarantee and the control of the consistency of the value of the guarantee with respect to the risk resolved. The relationship between the loan and the value of the asset provided as collateral is subject to monitoring, also through the statistical revaluation process of expert value. In this regard, the Bank adopted a specific internal framework for the valuation of real estate guarantees for both performing and non-performing loans. Furthermore, in 2022, the Collateral procedure was enriched with additional ESG information concerning the Bank's real estate portfolio (in terms of physical risk score, energy class, consumption, emissions, etc.).
When collecting pledges on financial instruments, the Bank favours the use of securities listed on regulated markets, also monitoring the change in their value with respect to the credit exposures covered by the guarantee; in particular, when assessing the guarantee, specific prudential haircuts are applied depending on the type of financial instrument.
Personal guarantees consist for the most part in performance bonds granted by Central Fund for SMEs in pursuance of 662/1996. In this regard, it should be noted that since 2007 the Bank has been granting government-backed loans through Mediocredito Centrale, and has therefore gained consolidated experience in this form of lending that has enabled it during the last three years to respond promptly to the liquidity requests of SMEs affected by the Covid-19 crisis. The Bank also makes use of guarantees given by other institutional counterparties, including in particular the European Investment Fund, through specific upper limits, and other specialised entities (e.g. Confidi).
To date, the Group has not used credit derivatives to hedge or transfer the risk against the portfolio loans.

3. Non-performing credit exposures

3.1 Management strategies and policies

With regard to the classification of non-performing exposures, the Bank refers to the regulations issued by the Supervisory Authority, supplemented by internal provisions that establish criteria and rules for the classification of loans within the various risk categories.
Non-performing exposures are divided up into bad, unlikely to pay, past due and/or overdue non-performing categories, depending on the following rules:

- **Bad loans**: all the on and off-balance sheet exposures vis-à-vis a party in a state of insolvency (even if not legally declared so) or in essentially similar situations, irrespective of any loss forecasts formulated by the bank;
- **Unlikely to pay**: classification in this category is, first and foremost, the result of the opinion of the bank regarding the improbability that, without recourse to action such as enforcement of the guarantees, the debtor fully satisfies (in terms of principal and/or interest) its loan obligations. This valuation must be carried out independently from the presence of any amounts (or instalments) past due and unpaid. Therefore, it is not necessary to wait for an explicit symptom of anomaly (non-payment), if elements exist that imply a situation of default risk of the debtor (for example, a crisis in the industrial sector in which the debtor operates);
- **Past due and/or overdue non-performing** loans: cash exposures, other than those classified under bad or unlikely to pay, which, as at the reporting reference date, are past due or overrun by more than 90 days.

In this regard, as of 1 January 2021, following the update of Circulars 272 ("Accounts Matrix") and 285 ("Supervisory Provisions for Banks") issued by the Bank of Italy, which transpose the changes to the definitions of impaired credit exposures introduced by Delegated Regulation (EU) No. 171/2018 and the Guidelines issued by the EBA on the subject, the new definition of default ("*New Dod*") provides that debtors are classified as *defaulted* upon the occurrence of at least one of the following conditions:

- the debtor is in arrears for more than 90 days (180 days for public administrations) with the payment of a material obligation;
- the bank considers it unlikely that the debtor will fully satisfy its obligation without recourse to action such as enforcement of guarantees.

For the purpose of counting overrun days, past due debt is considered to be material when the amount of the arrears exceeds both of the following thresholds:

- Euro 100 for retail exposures and Euro 500 for exposures other than retail (absolute threshold);
- 1 per cent of the total exposure to a counterparty (relative threshold).

Once both thresholds are exceeded, the counting of 90 consecutive past due days begins, beyond which the debtor is classified as in default. The main changes include the fact that it is no longer possible to offset past due amounts against open and unused credit lines (known as available margins). Moreover, the positions recognised as impaired past due must remain in the Non-Performing class for at least three months (Cure Period) from the moment when the condition for Default classification is no longer fulfilled. After that period, the position is reclassified as performing.
During 2022, the Bank, in order to mitigate the possible negative impacts caused by the entry into force of the New Dod, continued to carefully monitored counterparties exceeding overdrafts, promptly reporting these positions to the commercial network in order to raise customer awareness.

Also with regard to the impacts related to the evolution of the regulatory framework, the so-called Calendar Provisioning, introduced by EU Regulation 630/2019, which provides for minimum coverage levels for prudential purposes for impaired loans. This regulatory change had a negligible impact during 2022, but a potentially growing impact during the next few years: therefore, monitoring is carried out on the perimeter of receivables to which this legislation applies and on the relative minimum coverage required, in order to be able to better calibrate the appropriate recovery strategies.

The management of non-performing loans is the responsibility of the Anomalous Loan Division by means of the Pre-dispute, Legal and Disputes Services.
The information relating to the non-performing exposures is supplemented in the information system with the aid of specific instruments that support the handling thereof and indicate the related status.
On the basis of the specific anomaly indices reported both with the IT procedures and on the basis of qualitative assessments and in the light of what is established by company regulations, the Pre-dispute Service governs, under the supervision of the Anomalous Loan Division, the classification process for the loan positions and the process of variation of the related status in compliance with the limits of autonomy established by the Board of Directors.
As part of the management of performing loans, the Anomalous Loan Division, through the Performance Monitoring Service controls the exposures showing a not fully regular trend of the loan relation. In particular, for operational purposes, the Bank has established a specific sub-class of loans called "Under Control", in which positions showing anomalous trends are classified.

The assessment of non-performing exposures is carried out according to analytical methods defined in a specific internal policy approved by the Board of Directors; this policy formalises the guidelines to be adopted in determining the expected loss by diversifying the approaches according to the type of credit, the technical form of the relationship and the type of guarantee supporting it. The document also sets out the methods for quantifying the parameters to be adopted for estimating impairment losses and their updating methods, which also take into account the historical analysis of recovery activities.
The amount of the impairment losses on receivables is equal to the difference between the book value of the asset and the current value of expected future cash flows. Depending on the severity of the impairment state and the materiality of the exposure, estimates of the recovery value consider a “going concern” approach, which assumes that the counterparty is a going concern and the continuous generation of operating cash flows, or a "gone concern” approach, whereby the recovery of the claim is substantially based on the value of the collateral supporting the relationship or on the realisable value of the assets.

Management strategies for non-performing loans are defined by the Board of Directors and are aimed at limiting non-performing loans and maximising recovery activity. During 2022, the Bank continued its strategic derisking actions that allowed for a significant reduction in the stock of impaired loans, achieving results substantially in line with the targets defined in the “Non-Performing Loans Management Operational Plan (2022-2024)”, which had been updated during the first quarter of 2022.
The various management strategies that take into account the main characteristics of the Bank's credit portfolio were considered when defining the Plan's objectives. In particular, various recovery methods are envisaged: granting of forbearance measures aimed at credit restructuring, collections through agreements with counterparties, enforcement of guarantees, full and final settlement agreements and loan disposal transactions.
During 2022, non-performing loans were sold for a total of Euro 47 million, of which Euro 31 million related to positions classified as bad and Euro 16 million to unlikely to pay. These sales, together with ordinary credit recovery operations, enabled the Bank to reduce the Gross NPL Ratio (ratio of gross non-performing loans to gross loans) from 5.2% as at 31 December 2021 to approximately 4.6% at the end of 2022 and the net NPL Ratio (ratio of net non-performing loans to net loans) from 2.7% to 2.6%, in line with the forecasts of the NPL Plan.

3.2 Write-off

The write-off procedure consists of the derecognition from the accounting records of credit exposures for which there are no longer reasonable expectations of recovery. The procedure may be carried out before the legal actions for the recovery of the loan by the Bank are completed and does not involve the legal waiver of the loan by the Bank. The write-off can cover the entire amount of the financial asset or a portion of it.

The write-off can be carried out if the recovery procedures performed or still in progress show that it is impossible to recover the contractual cash flows from the exposure or if there is no economic advantage to recover and manage the loan. The write-off usually concerns Bad loans and is proposed following the assessment made by the Legal and Dispute Service.

The write-off for non-recoverability is assessed on the occurrence of events that demonstrate the significant probability that the receivable may not be recovered, in whole or in part, including: the absence of recoveries from completed enforcement procedures, ascertained insufficiency of assets in the event of insolvency proceedings, unsuccessful outcome of numerous attempts to recover on the obligor or guarantors, also taking into account the date of the bad loans.

The write-off for lack of cost-effectiveness is proposed if the analyses carried out show that the costs to be incurred for the continuation of recovery actions are higher than the recoverable amount of the financial asset.

3.3 Acquired or originated impaired financial assets

As indicated by the accounting standard "IFRS 9 - Financial Instruments", in some cases, a financial asset is considered impaired upon initial recognition because the credit risk is very high and, in case of purchase, it is acquired with significant discounts (compared to the initial disbursement value). If the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and Business model), are classified as assets measured at amortised cost or fair value through other comprehensive income, they are classified as "Purchased or Originated Credit Impaired Assets" (in short "POCI") and are subject to a special treatment. In particular, from the date of initial recognition and for their entire life, impairment losses equal to the Expected credit loss (ECL) for lifetime are recorded. In the light of the above, the POCI financial assets are initially recognised in stage 3, without prejudice to the possibility of being subsequently reclassified as performing loans, in which case an expected loss equal to the ECL lifetime (stage 2) will continue to be recognised. Therefore, a "POCI" financial asset is qualified as such in the signalling and expected loss calculation (ECL) processes.

4. Financial assets subject to commercial renegotiations and forbearance exposures

The legislation defines forbearance measures as changes to the original contractual terms and conditions, or the total or partial refinancing of the debt, which are granted to a debtor who finds themselves or is close to finding themselves in difficulty when meeting their financial commitments. In addition, the regulations, contained in Bank of Italy Circular No. 272/2008 and EU Regulation 680/2014, require the identification, within both performing loans and impaired loans, of the relationships subject to concessionary measures (so-called "forbearance"), defining the categories

"Forborne performing exposures" (performing loans under concession) and "Non-performing exposures with forbearance measures" (impaired loans under concession), respectively.
Within the sphere of the three categories of non-performing loans, in compliance with legislation, the relationships subject to “forbearance measures” (“Non-performing exposures with forbearance measures”) are identified.
The capacity of “forborne non performing” does not therefore represent a reporting category in itself within the sphere of the non-performing loans, but rather an additional transversal attribution to the three categories above.
The Bank adopted a specific policy, updated in December 2022, aimed at recognising "forborne exposures" under which the various types of forbearance measures were defined, distinguishing between contractual changes with effect in the "short term" (temporary suspension of payments of principal and/or interest) or in the "long term" (renegotiation of the contractual conditions and duration of the loan). The Bank, based on the characteristics of the exposure and the objective assessment of the level of financial distress of the customer, assesses the most suitable forbearance measures in order to make repayment of the debt exposure sustainable.
Forborne performing loans are classified in bucket 2 and the expected loss is assessed, in a "life time" logic, considering the residual duration of the loan. Forborne non-performing loans are assessed analytically on the basis of the measurement criteria for non-performing loans.

On the other hand, commercial renegotiations are carried out in the absence of an objective financial distress and are aimed at maintaining the contractual relationship with the customer. The decision-making bodies, on the basis of the autonomy in force, assess the requests for renegotiation taking into account the changes in the average market conditions, while safeguarding the risk/return ratio of the loan relation.

In the pandemic context that characterised the 2020-2022 three-year period, in line with the entire Italian banking system, the credit portfolio was strongly affected by the use of Covid-19 support measures. In December 2021, payment suspension measures granted within the framework of legislative decrees or trade association agreements (ABI) came to an end.
The year just ended was therefore only marginally affected by the use of loan portfolio arrears, a phenomenon that to date has been entirely residual, involving a small number of loans for a total exposure of only EUR 6 million.

Quantitative information
A. Credit quality

A.1 Non-performing and performing loans: amounts, impairment losses, trend, business distribution

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

Portfolios/Quality	Bad loans	Unlikely to pay	Past due non-performing exposures	Past due performing exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	46,854	49,076	5,990	26,353	5,462,455	5,590,728
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	525,167	525,167
3. Financial assets designated at fair value	-	-	-	-	14,459	14,459
4. Other financial assets mandatorily measured at fair value	-	-	-	-	68,482	68,482
5. Discontinued financial assets	-	-	-	-	-	-
Total 31-12-2022	**46,854**	**49,076**	**5,990**	**26,353**	**6,070,563**	**6,198,836**
Total 31-12-2021	**55,844**	**39,217**	**5,963**	**18,608**	**6,103,202**	**6,222,834**

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

Portfolios/Quality	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	185,855	83,935	101,920	9,132	5,521,310	32,501	5,488,809	5,590,729
2. Financial assets measured at *fair value* through other comprehensive income	-	-	-	-	526,863	1,696	525,167	525,167
3. Financial assets designated at fair value	-	-	-	-	-	-	14,459	14,459
4. Other financial assets mandatorily measured at *fair value*	-	-	-	-	-	-	68,481	68,481
5. Discontinued financial assets	-	-	-	-	-	-	-	-
Total 31-12-2022	**185,855**	**83,935**	**101,920**	**9,132**	**6,048,173**	**34,197**	**6,096,916**	**6,198,836**
Total 31-12-2021	**199,588**	**98,565**	**101,023**	**10,263**	**6,092,392**	**25,862**	**6,121,811**	**6,222,834**

Portfolios/Quality	Assets with evidently low credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	541
2. Hedging derivatives	-	-	-
Total 31-12-2022	**-**	**-**	**541**
Total 31-12-2021	**-**	**-**	**146**

A.1.3 Distribution of financial assets by portfolio and credit quality (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Impaired acquired or originated		
	From 1 to 30 days	From 30 to 90 days	Beyond 90 days	Up to 30 days	From 30 to 90 days	Beyond 90 days	Up to 30 days	From 30 to 90 days	Beyond 90 days	From 1 to 30 days	From 30 to 90 days	Beyond 90 days
1. Financial assets measured at amortised cost	8,457	-	-	4,857	12,271	684	1,586	6,863	66,007	114	261	835
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Discontinued financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total 31-12-2022	**8,457**	**-**	**-**	**4,857**	**12,271**	**684**	**1,586**	**6,863**	**66,007**	**114**	**261**	**835**
Total 31-12-2021	**7,669**	**1,484**	**1**	**1,891**	**7,097**	**465**	**896**	**3,567**	**75,576**	**42**	**128**	**859**

A.1.4 Financial Assets, commitments to grant finance and financial guarantees given: trend in total impairment losses and in total provisions

Reasons/risk stages	Total impairment losses																							Total provisions on commitments to grant finance and financial guarantees given				Total
	Assets included in stage 1						Assets included in stage 2						Assets included in stage 3					impaired financial assets acquired or originated										
	Loans and advances to banks and central banks on	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	Loans and advances to banks and central banks on	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	Loans and advances to banks and central banks on	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	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 fin.	
Opening total impairment losses	**-**	**(13,889)**	**(356)**	**-**	**-**	**(14,245)**	**(1)**	**(11,183)**	**(429)**	**-**	**-**	**(11,613)**	**-**	**(95,973)**	**-**	**-**	**(95,973)**	**-**	**(2,598)**	**-**	**-**	**(2,598)**	**-**	**(169)**	**(401)**	**(39)**	**-**	**(125,037)**
Increases from acquired or originated financial assets	(3)	(3,253)	(7)	-	-	(3,263)	(6)	(2,215)	(12)	-	-	(2,233)	-	(2,229)	-	-	(2,229)	-	-	-	-	-	-	(310)	(270)	-	-	(8,305)
Derecognitions other than write-offs	1	619	2	-	-	622	8	769	10	-	-	787	-	237	-	-	237	-	11	-	-	5	6	91	145	39	-	1,932
Net impairment losses for credit risk (+/-)	-	(2,732)	(251)	-	-	(2,983)	(1)	(523)	(653)	-	-	(1,177)	-	10,506	-	-	10,506	-	(83)	-	-	303	(386)	115	241	(25)	-	6,594
Modification gains (losses) without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Changes in the estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	6,098	-	-	6,098	-	-	-	-	-	-	-	-	-	-	6,098
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing total impairment losses	**(2)**	**(19,255)**	**(612)**	-	-	**(19,869)**	-	**(13,152)**	**(1,084)**	-	-	**(14,236)**	-	**(81,361)**	-	-	**(81,361)**	-	**(2,670)**	-	-	**(2,290)**	**(380)**	**(273)**	**(285)**	**(25)**	-	**(118,719)**
Recoveries from collections on financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,669)	-	-	(1,669)	-	-	-	-	-	-	-	-	-	-	(1,669)
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,606)	-	-	(1,606)	-	-	-	-	-	-	-	-	-	-	(1,606)

A.1.5 Financial Assets, commitments to grant finance and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	233,598	125,457	17,721	4,427	47,048	850
2. Financial assets measured at fair value through other comprehensive income	2,618	1,453	-	-	-	-
3. Discontinued financial assets	-	-	-	-	-	-
4. Commitments to grant finance and financial guarantees given	44,425	23,259	1,791	27	1,419	51
Total 31-12-2022	**280,641**	**150,169**	**19,512**	**4,454**	**48,467**	**901**
Total 31-12-2021	**247,687**	**124,605**	**14,762**	**4,110**	**15,392**	**954**

A.1.5a Loans subject to Covid-19 support measures: transfers between different stages of credit risk (gross amounts)

This table shows the gross amount of loans, which is subject to a moratorium granted during the Covid-19 period and which is outstanding at the end of the reporting period, or constitutes new liquidity provided through public guarantee mechanisms, broken down by portfolio (amortised cost and fair value through other comprehensive income), when the risk stage at which the exposures are included at the end of the reporting period is different from the stage at which the exposures were included at the beginning of the reporting period (or at the date of initial recognition if subsequent to the beginning of the reporting period).

Portfolios/risk stages	Gross amounts					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. Financial assets at amortised cost	**84,934**	**19,630**	**3,703**	**65**	**14,507**	**29**
A.1 GL-compliant forborne loans	-	-	-	-	-	-
A.2 subject to existing moratorium measures that are no longer in conformity with the GL and are not assessed as having been granted	-	-	-	-	505	-
A.3 Other forborne loans	845	-	-	-	3,706	-
A.4 New loans	84,089	19,630	3,703	65	10,296	29
B. Loans measured at fair value with impact on overall profitability	-	-	-	-	-	-
B.1 GL-compliant forborne loans	-	-	-	-	-	-
B.2 subject to existing moratorium measures that are no longer in conformity with the GL and are not assessed as having been granted	-	-	-	-	-	-
B.3 Other forborne loans	-	-	-	-	-	-
B.4 New loans	-	-	-	-	-	-
Total 31-12-2022	**84,934**	**19,630**	**3,703**	**65**	**14,507**	**29**
Total 31-12-2021	**78,197**	**4,053**	**1,641**	**-**	**4,765**	**-**

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

Type of exposure/values	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		Stage 1	Stage 2	Stage 3	Impaired acquired or originated		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	140,161	140,161	-	-	-	2	2	-	-	-	140,158	-
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-
(b) Not impaired	140,161	140,161	-	-	-	2	2	-	-	-	140,158	-
A.2 ALTRE	108,419	107,650	-	-	-	101	101	-	-	-	108,318	-
a) Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-	-	-
c) Past due non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-	-	-
d) Past due performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-	-	-
e) Other performing exposures	108,419	107,650	-	-	-	101	101	-	-	-	108,318	-
- of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL A	**248,580**	**247,811**	-	-	-	**103**	**103**	-	-	-	**248,476**	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Performing	310,538	13,567	-	-	-	-	-	-	-	-	310,538	-
TOTAL B	**310,538**	**13,567**	-	-	-	-	-	-	-	-	**310,538**	-
TOTAL A+B	**559,118**	**261,378**	-	-	-	**103**	**103**	-	-	-	**559,014**	-

(*) Value to be shown for information purposes

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

Type of exposure/values	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Impaired acquired or		Stage 1	Stage 2	Stage 3	Impaired acquired or		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	103,811	-	-	103,142	669	56,957	-	-	56,612	345	46,854	9,132
- of which: forbearance exposures	19,631	-	-	19,333	298	7,831	-	-	7,683	148	11,801	385
b) Unlikely to pay	74,882	-	-	71,309	3,572	25,806	-	-	23,593	2,214	49,076	-
- of which: forbearance exposures	35,288	-	-	33,775	1,512	9,671	-	-	9,160	511	25,616	-
c) Past due non-performing exposures	7,162	-	-	7,063	99	1,172	-	-	1,156	16	5,990	-
- of which: forbearance exposures	3,228	-	-	3,150	78	519	-	-	506	12	2,709	-
d) Past due performing exposures	27,203	8,520	18,597	-	86	849	63	785	-	2	26,353	-
- of which: forbearance exposures	4,970	-	4,925	-	45	235	-	234	-	1	4,735	-
e) Other performing exposures	5,995,492	5,547,683	362,016	-	3,608	33,248	19,703	13,452	-	93	5,962,245	-
- of which: forbearance exposures	75,123	-	74,309	-	814	3,419	-	3,395	-	25	71,704	-
TOTAL A	**6,208,550**	**5,556,203**	**380,613**	**181,514**	**8,034**	**118,032**	**19,766**	**14,237**	**81,361**	**2,670**	**6,090,518**	**9,132**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	7,936	-	-	7,936	-	1,605	-	-	1,605	-	6,331	-
b) Performing	1,661,714	1,526,859	67,784	-	-	1,163	377	786	-	-	1,660,551	-
TOTAL B	**1,669,650**	**1,526,859**	**67,784**	**7,936**	**-**	**2,768**	**377**	**786**	**1,605**	**-**	**1,666,882**	**-**
TOTAL A+B	**7,878,200**	**7,083,062**	**448,397**	**189,450**	**8,034**	**120,800**	**20,143**	**15,023**	**82,966**	**2,670**	**7,757,400**	**9,132**

(*) Value to be shown for information purposes

Net cash exposures comprise, in addition to loans and advances to customers in the amount of € 5,507.0 million, bonds in the FVOCI portfolio in the amount of € 501.4 million (item 30 assets), debt securities recorded in the portfolio of financial assets designated at fair value in the amount of € 67.7 million (item 20c), and insurance policies recorded in the portfolio of financial assets designated at fair value (item 20b) of assets in the amount of approximately € 14.5 million. Gross loans and receivables and related impairment losses are shown net of the value of default interests.

A.1.7a - Loans subject to Covid-19 support measures: gross and net values

This table shows, with regard to loans that are subject to a moratorium granted during the Covid-19 period and outstanding at the end of the reporting period, or that constitute new liquidity granted through public guarantee mechanisms, the breakdown of the gross amount and of total impairment losses, as well as information on net exposure and total partial write-offs, for the different categories of non-performing/performing assets.

Type of exposure/values	**Gross exposure**					**Total impairment losses and total provisions**					**Net exposure**	**Total partial write-offs***
		Stage 1	**Stage 2**	**Stage 3**	**Impaired acquired or originated**		**Stage 1**	**Stage 2**	**Stage 3**	**Impaired acquired or originated**		
A. NON-PERFORMING LOANS	5,565	-	-	5,425	140	694			682	12	4,872	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in conformity with the GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New Financing	5,565	-	-	5,425	140	694			682	12	4,872	-
B. LOANS IN PROBABLE DEFAULT	12,941	-	-	12,720	222	2,654			2,606	48	10,289	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in conformity with the GL and not assessed as being granted	505	-	-	505	-	115	-	-	115	-	390	-
c) Subject of other concession measures	4,061	-	-	4,011	50	700	-	-	683	17	3,362	-
d) New Financing	8,375	-	-	8,204	172	1,839	-	-	1,808	31	6,537	-
C) IMPAIRED PAST DUE LOANS	2,141	-	-	2,076	65	351	-	-	340	10	1,791	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in conformity with the GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other concession measures	-	-	-	-	-	-	-	-	-	-	-	-

d) New Financing	2,141	-	-	2,076	65	351	-	-	340	10	1,791	-
D) OTHER NON-IMPAIRED PAST DUE LOANS	9,245	4,062	5,114	-	68	114	18	95	-	2	9,130	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in conformity with the GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject of other concession measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New Financing	9,245	4,062	5,114	-	68	114	18	95	-	2	9,130	-
E) OTHER NON-IMPAIRED LOANS	971,298	862,074	108,804	-	419	3,931	1,832	2,093	-	5	967,366	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in conformity with the GL and not assessed as being granted	1,094	-	1,094	-	-	96	-	96	-	-	997	-
c) Subject of other concession measures	2,481	-	2,481	-	-	142	-	142	-	-	2,339	-
d) New Financing	967,723	862,074	105,229	-	419	3,693	1,832	1,855	-	5	964,030	-
Total (A+B+C+D+E)	**1,001,190**	**866,136**	**113,918**	**20,221**	**914**	**7,744**	**1,850**	**2,188**	**3,628**	**77**	**993,448**	-

(*) Value to be shown for information purposes

A.1.8 On-balance sheet exposures with banks: changes in gross non-performing exposures

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

The tables are not drawn up as there were no non-performing loans and receivables with banks as at 31 December 2022.

A.1.9 On-balance sheet exposures with customers: changes in gross non-performing exposures

Causes/Categories	Bad loans	Unlikely to pay	Impaired past due exposures
A. Initial gross exposure	**129,744**	**62,811**	**7,034**
- of which: exposures transferred and not derecognised	-	418	756
B. Increases	**30,812**	**90,238**	**24,389**
B.1 inflows from performing exposures	728	64,620	22,017
B.2 inflows from acquired or originated impaired financial assets	-	117	4
B.3 transfers from other categories of non-performing exposures	28,555	15,171	1,614
B.4 modification gains (losses) without derecognition	-	-	-
B.5 other increases	1,529	10,330	754
C. Decreases	**56,745**	**78,167**	**24,261**
C.1 outflows to performing exposures	187	8,678	4,873
C.2 write-off	6,906	1,167	-
C.3 collections	18,640	21,491	3,240
C.4 gains on sales	6,865	9,583	-
C.5 losses on sales	2,403	1,543	-
C.6 transfers to other categories of non-performing exposures	-	29,724	15,617
C.7 modification gains (losses) without derecognition	-	-	-
C.8 other decreases	21,744	5,981	531
D. Final gross exposure	**103,811**	**74,882**	**7,162**
- of which: exposures transferred and not derecognised	-	5,458	1,781

The line “Other increases” includes, in general:
- with regard to bad loans, the charge of expenses, outstanding amounts and other similar cases on positions recorded in previous years;
- with regard to the other categories, in particular for unlikely to pay, also the account transfer between accounts relating to it carried out after the date of inclusion in the category (e.g. advance transactions subject to collection).

The row "Other decreases" includes, among other things, gross amounts relating to exposures sold in excess of the algebraic sum of the realisable value and any loss on sale.

For this table, as for the following A1.9bis and A1.11, the rows relating to "Exposures transferred and not derecognised" include gross loans and receivables and impairment losses relating to securitised loans recorded in portfolios sold but not derecognised (self-securitisations).

A.1.9bis On-balance sheet exposures with customers: gross forbearance exposures broken down by credit quality

Causes/Quality	Forbearance exposures: non-performing	Other forbearance exposures: performing
A. Initial gross exposure	**71,725**	**110,701**
- of which: exposures transferred and not derecognised	373	59,080
B. Increases	**32,296**	**31,973**
B.1 inflows from performing non-forbearance exposures	385	18,413
B.2 inflows from performing forbearance exposures	24,434	-
B.3 inflows from non-performing forbearance exposures	-	7,705
B.4 inflows from non-performing non-forbearance exposures	5,306	26
B.5 other increases	2,171	5,829
C. Decreases	**45,874**	**62,581**
C.1 outflows to performing non-forbearance exposures	-	16,923
C.2 outflows to performing forbearance exposures	7,705	-
C.3 outflows to non-performing forbearance exposures	-	24,434
C.4 write-off	1,778	-
C.5 Collections	11,931	19,230
C.6 gains on sale	10,690	-
C.7 losses on sale	1,963	-
C.8 other decreases	11,807	1,994
D. Final gross exposure	**58,147**	**80,093**
- of which: exposures transferred and not derecognised	3,235	50,420

A.1.10 Non-performing on-balance sheet exposures with banks: total impairment losses

There are no non-performing exposures to banks as at 31 December 2022; therefore, the relevant table is not drawn up.

A.1.11 Non-performing on-balance sheet exposures with customers: total impairment losses

Causes/Categories	Bad loans		Unlikely to pay		Past due exposures non-performing	
	Total	of which: forbearance exposures	Total	of which: forbearance exposures	Total	of which: forbearance exposures
A. Initial total value adjustments	**73,900**	**13,484**	**23,594**	**13,860**	**1,071**	**580**
- of which: exposures transferred and not derecognised			418	27	756	346
B. Increases	**20,701**	**3,761**	**18,152**	**7,073**	**1,926**	**1,263**
B.1 impairment losses from acquired or originated impaired financial assets	3	-	99	-	2	-
B.2 other impairment losses	14,134	2,254	16,239	5,350	938	356
B.3 losses on sale	2,403	420	1,543	1,543	-	-
B.4 transfers from other categories of non-performing exposures	3,762	1,087	271	180	986	907
B.5 modification gains (losses) without derecognition	-	-	-	-	-	-
B.6 other increases	399	-	-	-	-	-
C. Decreases	**37,644**	**9,414**	**15,940**	**11,262**	**1,825**	**1,324**
C.1 reversals of impairment losses due to valuation	1,596	588	2,842	2,296	379	278
C.2 reversals of impairment losses due to collection	4,896	2,305	907	-	216	103
C.3 gains on sale	1,379	78	188	188	-	-
C.4 write-off	6,906	1,778	1,167	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	4,532	1,964	486	209
C.6 modification gains (losses) without derecognition	-	-	-	-	-	-
C.7 other decreases	22,867	4,665	6,304	6,814	744	734
D. Final total value adjustments	**56,957**	**7,831**	**25,806**	**9,671**	**1,172**	**519**
- of which: exposures transferred and not derecognised	**-**	**-**	1,150	529	291	133

"Other decreases" mainly includes uses of existing allowance for impairment, uses attributable to positions sold during the year.

A.2 Classification of financial assets, commitments to grant finance and financial guarantees given based on internal and external ratings

A.2.1 Breakdown of financial assets, commitments to grant finance and financial guarantees given: by external rating class (gross values)

On the basis of the guidelines envisaged by the Bank of Italy, the table in question was not drawn up since the amount of the exposures with external ratings is exclusively referable to Government securities, in that the Bank has chosen to avail itself of the rating issued by the authorised agencies for just these assets, as per the specific resolution of the Board of Directors.

A.2.2 Breakdown of financial assets, commitments to grant finance and financial guarantees given: by internal rating class (gross values)

The table is not drawn up in that, to date, the rating models provided by the outsourcer are used only for management purposes as a tool for classifying, analysing and monitoring the customers.

A.3 Distribution of secured exposures by type of guarantee

A.3.1 On and off-balance sheet secured credit exposures to banks

The table is not drawn up because there are no secured exposures to banks as at 31 December 2022.

A.3.2 On- and off-balance sheet secured credit exposures with customers

	Gross exposure	Net exposure	**Collaterals (1)**				**Personal guarantees (2)**										**Total (1)+(2)**
							Credit derivatives					Endorsement loans					
								Other derivatives									
			Real estate mortgages	Real estate Leasing finance	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration authorities	Banks	Other financial companies	Other parties		
1. On-balance sheet secured credit exposures:	3,289,919	3,204,524	1,422,091	-	67,383	82,490	-	-	-	-	-	1,030,739	37,953	18,204	373,033		3,031,893
1.1 fully secured	2,384,759	2,312,636	1,415,596	-	51,718	61,665	-	-	-	-	-	452,673	7,233	13,907	306,271		2,309,063
- of which impaired	141,228	84,713	51,118	-	693	2,892	-	-	-	-	-	15,776	2,295	508	10,212		83,494
1.2 partially secured	905,160	891,888	6,495	-	15,665	20,825	-	-	-	-	-	578,066	30,720	4,297	66,762		722,830
- of which impaired	23,281	14,077	598	-	144	36	-	-	-	-	-	9,920	485	30	632		11,845
2. Off-balance sheet secured credit exposures:	353,496	351,925	1,773	-	17,702	15,068	-	-	-	-	-	13,409	560	2,858	278,680		330,050
2.1 fully secured	283,780	282,435	1,773	-	9,666	7,548	-	-	-	-	-	3,092	560	2,368	257,408		282,415
- of which impaired	4,531	3,581	1	-	1,075	157	-	-	-	-	-	-	-	193	2,154		3,580
2.2 partially secured	69,716	69,490	-	-	8,036	7,520	-	-	-	-	-	10,317	-	490	21,272		47,635
- of which impaired	795	795	-	-	163	-	-	-	-	-	-	-	-	-	548		711

B. Distribution and concentration of exposures

B.1 Distribution of on and off-balance sheet credit exposures with customers by business segment

Exposures/Counterparties	Public administration authorities		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance-sheet credit exposures										
A.1 Bad loans	-	-	18	119	-	-	32,033	45,569	14,803	11,269
- of which: forbearance exposures	-	-	-	62	-	-	7,369	6,253	4,432	1,516
A.2 Unlikely to pay	-	-	4,090	638	-	-	34,114	19,409	10,871	5,759
- of which: forbearance exposures	-	-	2,468	442	-	-	15,129	5,430	8,020	3,799
A.3 Past due non-performing exposures	-	-	-	-	-	-	3,435	672	2,555	500
- of which: forbearance exposures	-	-	-	-	-	-	1,610	309	1,099	210
A.4 Performing exposures	1,720,488	723	643,172	8,547	14,459	-	2,415,112	19,958	1,209,826	4,868
- of which: forbearance exposures	-	-	395	18	-	-	54,269	2,887	21,774	750
Total (A)	**1,720,488**	**723**	**647,280**	**9,304**	**14,459**	**-**	**2,484,694**	**85,608**	**1,238,055**	**22,396**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	73	-	-	-	5,933	1,493	326	112
B.2 Performing exposures	9,103	-	100,925	36	-	-	1,388,075	1,052	95,697	75
Total (B)	**9,103**	**-**	**100,998**	**36**	**-**	**-**	**1,394,008**	**2,545**	**96,023**	**187**
Total (A+B) 31-12-2022	**1,729,591**	**723**	**748,278**	**9,340**	**14,459**	**-**	**3,878,702**	**88,153**	**1,334,078**	**22,583**
Total (A+B) 31-12-2021	**1,731,644**	**503**	**480,779**	**2,035**	**14,479**	**-**	**3,950,362**	**91,124**	**1,190,330**	**32,554**

B.2 Distribution of on and off-balance sheet credit exposures with customers by geographical segment

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of world	
	Net exposure	**Total impairment**	**Net exposure**	**Total impairment**	**Net exposure**	**Total impairment**	**Net exposure**	**Total impairment**	**Net exposure**	**Total impairment**
A. On-balance-sheet credit exposures										
A.1 Bad loans	46,854	56,957	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	48,955	25,757	121	49	-	-	-	-	-	-
A.3 Past due non-performing exposures	5,990	1,172	-	-	-	-	-	-	-	-
A.4 Performing exposures	5,897,474	32,800	71,785	1,143	17,064	139	2,274	16	-	-
Total (A)	**5,999,273**	**116,686**	**71,906**	**1,192**	**17,064**	**139**	**2,274**	**16**	**-**	**-**
B. Off-balance sheet credit exposures						-	-	-	-	-
B.1 Non-performing exposures	6,331	1,605	-	-		-	-	-	-	-
B.2 Performing exposures	1,589,923	1,163	3,202	-	654	-	22	-	-	-
Total (B)	**1,596,254**	**2,768**	**3,202**	**-**	**654**	**-**	**22**	**-**	**-**	**-**
Total (A+B) 31-12-2022	**7,595,527**	**119,454**	**75,108**	**1,192**	**17,718**	**139**	**2,296**	**16**	**-**	**-**
Total (A+B) 31-12-2021	**7,239,479**	**125,725**	**82,872**	**411**	**28,650**	**66**	**2,116**	**13**	**-**	**-**

B.3 Distribution of on- and off-balance sheet exposures to banks by geographical segment

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of world	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance-sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Past due non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	239,037	93	7,602	10	967	-	-	-	870	1
Total (A)	**239,037**	**93**	**7,602**	**10**	**967**	**-**	**-**	**-**	**870**	**1**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	10,290	-	341	-	-	-	410	-	2,885	-
Total (B)	**10,290**	**-**	**341**	**-**	**-**	**-**	**410**	**-**	**2,885**	**-**
Total (A+B) 31-12-2022	**249,327**	**93**	**7,943**	**10**	**967**	**-**	**410**	**-**	**3,755**	**1**
Total (A+B) 31-12-2021	**447,102**	**50**	**9,060**	**5**	**-**	**-**	**2,246**	**-**	**2,977**	**-**

B.4 Large exposures

As defined in EU Regulation 575/2013 (CRR), “Large exposures” are exposures to a customer or a group of related customers when their value is equal or greater than 10% of eligible capital of the body (Article 392), without applying weighting amounts.
Whereas limit to large exposures (Article 395 CRR), considering the mitigating effect of credit risk (weighted values), means 25% of the eligible capital of the Bank; if the customer is a body, or if within the group of related customers there is a body, the limit is increased to Euro 150 million if the value calculated at 25% is less than the above-mentioned amount.

The concept of exposure includes both the cash loans and the off-balance sheet loans; the aggregates in any event include the exposures vis-à-vis the European Central Administrations, in particular those represented by debt securities.

As at 31/12/2022, eligible capital amounted to € 390.1 million. 8 counterparties with a total nominal value of € 3,980.3 million and a weighted value of € 232.5 million constituted “large exposures”, of which:
- 2 exposures to customers for a nominal amount of € 83.4 million and a weighted amount of € 17.2 million;
- 2 exposures to financial intermediaries for € 150.5 million weighted at 100%;
- the exposure to Unicredit S.p.A. amounting to a nominal € 303 million relates to repurchase agreements in the amount of € 296.7 million weighted at zero and other exposures in the amount of € 6.4 million weighted at 100%;
- the exposure to the Italian State (Treasury Ministry) of € 3,187.2 million, weighted € 58.4 million: in addition to the exposure for debt securities, this item includes the receivable for tax assets;
- the exposure to Cassa di Compensazione e Garanzia for a nominal € 76.3 million and weighted zero;
- the exposure to the Bank of Italy for the Mandatory Reserve and overnight deposits, nominal amount 179.8 million, zero-weighted.

C. Securitisation Transactions

Securitisation transactions in which the Bank is the originator and for which the total liabilities issued by the special purpose vehicles were fully subscribed by the Bank at the time of issue are not recognised in this Part. For an illustration of this type of transaction for which as at 31 December 2022 there were three different self-securitisations, please refer to the section of Part E of the Explanatory Notes relating to liquidity risk.

Qualitative information

The Bank holds exposures to its own, multi-originator or third-party originated securitisation transactions, the latter acquired for the purpose of investing its medium- to long-term liquidity and thus providing stable support to net interest income.
Investment in *asset-backed* securities is carried out in compliance with policies and procedures relating to credit risk and, in general, in compliance with the risk appetite established in the framework of ABS investment limits and rules defined by the Board of Directors and monitored by the General Management and the Risk Management, Planning and Control Service.
The Business Division identifies the investment opportunity, following the positive feedback to proceed from the Management, starts the evaluation and *due diligence* phase in order to assess the risk and structural characteristics involving, if necessary, the other competent Sectors. Evidence of the analyses carried out during the due diligence process is set out in a summary document that contains the substantial aspects required to provide the Corporate bodies with the elements supporting any resolution.
Subsequently, the Bank maintains, on an ongoing basis, a complete understanding of the risk characteristics of the pool underlying the transaction, its structural aspects and compliance with the expected flows with respect to the analyses carried out during the assessment.

Adequate reporting to the Management Bodies as well as to the Risk Management, Planning and Control Service for the performance of second-level controls is carried out at least on a quarterly basis.
The Internal Audit Service and the Compliance Service ensure periodic checks on the reliability and effectiveness of the process and make recommendations to the Corporate bodies based on the checks carried out.

The Bank has adopted rules and regulations to regulate the process of managing securitisations of loans to the Public Administration in which it acts as an investor. The regulations clearly define the operational processes related to the process of structuring and managing investment programmes in securities issued by special purpose vehicles established pursuant to Italian Law 130/99.
During this financial year, the Bank concluded - along with 71 other participating institutions - the securitisation transaction of non-performing loans called 'BCC NPLs 2022'. In particular, the bank sold, with economic effect from 31 December 2021, a portfolio of non-performing loans with a gross value of Euro 9.6 million to the securitisation vehicle known as "BCC NPLs 2022 S.R.L." which, in turn, issued three tranches of ABS notes to Banca Valsabbina for a total of Euro 3.8 million, of which

- a senior tranche, with *investment grade* Baa1(sf) rating assigned by Moody's and BBB(sf) rating assigned by ARC Rating), amounting to EUR 3.8 million. The tranche was retained by the Bank and is structurally eligible for GACS;
- a mezzanine tranche of approximately EUR 7 thousand;

- a junior tranche with a value of approximately Euro 0.9 thousand;

In order to obtain the deconsolidation of the assigned loans, in accordance with the applicable industry regulations, 95 per cent of the mezzanine and junior tranches, respectively, were placed with institutional investors. This allowed the Bank to achieve the derecognition of the non-performing loan portfolio sold.
As at 31 December 2022, the Bank held a portfolio of securities deriving from third-party or *multi-originator* tranched securitisations amounting to approximately EUR 211 million. Of these, Euro 151 million represent exposures to Senior securities, while approximately Euro 60 million represent exposures to Mezzanine securities. Residual exposure to Junior securities subscribed by the Bank for the sole purpose of complying with the obligation to maintain a net economic interest in the transaction, as required by the *Securitisation Regulation*. The exposure to "*single-tranche*" securitisations, on the other hand, amounts to Euro 140 million. Note that the latter transactions are not considered securitisation positions for prudential supervision purposes.
Lastly, the Bank holds Euro 11.1 million of its own securitisation securities represented by the notes subscribed as part of the "Valsabbina SME Platform" transaction described in the following paragraphs.

Own transactions

Valsabbina SME Platform Securitisation

During the 2020 financial year, the Bank finalised the *"Valsabbina* SME Platform" transaction, a traditional securitisation transaction with an original nominal value of € 58.5 million, the underlying assets of which consisted of loans deriving from *performing* loans to Small and Medium-Sized Enterprises assisted by a guarantee from the Central Guarantee Fund established by Law No. 662/96 originated by Banca Valsabbina S.C.p.A. The originated portfolios have been sold at pre-defined dates, for a consideration, respecting specific eligibility criteria.
Subsequently, on 25 May 2021, the transaction underwent a restructuring that increased the nominal value of the notes issued to a nominal amount of €129.1 million for the Senior notes, a nominal amount of €25.5 million for the Mezzanine notes, and a total nominal amount of €17 million for the two Junior notes.

Originator	Banca Valsabbina S.c.p.A.
Arranger	Phinance Partners S.p.A.
Servicer	Banca Valsabbina S.c.p.A.
SubServicer	*NSA* S.p.A.
Back Up Servicer	Banca di Asti S.p.A.
Corporate Servicer	Centotrenta Servicing S.p.A.
Representative of the Noteholders	Centotrenta Servicing S.p.A.
Calculation Agent	Centotrenta Servicing S.p.A.
Account Bank BNP Paribas	BNP Paribas Securities Services
Paying Agent	BNP Paribas Securities Services

The first transfer took place on 6 November 2020. Subsequently, during 2021, the Bank made a further 4 disposals, while during 2022 there was only one disposal, in March, at the end of the *ramp-up* period.
The total value sold by the Bank is therefore EUR 103.7 million (including accrued interest) for a total price of EUR 106.6 million. The sale made to the vehicle "Valsabbina SME Platform" in March

2022 generated revenues under item "100 Profits from the sale or repurchase of financial assets measured at amortised cost" of about Euro 91 thousand .
The portfolio as at 31 December 2022 had a residual value of approximately Euro 86.4 million and consisted of 602 variable-rate unsecured loans disbursed to SMEs located 49% in regions of Northern Italy, 39% in regions of Central Italy and the remaining 12% in regions of Southern Italy. The sectors to which the SME beneficiaries of the loans granted to the Valsabbina SME Platform vehicle belong are wholesale/retail trade (38%), manufacturing (29%), accommodation/restaurant services (10%), information and communication services (6%), transport and storage (4%), administrative and support services (3%), professional activities (3%) and other minority sectors. At the time of the transfer, the exposures transferred to the vehicle were all classified as *performing*loans. As at 31/12/2022, the observed accumulated gross default rate is 2.72%.

The purchases have been financed by the SPV through the issue of *Asset Back Securities* of a *partly* paid nature divided into three classes:

- Senior security equal to approximately 75% of the sold - nominal Euro 129.1 million - TV EUR 3M+ 1.15%. As of 31 December 2022, the note had an *outstanding* amount of EUR 69.4 million;
- Mezzanine security equal to approximately 15% of the sold - nominal EUR 25.5 million - TF 3.85%. As of 31 December 2022, the note had an *outstanding* amount of EUR 14.7 million;
- Junior security equal to approximately 10% of the sold - nominal Euro 17 million - TF 8% plus variable remuneration if any. As of 31/12/2022, the notes had a total *outstanding* amount of EUR 10.9 million.

The related securities, issued by the special purpose vehicle Valsabbina SME Platform S.r.l., were subscribed by the Bank to the extent of 5% for the Senior security, 50% for the Mezzanine security and 5% for the Junior security (retained) while the surplus was placed with third parties.
Senior and Mezzanine securities were recorded in the portfolio of 'Financial Assets Valued at Amortised Cost', while Junior securities were recorded in the portfolio of 'Financial Assets Mandatorily *Valued at Fair Value* through Profit or Loss'.

The transfer of the risks and benefits deriving from the transaction was checked through specific technical reports, approved by the Board of Directors and through the request of the Significant Risk Transfer to the Supervisory Authority, in compliance with the applicable regulations.

As part of the transaction, *the Originator*, as *Servicer*, assumes the task of managing the collection and recovery of the assigned receivables in the name and on behalf of the SPV, as well as periodically providing information on the portfolio necessary for monitoring by the parties involved in the transaction.

Internally within the Bank, the Business Division, with the support of the Strategic Planning and Special Projects Sector, monitors the credit quality and cash flows of the Portfolio on a quarterly basis and informs the Board of Directors on the progress of the operation.

The Risk Management, Planning and Control Service throughout the life of the operation, in cooperation with the Business Division, monitors compliance with the requirements for Significant Risk Transfer and informs the Board of Directors of the outcome of these controls. At that time, it also verifies the maintenance of the Net Economic Interest in the transaction.

Third-party operations/Multioriginator

The main characteristics of the various third-party transactions whose securities were subscribed by the Bank are set out below:

• 2R Plus securitisation: this is a *multi-originator* securitisation with a nominal value of EUR 100 million. The transaction is related to the sale of *non-performing* loans purchased by Italian Large Corporates. In December 2020, the Bank subscribed for 95% of the Senior Notes, while 5% was subscribed for by Vivibanca S.p.A. - *sponsor* of the transaction - in order to comply with the risk retention obligation of Regulation 2402/2017. As at 31 December 2022, the security held amounted to Euro 9.5 thousand. During the year, the security paid out about Euro 92 thousand in coupon interest.
• "Auxilio" securitisation: this is a third-party securitisation with a nominal value of Euro 100 million concerning loans to SMEs backed by a guarantee from the Central Guarantee Fund 662/96. Credits are disbursed through Opyn's (formerly Borsadelcredito.it) *peer-to-peer lending* platform by a *direct lending* fund. The *originator* retains a net economic interest in the transaction of at least 5%, realised through the so-called *vertical slice* pursuant to Art. 6 par. 3(a) of Regulation 2402/2017. The purchase period is until June 2022. The Bank subscribed part of the Senior security and total exposure as at 31 December 2022 amounted to Euro 23.9 million whereas, with regard to the economic aspects, it contributed to the interest margin by Euro 925 thousand;
• "Cloud SPV" securitisation: this is a third-party securitisation with a nominal value of EUR 300 million concerning *performing* loans to SMEs backed by a guarantee from the Central Guarantee Fund 662/96. Mortgages are originated through Opyn's *fintech* platform. The *originator* maintains a net economic interest by underwriting an exposure covering first losses of not less than 5 % pursuant to Art. 6 par. 3(d) of Regulation 2402/2017. The purchase period runs until March 2023. The Bank subscribed for 50% of the Senior A2 note, 84% of the Mezzanine B1 note and 100% of the Mezzanine B2 note. As at 31.12.2022, the securities entered in the balance sheet had a total value of Euro 50 million, while interest income of Euro 800 thousand was recognised;
• "Dervio securitisation": this is a securitisation of trade receivables claimed by companies from the Public Administration with a nominal value of Euro 181 million. The transaction started in the first half of 2022 and the purchase period is scheduled to run until June 2025. The Bank participates as a *Senior Noteholder*. The note value as at 31/12/2022 is EUR 25.2 million; With regard to the economic aspects, the security involved the recognition of interest income of Euro 408 thousand;
• Easy Bonus securitisation: this is a *multi-originator* securitisation with a nominal value of EUR 25 million. The transaction concerns the assignment of tax credits deriving from energy efficiency and building rehabilitation interventions to be used as offsets pursuant to Article 17 of Legislative Decree No. 241/97. The Bank subscribed for 65% of the senior bond issued.
As at 31/12/2022, the security was recorded in the balance sheet at a value of Euro 5.8 million, while the interest margin contribution amounted to approximately Euro 214 thousand.
• "IDOL SPV" securitisation: this is a multi-originator securitisation with a nominal value of EUR 40 million. The transaction concerns the assignment of trade invoices issued to Italian SMEs traded on different *invoice trading* platforms. The Bank subscribed to the entire note issued in June 2022. As at 31 December 2022, the security had a value of Euro 12.6 million, while on the economic side, the security resulted in the recognition of active interests of Euro 128 thousand.
• P2P LendIT and P2P LendIT II securitisations: these are third-party securitisations and in particular transactions completed by Prestiamoci S.p.A *(originator*). Securitisations concern non-performing personal loans. The first transaction concluded the contractually agreed purchase period. The Bank subscribed part of the Senior tranche and as at 31 December 2022 the security held amounted to Euro 3.2 million whereas, with regard to the economic aspects, it contributed to the interest margin by Euro 137 thousand. The second transaction was launched in November 2020 and

as at 31 December 2022, the senior security held amounted to Euro 9.1 million. Coupon interest of about Euro 206 thousand was recognised on the security. Prestiamoci S.p.A. maintains a net economic interest in the transactions as it is the subscriber of the Junior share;

- "Polluce SPE - Series I" and "Polluce - Series III" securitisation: the sub-funds of the Polluce SPE vehicle both relate to securitisations of trade receivables claimed by companies from the public administration. The "Polluce - Series I" transaction is a securitisation with a nominal value of EUR 100 million. The Bank participates as *Senior Noteholder* by subscribing 100% of the senior tranches. As at 31 December 2022 the security held amounted to Euro 5 million. With regard to the economic aspects, the security involved the recognition of interest income of Euro 410 thousand. The "Polluce - Series III" transaction is a securitisation originated in December 2022 with a nominal value of EUR 120 million. The Bank participates as *Senior Noteholder* by subscribing 100% of the senior tranches. As at 31 December 2022 the security held amounted to Euro 21.1 million. With regard to the economic aspects, the security involved the recognition of interest income of Euro 42 thousand;
- "SHIVA SPV" securitisation: this is a third-party securitisation with a nominal value of EUR 55 million concerning *performing* loans to SMEs backed by a guarantee from the Central Guarantee Fund 662/96. Mortgages are originated through Opyn's *fintech* platform. The *originator* maintains a net economic interest by underwriting an exposure covering first losses of not less than 5 % pursuant to Art. 6 par. 3(d) of Regulation 2402/2017. The purchase period runs until December 2023. The Bank subscribed for 100% of the Senior Note. As at 31/12/2022, the securities on the balance sheet had a total value of EUR 2.1 million;
- "Vittoria SPE – Serie II" securitisation: this is a securitisation of trade receivables claimed by companies from the Public Administration with a nominal value of Euro 143 million. The transaction ended the purchase period in June 2022. The Bank participates as *Senior Noteholder* by subscribing 50% of the senior tranches for a value of Euro 18.4 million as at 31 December 2022. With regard to the economic aspects, the security involved the recognition of interest income of Euro 1.1 million;
- Eridano III securitisation: third-party securitisation originated by Vivibanca S.p.A. The securitisation relates to non-impaired CQSP loans (all of which are backed by guarantees) and for both the *originator* retains a net economic interest in the transaction of at least 5%, realised through the so-called vertical slice pursuant to Art. 6 par. 3(a) of Regulation 2402/2017.

Operation Eridano II completed its *ramp-up* period in May 2020. The Mezzanine tranche held by the Bank has a value of Euro 17.6 million. With regard to the economic aspects, the security involved the recognition of interest income of Euro 504 thousand;

- Kripton securitisation: this is a third-party securitisation with a nominal value of EUR 230 million concerning *performing* loans to SMEs backed by a guarantee from the Central Guarantee Fund 662/96. Mortgages are originated through Opyn's *fintech* platform. The *originator* maintains a net economic interest by underwriting an exposure covering first losses of not less than 5 % pursuant to Art. 6 par. 3(d) of Regulation 2402/2017. The transaction ended its *ramp-up* period in September 2022 and is currently being amortised. As at 31 December 2022, the Bank held part of the Mezzanine security with a book value of EUR 11.4 million. On the economic side, the securitisation transaction contributed about Euro 707 thousand to the interest margin.

Luzzatti POP NPLS 2021 securitisation

As part of its derisking strategies, in December 2021, the Bank participated in a multi-originator securitisation of non-performing loans, disposing of positions thus classified for EUR 9.3 million gross. 12 banks participated in the transaction, contributing loans with a total gross value of EUR 789.2 million. The portfolio consists of 53.7% of credit lines secured by first-rank mortgages and the remaining 46.3% of credit lines secured by senior or *unsecured* mortgages.

The payment of the purchase price by the SPV, specifically set up pursuant to Law 130 of 30 April 1999, called 'POP NPLs 2021 Srl' was financed through the issue of asset-backed securities as follows:

- a Senior tranche for € 191 million, with an *investment grade* rating (BBB assigned by DBRS Morningstar and ARC Rating) consistent with the requirements of the regulations on the issuance of the government guarantee (GACS) by the Ministry of the Economy and Finance, pursuant to Legislative Decree 18/2016, for which the formal procedure has been initiated. These securities bear a yield equal to 6-month EURIBOR plus an annual spread of 0.25% with a 0% floor;
- a Mezzanine tranche for EUR 25 million, with a yield equal to 6 month EURIBOR plus an annual spread of 12% with 0% floor;
- a Junior tranche for EUR 10 million, with yield equal to any variable yield depending on the performance of the securitisation.

Originator	Banca Valsabbina S.c.p.A. and 11 other banks
Arrangers and Lead Managers	JP Morgan AG and Banca Akros S.p.A.
Master and Corporate Servicer	Zenith Service S.p.A.
Special Servicer	Do Value S.p.A.
Back Up Servicer	Centrotrenta Servicing S.p.A.
Representative of the Noteholders	Centotrenta Servicing S.p.A.
Calculation Agent	Zenith Service S.p.A.
Monitoring Agent	Zenith Service S.p.A.
Account Bank	BNP Paribas Securities Services
Paying Agent	BNP Paribas Securities Services
Cash manager	BNP Paribas Securities Services

On 23 December 2021, when the securities were issued, the ceding banks subscribed for 100% of the Senior Notes and in application of the *retention rule*, each of the ceding banks retained a share of no less than 5% of the Mezzanine and Junior tranches. The remainder of the Mezzanine and Junior securities were underwritten by the Lead Managers of the transaction.
The senior securities subscribed are classified in the portfolio of 'Financial assets measured at amortised cost' for a nominal amount of EUR 1.871 million.
Mezzanine and Junior securities, on the other hand, were recorded in the portfolio 'Financial assets at fair value through profit or loss'. In particular, Mezzanine securities were subscribed for a nominal value of Euro 12 thousand (*fair* value of approximately Euro 1.8 thousand) and Junior securities for a nominal value of Euro 5 thousand (negligible *fair* value).

In accordance with the provisions of IFRS 9, as a result of the settlement of the sale of 95% of the Mezzanine and Junior Notes, the conditions for the derecognition from the financial statements of the transferred non-performing loans were fulfilled, as the rights and benefits relating thereto were substantially transferred.
The differential between the gross value of the loans recorded in the balance sheet at the time of the sale (EUR 9.3 million) and the sale price of EUR 1.9 million therefore amounted to EUR 7.4 million, a differential recorded by the Bank in the income statement over time.
As part of this transaction, at the date of issue of the securities, the Banks provided the vehicle with a limited recourse loan of Euro 8 million to set up the Cash Reserve and Expense Reserves. The

Bank's share amounted to approximately EUR 79 thousand and will be repaid from the liquidity available to the vehicle and in accordance with the priority order of payments.

BCC NPLs 2022 securitisation

In May 2022, the Bank participated in a multi-originator securitisation of non-performing loans, selling positions so classified for EUR 9.6 million gross. 71 banks participated in the transaction, contributing loans with a total gross value of EUR 650.0 million. The portfolio consisted of 48.9% of credit lines secured by first-rank mortgages, 12.8% of credit lines secured by mortgages senior to first-rank mortgages and the remaining 38.2% of *unsecured* credit lines.
The payment of the purchase price by the SPV, specifically set up pursuant to Law 130 of 30 April 1999, called "POP NPLs 2022 S.r.l." was financed through the issue of asset-backed securities as follows:

- a Senior tranche for €142 million, with an *investment grade* Baa1(sf) rating assigned by Moody's and a BBB(sf) rating assigned by ARC Rating) consistent with the requirements of the regulations on the issuance of the government guarantee (GACS) by the Ministry of the Economy and Finance, pursuant to Decree-Law 18/2016, for which the formal procedure has been initiated. These securities bear a yield equal to 6-month EURIBOR with a periodic cap plus an annual spread of 0.50 per cent;
- a Mezzanine tranche for EUR 19.5 million, with a yield equal to 6-month EURIBOR plus a periodic cap of an annual spread of 9.50%;
- a Junior tranche for EUR 6.5 million, with yield equal to 15% and any variable yield depending on the performance of the securitisation.

Originator	Banca Valsabbina S.c.p.A. and 70 other banks
Arranger e Lead Managers	Iccrea Banca and Intesa Sanpaolo
Master Servicer	doNext S.p.a.
Corporate Servicer	Banca Finint
Special Servicer	doValue S.p.A.
Back Up Servicer	Banca Finint
Representative of the Noteholders	Banca Finanziaria Internazionale S.p.a.
Calculation Agent	Banca Finint
Monitoring Agent	Zenith Service S.p.A.
Account Bank e Agent Bank	BNP Paribas Securities Services, Milan Branch
Paying Agent	BNP Paribas Securities Services, Milan Branch
Cash manager	BNP Paribas Securities Services, Milan Branch
Cap Counterparty	Banco Santander S.a.

On 10 May 2022, when the securities were issued, the ceding banks subscribed for 100% of the Senior Notes and in application of the *retention rule*, each of the ceding banks retained a share of no less

than 5% of the Mezzanine and Junior tranches. The remainder of the Mezzanine and Junior securities were underwritten by the Lead Managers of the transaction.
The senior securities subscribed are classified in the portfolio of 'Financial assets measured at amortised cost' for a nominal amount of EUR 3.8 million.
Mezzanine and Junior securities, on the other hand, were recorded in the portfolio 'Financial assets at fair value through profit or loss'. In particular, Mezzanine securities were subscribed for a nominal value of Euro 25.9 thousand (*fair* value of approximately Euro 7 thousand) and Junior securities for a nominal value of Euro 8.6 thousand (negligible *fair* value).

In accordance with the provisions of IFRS 9, as a result of the settlement of the sale of 95% of the Mezzanine and Junior Notes, the conditions for the derecognition from the financial statements of the transferred non-performing loans were fulfilled, as the rights and benefits relating thereto were substantially transferred.
The differential between the gross value of the loans recorded in the balance sheet at the time of the sale (EUR 9.6 million) and the sale price of EUR 3.8 million therefore amounted to EUR 5.8 million, a differential recorded by the Bank in the income statement over time.
As part of this transaction, on the date the securities were issued, Banca Valsabbina disbursed to the vehicle company a limited-recourse loan of Euro 122,000 intended, together with other loans disbursed by the other participating banks, to set up the Cash Reserve and Expense Reserves.

We also report the main characteristics pertaining to the various "*monotranche*" transactions whose securities were subscribed to by the Bank, recalling that these transactions do not comply with the characteristics identified by Regulation 2017/2402 for its applicability, as the subordination of the segments is deemed necessary by it. For prudential purposes, the transactions are not recognised as a securitisation position.

- "IFRIT SPV" securitisation: this is a *single-tranche* securitisation with a nominal value of EUR 150 million. The transaction concerns the assignment of *performing* loans to SMEs backed by a guarantee from the Central Guarantee Fund 662/96. Mortgages are originated through Opyn's *fintech* platform. The Bank subscribed to the entire note issued in December 2021. As at 31 December 2022, the security had a value of Euro 64.6 million, while on the economic side, the security resulted in the recognition of active interests of Euro 954 thousand.
- Invoice BE Tech securitisation: this is a *single-originator multi-originator* securitisation with a nominal value of EUR 150 million. The transaction concerns the assignment of trade invoices issued to Italian SMEs traded on the platform operated by the *fintech* Credit Service S.p.A. The Bank subscribed to the entire note issued in December 2021. As at 31 December 2022, the security had a value of Euro 16.3 million, while on the economic side, the security resulted in the recognition of active interests of Euro 202 thousand.
- “Valsabbina Investimenti” securitisation: this is a "*mono-tranche*" securitisation of trade receivables claimed by companies from the Public Administration, which began in 2016. The "partly paid" note issued for a nominal value of Euro 500 million was fully subscribed by the Bank. As at 31 December 2022 the security held amounted to Euro 55.3 million. With regard to the economic aspects, the security involved the recognition of interest income of Euro 1,135 thousand.

Quantitative information

C.1 Exposures originating from the main "own" securitisations with breakdown by securitised asset type and exposure type

Type of assets securitised/Exposures	**On-balance sheet exposures**						**Guarantees given**						**Credit lines**					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of	Net exposure	Impair. losses/Rev. of	Net exposure	Impair. losses/Rev. of impair. losses	Net exposure	Impair. losses/Rev. of	Net exposure	Impair. losses/Rev. of	Net exposure	Impair. losses/Rev. of impair. losses	Net exposure	Impair. losses/Rev. of
A. FULLY DERECOGNISED	7,335	(29)	3,469	-	252	-	-	-	-	-	-	-	-	-	-	-	-	-
B. PARTIALLY DERECOGNISED	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. NOT DERECOGNISED	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Exposures originating from the main third-party securitisations with breakdown by securitised asset type and exposure type

ISIN	Security	Type of assets securitised/Exposures	On-balance sheet exposures						Guarantees given					Credit lines					
			Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	Senior		Mezzanine		Junior	
			Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses	Book value	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses	Book value	Impair. losses/Rev. of impair. losses
IT0005474389	IFRIT SPV*	SME loans	64,817	(203)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005204422	VALSABBINA INVESTIMENTI*	PA loans	55,334	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005493538	CLOUD SPV M1	SME loans	-	-	25,750	(291)	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005497828	DERVIO SECURITISATION	PA loans	24,901	(368)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005421000	AUXILIO SPV	SME loans	23,931	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005523730	POLLUCE SPE - SERIE III	PA loans	21,394	(316)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005473415	INVOICE BE TECH*	Trade receivables	21,061	(4,712)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005493520	CLOUD SPV	SME loans	19,460	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005377723	VITTORIA SPE	PA loans	18,654	(276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005452237	ERIDANO III	Trade receivables	-	-	17,840	(264)	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005498990	IDOL SPV	Trade receivables	12,788	(190)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005442451	KRIPTON SPE	SME loans	-	-	11,479	(66)	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005426314	P2P LENDIT II	Personal loans	8,133	(120)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005513913	P2P LENDIT II	Personal loans	412	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005521114	P2P LENDIT II	Personal loans	411	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005525818	P2P LENDIT II	Personal loans	310	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005427833	VALSABBINA SME PLATFORM	SME loans	-	-	7,364	(29)	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005458788	EASYBONUS SPV	Tax Credits	5,872	(87)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005493546	CLOUD SPV M2	SME loans	-	-	5,088	(57)	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005350456	POLLUCE SPE - SERIE I	PA loans	5,074	(75)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005494403	BCC NPLS 2022	Non-performing loans	3,788	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

IT0005427825	VALSABBINA SME PLATFORM	SME loans	3,469	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005349193	P2P LENDIT I	Personal loans	3,197	(47)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005521387	SHIVA SPV	SME loans	2,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005424319	VIVERACQUA HYDROBOND*	Minibond	2,007	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005479461	POP NLPS 2021	Non-performing loans	1,555	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005316697	EBB*	Minibond	1,253	(19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005367849	EBB EXPORT*	Minibond	776	(11)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005427841	VALSABBINA SME PLATFORM	SME loans	-	-	-	-	247	-	-	-	-	-	-	-	-	-	-	-	-
IT0005497935	DERVIO SECURITISATION	PA loans	234	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005497919	DERVIO SECURITISATION	PA loans	234	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005497927	DERVIO SECURITISATION	PA loans	234	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005429797	2R PLUS SPV	Non-performing loans	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005494411	BCC NPLS 2022	Non-performing loans	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-
IT0005427858	VALSABBINA SME PLATFORM	SME loans	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-
IT0005479479	POP NLPS 2021	Non-performing loans	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0005494429	BCC NPLS 2022	Non-performing loans	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
IT0005479487	POP NLPS 2021	Non-performing loans	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-
			301,409	**(6,499)**	**67,523**	**(707)**	**260**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* securities are *monotrache*

C.3 Special purpose vehicle for securitisation

Securitisation/special purpose vehicle name	Registered office	Consolidation	Main assets - nominal value			Liabilities - Securities*		
			Receivables	Debt securities	Others	Senior	Mezzanine	Junior
Valsabbina Investimenti S.r.l.	Via Vittorio Alfieri,1 - 31015 Conegliano (TV)	No	62,745	-	-	55,334	-	-
Vittoria SPE S.r.l.	Via San Prospero, 4 - 20121 Milan	No	64,132	-	-	37,226	7,080	35,204
Dervio Securitisation S.r.l.	Lungotevere Flaminio, 18 - 00196 Roma	No	24,217			27,460	-	11,769
Polluce SPE S.r.l. (Series I)	Via San Prospero, 4 - 20121 Milan	No	243,919	-	-	5,064	-	17,093
Polluce SPE S.r.l. (Series III)	Via San Prospero, 4 - 20121 Milan	No	44,592	-	-	21,352	-	7,107
Eridano III SPV S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	222,196	-		212,397	37,448	22,693
P2P Lendit S.r.l. (Series I)	Via degli Olivetani, 10/12 - 20123 Milan	No	7,615	-	-	5,595	-	2,163
P2P Lendit S.r.l. (Series II)	Via degli Olivetani, 10/12 - 20123 Milan	No	33,400	-	-	23,120	7,480	3,400
2R Plus SPV S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	151,408	-	-	10	-	3,019
Luzzati NPLs 2021 S.r.l.	Via Vittorio Betteloni, 2- 20131 Milan	No	783,953	-	-	158,666	25,000	10,000
BCC NPLs 20222 S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	644,474			142,000	19,500	6,500
Auxilio SPV S.r.l.	Via San Prospero, 4 - 20121 Milan	No	77,063	-	-	61,722	-	18,389
Valsabbina SME Platform SPV S.r.l.	Via San Prospero, 4 - 20121 Milan	No	86,290	-	-	69,362	14,723	10,029
Kripton SPE S.r.l.	Via San Prospero, 4 - 20121 Milan	No	183,874	-	-	156,227	12,075	19,564
Easy Bonus SPV S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	-	-	15,560	9,000	-	900
Invoice BE-Tech SPV S.r.l.	Via San Prospero, 4 - 20121 Milan	No	19,862	-	-	21,055	-	-
IFRIT SPV S.r.l.	Via San Prospero, 4 - 20121 Milan	No	62,748	-	-	62,544	-	-
Idol SPV S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	14,914	-	-	12,786	-	1,761
Cloud SPV S.r.l.	Via San Prospero, 4 - 20121 Milan	No	289,937	-	-	230,136	45,200	14,384
Shiva SPV S.r.l.	Via San Prospero, 4 - 20121 Milan	No	2,618	-	-	2,094	-	943
EBB S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	-	76,347	18,300	76,347	-	-
EBB Export S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	-	32,298	-	32,298	-	-
Viveracqua Hydrobond 2020 S.r.l.	Via Vittorio Alfieri, - 31015 Conegliano (TV)	No	-	50,000	7,500	50,000	-	-

*valsabbina Investimenti, both EBBs, Viveracqua, Invoice BE-Tech and IFRIT SPV are'*mono-tranche*' securities

C.5 Servicer activity - own securitisations: collections of securitised loans and redemptions of securities issued by the special purpose vehicle for securitisation

Special purpose vehicle	Securitised assets (end-of-period data)		Loan collections during the year		Percentage of redeemed securities (end-of-period)					
					senior		mezzanine		junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
SME PLATFORM	4,075	86,390	1,493	17,965	-	46.28%	-	41.11%	-	41.64%

Collections of EUR 19.5 million were realised during the year.

D. Information on structured entities not consolidated for accounting purposes (other than special purpose vehicles for securitisation)

Qualitative information
Quantitative information

The section is not drawn up because the Bank does not use structured entities not consolidated for accounting purposes other than special purpose vehicles for securitisation.

E. Disposal Transactions

A. Financial assets sold but not fully derecognised

Qualitative information
Quantitative information

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

	Financial assets transferred recognised in full				**Associated financial liabilities**		
	Book value	**of which: subject matter of securitisation transactions**	**of which: subject matter of reverse repurchase agreements**	**of which impaired**	**Book value**	**of which: subject matter of securitisation transactions**	**of which: subject matter of reverse repurchase agreements**
A. Financial assets held for trading	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
4. Derivatives	-	-	-	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**66,750**	**-**	**66,750**	**-**	**(68,187)**	**-**	**(68,187)**
1. Debt securities	66,750	-	66,750		(68,187)	-	(68,187)
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**260,393**	**-**	**260,393**	**-**	**(245,167)**	**-**	**(245,167)**
1. Debt securities	260,393	-	260,393	-	(245,167)	-	(245,167)
2. Loans	-	-	-	-	-	-	-
Total 31-12-2022	**327,143**	**-**	**327,143**	**-**	**(313,354)**	**-**	**(313,354)**
Total 31-12-2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B. Financial assets sold and fully derecognised with recognition of continuing involvement

As at 31 December 2022, the Bank had no such transactions in place.

C. Financial assets sold and fully derecognised

During the 2020 financial year, the Bank finalised the "Valsabbina SME Platform" transaction, for which disposals also took place in 2022 and which is better described in section C "Securitisation Transactions" above.

In May 2022, the "BCC NPLS 2022" transaction was concluded, in which 71 banks contributed gross NPL loans totalling EUR 650 million, receiving ABS securities as counterpart. In the transaction, the Bank contributed a portfolio of 44 positions classified as non-performing, with a gross book value (GBV) of € 9.6 million (net credit of € 4.5 million) for a price of € 3.8 million, paid through the assignment to the institution of ABS securities issued by the securitisation vehicle called "BCC NPLs 2022 S.r.l.". The transaction is better described in Section C "Securitisation Transactions" above.

The second half of the year saw the finalisation of two transactions involving the sale of non-performing loans to funds managed by Illimity SGR, funds called IREC and ICCT. The disposals involved eight positions, of which four non-performing loans and four UTPs, for a GBV of EUR 10.3 million at a price of EUR 5.9 million; price paid through the allocation of UCITS units.

With regard to the programme for the assignment of impaired loans implemented as of the financial year 2020, we provide below a summary of the type and values of the transferred receivables, for which we received ABS securities or OICR fund units.

Transaction name (amounts euro/million)	**Type of receivables assigned**	**Receivables assigned gross value**	**Receivables assigned net value***	**Nominal Value Securities Received***	**Refunds on securities**	**Residual nominal value of security before valuation**	**Minus/plus Valuation (including liquidity discount)**	**Balance sheet value of securities**
Efesto Fund 2020/2021	UTP	41.2	16.2	15.5	2.4	13.1	(0.4)	12.7
Luzzati POP NPLs Gacs 2021	Bad loans	9.3	3.3	1.9	0.3	1.6	-	1.6
Eleuteria Fund 2021	UTP	2.3	1.0	1.1	-	1.1	-	1.1
BCC NPLs Gacs 2022	Bad loans	9.6	4.5	3.8	-	3.8	-	3.8
Illimity ICCT 2022 Fund	Bad loans	3.4	3.4	3.0	0.1	2.9	-	2.9
Illimity IREC 2022 Fund	UTP/Non-performing loans	6.9	2.9	2.9	-	2.9	-	2.9

Total		**72.7**	**31.3**	**28.2**	**2.8**	**25.4**	**(0.4)**	**25.0**

It should be noted that the differential between the value of the "Net Assigned Receivables" and the "Nominal Value of Securities" received is equal to the loss recognised in the income statement at the time of the assignment.

D. Covered Bond Transactions

As at 31 December 2022, the Bank had no such transactions in place.

F. Models for the measurement of credit risk

The models and the procedures aimed at classifying the customers in risk classes are used, as previously mentioned, for a more accurate management of the credit risk.
These models are not used at present for the purposes of calculating the capital ratios, since, for such purposes, the Bank uses the standardised method.

Section 2 - Market risk
2.1 Interest rate risk and price risk - regulatory trading book

Qualitative information

A. General aspects

For the purpose of drawing up this section, just the financial instruments included in the "regulatory trading book" were taken into consideration, as defined in the regulations relating to the regulatory reports on market risks.
The investment activity in securities is carried out alternately with a view to receiving only the contractual cash flows, in a "held to collect" (HTC) business model logic, or with a joint view to collecting contractual cash flows and any capital gains from disposal, in a "held to collect and sell" business model logic.
The securities transactions involving the trading portfolio during the year were absolutely marginal and concerned a portfolio of small amounts and for limited periods of time.

In the course of 2022, the Bank has continued trading loans acquired from customers and derived from tax benefits, in excess of its ordinary offsetting capacity. The risks associated with this trading activity, generated by the absence of a structured secondary market for the related assets and the possible volatility of the fair value defined by specialised traders, was mitigated through the prior signing of special sale contracts, with the preliminary definition of sale prices.

The Bank has also structured a robust process for the prior evaluation of potentially purchasable loans, creating a specialised structure that also draws on the support of external professionals.

B. Management processes and methods for interest rate and price risk measurement

The internal regulations establish the operating limits (in terms of consistency of the portfolio and composition by type of securities) both with regard to exposure to rate risk (in terms of financial duration) and credit risk (in terms of rating and counterparties).

In consideration of the non-significance of the trading book, the measurement of interest rate risk and price risk was carried out solely on the banking book.

Quantitative information

1. ***Regulatory trading book: distribution by residual maturity (by re-pricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Currency: EURO***

Type/Residual duration	on demand	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	unspecified maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**303**	**6**	**7**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	303	6	7	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	303	6	7	-	-	-	-
+ long positions	-	8,166	885	1,037	-	-	-	-
+ short positions	-	7,863	879	1,030	-	-	-	-

1. ***Regulatory trading book: distribution by residual maturity (by re-pricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Currency: OTHER CURRENCIES***

Type/Residual duration	on demand	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	unspecified maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(248)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(248)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(248)	-	-	-	-	-	-
+ long positions	-	7,624	869	1,019	-	-	-	-
+ short positions	-	7,872	869	1,019	-	-	-	-

2. Regulatory trading book: distribution of exposures in equity securities and share indices for the main countries in the listing market

Type of Transactions/Listing Index	Listed		Unlisted
	Italy	Others	
A. Equities	88	-	-
- long positions	88	-	-
- short positions	-	-	-
B. Purchases/sales not yet settled on equities	-	-	-
- long positions	-	-	-
- short positions	-	-	-
C. Other derivatives on equities	-	-	-
- long positions	-	-	-
- short positions	-	-	-
D. Derivatives on shares indexes	-	-	-
- long positions	-	-	-
- short positions	-	-	-

3. Regulatory trading book: internal models and other sensitivity analysis methods

The methods for analysing the sensitivity are applied to the banking book.

2.2 Interest rate risk and price risk - banking book

Qualitative information

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

Interest rate risk is generated by the maturity mismatch (repricing) of asset and liability items belonging to the banking book and is generated by all financial instruments, assets and liabilities, with the exception of those included in the trading book within the meaning of the supervisory regulations in Section 2.1.

General Management is responsible for the interpretation of the guidelines for the management of the banking book, on a consistent basis with the strategic policies defined by the Board of Directors and the monitoring of the trend in its management.

The Business Division proposes to General Management any operations for the management and mitigation of the interest rate risk of the banking book.

The mitigation of the interest rate risk is pursued by means of the integrated management of the bank assets and liabilities and is aimed at stabilising the net interest income and safeguarding the economic value of the bank book.

In particular, the management of the bond portfolio is oriented towards a business model aimed at collecting contractual cash flows (Held to collect) or collecting them together with the realisation of capital gains from the sale of financial instruments (Held to collect and sell).

The measurement of the interest rate risk is carried out by the Risk Management, Planning and Control Service. The assessment takes place on a monthly basis; in particular, for each sensitive item identified in the time period chosen for the analysis, account is taken of the specific repricing methods.

The ERMAS procedure makes it possible to monitor all the Bank's activities associated with the transformation of the maturities of the balance sheet assets and liabilities and to quantify the equity and income statement effects, induced by hypothetical shocks of the market rates. Said shocks are processed as part of macro-economic scenarios, or rather theoretic shifts of the market rate curves.

By means of the use of the ERMAS application it is possible to analyse the impact that unexpected changes in the external market conditions have on the Bank's profitability, also offering the possibility of estimating the change in the expected net interest income and the business value of assets, based on the monthly balance sheet data.

For the purpose of measuring the variability of the net interest income, determined by positive and negative changes in the rates over a time period of 365 days, the differences between asset and liability items of the financial statements are monitored, grouped according to the maturity or rate redefinition date. The method used is "gap analysis, through several approaches that allow to reach increasingly accurate estimates. The techniques for the operational measurement of the rate risk are constantly implemented by the Risk Management, Planning & Control Service.

In detail, in the measurement for operational purposes of the rate risk, the behavioural model created for the on-demand funding and lending items is used.

The measurement of the sensitivity of the economic value of assets and liabilities of the Bank to changes in interest rates is carried out through the "Duration Gap" and "Sensitivity Analysis".

With regard to the quantification of the price risk with reference to the securities belonging to the Bank, a model is used based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific time horizon and a specific level of confidence in normal market conditions. For the calculation of the VaR, the Risk Management, Planning and Control Service uses the ERMAS application The financial information needed to determine the V.a.R. (volatility, correlations, interest rate term structure, exchange rates, equity indices and benchmark indices) are provided by the Risk Size product. The VaR model adopted is parametric and it prudentially uses a confidence interval of 99% and a time period of 10 days. The measurement of the VAR takes place by taking into consideration the link that exists between the individual instrument and the related risk factor.
The Risk Management, Planning and Control Service calculates the V.a.R. separately on a daily basis for the securities portfolio managed internally by the Financial Sector of the Bank and for the portfolio assigned under management to two external operators.
Backtesting analysis has also been prepared (or rather an accurate comparison of the V.A.R. portfolio with the daily changes in the banking book), aimed at checking the reliability of the VaR model in envisaging the quantification of (any) loss on the trading book. The calculation method adopted envisages that the theoretical losses/gains registered during the day are compared with the VaR of the previous day. The theoretical losses/gains are determined by revaluing the "t" time of the day end positions at "t-1" (hypothesising that the positions remain unchanged).
According to the "backtesting" analysis carried out in 2022, VaR was exceeded in six cases, calculated for the securities portfolio managed internally, whereas with reference to portfolios under management to external operators, there was only one case of overrunning. The overshooting of risk measurements coincided with tense moments in the financial markets mainly due to the outbreak of war in Ukraine and the ECB's announcements of tighter monetary policy.

For the quantification of price risk, stock market prices (for listed securities) are constantly monitored. For securities not listed on regulated markets, specific measurements are made based on transactions that may have taken place during the year on the same or comparable instruments, or using alternative measurement models, which consider data from different sources. The policies pertaining to the methods for measuring the financial instruments in the portfolio are defined in the document entitled "Fair value policy".

The duration of the owned securities portfolio as at 31 December 2022, net of external management, was 3.05 years.

Quantitative information

1. Banking book: distribution by residual maturity (by re-pricing date) of financial assets and liabilities - Currency: EURO

Type/Residual duration	on demand	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	Unspecified maturity
1. On-balance sheet assets	**1,712,833**	**1,853,731**	**836,880**	**70,709**	**1,029,389**	**462,556**	**355,798**	-
1.1 Debt securities	5,750	372,516	684,062	3,703	680,943	302,810	155,080	-
- with early repayment option	269	178,449	2,544	1,310	38,102	18,255	43,137	-
- other	5,481	194,067	681,518	2,393	642,841	284,555	111,943	-
1.2 Loans to banks	148,906	64,802	-	-	-	-	-	-
1.3 Loans to customers	1,558,177	1,416,413	152,818	67,006	348,446	159,746	200,718	-
- Current account	423,617	54	168	467	4,647	325	-	-
- other loans	1,134,560	1,416,359	152,650	66,539	343,799	159,421	200,718	-

- with early repayment option	925,775	1,238,327	149,927	66,245	340,269	146,058	195,245	-
- other	208,785	178,032	2,723	294	3,530	13,363	5,473	-
2. On-balance sheet liabilities	**3,658,603**	**571,492**	**637,999**	**512,343**	**1,086,507**	**10,731**	**187**	**-**
2.1 Due to customers	3,657,982	292,756	181,837	207,027	447,357	536	187	-
- Current account	3,637,701	224,254	181,439	206,255	443,780	-	-	-
- other payables	20,281	68,502	398	772	3,577	536	187	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	20,281	68,502	398	772	3,577	536	187	-
2.2 Due to banks	309	269,168	450,775	284,996	576,745	-	-	-
- Current account	309	-	-	-	-	-	-	-
- other payables	-	269,168	450,775	284,996	576,745	-	-	-
2.3 Debt securities	10	9,568	5,387	20,320	62,405	10,195	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	10	9,568	5,387	20,320	62,405	10,195	-	-
2.4 Other liabilities	302	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	302	-	-	-	-	-	-	-
3. Financial derivatives	**(90,763)**	**(88,092)**	**(2,463)**	**9,067**	**106,832**	**41,664**	**24,670**	**-**
3.1 With underlying security	-	(82)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(82)	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	82	-	-	-	-	-	-
3.2 Without underlying security	(90,763)	(88,010)	(2,463)	9,067	106,832	41,664	24,670	-
- Options	(90,763)	(89,007)	(2,463)	9,067	106,832	41,664	24,670	-
+ long positions	-	1,741	3,619	9,104	106,832	41,664	24,670	-
+ short positions	90,763	90,748	6,082	37	-	-	-	-
- Other derivatives	-	997	-	-	-	-	-	-
+ long positions	-	997	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**(56,836)**	**56,836**	**-**	**-**	-	-	-	-
+ long positions	68,778	56,836	-	-	-	-	-	-
+ short positions	125,614	-	-	-	-	-	-	-

1. Banking book: distribution by residual maturity (by re-pricing date) of financial assets and liabilities - Currency: OTHER CURRENCIES

Type/Residual duration	on demand	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	Unspecified maturity
1. On-balance sheet assets	**8,422**	**2,360**	**639**	**-**	**2,505**	**1,343**	**-**	**-**
1.1 Debt securities	-	615	-	-	2,505	1,343	-	-
- with early repayment option	-	-	-	-		-	-	-
- other	-	615	-	-	2,505	1,343	-	-
1.2 Loans to banks	7,979	-	-	-	-	-	-	-
1.3 Loans to customers	443	1,745	639	-	-	-	-	-
- Current account	369			-	-	-	-	-
- other loans	74	1,745	639	-	-	-	-	-
- with early repayment option	74	1,745	639	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

2. On-balance sheet liabilities	**9,668**	-	-	-	-	-	-	-
2.1 Due to customers	9,668	-	-	-	-	-	-	-
- Current account	9,668	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- Current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**(990)**	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(990)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(990)	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	990	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The valuation of the long and short positions shown in the financial derivatives is mainly attributable to the loan relationships with the customers that contractually envisage the acknowledgement of an index-linked interest rate with a minimum and/or maximum threshold (floor and cap).

2. Banking book: internal models and other sensitivity analysis methods

The measurement of the interest rate risk according to the second pillar is first of all carried out on the basis of the standard algorithms set out in the 32nd update of Bank of Italy Circular No. 285 of 2013, distinguishing the calculation in terms of changes in economic value (annexe C) and in terms of changes in net interest income (annexe C-bis). For the purpose of measuring interest rate risk, the Bank takes into account specific behavioural models defined and updated with the help of a leading consulting firm, in order to more consistently quantify the sensitivity of on-demand items to changes in market rates.

During the year, the Bank has always maintained the risk ratio at a level lower than the warning thresholds established by the regulations in force, equal to 20% of Own Funds for the +/- 200 bps shock and 15% of Tier 1 Capital for the other scenario analyses. In particular, as at 31 December

2022, the bank would not suffer any reduction in the economic value of its banking portfolio with respect to the interest rate reduction scenario to the extent of -200 bps. On the other hand, the economic value of the banking portfolio in the +200 bps rate increase scenario would be reduced by 1.02% of equity. The change in the economic value of the banking book was also calculated against non-parallel shifts in the interest rate curve, also based on the risk scenarios provided for in the guidelines issued by the European Banking Authority (EBA). Applying these interest rate stress assumptions, the Bank would be exposed to interest rate risk in the "short rate shock down", "steepener" and "99th percentile upside scenario", which would result in a change in the economic value of the banking book of 4.56% and 2.82% of Common Equity Tier 1 capital (Cet1) respectively. Therefore, on 31 December 2022 the negative change in the value of the banking book, even in the most adverse scenarios, would in any case be lower than the warning thresholds defined by the Supervisory Authorities and mentioned above.
With reference to the analyses carried out in terms of changes in net interest income, applying the parallel shocks +/-200 bps, the Bank would be exposed to the stress assumption -200 bps that would result in a reduction in net interest income compared to Own Funds of 3.01%.
The measurement of the interest rate risk carried out also for internal management purposes on a monthly basis by using the ERMAS procedure that allows to quantify, on each asset and liability item, the effects, both on the net value of the banking book and on the expected net interest income, resulting from hypothetical shocks in market rates.

2.3 Exchange-rate risk

Qualitative information

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

The Bank is exposed to the exchange-rate risk to a marginal extent, since it is always focused on the daily break-even of the currency positions, which is obtained by considering both the spot positions and the forward ones. The forward transactions, recorded under trading derivatives and financial trading liabilities, offset the specific request of the customer and without taking any risk positions.
The exchange-rate risk is managed by means of operating limits, intraday and day end; furthermore, the internal regulations establish stop loss operating limits both on single positions and on the overall position assumed by the Bank.
The exchange rate risk assumed by the Bank during the year mainly arose from investments in securities denominated in currencies other than the Euro within the scope of mandates given to external asset managers, which are in any case subject to specific limits on the assumption of exchange rate risk.

B. Exchange rate risk hedging activities

The primary objective of the Bank is to prudently manage the exchange-rate risk, by hedging properly the transactions carried out directly with customers.

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items	Currencies					
	US dollars	Yen	Swiss francs	Rouble	Sterling	Other currencies
A. Financial assets	**16,851**	**1,097**	**292**	**566**	**201**	**349**
A.1 Debt securities	3,711	-	-	559	193	-
A.2 Equity securities	3,835	252	-	-	-	-
A.3 Loans to banks	7,228	95	292	7	8	349
A.4 Loans to customers	2,077	750	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**156**	**99**	**84**	**-**	**-**	**51**
C. Financial liabilities	**9,270**	**10**	**283**	**-**	**2**	**103**
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	9,270	10	283	-	2	103
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**62**	**--**	**1**	**-**	**-**	**-**
E. Financial derivatives	**(128)**	**(937)**	**(61)**	**-**	**-**	**(111)**

- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	(128)	(937)	(61)	-	-	(111)
+ long positions	9,475	-	-	-	-	38
+ short positions	9,603	937	61	-	-	149
Total assets	**26,482**	**1,196**	**376**	**556**	**201**	**438**
Total liabilities	**18,935**	**947**	**345**	**-**	**2**	**252**
Difference (+/-)	**7,547**	**249**	**31**	**556**	**199**	**186**

2. Internal models and other sensitivity analysis methods

Steps are not taken to analyse the sensitivity of the currency risk because the asset and liability positions, spot and forward, are deemed as balanced.

Section 3 - Derivative instruments and hedging policies

3.1 Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: year-end amounts

Underlying assets/ Type of derivatives	Total 31-12-2022				Total 31-12-2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counter parties	Without central counterparties			Central counter parties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity securities and share indices	-	-	**156**	-	-	-	**43**	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	156	-	-	-	43	-
3. Currencies and gold	-	-	**17,439**	-	-	-	**15,190**	-
a) Options	-	-		-	-	-	-	-
b) Swap	-	-		-	-	-	-	-
c) Forward	-	-	17,439	-	-	-	15,190	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
Total	-	-	**17,595**	-	-	-	**15,233**	-

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

Types of derivatives	**Total 31-12-2022**				**Total 31-12-2021**			
	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 swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	385	-	-	-	102	-
f) Futures	-	-		-	-	-	-	-
g) Others	-	-	156	-	-	-	43	-
Total	**-**	**-**	**541**	**-**	-	-	**145**	-
1. Negative fair value	**-**	**-**	-	**-**			-	
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	317	-	-	-	102	
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**317**	**-**	-	-	**102**	-

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

Underlying assets	Governments and central banks	Banks	Other financial companies	Other parties
Contracts not included in netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indices	-	-	**4**	**308**
- notional amount	-	-	2	154
- positive fair value	-	-	2	154
- negative fair value	-	-	-	-
3) Currencies and gold	-	**10,305**	-	**7,835**
- notional amount	-	9,910	-	7,529
- positive fair value	-	358	-	27
- negative fair value	-	37	-	279
4) Commodities	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts included in netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indices	-	-	-	-
- 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) Others	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC trading derivatives: notional amounts

Underlying assets/Residual life	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and share indices	-	156	-	**156**
A.3 Financial derivatives on currencies and gold	17,439	-	-	**17,439**
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31-12-2022	**17,439**	**156**	-	**17,595**
Total 31-12-2021	**15,194**	**39**	-	**15,233**

Section 4 - Liquidity risk

Qualitative information

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

The management of the liquidity risk is carried out mainly by the Business Division by means of the Financial Sector, with the aim of checking the Bank's ability to efficiently meet any liquidity requirements and avoid finding itself in situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or raise funds at unfavourable rates with respect to market rates.

The overall model adopted by the bank for managing and monitoring the liquidity risk is divided up into three distinct areas according to the reference scope, time horizon and the analysis frequency:
- the management of the intraday liquidity, or rather the management of the daily settlements of the debit and credit positions in the various settlement, payment and clearing systems the Bank takes part in;
- the management of the operating liquidity, or rather the management of the most volatile events that impact the Bank's liquidity position over a period between 1 day and up to 6 months, with the primary objective of maintaining the Bank's ability to meet its ordinary and extraordinary payment commitments, minimising the costs. In this context, the recognition of imbalances between incoming and outgoing sources as well as the related system of supervisory limits, focus in particular on the maturities up to six months;
- the management of the structural liquidity, or rather the management of all the events of the bank book that impact the Bank's overall liquidity position in the period especially beyond 6 months, with the primary objective of maintaining a suitable dynamic ratio between medium/long-term assets and liabilities.

Significant support for the management of the liquidity risk derives from the monitoring carried out by the Risk Management/Planning and Control Service, by means of an internal model that has the aim of reporting the effects of the investment/financing transactions by means of the distribution by maturity of the transactions. Operations are measured by using the Asset and Liability Management (A.L.M) method, via the ERMAS application, which makes it possible to measure and manage both any liquidity requirement/surplus of the Bank generated by the imbalance between incoming and outgoing flows, and the structural balance deriving from the correct composition by maturity of the sources and the uses.

In line with national and international *best practice* and the prudent supervisory indications, the model adopted by the Bank for the management and monitoring of the operational liquidity is based on the “Maturity Mismatch” approach, which presupposes the construction of a maturity ladder and on the allocation of the certain and estimated flows on its various time brackets, for the purpose of calculating the cumulative GAP for each maturity bracket.
As part of the liquidity policy, the Bank - on a consistent basis with the risk tolerance threshold established by the Board of Directors - defined operating limits both for the management of the operating liquidity (even assuming stress scenarios) and the structural liquidity.
With regard to the management of the operational liquidity, the limits are defined in terms of absolute value of the cumulative GAPs, on the various maturities.
The Bank continually checks the value of the Counterbalancing capacities (CBC), understood as the availability of assets that can be reimbursed, sold or used in refinancing transactions with the interbank system and that therefore make it possible to generate liquidity rapidly and efficiently. The monitoring of the Counterbalancing Capacity (CBC) confirmed the continuous adequacy of the liquidity reserve available to the Bank, even during periods of increased volatility in financial markets as a result of the health emergency.
The limit adopted by the Bank for the monitoring of the structural liquidity risk is by contrast defined in terms of ratio between the assets and liabilities with a maturity of more than one year. The definition of this limit has the aim of ensuring the maintenance of a structural liquidity profile consistent with the strategy for financing the assets over the mid/long-term with liabilities of the same duration.

The Bank's liquidity risk management framework envisages specific processes to be activated in the event of a deviation of risk taking from the objectives set. In particular, the Risk Appetite Framework, “Contingency Funding Plan” and the Recovery Plan provide details of the services and structures responsible for the implementation of the extraordinary funding policies in the event of need, as well as the actions to be adopted to remedy them, in accordance with the regulatory requirements envisaged by the supervisory regulations.

The Bank transmits the measurement of the short-term liquidity indicator "Liquidity Coverage Ratio" (LCR) to the Supervisory Authority on a monthly basis, while it transmits the "Net Stable Funding Ratio" (NSFR) indicator on a quarterly basis, which is representative of the medium/long-term structural balance.
In particular, Regulation (EU) 2019/876 introduced, with effect from the reporting of 30 June 2021, a minimum level for the NSFR of 100 per cent.
As part of the Recovery Plan update, the Bank has defined a *recovery* threshold on the LCR indicator when it is exceeded, which will trigger the 'Recovery Plan'.
Monthly reporting is also made to the Supervisory Authority on ALMMs *(Additional Liquidity Monitoring Metrics*), as additional liquidity monitoring metrics aimed at providing a comprehensive view of the Bank's relative risk profile.

Liquidity management also includes the ongoing monitoring of assets that can be readily liquidated or used in refinancing operations with the ECB. In particular, special attention was paid to the enhancement of the assets pledged as collateral for refinancing operations.

The liquidity position remained solid at all times thanks to the ample liquid reserves, which benefited from the high level of customer deposits, as well as the issuance of a new self-securitisation transaction.

In particular, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were always higher than both regulatory requirements and internally defined operating limits.

During 2022, the Bank updated the ILAAP self-assessment, confirming the assessment of the adequacy of its liquidity risk management and governance system. This assessment was reported to the Supervisory Authority in the ICAAP-ILAAP Report.

As mentioned in Section I - "Credit Risk", subsection C "Securitisations", the Bank has three self-securitisation transactions in place, in order to increase its financing capacity with the system. Self-securitisation transactions do not involve the derecognition of the underlying receivables from the financial statements.
These transactions were named 'Valsabbina SPV 1', 'Valsabbina SME 3' and 'Valsabbina RMBS' and were finalised in 2012, 2021 and 2022, respectively, with the intention of having eligible securities to be able to carry out *funding* transactions with the European Central Bank. It should be noted that the Bank previously closed in 2019 the "Valsabbina SME" transaction, finalised in 2016, and during 2021 the "Valsabbina SME 2" transaction, finalised in 2019.

The 'Valsabbina SPV 1' transaction was initiated with the sale of a portfolio of *performing* residential mortgages by the Bank, as *originator*, and the underwriting by the same *originator* of the securities issued by the vehicle company.
In January 2015, the aforementioned securitisation transaction was the subject of a 'reopening' (the so-called "*size increase*) through an additional sale of residential mortgages; against this sale, the amount of the senior security increased by € 156,701 thousand, while the value assigned to the junior security remained unchanged. A second size increase was completed in July 2018, leading to an increase in the senior share of Euro 328,942 thousand, keeping the amount of the junior share unchanged. The senior bond was placed as collateral in refinancing operations with the European Central Bank. It should be noted that the "Valsabbina SPV 1" transaction was closed in January 2023 through the Bank's repurchase of the entire portfolio.

The "Valsabbina SME 3" transaction involved the sale to Valsabbina SME 3 SPV Srl of two initial portfolios, in July and November 2021, respectively. Mortgage and unsecured loans granted to transferred SMEs, valued at the respective transfer date, totalled € 1,270 million.
In connection with the sale of mortgage loans, the vehicle issued a tranche of bonds secured by mortgages that, fully subscribed by our Bank, were used in refinancing transactions with the European Central Bank.

In order to support the amount of collateral loans to the Valsabbina SME 3 bond, the transaction provided for the possibility of selling additional portfolios of loans granted to SMEs (revolving) on a quarterly basis until July 2023.

The "Valsabbina RMBS" transaction involved the sale in November 2022 of an initial portfolio of *performing* residential mortgages disbursed by the Bank - as *originator* - to individuals and sole proprietorships and the related underwriting by the *originator* of the securities issued by the special purpose vehicle. In February 2023, the "Valsabbina RMBS" transaction will also include the loans repurchased as part of the closing of the "Valsabbina SPV1" transaction, subject to compliance with the criteria for assignment set forth in the new transaction, as well as a second portfolio of newly disbursed loans. In this way, the bank will have seamless access to refinancing lines with the European Central Bank.

The related details are provided below for the sake of completeness.

"Valsabbina Spv1" securitisation transaction

- Special purpose vehicle: Valsabbina Spv 1 S.r.l.
- Date of assignment of the receivables: 12/12/2011, 22/01/2015 and 12/07/2018
12 December 2011 - Type of receivables assigned: Residential mortgage loans
- Quality of receivables assigned: *Performing*
- Guarantees on the receivables assigned: Senior mortgage
- Geographic area of receivables assigned: Italy
- Business activities of the assigned debtors: Private parties
- Number of assigned receivables 1st assignment: 7,401
- Price of assigned receivables 1st assignment: € 284,703 thousand
- Nominal value of assigned receivables 1st assignment: € 284,053 thousand
- Accrued interest on assigned receivables 1st assignment: € 650 thousand
- Number of credits assigned 2nd assignment: 1,355
- Price of assigned receivables 2nd assignment: € 151,511 thousand
- Nominal value of assigned receivables 2nd assignment: € 151,376 thousand
- Accrued interest on assigned receivables 2nd assignment: € 135 thousand
- Number of credits assigned 3rd assignment: 1,189
- Price of assigned receivables 3rd assignment: € 286,938 thousand
- Nominal value of assigned receivables 3rd assignment: € 286,935 thousand
- Accrued interest on assigned receivables 3rd assignment: € 3 thousand

Within the sphere of the afore-mentioned transactions, the ABS securities indicated below were issued, all subscribed by the originator:
• *senior tranche* for a nominal value of € 4,985,100 thousand (fully subscribed by the Bank) with an external *rating* assigned by Moody's ("Aa2") and DBRS ("AA") with yield indexed to 3-month Euribor plus 40 bps;
• *junior tranche* for € 100,100 thousand (fully subscribed by the Bank) without rating.

As at 31/12/2022, the relevant assets of the vehicle under the "Valsabbina Spv1" transaction included the residual value of the receivables acquired amounting to € 223,911 thousand, with an accrual of € 4 thousand, in addition to available funds of € 238,004 thousand. The amounts received by the Bank during 2022 amounted to € 29,711 thousand as senior and junior principal repayments, € 3,331 thousand as senior and junior interest and servicing fees.
Liabilities include the residual debt of securities issued of:
- *senior tranche* € 136,145 thousand nominal value
• *junior tranche* € 100,100 thousand nominal.

"Valsabbina SME 3" securitisation transaction

- Special purpose vehicle: Valsabbina SME 3 SPV S.r.l.
- Date of assignment of the receivables: 09/07/2021 e 19/11/2021

12 December 2011 - Type of receivables assigned: Unsecured loans and mortgages to SMEs
- Quality of receivables assigned: *Performing*
- Guarantees on the receivables assigned: Mortgage, MCC Guarantee (under Law 662/96), Confidi Guarantee
- Geographic area of receivables assigned: Italy
- Business activities of the assigned debtors: SME
- Number of assigned receivables 1st assignment: 1,772
- Price of assigned receivables 1st assignment: € 503,869 thousand
- Nominal value of assigned receivables 1st assignment: € 503,480 thousand
- Accrued interest on assigned receivables 1st assignment: € 379 thousand
- Number of credits assigned 2nd assignment: 5,446
- Price of assigned receivables 2nd assignment: € 766,786 thousand
- Nominal value of assigned receivables 2nd assignment: € 766,034 thousand
- Accrued interest on assigned receivables 2nd assignment: € 598 thousand

Within the sphere of the afore-mentioned transactions, the ABS securities indicated below were issued, all subscribed by the originator:
- *senior tranche* for € 886.6 million (fully subscribed by the Bank) with external *rating* assigned by Moody's ("A2 (sf)") and DBRS ("A (hight) (sf)") with yield indexed to 3-month Euribor plus 50 bps. The note has a nominal value of €980 million;
• unrated *junior tranches* of € 380 million (fully subscribed by the Bank). The note has a nominal value of €420 million.

From January 2022 and until July 2023, in order to support the collateralisation of the Senior Security issued in the Valsabbina SME 3 Transaction, revolving assignments began on a quarterly basis. This mechanism made it possible to avoid the amortisation of the senior security, allowing the Bank to benefit from a higher amount that could be refinanced at the ECB.

As at 31/12/2022, the relevant assets of the vehicle company under the "Valsabbina SME 3" transaction included the residual value of the receivables acquired amounting to € 1,149,117 thousand, with an accrual of € 1,224 thousand in addition to available funds of € 125,684 thousand. The amounts received by the Bank in 2022 by way of interest on Senior and Junior notes are € 24,406,000 and by way of price for new assigned receivables are € 291,121,000.
Liabilities include the outstanding amount of securities issued of:
- *senior tranche €* 886,627 thousand nominal value
- *junior tranche €* 379,983 thousand nominal value.

"Valsabbina RMBS" securitisation transaction

- Special purpose vehicle: Valsabbina RMBS SPV S.r.l.
- Date of first assignment of the receivables: 11/11/2022
12 December 2011 - Type of receivables assigned: Mortgage loans to natural persons and sole proprietorships
- Quality of receivables assigned: *Performing*

- Guarantees on the receivables assigned: Substantial first degree mortgage
- Geographic area of receivables assigned: Italy
- Business activities of the assigned debtors: Private parties
- Number of assigned receivables 1st assignment: 3,994
- Price of assigned receivables 1st assignment: € 477,466 thousand
- Nominal value of assigned receivables 1st assignment: € 477,368 thousand
- Accrued interest on assigned receivables 1st assignment: € 4 thousand

Within the sphere of the afore-mentioned transactions, the ABS securities indicated below were issued, all subscribed by the originator:
- *A1 senior tranche* for € 206.8 million (fully subscribed by the Bank) with external *rating* assigned by Fitch ("AA") and S&P ("AA") with yield indexed to 3-month Euribor plus 50 bps. The note has a nominal value of €312.5 million;
- *A2 senior tranche* for € 206.8 million (fully subscribed by the Bank) with an external *rating* assigned by Fitch ("AA") and S&P ("AA") with a fixed yield of 1.30 %. The note has a nominal value of €312.5 million;
• unrated *junior tranches* of € 72.8 million (fully subscribed by the Bank). The note has a nominal value of €111 million.

As at 31/12/2022, the Senior Securities from the self-securitisation transactions allowed a total refinancing margin with the ECB of about € 1,232 million.

Quantitative information

1 Timing of financial assets and liabilities by residual contractual maturity - Currency: EURO

Items/Time periods	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	Over 5 years	Indefinite duration
On-balance sheet assets	**632,427**	**12,727**	**19,054**	**197,118**	**283,663**	**183,691**	**517,602**	**2,739,538**	**1,978,924**	**49,787**
A.1 Government securities	278	-	1,407	-	2,439	10,880	206,980	1,052,200	454,500	-
A.2 Other debt securities	14,175	170	110	257	8,897	6,786	8,879	102,145	506,077	-
A.3 UCIT units	155,543	-	-	-	-	-	-	-	-	-
A.4 Loans	462,431	12,557	17,537	196,861	272,327	166,025	301,743	1,585,193	1,018,347	49,787
- banks	18,912	22	-	-	15,000	-	-	-	-	49,787
- customers	443,519	12,535	17,537	196,861	257,327	166,025	301,743	1,585,193	1,018,347	-
On-balance sheet liabilities	**3,659,753**	**265,109**	**24,258**	**79,474**	**203,427**	**648,780**	**521,700**	**1,087,539**	**10,723**	**-**
B.1 Deposits and current accounts	3,658,979	7,525	23,917	23,392	193,195	182,555	208,933	442,349	-	-
- banks	309	-	-	-	24,139	-	-	-	-	-
- customers	3,658,670	7,525	23,917	23,392	169,056	182,555	208,933	442,349	-	-
B.2 Debt securities	197	107	341	410	9,881	5,792	21,919	61,613	10,000	-
B.3 Other liabilities	577	257,477	-	55,672	351	460,433	290,848	583,577	723	-
Off-balance sheet transactions	**(122,669)**	**56,836**	**-**	**1,000**	**2,983**	**15,539**	**205**	**25,737**	**20,368**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	1,539	-	2,661	4,963	885	1,037	-	-	-
- short positions	-	1,370	-	1,633	4,943	879	1,030	-	-	-
C.2 Financial derivatives w/o exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	(56,836)	56,836	-	-	-	-	-	-	-	-
- long positions	-	56,836	-	-	-	-	-	-	-	-
- short positions	56,836	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	(65,833)	-	-	1,000	2,983	15,539	205	25,737	20,368	-
- long positions	2,945	-	-	1,000	2,983	15,539	205	25,737	20,368	-
- short positions	68,778	-	-	-	-	-	-	-	-	-
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 - Timing of financial assets and liabilities by residual contractual duration - Currency: OTHER CURRENCIES

Items/Time periods	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	Over 5 years	Indefinite duration
On-balance sheet assets	**8,433**	**132**	**273**	**361**	**1,667**	**678**	**42**	**2,567**	**1,401**	-
A.1 Government securities	20	-	-	-	-	42	42	2,023	1,401	-
A.2 Other debt securities	-	-	-	-	641	-	-	544	-	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,413	132	273	361	1,026	636	-	-	-	-
- banks	7,980	3	-	-	-	-	-	-	-	-
- customers	433	129	273	361	1,026	636				
On-balance sheet liabilities	**9,669**	-	-	-	**(1)**	-	-	-	-	-
B.1 Deposits and current accounts	9,669	-	-	-	(1)	-	-	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	9,669	-	-	-	(1)	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	1,288	-	1,586	4,750	869	1,019	-	-	-
- short positions	-	1,536	-	2,576	4,750	869	1,019	-	-	-
C.2 Financial derivatives w/o exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- 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. General aspects, management processes and methods of measuring operational risk

The operational risk is defined as the risk of incurring losses resulting from inadequacy or inefficiency of procedures, human resources and internal systems, or from external events. This risk is inherent to the performance of banking activities and can be generated and reside therefore in all the company processes.
In general, the main sources of manifestation of the operational risk are attributable to internal fraud, external fraud, employment and work safety relationships, professional obligations vis-à-vis the customers, damages from external events, the malfunction of the IT system and the execution, consignment and management of the processes.

The Bank has defined a series of organisational processes for the supervision and management of the types of operational risk, within which it avails itself of specific functions:
- the Internal Audit, whose activities, on the one hand, are aimed at checking the regularity of the operations and the trend of the risks, and on the other hand, at assessing the functioning of the overall internal control system;
- the Control Body pursuant to Legislative Decree no. 231/2001 within the Organisation, Management and Control Model adopted;
- Risk Management, which responds to the need to report and measure the typical risks of the banking business by means of constant monitoring of those taken and those potentially generated by the investment, lending and service policies;
- the Compliance unit, tasked with the supervision and control of observance of the regulations, providing support for the prevention and management of the risk of incurring legal or administrative sanctions and/or suffering significant losses consequent to the violation of internal or external legislation.

To support the Operational Risk management model, the Bank has adopted the following operating processes, which are regulated in a specific internal policy:
- "Loss Data Collection" – process for collecting the operational losses manifesting within the Bank (active since 2012);
- "Risk Self Assessment" – self-diagnostic process for the forward-looking assessment of the operational risks aimed at identifying the possible risk events estimating the possible potential impacts.

Specifically, the Loss Data Collection process achieved is broken down into the following components:
- Collection of data on the operational loss events (Loss Event Collection): this represents the collection and registration process for the operational loss data that has taken place within the Bank;
- Creation of a database of the events (Loss Data Collection) that generate losses used to carry out statistical processing of the losses that have occurred and the causes that have led to the same.

The organisational model adopted has the following levels of responsibility:

- Reporter (all the organisational units);
- Manager (Internal Audit Service);
- Validator (Risk Management, Planning & Control Service).

The role of reporter of a possible or potential operational risk is carried out by all the organisational units, whether they be branches or head office. On occurrence of a loss event, a report is drawn up and sent to the Internal Audit Service that sees to the management of the report and its insertion in the procedure (Loss Data Collection). The validation and the consolidation are carried out by the Risk Management/Planning and Control Service.

As part of the 'Loss Data Collection' activity, the events from 2012 onwards, for which the relevant economic loss was recorded, were categorised by type of operational loss (event types).
The types of event were subsequently assigned to the business lines and to the loss events on the basis of the classifications envisaged by the Bank of Italy Circular No. 285/2013 and Regulation No. 575/2013 (CRR).

The objectives intended to be pursued by means of the above-mentioned process are:

- identify the causes of the detrimental events that underlie the operational losses and consequently increase the business profitability;
- improve the efficiency of the management, by means of the identification of the critical areas, their monitoring and the optimisation of the control systems;
- optimise the risk mitigation and transfer policies;
- develop the culture of the operational risk at Bank level, raising the awareness of the entire structure.

For the purpose of supplementing the operations that are already carried out afterwards with the collation of the operating losses, the Bank implemented - with the support of a leading consulting company - a self-assessment process functional for estimating on a forecast basis the Bank’s exposure to the operating risk (“Risk Self Assessment”). Specifically, this involves an estimation self-diagnostic process that sets out to assess the degree of the exposure to the risk by means of a combination of opinions expressed in terms of impact, probability of occurrence, efficacy of the controls. The process represents a further monitoring of operational risk as it allows to identify potential risk scenarios and therefore to evaluate appropriate mitigation actions.
Within the sphere of the risk management processes, the mitigation activities are first of all pursued by means of legislative, organisational, procedural and training measures. The main operating processes are also mapped and regulated, with the consequent definition of tasks and responsibilities. Any critical areas, identified by means of the prior and subsequent analysis carried out, are looked at in-depth with the competent Units so as to evaluate the appropriate corrective measures.

During 2022, the Bank did not detect any negative events directly attributable to possible operational discontinuities arising from the continuation of geopolitical tensions linked to the ongoing conflict in Ukraine. In this regard, the Bank maintains a specific committee set up with the aim of supporting the General Management in planning and coordinating interventions related to the management of the current health crisis.

The committee supports the Executive Board in:

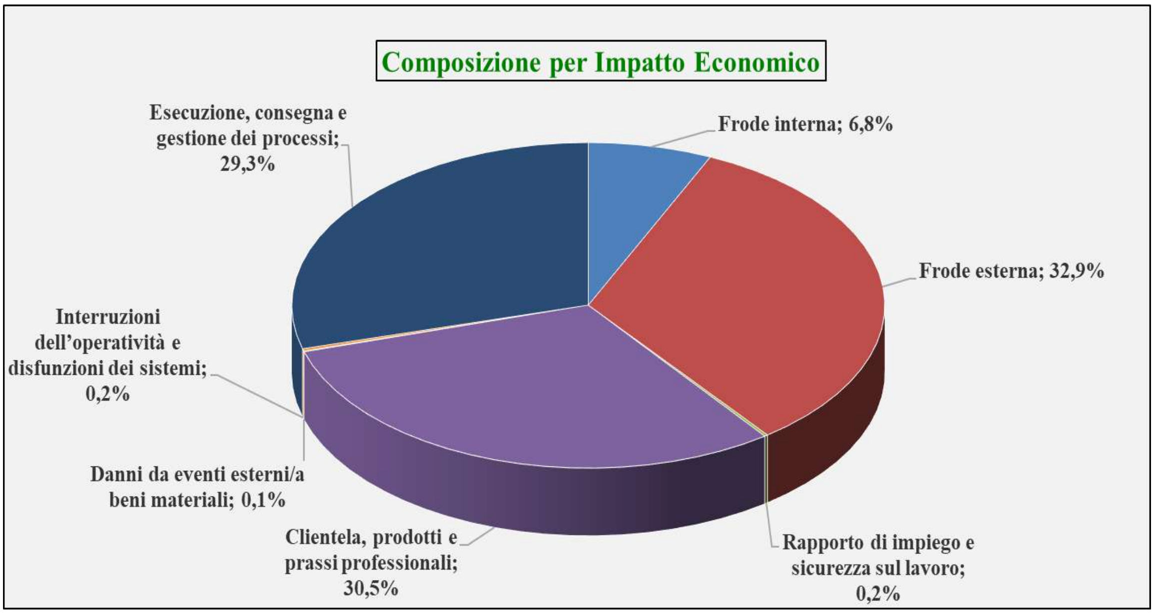
- defining the necessary safety measures to safeguard the health of employees and third parties accessing the Bank's premises;
- coordinating the activities necessary to correctly implement the obligations contained in the legal/regulatory provisions issued by national and/or local authorities;
- identifying business risks related to the current emergency and in formulating proposals to mitigate these risks;
- ensuring the adequacy of information flows and internal communication to both the central and peripheral structures of the Bank.

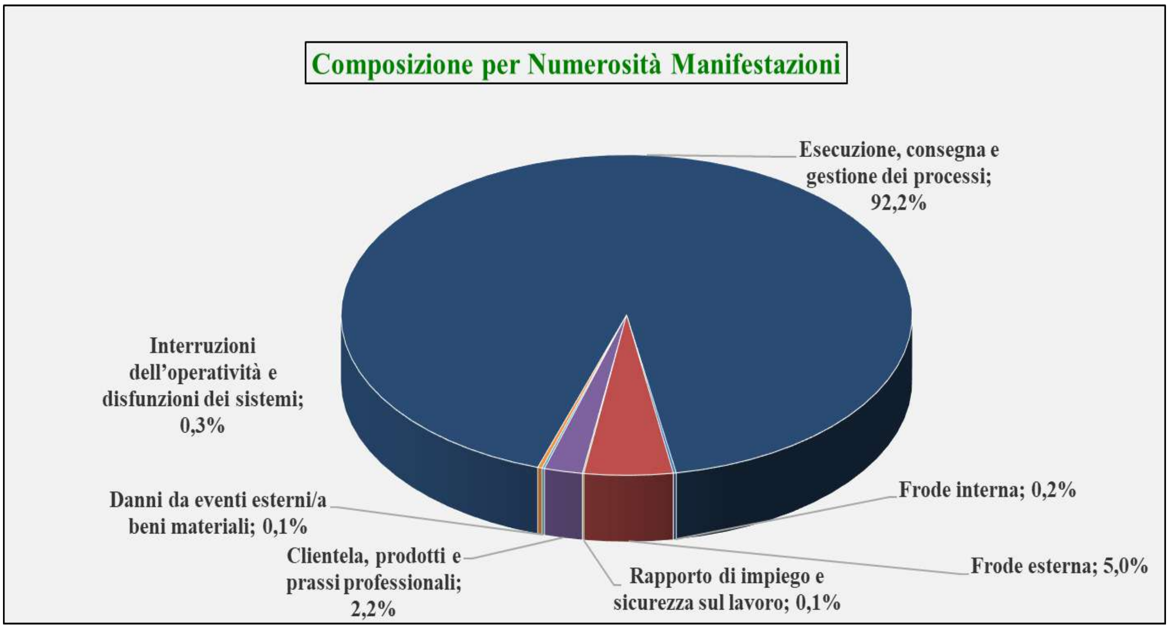
Operational risks also include IT risk, i.e. the risk of incurring economic, reputational and market share losses as a result of the use of*Information and Communication Technology* (ICT). Theimportanceof cyber risk is becoming increasingly relevant for the economic system in general and for the banking sector in particular, in view of the criticality of the business processes that depend on it and the progressive digitisation of the services offered. Therefore, Banca Valsabbina pays increasing attention to its management in order to ensure the integrity, confidentiality and availability of the information processed within its IT procedures , minimising the potential impact of ICT events and protecting its own business and that of its customers.

The Bank adopted, for the calculation of the capital requirement in the presence of operational risk, the Basic Indicator Approach (BIA), which envisaged that the capital covering this type of risk equates to 15% of the average of the "basic indicator" of the last three financial years, calculated pursuant to Articles 315 and 316 of the CRR Regulations.
The capital absorption for this type of risk as at 31 December 2022 came to Euro 26,822 thousand.

Quantitative information
With regard to the loss data, inserted in the Bank’s Loss Data Collection archive in the years from 2012 to 2022, the distribution by type of loss is presented below, with indication by impact to the income statement and by number of occurrence, according to the classification of the events envisaged by the new Supervisory provisions.

Incidence of the operational losses by type of event (2012 - 2022 survey)





Furthermore, by way of disclosure, the historical trend in robberies and claims is presented below, indicating the number of the events and the cost the Bank must cover, recorded under operating expense (amounts in thousand of Euro):

	Robberies		Claims		
	No.	Amount Euro 000	No. received	No. accepted	Reimbursements Euro 000
FY 2013	2	26	109	26	231
FY 2014	2	2	153	33	38
FY 2015	2	66	161	25	251
FY 2016	1	12	223	33	99
FY 2017	1	1	97	43	187
FY 2018	1	13	76	29	63
FY 2019	-	-	97	23	59
FY 2020	-	-	113	36	77
FY 2021	-	-	103	28	18
FY 2022	-	-	96	31	174

Provisions for risks and charges include amounts for litigation or possible litigation in the amount of € 3,011 thousand.

Public disclosure

The information regarding capital adequacy, exposure to risks and the characteristics of the systems in charge of the identification, measurement and management of these risks envisaged by the New prudential supervisory provisions for banks (Circular No. 285 of 17 December 2013), in Section III “Public disclosure”, is published on the Bank’s website: www.bancavalsabbina.com.

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.

B. Quantitative information

B.1 Company equity: breakdown

Item/Amounts		Total 31-12-2022	Total 31-12-2021
1.	Share capital	106,550	106,550
2.	Share premium reserve	228,709	230,083

3.	Reserves	63,206	36,707
	- income-related	66,298	39,799
	a) legal	34,096	30,178
	b) statutory	82,287	62,864
	c) own shares	10,100	12,014
	d) other	(60,185)	(65,257)
	- other	(3,092)	(3,092)
4.	Capital instruments	-	-
5.	(Own shares)	(6,080)	(9,225)
6.	Valuation reserves	(45,699)	(1,963)
	- Equity securities designated at fair value through other comprehensive income	4,260	3,474
	- Hedging of equity securities designated at fair value through other comprehensive income	-	-
	- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(50,823)	(5,974)
	- Tangible assets	-	-
	- Intangible assets	-	-
	- Hedging of investments in foreign operations	-	-
	- Cash flow hedges	-	-
	- Hedging instruments (elements not designated)	-	-
	- Exchange rate gains (losses)	-	-
	- Non-current assets held for sale and disposal groups	-	-
	- Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness)	-	-
	- Actuarial gains (losses) relating to defined benefit pension plans	(115)	(442)
	- Share of valuation reserves relating to investee companies carried at equity	-	-
	- Special revaluation laws	979	979
7.	Profit (Loss) for the year	41,421	39,186
	Total	**388,107**	**401,338**

The change in the reserves as per point 3 of the table above (financial statement item 140) is described in the following table:

	Balances as at 31-12-	Shareholders' resolution for approval of 2021 financial statements	Reversal to income-	Inventories as at 31-

		Allocation to reserves	Assignment of own shares to supplement dividend	Adjustment of provision for purchase of treasury shares		
Income-related reserves:	39,799	21,896	-	-	4,603	66,298
a) legal	30,178	3,918	-	-	-	34,096
b) statutory	62,864	17,509	-	1,914	-	82,287
c) own shares	12,014	-	-	(1,914)	-	10,100
d) other	(65,257)	469	-	-	4,603	(60,185)
"Other" reserves	(3,092)	-	-	-	-	(3,092)
Item 140 reserves	**36,707**	**21,896**	**-**	**-**	**4,603**	**63,206**

As of 01/01/2018, the IFRS 9 accounting standard came into effect; the counterpart of the changes made to the accounting items affected by the standard during the transition is the "profit reserve", d "others", in this regard moved in negative terms by EUR 66.5 million in 2018.
The amount recorded under Reserves "Other" represents the merger difference deriving from the incorporation of Credito Veronese in 2012.

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

	Asset/Amounts	**Total 31-12-2022**		**Total 31-12-2021**	
		Positive reserve	**Negative reserve**	**Positive reserve**	**Negative reserve**
1.	Debt securities	126	(50,949)	777	(6,751)
2.	Equity securities	5,407	(1,147)	4,441	(967)
3.	Loans	-	-	-	-
	Total	**5,533**	**(52,096)**	**5,218**	**(7,718)**

The valuation reserves are assigned both the positive and negative fair value changes registered in financial assets measured at fair value through other comprehensive income.
Also attributed is the impact of the credit assessment associated with debt securities in the FVOCI portfolio, with a balancing entry in the income statement; for the change in this component, see the "Credit risk adjustments/write-backs" rows of the next table.

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

		Debt securities	**Equity securities**	**Loans**
1.	**Opening balances**	**(5,974)**	**3,474**	**-**
2.	**Increases**	**774**	**1,874**	**-**

2.1	Fair value gains	21	1,408	-
2.2	Impairment losses for credit risk	610	-	-
2.3	Reversal to income statement of negative reserves on sales	143	-	-
2.4	Transfers to other shareholders' equity components (equity securities)	-	466	-
2.5	Other changes	-	-	-
3.	**Decreases**	**45,623**	**1,088**	**-**
3.1	Fair value losses	45,547	1,075	-
3.2	Reversals of impairment losses for credit risk	-	-	-
3.3	Reversal to income statement from positive	76	-	-
	reserves: on sales	-	-	-
3.4	Transfers to other shareholders' equity components (equity securities)	-	-	-
3.5	Other changes	-	13	-
4.	**Closing balances**	**(50,823)**	**4,260**	**-**

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

The actuarial reserve relating to future benefit plans, recognised in Valuation reserves net of tax effects, was negative for € 115 thousand as at 31 December 2022, in decrease from the end of 2021 when it was negative for € 442 thousand, a change of € 327 thousand (€ 451 thousand without the tax effect).
The actuary performed the calculation on the basis of the following financial assumptions: annual discount rate 3.63% against 0.98% for the year 2021, (rate determined in accordance with par. 83 of IAS 19, with reference to the average yield curve derived from the IBOXX Eurozone Corporates AA index with duration 10+ as measured on 31/12/2022, a rate considered to be the best expression of returns of prime quality companies), annual inflation rate 2.30% versus 1.75% and annual rate of increase in severance pay 3.225% versus 2.813%.

Section 2 - Own funds and capital ratios

In addition to the information in these sections, reference should be made to the information on own funds and capital adequacy contained in the public disclosure ("Third pillar"), where required individually.

2.1 Own funds

A. Qualitative information

The own funds and capital ratios were calculated on the basis of the balance sheet values determined by applying the regulations provided for by the IAS/IFRS international accounting standards; account is also taken of the specific regulations issued by the European Union on Prudential Supervision (CRR Regulation 575/2013, CRRII 876/2019, CRD IV of 2013, CRDV of 2019, Regulation 873/2020 "Quick fix", Regulation 2176/2020, Regulation 630/2019 "Calendar Provisioning", Implementing Regulation 680/2014 and subsequent additions) implemented by the Bank of Italy in its Circulars, in particular no.285 and No. 286 of 2013.

1. Common Equity Tier 1 capital (CET1)

The Common Equity Tier 1 capital (CET1) before the application of deductions and prudential filters consists of the share capital, share premium reserves, reserves, including valuation reserves and the portion of profit that will not be distributed to members; this aggregate also includes the regulatory reduction envisaged for own shares, equal to the maximum amount authorised for the repurchase of Euro 10.1 million.
Elements to be deducted include goodwill (net of related deferred taxation), other intangible assets (with the exception of deferred costs for software investments which, pursuant to EU Regulation 2176/2020, have been recognised under Other assets with a 100% weighting).

With the entry into force of IFRS 9, a transitional arrangement (art. 473 bis) was introduced in the EU 575/2013 - CRR Regulation, which defers in time the impact on own funds deriving from the application of the new impairment model introduced by the same accounting standard. The aforementioned rules provide, subject to the exercise of the option, communicated to the Supervisory Authority on 01/02/2018, the possibility of including in the primary tier 1 capital a transitional positive component equal to a portion of the increase suffered by the credit write-downs recognised in the financial statements as a result of the first application of IFRS 9; this portion is decreasing over time over a five-year period: 95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022.

As a result of the Covid-19 emergency and with Regulation 873/2020, the following were also introduced:

- a new dynamic system (replacing what was originally envisaged by Article 473 bis of the CRR on this issue) that allows the sterilisation of the increase in collective impairment on performing loans at the reporting date compared to the collective impairment in place as at 1 January 2020. The sterilisation rate is decreasing over time over a five-year period according to the following percentages: 100% for the years 2020 and 2021, 75% for the year 2022, 50% for the year 2023 and 25% for the year 2024;

- the redefinition of the "PMI supporting factor" for exposures to companies classified as SMEs at the prudential level. This regulatory change was made earlier than originally planned because it was to be introduced at the same time as the CRRII;
- an optional transitional regime that allows sterilisation of the differential between 31/12/2019 and the reporting reference date recorded on the Valuation Reserves relating to government securities held in the FVOCI portfolio; also for this regime, the sterilisation percentage is decreasing over time, 100% in 2020, 70% in 2021 and 40% in 2022. The bank exercised its option to join the scheme in August 2020.

Lastly, as of the reporting date of 30/06/2021, the "Calendar Provisioning" regime was fully implemented, a regime envisaged by EU Regulation 630/2019 that impacts the value of "Own Funds" and the weighting of Credit Risk; the principle of Calendar Provisioning introduced a system of deductions to be made from CET1 to the extent that certain coverage levels on impaired loans have not been reached, coverage calibrated according to the seniority and type of guarantee by which the same impaired loans are secured. For the financial year 2022, Calendar Provisioning had a non-material impact on the calculation of Own Funds and Credit Risk.
The tables in the "*B. Quantitative Information*" part of this section show the capital values and ratios in application of both the ordinary regime (fully loaded) and the transitional regimes (phase in), regimes to which the Bank has adhered for IFRS 9 write-downs (Art 473bis CRR, "static" regime), for collective write-downs on performing loans (Regulation 873/2020, "dynamic" regime) and for sterilisation of the change in FVOCI reserves on government securities (also Regulation 873/2020).

2. Additional Tier 1 capital (AT1)

There are no Additional Tier 1 capital elements.

3. Tier 2 capital (Tier 2 - T2)

The Tier 2 capital is made up of subordinated bonds. The securities observe the stringent requirements laid down by the European regulations, including:
- original duration of at least 5 years;
- no provision of early repayment incentive.

The part eligible for supervisory prudential purposes has been calculated according to a payment plan that results in a constant decrease in the portion over the last 5 years of the residual life of the instruments, as provided for by article 64 of the CRR.
During the year, two subordinated bonds were issued that can be counted as equity:
- nominal amount of € 3,000,000, maturing 25/09/2027, at a rate of 4.60%.
- nominal amount of € 10,000,000, maturing 29/01/2028, at a rate of 4.60%.

The Bank of Italy authorised a maximum repurchase amount related to subordinated loans of Euro 1.05 million.

B. Quantitative information

	Total 31-12-2022	Total 31-12-2021

	Transitional regime	Fully loaded	Transitional regime	Fully loaded
A. Common Equity Tier 1 capital (CET1) before the application of prudential filters	366,329	366,329	361,277	361,277
of which instruments of CET1 subject to transitional provisions	-	-	-	-
B. CET1 prudential filters (+/-)	-	-	-	-
C. CET1 gross of elements to be deducted and of the effects of the transitional regime (A+/-B)	366,329	366,329	361,277	361,277
D. Items to be deducted from CET1	(8,464)	(8,464)	(8,570)	(8,570)
E. Transitional Regime - Impact on CET1 (+/-)	32,257	-	35,540	-
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	**390,122**	**357,865**	**388,247**	**352,707**
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and of the effects of the transitional regime	-	-	-	-
of which instruments of AT1 subject to transitional provisions	-	-	-	-
H. Elements to be deducted from AT1	-	-	-	-
I. Transitional Regime - Impact on AT1 (+/-)	-	-	-	-
L. Additional Tier 1 capital (AT1) (G-H+/-I)	-	-	-	-
M. Tier 2 capital (Tier 2 - T2) gross of elements to be deducted and of the effects of transitional regime	36,189	36,189	33,445	33,445
of which instruments of T2 subject to transitional provisions	-	-	-	-
N. Items to be deducted from T2	-	-	-	-
O. Transitional regime - Impact on T2 (+/-)	-	-	-	-
P. Total Tier 2 capital (Tier 2 - T2) (M-N+/-O)	**36,189**	**36,189**	**33,445**	**33,445**
Q. Total own funds (F+L+P)	**426,311**	**394,054**	**421,692**	**386,152**

The line "E. Transitional Regime - Impact on CET1" includes the filter relating to the components deriving from the adoption of IFRS 9 (€ 15.3 million), that deriving from the application of the dynamic regime of collective write-downs created following the Covid19 emergency (€ 0.6 million) and that relating to the sterilisation of the Valuation Reserves of government securities in the FVOCI portfolio (€ 16.4 million), according to the options adopted by the Bank; in the absence of these options, Equity would be € 32.3 million lower and would amount to € 394.1 million, instead of € 426.3 million.
As of 31/12/2021, total equity was € 421.7 million and CET1 was € 388.2 million.

2.2 Capital adequacy

Qualitative information

The prudent regulations according to the Basel Agreement on Capital are based on three Pillars as already indicated in the section “The Risk Management System” in the report on operations.

For the valuation of the equity soundness and the observance of the minimum ratios on an on-going basis, the Bank implements a series of controls that result in the production of the "ICAAP" and "RAF" reports. Among other things, stress tests are carried out useful for understanding the evolution of the prudent ratios further to any impairment in the market conditions.

Quantitative information

Categories/Values	Unweighted amounts 31-12-2022		Weighted amounts/requirements 31-12-2022	
	Transitional regime	Fully loaded	Transitional regime	Fully loaded
A. RISK ACTIVITIES	**7,494,362**	**7,462,105**	**2,418,724**	**2,402,668**
A.1 CREDIT AND COUNTERPARTY RISK	7,494,362	7,462,105	2,418,724	2,402,668
1. Standardised approach	7,272,648	7,240,391	2,364,625	2,348,569
2. Internal rating method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	221,714	221,714	54,099	54,099
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK AND COUNTERPARTY RISK			193,498	192,213
B.2 CREDIT RATING ADJUSTMENT RISK			13	13
B.3 SETTLEMENT RISK			-	-
B.4 MARKET RISK			2,130	2,130
1. Standardised approach			2,130	2,130
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			26,822	26,822
1. Basic indicator approach			26,822	26,822
2. Standardised approach			-	-
3. Advanced approach			-	-
B.6 OTHER CALCULATION ELEMENTS			-	-
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**222,463**	**221,178**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**2,780,792**	**2,764,736**
C.2 Common equity tier 1 capital/Risk-weighted assets (CET1 capital ratio)			**14.03%**	**12.94%**
C.3 Tier 1 Capital/Risk-weighted assets (Tier 1 capital ratio)			**14.03%**	**12.94%**
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			**15.33%**	**14.25%**

Categories/Values	Unweighted amounts 31-12-2021		Weighted amounts/requirements 31-12-2021	
	Transitional regime	Fully loaded	Transitional regime	Fully loaded
A. RISK ACTIVITIES	**6,828,184**	**6,792,644**	**2,240,561**	**2,205,021**
A.1 CREDIT AND COUNTERPARTY RISK	6,828,184	6,792,644	2,240,561	2,205,021

1. Standardised approach	6,658,950	6,623,410	2,196,837	2,161,297
2. Internal rating method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	169,234	169,234	43,724	43,724
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK AND COUNTERPARTY RISK			179,245	176,402
B.2 CREDIT RATING ADJUSTMENT RISK			6	6
B.3 SETTLEMENT RISK			-	-
B.4 MARKET RISK			2,287	2,287
1. Standardised approach			2,287	2,287
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			21,263	21,263
1. Basic indicator approach			21,263	21,263
2. Standardised approach			-	-
3. Advanced approach			-	-
B.6 OTHER CALCULATION ELEMENTS			-	-
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**202,801**	**199,958**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**2,535,017**	**2,499,477**
C.2 Common equity tier 1 capital/Risk-weighted assets (CET1 capital ratio)			**15.32%**	**14.11%**
C.3 Tier 1 Capital/Risk-weighted assets (Tier 1 capital ratio)			**15.32%**	**14.11%**
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			**16.64%**	**15.45%**

As at 31 December, the Bank had a ratio of Class 1 Capital to risk-weighted assets (CET 1 Capital Ratio) of 14.03% (15.32% as at 31/12/21) while the ratio of Own Funds to risk-weighted assets (Total Capital Ratio) was 15.33% (16.64% as at 31/12/21).

If the Bank had not adopted the granted transitional regimes, the solvency ratios would have been 12.94% for CET1 and 14.25% for the Total capital ratio.

At the conclusion of the prudential review process for the year 2019, by letter dated 15/06/2020, the Bank of Italy notified our Institute of the additional capital requirements (S.R.E.P.) to be observed; the overall requirements were quantified as follows:

- CET 1 Ratio equal to 7.45%, of which 4.50% for minimum regulatory requirements, 0.45% for the additional S.R.E.P. requirement and 2.50% by way of capital conservation reserve;
- Tier 1 Ratio equal to 9.15%, of which 6.00% for minimum regulatory requirements, 0.65% for the additional S.R.E.P. requirement and 2.50% by way of capital conservation reserve;
- Total Capital Ratio equal to 11.35%, of which 8.00% for minimum regulatory requirements, 0.85% for the additional S.R.E.P. requirement and 2.50% by way of capital conservation reserve.

A "Target Component" (known as the P2G, second pillar component) of 0.50% was also notified to the Bank as an increase to all the ratios detailed above. The resulting total ratios (CET1 7.95%, Tier

1 9.65% and Total Capital Ratio 11.85%) represent the Supervisory Authority's expectation that the Bank will hold additional resources.

We inform you that on 02/02/2023 the Bank of Italy announced the start of a new SREP procedure, a procedure according to which the new requirements with which the Institute will have to comply should be:

- CET 1 Ratio equal to 7.80%, of which 4.50% for minimum regulatory requirements, 0.80% for the additional S.R.E.P. requirement and 2.50% by way of capital conservation reserve;
- Tier 1 Ratio equal to 9.60%, of which 6.00% for minimum regulatory requirements, 1.10% for the additional S.R.E.P. requirement and 2.50% by way of capital conservation reserve;
- Total Capital Ratio equal to 12.00%, of which 8.00% for minimum regulatory requirements, 1.50% for the additional S.R.E.P. requirement and 2.50% by way of capital conservation reserve.

In addition, a 'Target Component' (known as the P2G, second pillar component) of 1.00% was notified as an increase of all the above-mentioned coefficients. The total coefficients are thus equal to: CET1 8.80%, Tier1 10.60% and Total Capital Ratio 13.00%.

The procedure provides that, within 45 days from the date of 02/02/2023, the Bank may submit memorandums and documents in order to hold a dialogue with the Bank of Italy on the new coefficients disclosed. The procedure will be concluded, with an appropriate communication, within a maximum period of 90 days from the date of initiation; from the first quarterly reporting of Own Funds following the date of receipt of this last communication Banca Valsabbina will be required to comply with the new requirements on an ongoing basis.

The coefficients measured at 31/12/2022 are higher than the thresholds currently in force and the thresholds of the new measure, both in the Phase in and Fully Loaded versions.

The capital conservation buffer requirement, as envisaged by directive (EU) no. 36/2013 (CRD IV) is 2.50% definitively as from 1 January 2019.

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 March 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 which exercises management and co-ordination activities over Banca Valsabbina S.C.p.A..

The Bank wholly-owns Valsabbina Real Estate S.R.L., a single-shareholder company.

Related party transactions are regulated on the arms'-length basis envisaged for individual transactions or aligned, if the requirements are met, to the conditions applied to employees.
No specific provisions have been made for losses on loans/receivables during the year, vis-à-vis related parties.
The risks outstanding with related parties, including companies in which the directors and statutory auditors cover management and audit positions, were as follows at year end:

Directors, Statutory auditors, Key executives	31-12-2022	31-12-2021
On-balance sheet loans and receivables	40,243	55,963
Endorsement loans	160	5,297

The ratio of on-balance sheet loans and receivables with related parties to total loans and receivables in the financial statements is 1.03% compared to 1.50% of the previous year.

The balance sheet ratios, as well as the income statement balances as at 31 December, with the subsidiary company are illustrated in the table below:

Financial statement items	Valsabbina Real Estate	
	31-12-2022	31-12-2021
Balance sheet amounts: assets	**355**	**1,048**
Loans and receivables with customers	355	1,048
Balance sheet amounts: liabilities	**52**	**97**
Income statement figures	**25**	**31**
Interest income	13	14
Other operating income and expense	12	17

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 duodieces

The following table, prepared pursuant to Article 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)
Certification services	Mazars Italia S.p.A.	Banca Valsabbina S.C.p.A.	87 (2)

1) Includes fees for carrying out a limited audit of the interim financial statements and for verifying that the accounts are properly kept.
2) Attestation services related to the verification of non-financial reporting, verifications concerning the accounting derecognition of credit assignment transactions, attestations for the purposes of the allowability of operating profit 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 its owner by paying the difference between what has already been paid and the value of the asset, this is a lease contract in the strict sense, while if the user can only return it or extend the contract, it is a rental contract, a type of contract that in any case falls under IFRS 16 effective as from 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 you manage its use, in other words when you have the operational management of the asset, and when you are 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' within the section on 'Tangible Assets'; for the discounting of lease/rental fees, 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) had been negotiated, having met the conditions, and the following entries were made for these contracts in the financial statements:

Item/Amounts Euro 000	**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**

Section 2 - Lessor

The bank does not lease assets and as at 31 December 2022 there were no rentals receivable to be dealt with under IFRS 16.

Valsabbina Real Estate srl – Financial statements as at 31-12-2022

BALANCE SHEET	**31-12-2022**		**31-12-2021**	
Assets				
B) Intangible fixed assets	-	-	-	-
I – Intangible fixed assets	-	-	-	-
Total Fixed assets (B)	-	-	-	-
C) Current Assets	-	564,771	-	1,346,580
I – Inventories	-	435,000	-	1,116,000
Property	435,000		1,116,000	
II – Loans and Receivables		129,771		230,580
due within the next year	129,771		175,073	
beyond the next financial year	-		55,507	
D) Accrued income and prepaid expenses	-	-	-	-
Total assets	**-**	**564,771**	**-**	**1,346,580**
Liabilities				
A) Net equity	-	51,346	-	98,469
I - Share capital	-	98,469	-	100,000
IV - Legal reserve	-	-	-	2,826

VI – Payments to cover losses	-	-	-	123,895
VIII – Retained earnings (losses)	-	-	-	-
IX – Profit (Loss) for the year	-	(47,123)	-	(128,252)
D) Payables	-	513,425	-	1,248,111
due within the next year	513,425		1,248,111	
beyond the next financial year	-		-	
E) Accrued liabilities and deferred income	-	-	-	-
Total liabilities and shareholders' equity	**-**	**564,771**	**-**	**1,346,580**
INCOME STATEMENT	**31-12-2022**		**31-12-2021**	
A) Production value	-	693,656	-	600,084
1) revenues from sales	693,656	-	600,000	-
5) other revenue and income	-	-	84	-
B) Operating costs	-	(722,964)	-	(731,331)
6) for raw, ancillary, consumable materials and goods	-	-	-	-
7) for services	(29,132)	-	(92,453)	-
8) for use of third party assets	(3,543)	-	(3,441)	-
10) amortization, depreciation, and write-downs	-	-	-	-
11) changes in inventories of goods	(681,000)	-	(600,000)	-
14) other operating costs	(9,289)	-	(35,437)	-
Difference between value and cost of production (A-B)	-	(29,308)	-	(131,247)
C) Financial income and expenses	-	(13,077)	-	(14,001)
17) interests and other financial charges	(13,077)	-	(14,001)	-
others	-	-	-	-
interest expense to parent company	(13,077)	-	(14,001)	-
Profit/loss before taxes (A-B+-C+-)		(42,385)	-	(145,248)
20) Current and deferred income taxes for the year	-	(4,738)	-	16,996
21) Profit/(Loss) for the year	**-**	**(47,123)**	**-**	**(128,252)**

Public disclosure of Annexe A of Part One, Title III, Chapter 2 of Bank of Italy Circular No. 285 of 17 December 2013

A1) Name: Banca Valsabbina S.C.p.A. Head office: Via del Molino, 4 - 25078 Vestone (BS), General Management: Via XXV Aprile, 8 - 25121 Brescia, CF 00283510170, VAT No.. 00549950988, ABI 05116, REA Brescia n. 9187.

A2) Type of business:
The main activities carried out by Banca Valsabbina are represented by the collection of deposits or other repayable funds, lending and financing operations, and the provision of banking services, including the placement of insurance policies and mutual funds. The business is currently conducted mainly in the province of Brescia with 43 branches, as well as in the provinces of Verona (8 branches), Milan (3 branches), Trento (2 branches), Monza-Brianza (2 branches), Asti, Bergamo, Bologna, Cesena, Mantua, Modena, Padua, Parma, Reggio Emilia, Turin, Treviso and Vicenza with one branch each.

Customers are traditionally represented by economic entities such as households, trades, professionals and small and medium-sized companies.
The Bank controls the entire capital of Valsabbina Real Estate Srl. This is an operational tool to support the Bank's real estate loan recovery activity through participation in real estate auctions in order not to passively undergo auction discounts.

B) Turnover Italy (net interest and other banking income item 120 in the income statement 2022) € 212,675,071

C) Number of employees on a full-time equivalent basis: 719
“Number of employees on a full-time equivalent basis” means the ratio between total number of hours worked by all employees, excluding overtime and the annual total expected per contract for a full-time employee.

D) Profit or (loss) before tax (item 260 in the 2022 income statement) € 57,807,252

E) Taxes on profit or loss (item 270 in the 2022 income statement) € -16,386,532

F) Public contributions received
Please see specific section “Disclosure on public funding pursuant to Article 1, paragraph 125 of Italian Law no. 124 of 4 August 2017”.
Note that, in compliance with the provisions laid down for the compilation of this disclosure, transactions carried out with Central Banks for financial stability purposes or transactions designed to facilitate the transmission mechanism of monetary policy are excluded.

Disclosure on public funding pursuant to Article 1, paragraph 125 of Italian Law no. 124 of 4 August 2017 ("Annual Law on market and competition")

Note that Italian Law no. 124 of 4 August 2017 "Annual law for the market and competition" (hereinafter also Italian Law no. 124/2017) introduced in Article 1, paragraphs 125 to 129, some measures aimed at ensuring transparency in the system of public funding.
In particular, this law envisages, inter alia, that companies must provide in the explanatory notes - and in consolidated explanatory notes, if any - information relating to "grants, contributions, paid assignments and any kind of economic advantages" (hereinafter referred to as "public grants") received from public administrations and other entities referred to in Article 1, paragraph 125 of the said law. Failure to comply with the legal requirement of publication will result in the return of the sums received to the paying agents.
In order to avoid the accumulation of irrelevant information, the legal requirement of publication does not exist if the amount of public funds received is below the threshold of Euro 10,000.
Despite the clarifications provided by the Council of State in its opinion no. 1149 of 1 June 2018, the law in question presents some doubts as to its interpretation and application, with a special reference

to the objective scope of application, for which reference was also made to the guidelines that emerged from trade associations (Assonime). In particular, taking into account the criteria that were the basis of the law and the guidelines that have emerged, the disclosure requirements should not include the following cases:

- fees for services rendered by the company in the course of professional services and supplies or of any other task forming part of the normal course of business. These are amounts received that do not relate to the field of perks/public support policies;
- tax advantages available to all companies meeting certain conditions based on predetermined general criteria that are also the subject matter of specific declarations;
- granting of subsidised loans to its customers as these are the funds of others (e.g. interest subsidy from the public administration) and not the own funds of the bank that acts as an intermediary.

Moreover, it should be noted that since August 2017, the National State Aid Register has been active at the General Management for Enterprise Incentives of the Ministry of Economic Development, in which State aid and de minimis aid to each company must be published by the entities granting or managing that aid. For individual aid to the Bank, please refer to the section on "Register Transparency", which is publicly available.

This being stated, in compliance with the provisions of Article 1, paragraph 125, of Italian Law No. 124 of 4 August 2017, the following is evidence of the amounts received in 2022 by the Bank as "grants, contributions, paid assignments and, in any case, economic advantages of any kind":

Type of contributions	**Granting Authority**	**Amounts collected in 2022**
Aid for personnel training	FBA (Fondo Banche e Assicurazioni)	178,000*
Electricity tax credit	Agenzia delle Entrate (Italian Inland Revenue Agency)	29,608
	Total	**207,608**

*contribution highlighted in the National Register of State Aid