Cassa Centrale Group

Annual financial report 2021 Financial Year

GRUPPO CASSA CENTRALE
CREDITO COOPERATIVO ITALIANO

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Cassa Centrale Banca Credito Cooperativo Italiano
Cooperative Banking Group

Annual financial report 2021 Financial Year

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Cassa Centrale Banca list of shareholders

Ordinary shareholders

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BANCA CENTRO EMILIA - CREDITO COOPERATIVO - Cooperative Company
BANCA CENTRO LAZIO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - Cooperative Company
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - Cooperative Company
BANCA DI BOLOGNA CREDITO COOPERATIVO - Cooperative Company
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO (PROVINCE OF COSENZA) - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI ANAGNI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI AQUARA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BARLASSINA (MILAN) - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BRESCIA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CHERASCO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CONVERSANO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI FLUMERI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SARSINA - Cooperative Company

BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - Cooperative Company

BANCA DI CREDITO COOPERATIVO LAUDENSE - LODI - Cooperative Company

BANCA DI CREDITO COOPERATIVO ABRUZZI E MOLISE - Cooperative Company

BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - Cooperative Company

BANCA LAZIO NORD CREDITO COOPERATIVO - Cooperative Company

BANCA MALATESTIANA - CREDITO COOPERATIVO - Cooperative Company

BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - Cooperative Company

BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - Cooperative Company

BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - Cooperative Company

BANCATER CREDITO COOPERATIVO FVG - Cooperative Company

BANCO MARCHIGIANO Credito Cooperativo - Cooperative Company

BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - Cooperative Company

BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - Cooperative Company

BVR BANCA - BANCHE VENETE RIUNITE - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - Cooperative Company

CASSA DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA – BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA PADANA BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Cooperative Company

CASSA RURALE ALTA VALLAGARINA - LIZZANA BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ALTOGARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DOLOMITI - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - Cooperative Company

CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE RENON - RAIFFEISENKASSE RITTEN - Cooperative Company

CASSA RURALE ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CAVIT - Cantina Viticoltori Consorzio Cantine Sociali del Trentino - Cooperative Company

CON.SOLIDA - Social Cooperative Company

CONSORZIO LAVORO AMBIENTE - Cooperative Company

CONSORZIO MELINDA - Agricultural Cooperative Company

CORTINABANCA – CREDITO COOPERATIVO - Cooperative Company

CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - Cooperative Company

CREDITO COOPERATIVO CENTRO CALABRIA - Cooperative Company

CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

FEDERAZIONE DEL NORD EST CREDITO COOPERATIVO ITALIANO - Cooperative Company

FEDERAZIONE DELLE BCC DEL FRIULI VENEZIA GIULIA - Cooperative Company

FEDERAZIONE TRENTINA DELLA COOPERAZIONE - Cooperative Company

FONDO COMUNE DELLE CASSE RURALI TRENTINE - Cooperative Company

FRIULOVEST BANCA - CREDITO COOPERATIVO - Cooperative Company

LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - Cooperative Company

PRIMACASSA – CREDITO COOPERATIVO FVG - Cooperative Company

PROMOCOOP TRENTINA - S.p.A.

ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - Cooperative Company

SAIT CONSORZIO DELLE COOPERATIVE DI CONSUMO TRENTINE - Cooperative Company

TRENTINGRANA CONSORZIO DEI CASEIFICI SOCIALI E DEI PRODUTTORI LATTE TRENTINI - Agricultural Cooperative Company

ZKB ZADRUŽNA KRAŠKA BANKA TRST GORICA ZADRUGA ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - Cooperative Company

Preference shareholders

BANCA IFIS - S.p.A.

BANCA POPOLARE ETICA - Cooperative Company

CHAMBER OF COMMERCE INDUSTRY AGRICULTURE AND CRAFTS - TRENTO

CASSA RAIFFEISEN BASSA VENOSTA - Cooperative Company

CASSA RAIFFEISEN DELLA VAL PASSIRIA - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - Cooperative Company

COOPERATIVA PROVINCIALE GARANZIA FIDI - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

MEDIOCREDITO TRENTINO-ALTO ADIGE - S.p.A.

PROMOCOOP TRENTINA - S.p.A.

AUTONOMOUS PROVINCE OF TRENTO

Corporate officers and independent auditors

Board of Directors

Giorgio Fracalossi	CHAIRPERSON
Mario Sartori[1]	CHIEF EXECUTIVE OFFICER
Carlo Antiga	ACTING DEPUTY CHAIRPERSON
Giuseppe Spagnuolo	DEPUTY CHAIRPERSON
Paola Brighi	DIRECTOR
Enrica Cavalli	DIRECTOR
Maria Luisa Di Battista	DIRECTOR
Giuseppe Graffi Brunoro	DIRECTOR
Amelio Lulli	DIRECTOR
Enrico Macrì	DIRECTOR
Giorgio Pasolini	DIRECTOR
Paolo Piscazzi	DIRECTOR[2]
Claudio Ramsperger	DIRECTOR
Livio Tomatis	DIRECTOR
Paola Vezzani	DIRECTOR

Board of Statutory Auditors

Elisabetta Caldirola	CHAIRPERSON
Mariella Rutigliano	STANDING AUDITOR
Claudio Stefenelli	STANDING AUDITOR
Clara Carbone	ALTERNATE AUDITOR
Maurizio Giuseppe Grosso	ALTERNATE AUDITOR

General Management

Mario Sartori[3]	CHIEF EXECUTIVE OFFICER - GENERAL MANAGER
Enrico Salvetta	ACTING DEPUTY GENERAL MANAGER
Sandro Bolognesi[4]	DEPUTY GENERAL MANAGER

Independent Auditors

DELOITTE & TOUCHE S.p.A.	Position approved by the Shareholders' Meeting of 16 June 2021

[1] In December 2021, Mario Sartori resigned from his position as Chief Executive Officer and General Manager with effect from 1 February 2022. The same position was assigned to Sandro Bolognesi on 3 February 2022.

[2] appointed by the Shareholders' Meeting of 16 June 2021

[3] In December 2021, Mario Sartori resigned from his position as Chief Executive Officer and General Manager with effect from 1 February

[4] On 3 February 2022, Sandro Bolognesi took up the position of Chief Executive Officer and General Manager.

Executive Committee

Mario Sartori[5]	CHAIRPERSON
Enrica Cavalli	MEMBER
Amelio Lulli	MEMBER
Paolo Piscazzi	MEMBER
Claudio Ramsperger	MEMBER

Risks Committee

Maria Luisa Di Battista	CHAIRPERSON
Paola Brighi	MEMBER
Giuseppe Graffi Brunoro	MEMBER
Giorgio Pasolini	MEMBER
Paola Vezzani	MEMBER

Appointments Committee

Enrico Macrì	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Giuseppe Graffi Brunoro	MEMBER

Remuneration Committee

Paola Vezzani	CHAIRPERSON
Enrico Macrì	MEMBER
Livio Tomatis	MEMBER

Independent Directors Committee

Paola Brighi	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Enrico Macrì	MEMBER

Sustainability and Identity Steering Committee

Enrica Cavalli	CHAIRPERSON
Paola Brighi	MEMBER
Giuseppe Graffi Brunoro	MEMBER
Giuseppe Spagnuolo	MEMBER
Livio Tomatis	MEMBER
Paola Vezzani	MEMBER

[5] Following his appointment as Chief Executive Officer and General Manager, Sandro Bolognesi took over as Chairperson of the Executive Committee.

Report and Consolidated Financial Statements of the Cassa Centrale Group

Letter to the Shareholders

Dear Shareholders,

welcome to this Shareholders' Meeting, which unfortunately occurs in a complex historical moment.

Last year was characterised by a strong global economic recovery, which was partially held down in the second half of 2021 and at the beginning of 2022 by a number of factors, such as the increase in energy prices and the start of the conflict in Ukraine, which will affect growth in the months ahead.

Despite these difficulties and the continuing health crisis, the economic situation was decidedly positive for Italy, with significant repercussions on GDP growth and the downward trend in bank non-performing loans.

With regard to the Cassa Centrale Group, the results achieved in 2021 were excellent. The challenges have been met one after the other, and our entity is even more solid and competitive today than it was at the beginning of the pandemic. This was by no means something to be taken for granted two years ago.

Covid-19 imposed new operating procedures to which all the Group banks were able to adapt, without, however, this being to the detriment of relations with customers and territories.

The 2021 figures confirm the effectiveness of the measures undertaken by Cassa Centrale Banca and the Group's ability to react to the current extraordinary environment.

The profit for the year stood at EUR 333 million at the end of the year, an increase of 45% on the 2021 budget and of EUR 88 million on the final figure at the end of 2020.

Moreover, in the light of the annual increase of EUR 10 million in the Parent Company's net profit of EUR 46 million, we are pleased to be able to present a growing dividend again this year.

Total consolidated assets continued to expand, totalling EUR 91.1 billion, up 5% from 2020. In connection with this, our Group was confirmed to be among the most solid on the national banking market in terms of capital in 2021, with a consolidated CET1 ratio of 22.6% - the highest in Italy - and a coverage ratio of impaired loans increasing to 74% from 64% in 2020.

This solidity was further certified by the results of the Comprehensive Assessment test, concluded in July. Based on the results obtained, it can be said that the test was passed with flying colours, despite the extremely severe Covid-19 scenarios of the Stress Test. The CET1 ratio of 17.14% expected in the "base" scenario and that of 10.59% expected in the "adverse" scenario compared to the starting value of 19.72% in December 2019, are actually significantly higher than the warning threshold of 8% set by the European Central Bank;

The new 2021 - 2024 Strategic Plan, leveraging commercial development based on the local bank service model, aims to further strengthen the Group's ability to generate revenues. The commitment to contain operating costs and to continue a prudent provisioning policy to cope with the uncertainties deriving from the economic scenario will also continue to be central.

The optimisation of the distribution network, the digital transformation of the operating model and customer support tools, the enhancement of human capital and generational change, the push towards sustainability, and the enhancement and dissemination of the Group's identity are key points of the Strategy.

The process of improving asset quality is also continuing with a new NPL Strategy that is very prudent, also due to the risks deriving from the pandemic. However, the final figures turned out to be much better than estimated, with the gross NPL ratio falling to 5.5% as at 31 December 2021 compared to the assumed 6.8%. At the same date, the net NPL ratio stood at 1.5%, a figure in line with the main Italian significant Groups.

In conclusion, the current geopolitical developments added new grounds for concern to a scenario already characterised by great uncertainty, such as the still evolving health situation and the challenges related to the concrete implementation of the NRRP objectives. However, we are confident that the solidity of the Cooperative Credit model will continue to be an element of strength and stability for our territories.

The Group has shown over the years that its ability to evolve and its loyalty to its founding values are not opposing options, but essential components of its success.

This is the direction that Cassa Centrale Banca has taken and this is the vision that, with your support, we intend to continue to pursue in the years to come.

Report on Consolidated Operations of the Cassa Centrale Group

2021 Financial Year

Composition of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group

The establishment of the Cooperative Banking Group

On 2 August 2018, the Bank of Italy accepted the request of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. (hereinafter also “Cassa Centrale Banca”, “CCB”, the “Parent Company” or the “Bank”) to establish the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as “Cassa Centrale Group”, the “Group”, “Cooperative Banking Group” or “GBC”) and by resolution of the Directorate of 18 December 2018, the Supervisory Authority ordered the registration of the Cooperative Banking Group in the Register of Banking Groups, with effect from 1 January 2019.

The reform of Cooperative Credit was born from the Italian legislator’s desire to strengthen the cooperative credit sector without distorting the local role and mutualistic purpose of the individual BCC-CR-RAIKAs, safeguarding the paradigm that distinguishes them.

In fact, the active participation of the shareholding base, with its stock of cooperative values and knowledge of the regional needs, finds an implementation channel in the Regional Shareholders’ Meetings. The affiliated BCCs are broken down into five geographically homogeneous regional groups; each meeting represents not only an opportunity to share strategic projects of relevance to the entire Group, but also the joint responsibility of the partner BCCs in defining the development guidelines that the Banks themselves, under the direction and coordination of the Parent Company, will then be called upon to implement.

The activity of the Cooperative Banking Group in 2021 was also very focused on implementing the provisions of the Reform Law and subsequent amendments. The drive to combine the value and autonomy of a system of local Banks - expression of the various territories - with the profitability, efficiency, growth and stability of a large Banking Group was particularly important.

Therefore, it is an original development model where difference is a value and local identity a principle.

The Cohesion Contract

The basis for the establishment of the Cassa Centrale Group is a contractual relationship between the Parent Company and the individual Affiliated Banks, namely the Cohesion Contract.

By means of the Cohesion Contract (Art. 37-bis of the TUB), the Affiliated Banks and the Parent Company regulate their mutual duties, responsibilities, rights and joint and several guarantees deriving from membership and affiliation with the Cooperative Banking Group, in compliance with the mutualistic aims that characterise Cooperative Credit Banks and in application of the principle of proportionality exercised according to the health status of the Banks themselves (risk-based approach).

The Guarantee Agreement

The Cohesion Contract provides, as a fundamental and constitutive element of the Group, for the joint and several guarantee of the obligations assumed by the Parent Company and the Affiliated Banks, in compliance with the prudential rules applicable to banking groups and individual member banks; this guarantee forms an integral part of the Cohesion Contract. Participation in the agreement is, in fact, an essential condition for adherence to the Cohesion Contract and therefore to the Cooperative Banking Group.

The guarantee between the Parent Company and the Affiliated Banks is reciprocal (cross-guarantee) and contractually regulated so as to have the effect of qualifying the liabilities of the Parent Company and the Affiliated Banks as joint and several obligations of all the parties to the agreement; in other words, all the Affiliated Banks and the Parent Company are obligated - both internally and externally - for all the obligations contracted by the Parent Company or any Affiliated Bank.

The Guarantee Agreement also provides for intra-group financial support mechanisms by which the members of the scheme provide each other with financial support to ensure solvency and liquidity; in particular, to comply with the prudential requirements and the requests of the Supervisory Authority, as well as to avoid, where necessary, being subject to the resolution procedures set out in Legislative Decree no. 180/2015 or to the compulsory liquidation procedure referred to in Articles 80 et seq. of the TUB.

If there is a need for intra-group financial support, the Parent Company may decide to activate the guarantee. The support initiatives for the Affiliated Banks, both capital and liquidity, necessary to ensure the solvency and liquidity of the individual members of the scheme, are carried out only by the Parent Company, using the financial resources made available by the members in execution of the Guarantee Agreement.

For further details on the guarantee scheme, please refer to the "Report on the guarantee scheme" attached to the separate financial statements of Cassa Centrale Banca in the annual financial report.

The organisational structure of the Group

The reform of Cooperative Credit allowed to further strengthen the role of local banks typical of Cooperative Credit Banks. The Parent Company's coordination role made it possible to eliminate certain weaknesses in terms of capital or business model that arose well before the Group's operational start-up. The new organisational set-up has undoubtedly contributed to the immediate and positive response that the Affiliated Banks have provided to the economic fabric of reference in the particular context linked to the Covid-19 health crisis.

The corporate governance system of the Parent Company Cassa Centrale Banca is based on the central role played by the Board of Directors, which is responsible for defining the Group's strategic guidelines, on the transparency and collegial nature of management decisions, the effectiveness of the internal control system and the strict governance of potential conflicts of interest.

The Board of Directors consists of 15 directors, of which 10 members of the Cooperative Credit Banks, 4 independent and one non-member of the Italian Cooperative Credit.

With reference to the regulation of potential conflicts of interest, specific documents and processes (regulations, Group policies, line controls, second-level controls, etc.) were introduced in order to monitor the various types of risks related to the particular structure of the Cooperative Banking Group in which the Affiliated Banks, placed under the control of Cassa Centrale Banca by virtue of the Cohesion Contract, are at the same time shareholders of the Parent Company.

The Group structure

As at 31 December 2021, the Cassa Centrale Group consisted of:

- the Parent Company, Cassa Centrale Banca;
- the Affiliated Banks that have adhered to the Cohesion Contract and the companies controlled by them, directly or indirectly;
- the financial and instrumental companies directly and/or indirectly controlled by the Parent Company.

The updated list of companies included in the scope of consolidation of the Cassa Centrale Group is provided in the explanatory notes (Part A - Accounting policies, section 3).

Corporate governance

The Cassa Centrale Group, in line with legal and supervisory regulations and in order to ensure an appropriate balance of powers and a precise distinction between the functions of strategic supervision, management and control, has adopted a "traditional" system of governance, based on the distinction between the Board of Directors, which has a guidance and strategic supervision function, and the Board of Statutory Auditors, which has a control function.

Below is an overview of the main corporate bodies with guidance and governance functions. Details of the powers reserved for the control bodies are provided in the chapter called "Risk management and internal control system" in this Report.

Shareholders' Meeting

The Shareholders' Meeting is a deliberative and collective body designed to express the Bank's wishes and to resolve, in line with the dictates of Art. 2364 of the Italian Civil Code and Art. 13 of the Articles of Association, on the following matters:

- the appointment of the members of the Board of Directors, the Board of Statutory Auditors and determination of their compensation and responsibilities;
- the approval of the financial statements and resolution on the allocation and distribution of profits;
- the appointment of the company responsible for externally auditing the accounts upon a reasoned but non-binding proposal by the Board of Statutory Auditors;
- the approval of Remuneration and Incentive Policies for the Bank's Directors, Board of Statutory Auditors and staff, approving any plans based on financial instruments and the criteria for determining the compensation of any Directors and relevant staff in the event of early termination of employment or office;
- the approval and amendment of any shareholders' meeting regulations;
- the other matters assigned to its competence by the regulations in force at the time or by the Articles of Association.

The Board of Directors

The Board of Directors (hereinafter also referred to as the "BoD") is the body responsible for the strategic supervision and management of the company. The BoD of Cassa Centrale Banca consists of 15 members, including 4 Directors who meet the independence requirements, the Chairperson and one or two Deputy Chairpersons (one of whom is the Acting Deputy Chairperson). The directors are chosen, in a number not exceeding 10, from among persons who are members of the Affiliated Banks, i.e. who hold, or who have held in the 2 years prior to taking office, positions in the administrative and control bodies or top management of the Affiliated Banks (including companies and entities in which they have a stake) operating in the Cooperative Credit sector. The Articles of Association, in addition to assigning the strategic supervision function, delegate the management function to the Board of Directors, the Executive Committee and the Chief Executive Officer.

The Shareholders' Meeting held on 16 June 2021 elected Mr. Paolo Piscazzi, Chairperson of BCC of Cassano delle Murge e Tolve, as a new member of the Board of Directors of Cassa Centrale to replace Director Giuseppe D'Orazio.

Chairperson of the Board of Directors

In accordance with the provisions of Bank of Italy Circular no. 285/2013 and subsequent updates, the Chairperson of the Board of Directors (hereinafter also the "Chairperson"), who may not have an executive role or perform management functions, is assigned a coordination and guarantee role for the regular functioning of the Board of Directors and the Shareholders' Meeting.

The Chairperson promotes internal dialectics and ensures the balance of powers, in line with the tasks relating to the organisation of the work of the Board of Directors and the circulation of information assigned to it by the Italian Civil Code. He is also assigned by the Articles of Association to represent the Company before third parties and in court, as well as to sign on behalf of the Company. He also promotes the effective functioning of the corporate governance system, guaranteeing the balance of powers between the Bank's decision-making bodies and act as an interlocutor with the controlling body and the internal committees.

Executive Committee

The Executive Committee consists of the Chief Executive Officer and 4 Directors appointed by the Board of Directors. Within the scope of the powers that the law and the Articles of Association do not reserve for the collective competence of the Board of Directors, the following matters are delegated to the Executive Committee, on which it resolves, as a rule, through proposals made by the Chief Executive Officer:

- loans;
- real estate investments;
- write-offs.

At the Board meeting of 30 June 2021, the Board of Directors identified the newly elected Director Piscazzi as the new member of the Executive Committee, with subsequent appointment on 8 July 2021.

Chief Executive Officer

The Board of Directors appoints a Chief Executive Officer from among its members, to whom it entrusts the day-to-day management of the Parent Company in compliance with the general planning and strategic guidelines established by the Board of Directors.

Board committees

The Board of Directors shall establish from among its members a Risks Committee, an Appointments Committee, a Remuneration Committee and an Independent Directors Committee, to which the following tasks are assigned:

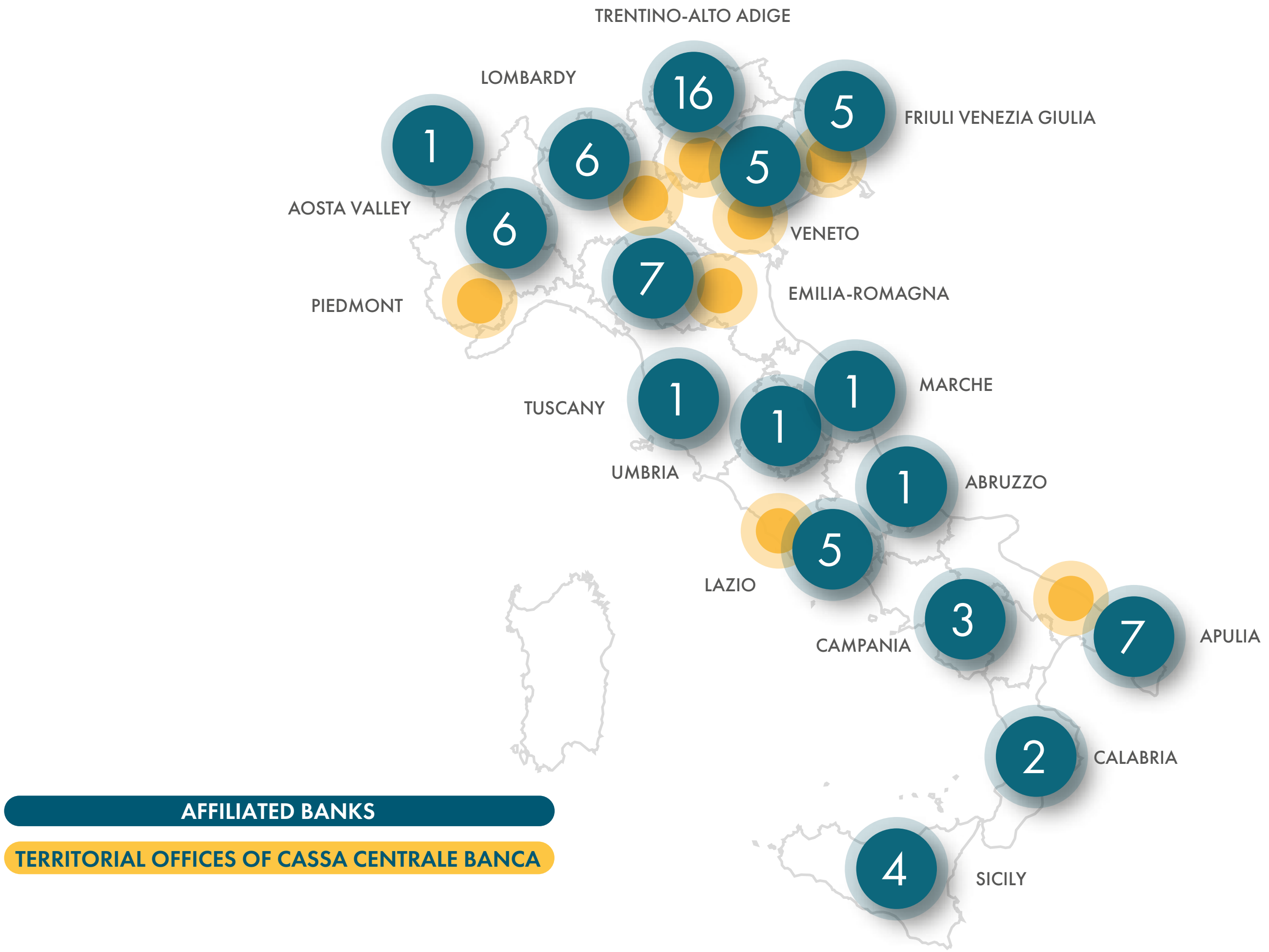
- the Risks Committee performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;
- the Appointments Committee performs investigative and advisory functions in support of the Board of Directors with regard to the appointment of members and the composition of the Board of Directors of the Parent Company and, where applicable, of the Affiliated Banks when such appointment is the responsibility of the Board itself;
- the Remuneration Committee has propositional and advisory functions with regard to the remuneration and incentive systems to be adopted by the Parent Company and, where applicable, by the Affiliated Banks;
- the Independent Directors Committee, consisting of three independent directors chosen from among the members of the Board of Directors, intervenes in the negotiation and preliminary phases of transactions with associated parties, formulating reasoned and binding opinions;
- the Sustainability and Identity Committee, made up of six directors, four of whom chosen from among the members of the Board of Directors representing affiliated BCCs and two independent directors. The Committee carries out preliminary, propositional and advisory functions in assessments and decisions relating to sustainability and cooperative identity.

For further information and a detailed description of the corporate governance system, please refer to the "Corporate Governance Project" available on the Cassa Centrale Banca website at www.cassacentrale.it, in the "Governance" section.

Presence on the territory

Even before taking on the role of Parent Company, since its establishment Cassa Centrale Banca has been a reference partner for Cooperative Credit and a number of small and medium-sized banks not belonging to banking groups, sharing their values, culture, strategies and reference model.

Acting as a second-level bank, it provided support and impetus to the activities of the BCC-CR-RAIKA members and customers, with an offer that they themselves recognised as innovative, competitive and of quality. The role of provider of high added value advisory services in sectors such as wealth management, structured finance, public treasury management, etc. was also significant.



The presence of the Cooperative Banking Group, with the consequent transition from a network integration to a group approach, allowed the Affiliated Banks to further strengthen their primary role as local banks at the service of the territory and communities. The Covid-19 health crisis and the related economic impacts represented a test for the strength of the new organisation. In fact, the Affiliates were able, precisely because they are part of a solid and organised Group, to demonstrate resilience and reactivity. The Group's business model envisages a widespread presence in the territory and a strong attention to the relationship with the customer (typically families and small economic operators), the territory and local institutions.

Local Shareholders' Meetings have the objective of allowing for maximum participation and collaboration on the part of all the Affiliated Banks, through constant dialogue with the Parent Company, leveraging the common purpose, the responsibility and effective and widespread communication, as well as the integrated development of the Group's culture and strategies. The relationship based on ongoing dialogue and the active involvement of its stakeholders is an expression of the responsibility that the Cooperative Banking Group feels towards the territory in which it operates.

The geographical distribution of the Group as at 31 December 2021 is characterised by the presence of 71 Affiliated Banks with approximately 1,483 branches located throughout Italy and 10 territorial branches of the Parent Company.

PRESENCE ON THE TERRITORY	31/12/2021					Total 31/12/2021	Total 31/12/2020	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
REGISTERED OFFICES								
Parent Company	3	2	2	2	1	**10**	**10**	**0**
Affiliated Banks	16	10	13	16	16	**71**	**77**	**-6**
BRANCHES*								
Parent Company	1	0	0	0	0	**1**	**1**	**0**
Affiliated Banks	299	328	361	317	178	**1,483**	**1,482**	**+1**

*Data referring to branches with CAB code

The special legal regulations, in relation to the mutualistic aims pursued, and the business model that characterises the BCC-CR-RAIKAs, are at the basis of the high number of members in the corporate structure. Cooperative Shareholders play a key role as they are a crucial resource for preserving the value of Cooperative Credit Banks. They are in fact the first customers, suppliers of their own equity, witnesses of the vitality of the company, as well as the creators of projects within the social and economic fabric.

As can be seen from the table below, the number of Shareholders as at 31 December 2021 is approximately 455 thousand, mostly concentrated in the central-north area of the country and up by 5,934 compared to December 2020.

AREA	31/12/2021					Total 31/12/2021	Total 31/12/2020	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
No. of Shareholders	131,351	92,942	103,101	97,721	30,242	**455,357**	**449,423**	**+5,934**
% of total	28.85%	20.41%	22.64%	21.46%	6.64%	**100.00%**		

Mission, values and business model of the Affiliated Banks and the Group

The BCC-CR-RAIKAs are local banks which are an expression of the communities, established in the form of cooperative companies with prevalent mutuality. Consistent with the principles and values that inspired their birth and accompanied their growth, they have always made a concrete contribution to the economic, social and cultural development of local communities. As stated in the Articles of Association, they have "t*he purpose of favouring cooperative shareholders and members of local communities in banking operations and services, pursuing the improvement of their moral, cultural and economic conditions and promoting the development of cooperation and education in savings and pension planning as well as social cohesion and the responsible and sustainable growth of the territory in which they operate*".

The sharing of the values that characterise the social function of cooperation provides a peculiar characteristic to the modus operandi of the Affiliated Banks and at the same time represents a concrete wealth for the territorial communities in which they operate.

The commitment to the territory is implemented both in the active presence in the economic system through reinvestment in the areas of competence of savings collected, and in the support of initiatives in favour of bodies and associations that make the non-profit sector their objective. Of particular importance are the conferences and round tables with trade associations to promote discussion of the most important issues in the economic sectors in which the Group operates.

The social and service function of the Affiliated Banks is characterised by a qualified, updated and dedicated offer in which the services provided by the individual entities are flanked by the services and consulting provided by the Parent Company and the Group Companies, which are designed to meet the organisational, business and compliance needs of the Affiliated Banks and to understand the needs of shareholders and customers.

The activity of the Affiliated Banks is strongly oriented towards the provision of credit through traditional forms, such as mortgages and commercial loans, in order to better meet the financial needs of customers. Direct funding also consists of traditional offers such as deposit accounts, repos, current accounts, savings accounts and bonds, while indirect funding and assets under management are mainly based on the offer of products and services designed to ensure profitability while minimising risks.

Affiliated Banks are therefore the main interlocutors in the support and development of the real economy of the territories in which they operate, thanks to a specific offer of banking products and services that over the years has made it possible to maintain the stability of savings and a constant access to credit, also by enhancing the value of proximity information that is a peculiarity that only local banks possess.

Also worthy of note is the commitment to offering and placing ethical and environmentally relevant investment products. With reference, in particular, to the offer of banking and credit products linked to eco-sustainable initiatives, of note are the initiatives aimed at spreading the culture of energy saving and the responsible use of resources with actions that directly involve the Affiliated Banks and, indirectly, customers, through products with low environmental impact, financing dedicated to businesses and households for the installation of systems for the production of electricity or heat from renewable sources and the implementation of interventions aimed at improving the energy efficiency of buildings.

Code of Ethics

With the resolution approved by the Parent Company's Board of Directors on 28 April 2021, the process of updating the contents of the Code of Ethics was completed.

After the operational start-up of the Group, the issue of harmonising the pre-existing Codes of Ethics and adapting them to the structure of the Cooperative Banking Group was raised so that each Group Company could recognise itself in them.

Therefore, the premises for updating the Code were the following:

- harmonisation of the value contents of the Codes of Ethics in force in each Group Company and updating to the new context;
- uniformity of the Code due to principles and values that concern all Group companies;
- greater efficiency in future updates;
- the need to ensure constant consistency with other governance documents, with the Organisational Model 231 and with the "Guidelines on the administrative liability of entities within the Group" and the other value policies already adopted;
- presence, given the regulatory function of the Code itself, of references to specific policies in force, disciplinary regulations and external rules/regulations.

The Code is aimed at inspiring and regulating the behaviour of the recipients, i.e. representatives, employees and collaborators. The values and principles contained in the Code supplement the rules of conduct that the recipients are required to observe by virtue of the regulations in force, employment contracts, as well as the procedures, regulations and provisions that the Group Companies have issued or will issue internally.

By means of the Code, the Group expresses its values and principles and, in line with them, directs individual behaviour, also in the knowledge that consideration of social and environmental issues helps to minimise exposure to the risks inherent in banking and related activities and to compliance risks, as well as to strengthen its reputation.

The Code also contains references to the composition of the Group, the Articles of Association, cooperative principles and sustainability. It is structured in chapters, which refer to the different areas of application and help to define the Group's value approach; they represent one of the conditions for internal control and risk management also in the non-financial area.

The Code is the same for all Group Companies, due to the need to coordinate and provide common rules to the entire perimeter, and therefore to the Parent Company, the Affiliated Banks and the financial, instrumental and non-instrumental Companies directly or indirectly controlled by the Parent Company.

Economic background

International scenario and Italian context

The year 2021 was characterised by a general recovery of economic activity at a global level, with the pace of economic activity picking up during the first part of the year thanks to the openings made possible by the progress of the vaccination campaign, while showing signs of a slowdown in the second half of the year due to the emergence of global "bottlenecks" that adversely affected the trends of the supply of goods and services. The estimates by the International Monetary Fund (hereinafter referred to as "IMF"), published in January 2022, show a growth of Gross Domestic Product (hereinafter also referred to as "GDP") in 2021 of 5.9%. The expectation for 2022 is that this ongoing recovery will continue, albeit at a slower pace, as evidenced by the IMF estimates for 2022 of a 4.4% progress in global output.

The IMF estimate shows a US GDP growth of 5.6% in 2021 and 4.0% in 2022, while for the Eurozone it shows a GDP growth of 5.2% in 2021 and 3.9% in 2022, in a scenario where analysts see downward revisions more likely to materialise due to continued constraints on economic activity caused by measures to contain the spread of new variants of the Covid-19 virus and problems in the supply chain.

The conflict between Russia and Ukraine can adversely affect the European macroeconomic environment, with the European Central Bank revising its GDP estimate for 2022 downwards to 3.7% at its March 2022 Governing Council meeting from the previous figure of 4.2% provided in December.

2021 saw a sharp rise in inflation in the United States and many advanced economies. The IMF estimate for 2021 shows the US figure at 4.3% and for 2022 the expectation is that it will stand at 3.5%, due to persistent pressures in the labour market, with an unemployment rate expected at 3.5% at the end of 2022, and in the real estate market, both of which were also able to maintain high levels of the core component.

The inflationary pressures materialised also in the Eurozone in the second half of the year, in particular, as evidenced by the IMF estimate of a 2.2% price increase in 2021, mainly due to rising energy prices and issues in the supply chain that translated into higher costs for end consumers. Geopolitical tensions and their repercussions on the price of energy and agricultural commodities seem to have a negative impact on maintaining the Eurozone's inflation trajectory below 2%, with the European Central Bank in March 2022 revising upwards its inflation forecast for 2022 to 5.1% (from the previous estimate of 3.2%).

According to Eurostat estimates, employment trend during 2021 approached pre-pandemic levels, with the seasonally adjusted unemployment rate of the Eurozone at 7.0% in December 2021. Employment continued its improving trend at the beginning of 2022, reaching 6.8% in the January survey. The figure is expected to improve further during the year, with the European Commission's autumn estimates forecasting the creation of 3.4 million new jobs in 2022/23, bringing the unemployment rate to 6.5% at the end of 2023.

With regard to the Italian economy, Istat forecasts robust GDP growth in both 2021 (6.3%) and 2022 (4.7%), driven mainly by the domestic consumption component (6.0% in 2021 and 4.4% in 2022). According to Istat, the consequences of the war in Ukraine, which could depress domestic consumption due to rising energy costs, could be a factor holding back growth.

With regard to the Italian labour market, ISTAT expects the unemployment rate trend to gradually normalise with an increase in the unemployment rate in 2021 to 9.6% mainly due to the decrease in inactive workers, and then a slight decrease to 9.3% in 2022.

Also for the Italian context, 2021 showed an upturn in the inflationary trend as from the second half of the year in particular, due to the strong increase in energy prices and agricultural raw materials, with Istat estimating an overall consumer price growth of 1.9%, a marked upturn compared to the -0.2% figure recorded in 2020.

Financial and currency markets

During 2021, the Governing Council of the European Central Bank reconfirmed its expansive monetary policy stance, in view of a scenario that in the Eurozone showed signs of improvement in terms of economic recovery despite the continuing uncertainties related to the health emergency.

The continuation of monetary accommodation was particularly necessary in the first part of the year to avoid that the transmission of the rise in returns observed in international markets and the temporary increases in inflation would result in a premature tightening of financial conditions in the area. Therefore, at its meeting of 11 March 2021, the Governing Council decided to significantly increase the pace of monthly net purchases under the programme for the purchase of public and private securities for pandemic emergencies (known as PEPPs) from the second half of March and also in the second quarter of 2021, compared with the pace in the first months of the year.

On 8 July 2021, the outcome of the monetary policy strategy review launched in January 2020 was published. The Governing Council considers that the best way to maintain price stability is to pursue an inflation target of 2% over the medium term. This objective is symmetrical and does not represent an upper limit; therefore, negative and positive deviations should be considered equally inappropriate. Moreover, in line with the objective of stabilising inflation at 2% over the medium term, stronger and more persistent monetary policy actions may be needed, leading to a transition period in which inflation is moderately above target.

At its meeting of 16 December 2021, the progress made in terms of economic recovery in the Eurozone prompted the Governing Council to tighten the pace of monthly net purchases as part of the PEPP. Until the end of the programme in March 2022, net purchases will continue at a lower pace than in previous quarters. The Governing Council also decided to extend the time horizon for the reinvestment of principal repaid on maturing securities by at least 12 months until the end of 2024. In order to avoid possible negative market repercussions during 2022 from the gradual downsizing of the pandemic purchase plan, the Governing Council instead increased the pace of monthly net purchases under the conventional asset purchase programme (APP) to EUR 40 billion and EUR 30 billion in the second and third quarters of 2022, respectively, before returning to EUR 20 billion from October next year.

Also as part of the measures introduced by the European Central Bank to preserve favourable financing conditions and support bank lending to businesses and households, the last four auctions of the ten envisaged in the third series of targeted longer-term refinancing operations were settled in 2021 (known as TLTRO-III). Total funds disbursed to banking counterparties in the Area as part of this series of operations thus rose to a total of EUR 2,199 billion.

In the United States, the Federal Reserve confirmed its monetary policy guidelines at the first meetings of 2021, keeping the target range for Federal Fund rates unchanged at 0.00% - 0.25% and the plan for monthly purchases of securities for USD 120 billion. However, the scenario changed at the November and December meetings, during which the Federal Reserve, driven by the improvement in the economic recovery supported by the Biden plan and faced with a rise in inflation no longer considered merely transitory, formalised the start of the process of reducing monthly bond purchases.

Expectations of a relatively more expansive monetary stance by the European Central Bank compared to the Federal Reserve contributed to the general strengthening of the dollar against the euro on the currency markets, in a context that was nevertheless characterised by significant volatility. Overall, the EUR/USD cross moved from the 1.2270 area to 1.1330 (-7.70%) over the twelve months of 2021.

Returns on major government securities closed on the rise in 2021. In the first months of the year, the start of the vaccination campaigns encouraged a general rise in returns supported by the first signs of increase in prices, in raw materials in particular. The nature of the increases, deemed to be transitional by the main central banks, subsequently pushed investors to buy European government securities again, to the extent that the ten-year Btp return reached an annual low in July. In the last months of the year, the increase in inflation became more consistent, and consequently the returns of government securities began to rise again in a generalised manner, exhibiting considerable volatility: in the last two weeks of the year, the return on 10-year BTPs rose from 0.90% to 1.17% (an increase of 62 basis points compared to the beginning of the year).

Thanks to the strong economic recovery and investors' renewed appetite for risk, the world's major stock market indices rose substantially in 2021. The major US stock exchange list and technology stock exchange list gained 27% and 22% respectively, updating their all-time highs. The European Stock Exchange lists performed well, but to a lesser extent, with the banking and technology sectors performing particularly well: the main domestic stock exchange list closed the year on the rise by 23%. On the other hand, in Asia, stock prices were penalised by the decisions of the Chinese central bank's monetary policy and the economic difficulties of the Evergrande real estate group: the Hong Kong index closed 2021 down -8.7% in terms of EUR.

Italian banking system

The economic growth observed in Italy in the first half of the year remained high also in the third quarter, supported by the expansion of household consumption. However, the recovery slowed down in the fourth quarter, as a result of the rise in infections and higher inflation driven by rising energy costs.

This slowdown was also reflected in credit to the non-financial private sector, with growth in demand for new loans proving weak in the autumn. On the other hand, loans to households continued to expand at a sustained pace.

In December, based on data published by the ABI[6], loans to residents in Italy (including the private sector and public administrations) amounted to EUR 1,726.9 billion, marking an annual increase of 2.0%[7]. Specifically, loans to the private[8] sector recorded an annual acceleration of 2.1%, while the year-on-year change in loans to households and non-financial companies was an increase by 2.6%.

An analysis of the distribution of credit shows that in 2021, manufacturing, mining and services accounted for a share of total loans of about 58.8% (the share of manufacturing alone is 27.8%). This is followed by trade and accommodation and catering activities with around 22.2%, the construction sector with 9.1%, and the agricultural sector with 5.5% and, lastly, residual activities with approximately 4.4%.

Looking at the risk profile, non-performing bank loans (net of write-downs and provisions made) decreased year-on-year in December 2021, amounting to approximately EUR 15.1 billion (-28.0% compared to December 2020), with a ratio of net non-performing loans to total loans of 0.86% (1.21% in December 2020).

Total funding from customers of banks in Italy (resident customer deposits and bonds net of those repurchased by banks) rose to EUR 2,068.3 billion

[6] ABI Monthly Outlook Economy and Financial-Credit Markets, January and February 2022.

[7] Calculated including loans not recognised in bank financial statements because they are securitised and net of changes in amounts not related to transactions.

[8] Non-financial companies, consumer and producer households, non-profit institutions, other financial institutions, insurance companies and pension funds.

at December 2021, with an increase of 5.6% on an annual basis. In detail, deposits (EUR 1,859.4 billion) grew at an annual rate of 6.9%; on the other hand, bonds decreased to EUR 208.0 billion, down 3.5% compared to December 2020.

With reference to the trend in interest rates, the average rate of bank funding from customers calculated by ABI (figure which includes the return on the stock of deposits, bonds and repurchase agreements in Euro applied to the household and non-financial corporations sectors) fell to 0.44% at December 2021 (0.49% at December 2020). In the same month, the weighted average rate on total loans to households and non-financial companies continued its decline, reaching a new all-time low at 2.13% (2.28% in December 2020).

Significant events during the year

The main events of the year ended 31 December 2021 are provided below.

Business combinations between Affiliated Banks

During 2021, there were six business combinations among Affiliated Banks. Therefore, the number of Affiliated Banks decreased from 77 at the beginning of 2021 to 71.

Details of the business combinations carried out in 2021 are shown below:

- Cassa Rurale Alto Garda and Cassa Rurale di Rovereto: new name Cassa Rurale Alto Garda - Rovereto - Banca di Credito Cooperativo - Soc. Coop., effective 1 July 2021, Trentino-Alto Adige region;
- Banca Alto Vicentino and C.R.A. di Vestenanova: new name Banche Venete Riunite - Banca di Credito Cooperativo - Soc. Coop., effective from 1 July 2021, Veneto region;
- Cassa Rurale FVG and BCC di Turriaco: new name Cassa Rurale del Friuli Venezia Giulia - Banca di Credito Cooperativo - Soc. Coop., effective from 1 July 2021, Friuli Venezia Giulia region;
- BCC di Alberobello e Sammichele di Bari and BCC di Monopoli: new name BCC di Alberobello, Sammichele e Monopoli - Banca di Credito Cooperativo - Soc. Coop., effective 1 July 2021, Puglia region;
- Banco Marchigiano and Banca del Gran Sasso d'Italia: new name Banco Marchigiano Banca di Credito Cooperativo - Soc. Coop., effective 1 October 2021, Marche and Abruzzo regions;
- BCC di Spello e Bettona and BCC del Velino: new name BCC dell'Umbria e del Velino Banca di Credito Cooperativo - Soc. Coop., effective 1 October 2021[9], Umbria and Lazio regions.

These business combinations are part of the rationalisation of the regional control unit outlined in the Group's Strategic Plan, aimed at pursuing competitiveness and efficiency objectives. These transactions had no impact on the consolidated financial position as they are mergers between entities under common control. During the year under review, three further combination processes were activated, which may lead to a further rationalisation of the territorial presence of the Cooperative Banking Group during 2022, once the authorisation process and approval by the Shareholders' Meetings of the Affiliated Banks involved are completed.

2021-2024 Strategic Plan

On 29 June 2021, the Board of Directors of Cassa Centrale Banca approved the Group's Strategic Plan (hereinafter also referred to as "SP") with a 2021-2024 time period, which updates the 2020-22 SP approved last year.

The Plan was defined with the full involvement of the Affiliated Banks, as provided for in the Cohesion Contract, in a process whereby each legal entity of the Group defined its own individual SP, which then became part of the Group's consolidated SP.

The Plan includes a series of strategic development initiatives that can be referred to three macro-themes:

- commercial development based on the service model of the local bank;
- increased efficiency of the business model;
- management of capital and risk profiles.

The path towards achieving the Plan's initiatives is based on the enhancement of the enabling factors necessary for its implementation: human resources and technology.

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[9] Following the Extraordinary Shareholders' Meeting of 29 December 2021, the Bank changed its name to "Banca di Credito Cooperativo di Spello e del Velino - soc. Coop".

The economic-financial and equity projections define an evolution in the period of reference of the Plan that shows a strengthening of the Group's ability to achieve revenues, pursue a containment of operating costs and adopt prudent provisioning policies to face the uncertainties deriving from the impact that the health emergency will have on the real economy.

The Group adopted a rolling logic in its strategic planning process, with an annual review of the Plan. This logic was adopted considering that the Group has been operating for three years and that it operates in a constantly and rapidly evolving market and regulatory environment, all the more so in an economic environment that remains conditioned by the effects of the ongoing health emergency.

During the first half of 2021, given the persisting conditions of uncertainty under the macroeconomic profile and the dynamics of the financial markets, with particular reference to the upward revision of inflation expectations, a derisking manoeuvre was also initiated in relation to the interest rate risk exposure of the Banking Portfolio.

The manoeuvre resulted in a review of certain strategic guidelines for the management of the owned portfolio, with a progressive decline to a share of 70% of the total portfolio value in financial instruments attributable to the Hold to Collect business model and a parallel reduction in the duration of this business model.

Impaired asset management and Group NPE strategy

During 2021, in a context characterised by the continuation of the Covid-19 health emergency, the Cassa Centrale Group, through the dedicated structures present in the Parent Company and in the Affiliated Banks, continued to monitor the quality of the Group's loan portfolio and the management and reduction of impaired assets.

In this context, the Parent Company prepared the new NPE Strategy and the related Group Operating Plan, with a 2021-2023 time frame, also incorporating the impacts deriving from the ongoing health emergency. On 31 March 2021, the NPE Strategy and Operating Plan were submitted to the Board of Directors of the Parent Company for approval and subsequently sent to the ECB.

The NPE strategy has been defined following a prudent approach that envisaged, on the one hand, the adoption of a significant default rate, incorporating Prometeia's estimates according to the "severe but plausible" scenario (level 3 of 4 on a severity scale), and, on the other hand, envisaging a percentage reduction in the estimates of collections and performing remittances compared to the trend historically recorded by the Group prior to the health emergency. Following the above-mentioned logic, the Group NPE Strategy therefore envisaged, for the years 2021 and 2022, a substantial stability of the gross NPL ratio (6.8%) and, for the year 2023, the resumption of a new downward trend in the index with an estimated landing value at 6.3%. On the other hand, with regard to coverage levels, the NPE Strategy, on the strength of the coverage levels (64%) that the Cassa Centrale Group had reached by the end of the 2020 financial year, forecasts a slight decrease in the index, which will nevertheless remain in the 60% area, thus confirming the Group, at the end of the plan, among the leading banking groups in terms of coverage levels.

However, the final figures as at 31 December 2021 showed better results than those forecast in the NPE strategy. These results are a direct consequence of the sustained economic recovery during 2021 which, also thanks to the economic support measures introduced by the Government to deal with the negative effects of the health crisis, resulted in significantly lower than estimated default rates for both the business and household sectors. In fact, in 2021 the Cassa Centrale Group achieved a default rate on the performing loan portfolio of 1.20% compared to an estimate of 2.45%, resulting in a lower transfer of loans from performing to non-performing of approximately EUR 530 million. The recovery performance of impaired loans was also better than expected, with collections totalling EUR 545 million against an estimate of EUR 391 million.

During the year, as envisaged in the Group's NPE strategy, the Buonconsiglio 4 securitisation transaction was carried out, in which 29 Group banks participated, with gross loans sold amounting to EUR 243 million.

The effect of these trends on impaired loans combined with the growth in performing loans resulted in a gross NPL ratio of 5.5%, which is approximately 120 Bp lower than the figure assumed in the strategy for the end of 2021, and a net NPL ratio of 1.5% against an estimate of 2.8%.

The positive figures recorded above all in terms of net NPL ratio, which is in line with the major Italian significant banks, is also the result of the prudent policy adopted in terms of provisioning for impaired exposures in consideration of the continuing uncertainty in terms of the actual impact of the health crisis in the coming years. This policy made it possible to achieve a level of coverage of impaired exposures of 73.6%, which places the Cassa Centrale Group in first place at national level in terms of coverage ratio.

Consolidated tax effect from the sale of NPL loans

As a result of the extension to Article 55 of Law Decree no. 18 of 2020 (known as "Cura Italia"), envisaged by Art. 19 of Law Decree no. 73 of 2021 (known as "Sostegni-bis"), the facility that allows companies that have disposed of impaired commercial or financial receivables by 31 December 2021, to transform deferred tax assets (DTAs) into tax credits, even if not recognised in the financial statements, relating to:

- tax losses not yet set off against taxable income at the date of transfer;
- ACE surpluses that have not yet been used or deducted from taxable income at the date of the transfer of loans.

For the purposes of converting DTAs, losses and ACE surpluses can be assumed up to 20% of the nominal value of the transferred loans, with a cap also set for 2021 at EUR 2 billion (referring to the total transfers of all group companies).

For the Cassa Centrale Banca Group, the impact on the consolidated income statement deriving from this facilitating regulation amounted to EUR 12.1 million, mainly attributable to the Buonconsiglio 4 securitisation transaction.

Carige S.p.A. Cassa di Risparmio di Genova e Imperia

During the first quarter of 2021, Cassa Centrale Banca completed the assessment process of the exercise of the call option under the contract entered into on 9 August 2019. With this agreement, the Interbank Deposit Protection Fund (FITD - Fondo Interbancario di Tutela dei Depositi) and the Voluntary Intervention Scheme (SVI - Schema Volontario di Intervento) had granted Cassa Centrale Banca an irrevocable option to purchase the shares of Carige held by the former following the execution of the share capital increase resolved by the Shareholders' Meeting of 20 September 2019.

Following the resolution of the Board of Directors of 15 March 2021, Cassa Centrale Banca informed FITD and SVI of its negative forecast regarding the exercise of the irrevocable option under the terms originally agreed. Moreover, in consideration of the degree of uncertainty of the pandemic on the market and its unpredictable evolution, it considered that there were no conditions for negotiating the option on any other basis. These decisions were taken urgently and in advance with respect to the provisions of the existing contracts, to allow FITD and SVI to negotiate, if necessary, with other market players and/or find an alternative solution/partnership in the general interest and Carige.

Following the communication to FITD/SVI of 15 March, the Interbank Fund, as stated in the press release of 2 April, appointed its advisors to manage the process of selling the equity investment held in Banca Carige.

On 22 July 2021, Cassa Centrale Banca informed FITD/SVI and Consob that it had formally and definitively waived the option rights relating to the Carige shares held by FITD/SVI pursuant to the option agreement dated 9 August 2019.

Following the resignation of one standing auditor and two alternate auditors, appointed in January 2020, one of whom from the minority list submitted by Cassa Centrale Banca pursuant to the Articles of Association of Carige, the Shareholders' Meeting was held on 28 July 2021 for the integration of the control body, in which Mr. Diego Agostino Rigon was appointed on the candidacy of Cassa Centrale Banca as a minority shareholder.

After the waiver of the option to purchase the shares held by FITD/SVI, and with the re-classification of the security to trading, Cassa Centrale - no longer considering the investment to be strategic - carried out a partial sale of the shares held on the regulated market. As at 31 December 2021, the equity investment in Cassa Centrale Banca in Carige was 6.22%, further reduced to 5.96% following the sales in early 2022.

Complaints and disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) is based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest, based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

In the joined proceedings before the Court of Genoa, Cassa Centrale Banca appeared, like the other defendants, filing a statement of appearance and response seeking a declaration of Cassa Centrale Banca's lack of legal standing and the rejection of all claims made against it by the plaintiffs. The proceedings ended with a judgement of 15 November 2021, by which the Court of Genoa, in acceptance of the claims of the defendants, ascertained the validity of the capital increase resolution adopted by Carige on 20 September 2019 and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs. The judgement was appealed against by Malacalza Investimenti, Vittorio Malacalza and 5 of the 42 shareholders. The deadline for Cassa Centrale Banca to file an appeal is currently pending.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and charges.

Comprehensive Assessment

The Comprehensive Assessment (hereinafter also "CA") represents an in-depth assessment, pursuant to the Regulation on the Single Supervisory Mechanism (Council Regulation (EU) no. 1024 of 15 October 2013), aimed at ensuring that banks are adequately capitalised and can withstand macroeconomic and financial shocks.

The CA has a prudential rather than an accounting nature (therefore without automatic effects on the Group financial statements) and consists of two main areas that were based on the Group data as at 31 December 2019:

- an Asset Quality Review (hereinafter also referred to as "AQR")
- a stress test to verify the resilience of the Group's assets in the three-year period 2020-2022 in ordinary and adverse scenarios (Comprehensive Assessment Stress Test, hereinafter also "CAST").

This activity, initially planned for the first half of 2020, was subject to a general suspension following the outbreak of the Covid-19 health emergency. In August 2020, the ECB informed the Group of the imminent restart of business, which was completed in early 2021.

The findings of the AQR were integrated (Join-up) into the stress test, thus projecting the timely assessment of the AQR over the time horizon of the stress test itself. Compared to a starting figure of 19.72% (value as at 31 December 2019), the CET1 ratio was significantly higher than the threshold value applied to identify the capital shortfalls in the AQR and in the baseline scenario (equal to 8%) as well as with respect to the threshold value for the adverse scenario (equal to 5.5%). The overall results for the year, posted on the ECB website, on Friday 9 July 2021 are as follows:

- CET1 ratio of 17.14% in the "base" scenario compared to the starting value of 19.72% in December 2019, significantly higher than the warning threshold of 8% set by the ECB;
- CET1 ratio of 10.59%, in the "adverse" scenario, compared to the minimum threshold defined by the ECB of 5.5%.

Ultimately, the Group successfully passed the Comprehensive Assessment, confirming its high capital strength and resilience also with respect to the "catastrophic" Covid-19 scenarios defined at the level of the stress test.

MREL requirement

As part of the regulatory framework for the recovery and resolution of banks and investment firms (known as Bank Recovery and Resolution Directive - BRRD), the activities started for the definition of the MREL[10] (Minimum Requirement of Eligible Liabilities) target to be assigned to the Group were initiated with the SRB (Single Resolution Board). In March 2021, the Minimum Requirement of Own Funds and Eligible Liabilities (MREL), formulated in accordance with Article 12a, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure[11] (MREL-LRE), was communicated by the Single Resolution Committee.

The MREL requirement, expressed in the two metrics above, was determined on a consolidated basis in consideration of the single-point-of-entry (SPE) Resolution Strategy defined by the Supervisory Authority for the Group, according to which resolution tools and powers would be applied exclusively to the Parent Company.

Given the general-hybrid approach adopted by the Single Resolution Committee, own funds on a consolidated basis shall be considered suitable to meet the consolidated MREL requirement, while the only eligible liabilities will be those issued directly by the Parent Company Cassa Centrale Banca (as the "central entity" of the Resolution Group) and that will comply with the eligibility conditions set out in Regulation no. 877/2019 ("SRMR2").

The minimum requirement for own funds and eligible liabilities on a consolidated basis (with which the Parent Company complies) is 21.36% of TREA and 5.91% of LRE. The Parent Company is required to meet the above requirements by 1 January 2024. From 1 January 2022, the Group is required to meet an interim requirement of 18.19% of TREA and 5.91% of LRE.

There are no subordination requirements to meet the above targets.

Rating

Cassa Centrale Banca is subject to a credit rating by the Moody's rating agency. Moody's recognises the Group's high resilience, high levels of capitalisation and liquidity, giving it a Baseline Credit Assessment (BCA) of ba1 with a Ba1 rating on the issuer Cassa Centrale Banca and a Baa1 rating on long-term deposits. The issuer outlook was upgraded to stable following a revaluation in May 2021.

In its periodic review of 13 December 2021, carried out to reassess the adequacy of ratings in the context of recent developments, the Agency confirmed the ratings assigned as well as their outlook and once again confirmed an extremely low probability of default on the Group's deposits and a moderate probability of default on senior securities.

Inspection by the Bank of Italy on Anti-Money Laundering and Transparency

On 6 August 2021, the Bank of Italy's inspection, started on 12 April on the Cassa Centrale Group, was completed. The aim of the assessment was to check compliance with regulations on the transparency and fairness of transactions with customers and on combating money laundering and terrorist financing. The outcome of the inspection, which was notified in January 2022, is summarised in the chapter "Significant events occurred after the end of the financial year".

ECB inspection on capital adequacy

Starting from 27 September 2021, the Cassa Centrale Group was subject

[10] Specifically, the MREL requirement allows each intermediary, in case of resolution, to have an adequate amount of capital resources and other liabilities to absorb losses and replenish capital. It aims to preserve financial stability by promoting an orderly and effective crisis management system. Failure to meet the MREL requirement can have a negative impact on the loss-absorbing capacity and recapitalisation of institutions, as well as on the overall effectiveness of the resolution.

[11] Exposure to the leverage ratio" is the measure of total exposure calculated pursuant to Articles 429 and 429 bis of EU Regulation no. 575/2014.

to an inspection by the ECB on capital adequacy, aimed at assessing the calculation of Pillar 1 capital requirements.

With an initial planned duration of eight weeks, the inspection ended on 26 November 2021. The outcome of the process will be notified on 12 April 2022.

Changes to the equity investments held by Cassa Centrale Banca

In the meeting of 10 March 2021, the Board of Directors of Cassa Centrale Banca approved the acquisition of a 10% share in the Company Centrale Trading S.r.l., at the price of EUR 40,846.

Following this transaction, finalised on 28 July 2021, Cassa Centrale Banca holds 42.50% of Centrale Trading S.r.l. in its own account. This interest, added to the 10% already held by the subsidiary Allitude, lead to the assumption of control of the Company with a total interest of 52.50%. Therefore, Centrale Trading S.r.l. was registered in the Cooperative Banking Group.

On 3 August 2021, Cassa Centrale also completed the purchase of 34,009 shares of Allitude S.p.A. previously held by Veneto Banca S.p.A. in L.c.a. for a value of EUR 482,247.62. The purchase took place following the assignment to Cassa Centrale of a sales tender promoted by the liquidators of Veneto Banca S.p.A. in L.c.a. in their liquidation activities. Following this transaction, Cassa Centrale holds 96.70% of the share capital of Allitude S.p.A.

Amendments to the Articles of Association

More than three years after the adoption of the current Articles of Association of Cassa Centrale Banca (approved by the Extraordinary Shareholders' Meeting - prior to the Group - on 4 October 2018), the Board of Directors of the Parent Company, also taking into account the three-year experience gained and in view of the upcoming renewal of the corporate officers, deemed it appropriate to undertake a review of the current Articles of Association to check whether it was necessary to make changes that, in addition to simplifying and updating the text, would make it more flexible, thereby further strengthening the role assumed by the Parent Company in terms of management and coordination of the Cooperative Banking Group.

According to this review, there was an active involvement of the Shareholders at the end of which the Board of Directors approved the amendments to the articles of association on 2 December 2021. The main objective is to overcome certain constraints and rigidities contained in the current Articles of Association. In particular, the proposals concerning Corporate Governance go in the direction of restoring to the Board of Directors the responsibility for defining the optimal governance structure through the possibility of delegating certain matters concerning company management to an Executive Committee and/or a Chief Executive Officer. At the same time, they make it possible to intervene on the structure of matters that can be delegated more quickly if necessary. Lastly, the proposed amendments aim to pursue the objectives of even greater collective nature, reinforcing the effectiveness of choices and guaranteeing adequate dialogue and comparison, while still allowing - in management and operational areas - the valid and timely implementation of decisions taken on the basis of shared information and analysed from different points of view and perspectives.

On 9 December 2021, the request for the issue of the assessment measure pursuant to Article 56 of the TUB was submitted to the Supervisory Authority.

Share capital increase of Prestipay S.p.A.

In the first half of 2021, the company, 60% owned by Cassa Centrale, saw a development in operations significantly higher than the forecasts of the business plan drawn up during the establishment phase in September 2018.

This led the Shareholders to anticipate the increase in share capital in September 2021 for a total of EUR 12,500,000, which, according to the business plan, should have taken place in spring 2022. This increase was fully subscribed by the Shareholders of the Company, each for their own share. Following the subscription, Prestipay's share capital now amounts to EUR 22,500.00. In this way, the subsidiary is assured about a broad compliance with the capital requirements set forth in the current regulations for a time horizon covering the entire 2022, at growth rates commensurate with the current ones.

Centrale Soluzioni Immobiliari S.r.l. – new organisational structure

On 18 November 2021, the Board of Directors of Cassa Centrale Banca resolved on the "Group Regulation on real estate for instrumental purposes", which, among the various aspects that are regulated, the establishment of the Parent Company's Re.o.Co. management structure is envisaged.

Following this resolution, the Board of Directors, during the meeting of 16 December 2021, ordered the transfer of the management structure from Centrale Credit Solutions S.r.l. to Centrale Soluzioni Immobiliari S.r.l., which therefore became the Group's Re.o.Co.

Tax realignment of higher values recognised in the financial statements

Article 110 of Law Decree no. 104 of 2020 (known as "Agosto" decree) envisaged the possibility for entities that prepare their financial statements in accordance with international accounting standards to realign for tax purposes the higher values recognised in the financial statements as at 31 December 2019 on tangible and intangible assets - including equity investments constituting financial fixed assets - and still present at the end of 2020, by paying a substitute tax on income taxes and IRAP in the amount of 3% of the realigned differential.

This misalignment arises from the fact that any revaluations of tangible and intangible assets recognised in assets, made in accordance with the relevant accounting standards in previous years, did not affect the corresponding values for tax purposes[12].

The realignment allows to obtain:

(i) the tax deductibility of IAS depreciation/amortisation for IRES and IRAP purposes (to the extent of 90%) of the exempted amount related to buildings and intangible assets;

ii) for assets, but also for non-depreciable land, the tax recognition of the higher value at the time of sale, unless the assets are sold during a "monitoring" period, during which it is necessary to monitor the possible exit of the asset from the production circuit of the company (e.g. sale)[13].

The 3% substitute tax must be paid either as a lump sum or in up to three equal annual instalments to be paid, without interest, by the deadline for the payment of the balance of income tax for 2020 (i.e. 30 June 2021) and the following two.

The regulation envisages that the amount corresponding to the higher values subject to realignment, net of the substitute tax, is allocated to a reserve on which tax is deferred for tax purposes.

In this context, during the second quarter, some Banks of the Cassa Centrale Group realigned the aforementioned values with reference to real estate and intangible assets for an amount of EUR 58.4 million. The substitute tax due in respect of the above realignment, amounting to EUR 1.7 million, was paid in accordance with law provisions.

Following the payment of the substitute tax, from an accounting point of view, higher taxes were recognised against the substitute tax paid and the simultaneous release, for EUR 19 million, of the provision previously recognised for deferred taxation on the higher carrying amounts recognised, given that the difference between the carrying amounts and tax values of the realigned assets is no longer present, with a net positive effect on the consolidated Income statement of EUR 17.2 million.

In compliance with the regulation, a restriction was placed on a specific reserve in the individual shareholders' equity of the legal entities involved in the realignment transaction as at 31 December 2021, amounting to EUR 56.7 million corresponding to the realigned differentials (net of the related substitute tax).

[12] This results in the recognition of deferred tax liabilities when recognising revalued amounts.

[13] In case of sale of a realigned asset before the beginning of the fourth year following (i.e. 2024) the year of realignment (i.e. monitoring period), the capital gains/losses are determined on the basis of the values existing before the exemption and the substitute tax paid in the meantime on the transferred assets is credited again as a tax credit.

Completion of the migration of affiliated banks to the target information system

In November 2021, the Migration Plan of the 13 Gesbank Banks affiliated to the CCB Group leading to the adoption of the Sib2000 information system by all Group Banks was concluded.

This was the result of a multi-year Work Plan characterised by the strong commitment of the Operations Department of the Parent Company, Allitude and the migrated Affiliated Banks, which made it possible to carry out all activities despite the health emergency situation.

The Work Plan involved the management of a series of coordinated projects within the Migration Programme of the total 13 Group Banks involved in the migration of the information system (4 were migrated in 2020 and the remaining 9 in 2021, in line with the planned schedule).

The Migration Programme, coordinated by the Parent Company's Operations Department in cooperation with Allitude, was based on the following principles:

- definition and adoption of a SMART model for the Bank's migration, which allowed the planned schedule to be met, also in consideration of the pandemic context. The model introduced the use and dissemination of remote working tools that allowed, where necessary, some phases of the migration process to be carried out completely remotely, both technically and in terms of support and training. In order to allow the physical presence of the migration officers in the Bank, all parties (CCB, Allitude, Dedagroup, Bank) signed and applied a dedicated protocol as a further measure to strengthen the security level and prevent the risk of Covid-19 infection. This model made it possible to carry out the BCCs' migration activities despite the health emergency situation, guaranteeing the same effectiveness and quality as the standard model;
- special attention is paid to training for colleagues in the migrating Banks. A total of 5,655 hours of training were delivered through 43 face-to-face and/or videoconference training sessions. The main areas of training were accounting, credit, finance, transparency, branch support and anti-money laundering;
- ensure that the migrating Banks can continue to use back office services, properly reconfigured at the Group's two centres: Cuneo and Padua. To this end, a series of activities were carried out to:
  - map the administrative and banking services currently used by Gesbank banks;
  - ensure the continuity of the back office services used by the Banks, directing them towards the target centre;
  - envisage adequate conditions for regional centres to deliver services.

The application of these principles made it possible to complete the migration of the Affiliated Banks to the Group's target information system efficiently and effectively and on time.

Significant regulatory events during the year

The reference regulatory context in which the Group operates, also following its recognition as a significant supervised entity, is broad and articulated and has led, over time, to a process of organisational and procedural adjustment. In 2021, several pieces of legislation with an impact on the banking sector took effect. In addition, further legislation was enacted to address the economic impacts of the Covid-19 emergency on bank customers (see related section in this chapter for legislative and regulatory aspects).

The main measures implemented by the Group with reference to the most important regulatory changes are set out below.

Transparency

Websites for comparing offers for payment accounts

In Official Gazette no. 67 of 18 March 2021, the Decree of the Ministry of Economy and Finance of 22 December 2020 on the "Regulation of websites for the comparison of offers relating to payment accounts" was published.

The Decree implements Article 126-terdecies of the TUB, introduced by Legislative Decree no. 37 of 15 March 2017 (by which Directive no. 2014/92/EU - the so-called PAD Directive was transposed) and paragraphs 132, 133 and 134 of Article 1 of Law no. 124 of 4 August

2017, on the regulation of websites for the comparison of expenses charged by payment service providers.

More precisely, Article 126-terdecies of the TUB, which governs comparison websites, provides that payment service providers offering payment accounts to consumers must participate in one or more websites for the purpose of comparing offers relating to payment accounts. The regulation requires that, when joining the website, the website manager requests from the banks the data needed to compare offers. The bank must comply within 15 days of the request by sending the data via PEC. Banks must also send any changes in the data already provided for comparison purposes to the data controller of the website promptly, and in any event within 15 days of the change in contractual conditions, by PEC or other legally binding means. The relevant regulations lay down specific requirements for comparison websites, which are subject to particular regulations.

However, at present, there are no comparison websites (public or private) that meet the requirements of the PAD and the relative transposition legislation in which banks can participate in accordance with the provisions of the same legislation (Article 126-terdecies of the TUB).

The activities required for adaptation will be resumed as soon as there are websites at national level that meet the requirements of the regulation.

Report to CAI (Inerbank Alert Centre) for the payment of debts on payment cards

On 8 April 2021, the Bank of Italy published the amendment to Article 8 of its Regulation of 29 January 2002 on the Centrale di Allarme Interbancaria - CAI (Interbank Alert Centre).

This amendment is aimed at implementing the provision, introduced by Legislative Decree no. 218 of 15 December 2017, pursuant to Article 10-ter, paragraph 2, of Law no. 386/1990, which requires intermediaries issuing payment cards to report to the CAI any full payment of the debt (by the day after payment) against which a person has previously been reported in the "CARTER" segment.

The new reporting obligation took effect on 8 May 2021 and the change involved an adjustment of the IT systems to enable the banks to fulfil the new obligation.

Amendments to the Transparency Provisions relating to payment services

By Provision of 30 June 2021, the Bank of Italy amended Paragraph 3.1 of Section VI ("Payment services") of the provisions on "Transparency of banking and financial transactions and services. Fairness of relationships between intermediaries and customers."

The intervention implements Article 106 of Directive no. 2015/2366/EU (Payment Services Directive, known as PSD2), in the part in which it envisages that payment service providers shall make available in an easily accessible manner on their websites and in paper form the European Commission's brochure explaining consumers' rights as part of the payment systems in the European Union, which has already been published on the Commission's website.

As a result of this regulatory intervention, the Banks are required, as from 9 October 2021, to make the above-mentioned brochure available to consumers.

The Parent Company provided the Affiliated Banks with the brochure (also in the audio version dedicated to people with disabilities) for publication on their websites on the transparency totems and for the printing of hard copies to be made available to customers.

Early repayment of consumer loans (Sostegni bis Decree)

On 24 July 2021, Law No. 106 of 23 July 2021 (hereinafter the "Law") was published in the Official Gazette, converting, with amendments, Law Decree no. 73 of 25 May 2021 (known as Sostegni bis, containing "urgent measures related to the COVID-19 emergency for businesses, employment, young people, health and regional services". The Law entered into force on the day following its publication in the Official Gazette, i.e. on 25 July 2021.

Article 11-*octies* of the Law made amendments to the TUB aimed at making the conditions of access to consumer credit for household support certain and transparent and at clarifying the operating practices to be adopted by intermediaries in case of early repayment of loans by consumers following the EU Court of Justice ruling of September 2019 (known as Lexitor judgement).

In particular, while maintaining the current regulations for property credit to consumers (known as MCD), the Law introduced significant changes regarding the early repayment of consumer credit agreements (known as CCD), which impact not only on the relationship between banks and customers but also between banks and any credit intermediaries.

In particular, the Law introduced a reformulation of Article 125-*sexies* of the TUB, which regulates the early repayment of CCD credit agreements. Paragraph 1 of the new Article 125-*sexies* of the TUB envisages that, on the occasion of the curtailment and early repayment of CCD mortgage loans, the bank must ensure that the customer is reimbursed in proportion to the residual life of the contract, the interest and all the costs included in the total cost of the credit (therefore, also the up-front costs incurred by the customer when the loan was granted). The second paragraph, introduced from scratch, provides that CCD credit agreements must clearly explain the criteria for the proportional reduction of interest and other costs, indicating in detail whether the linear proportionality criterion or the amortised cost criterion applies; if the reduction criterion is not indicated in the agreement, the amortised cost criterion is automatically applied.

These amendments to the TUB came into force on 25 July 2021. Pursuant to the provisions of Article 11-octies of the Law, the provisions of Article 125-*sexies* of the TUB and the secondary regulations contained in the Bank of Italy's Transparency and Supervisory Provisions in force at the date of signing the contracts continue to apply to the early termination of contracts signed before that date.

With Decision no. 21676 of 15 October 2021, the Coordination Board of the Arbitrator for Financial Disputes ruled on the issue of early repayment of consumer credit agreements following the amendments introduced by the Law, with the aim of defining a consolidated orientation useful to resolve the interpretative and application doubts that emerged after the entry into force of the Law. In this decision, the ABF laid down a principle of law according to which the obligation to repay pro-rata the up-front costs to the customer only applies to loans taken out after 25 July 2021.

The Bank of Italy intervened on the subject with a communication of 1 December 2021, published on its website and concerning "Consumer credit. Amendments to the primary regulations on early loan repayment", deeming outdated, in the light of the amendments made to the TUB, its own previous guidelines of 4 December 2019, with which it had provided the banking system with the indication to carry out the pro-rata repayment of up-front charges in case of early repayment of CCD mortgage loans, regardless of their date of signing.

Finally, note that, by order of 2 November 2021, the Court of Turin filed a judgement of legal constitutionality of Article 11-*octies* of the Sostegni-bis Decree, in the part in which it limits the applicability of the principles expressed in the Lexitor judgement to contracts signed after 25 July 2021.

Albeit in a regulatory and case-law context that is not yet consolidated and pending the decision of the Constitutional Court, Cassa Centrale provided its Affiliated Banks with information on the new regulations issued from time to time, planning the appropriate activities to adapt the Group's contracts and IT procedures in use, in order to ensure alignment with the new provisions of the TUB and allow the banks to comply with the regulations.

New Practical Guide of the Bank of Italy on e-commerce payments

On 26 July 2021, the Bank of Italy published on its website the new Guide to e-commerce payments, to be made available to customers, which provides a simple and clear map of the tools to be used to make online purchases.

Cassa Centrale informed the Banks of the publication of the new Guide and instructed them to publish it on their websites.

Loan granting and monitoring

On 29 May 2020, the European Banking Authority (EBA) issued the "Guidelines on the granting and monitoring of loans", which report the indications and expectations of the EBA regarding the behaviours and practices that banks must adopt when granting loans and monitoring credit, in order to ensure that they have solid and prudent standards for the assumption, management and monitoring of credit risk and that newly established loans also maintain good credit quality levels in subsequent life phases.

With Note no. 13 of 20 July 2021, the Bank of Italy adopted these Guidelines in the form of "supervisory guidelines". As from that date, they apply with reference to new loans disbursed and guarantee assessment, monitoring and revaluation carried out after that date. The guidelines on lending procedures and pricing shall also apply to loans disbursed before 30 June 2021 in cases where the contractual terms and conditions are amended on or after 30 June 2022.

Work is underway to implement the Guidelines in the process of granting and monitoring loans by the Parent Company and Affiliated Banks.

In particular, the update of the Group Credit Regulation, as well as the adoption of some organisational and process measures that must be recognised in Group regulations and implemented, at an IT control level, within the functionalities of the departmental system for the management of loan applications.

Investment services

In order to establish a set of rules for the distribution of insurance investment products (known as IBIPs) consistent with the rules established by the MiFID II and IDD Directives and the relevant implementing regulations in Italy, Consob with Resolution no. 21466 of 29 July 2020 fully replaced Book IX of the Intermediaries Regulation concerning "Information requirements and rules of conduct for the distribution of insurance investment products". The measures in the new Book IX entered into force on 31 March 2021. The Parent Company has made the necessary adjustments in order to extend the control units provided by the Group Model for the provision of investment services referred to in the distribution of IBIPs.

By Consob Resolution no. 21755 of 10 March 2021, the regulation of the expertise and skills of personnel authorised to provide information/advice for MiFID purposes was amended (Title IX, Part II, Book III of the Intermediaries Regulation) and substantially revised according to a principle-based approach. With this review, intermediaries are called upon to consider how to set up the most suitable internal organisational processes to ensure quality training and professional training for their employees. In this way, the Authority intends to allow greater flexibility in the organisational control units of each intermediary based on the principle of proportionality and the reference to the standards contained in the ESMA/2015/1886 Guidelines of 22 March 2016. The amendments to the Intermediaries Regulation entered into force on 31 March 2021. The Parent Company started updating Group regulations.

ESMA published on 6 April 2021 the translation into the official languages of the European Union of the "Guidelines on certain aspects of the MiFID II requirements relating to the compliance control function". The Guidelines specify certain application aspects relating to the requirements of the Compliance Function, which are governed by Delegated Regulation (EU) no. 2017/565, which supplements the MiFID II Directive as regards, in particular, the organisational requirements of entities providing investment services. They provide operational guidelines on the role and responsibilities of the Compliance Function as part of the internal control system.

The Compliance Function of the Parent Company carried out a gap analysis of the current Organisational Model with respect to the requirements expressed in the Guidelines. No significant impacts were found on the current Model, which is already substantially compliant with the Guidelines; however, the opportunity was found to introduce some organisational and process implementations formalised by updating the "Group Regulation of the Compliance Function". Consob, in a notice dated 7 July 2021, pointed out that the disclosure obligations provided for by Consob Resolution no. 17297/2010 with reference to the "Report of the compliance function" are fulfilled by sending the reports referred to in Article 22, par. 2, let. c) of Regulation (EU) no. 2017/565, drawn up in accordance with the indications of Guideline 3 of the ESMA Guidelines in question.

IDD - Insurance Distribution Directive

In order to complete the implementation of the IDD Directive, which regulates at European level the insurance distribution activity carried out by distributors of insurance products, with Provision no. 97 of 4 August 2020 and Regulation no. 45 of 4 August 2020, IVASS, respectively:

- amended the implementing regulations on insurance distribution with specific rules regarding the distribution of IBIPs;
- set out specific requirements for the governance and control of insurance products.

The new regulatory provisions came into force on 31 March 2021. The Parent Company, in collaboration with the intermediary Assicura Agenzia, carried out activities to analyse and adapt the Group model for the distribution of insurance contracts, taking into account the indications provided by IVASS in its two FAQ documents of 23 March 2021.

Usury

During 2021, the final version of the Instructions for the collection of the TEGMs under the Usury Law, which had been put out for consultation on 20 May 2020 and for which the consultation itself had ended on 20 July 2020, was not published.

Pending the release of the final regulations by the Bank of Italy, the impacts of the regulations under consultation were analysed to identify the main areas of adjustment.

As soon as the final regulations are issued, compliance activities will be carried out, including the preparation of a Group regulation on the subject (currently in progress). Internal regulations will also govern the Group's IT control units for the implementation of the guidelines set out in the judgement of the Court of Cassation on the relevance of interest on arrears for usury purposes (see Judgement no. 19597/2020).

New default definition

As of 1 January 2021, the new European rules on the definition of default apply, as provided for in Article 178 of the European Regulation on prudential requirements for credit institutions and investment firms (known as CRR). The new rules affected the way in which credit exposures are classified within the Banking Group and have required the implementation of organisational and IT procedures (present in the Group's IT system), which have resulted in the preparation of procedural automatisms that allow constant monitoring of the classification of credit exposures within the Group.

This led to the updating of the Group Policy for the classification and assessment of loans, which aims to describe criteria and rules common to all Group Banks and Group Companies that provide loans (Prestipay and Claris Leasing), for the classification, for management, accounting and regulatory purposes of credit exposures and for their assessment in compliance with supervisory instructions.

Sustainable growth

With a view to fostering the transition to a low environmental impact economy, in the wake of the path outlined by the European Union with the "European Green Deal", which aims to make Europe the first climate-neutral continent, the following recent publications, inter alia, should be noted in the context of the various legislative initiatives following the European Commission's communication on the "Action Plan to finance sustainable growth" of 8 March 2018:

- the consultation document on public disclosure on ESG factors published jointly by ESMA, EBA, EIOPA and the Joint Committee of the European Supervisory Authorities of 22 April 2020;
- the EBA consultation document on the management and supervision of ESG risks for credit institutions and investment firms of 30 October 2020;
- the ECB guide on environmental and climate risks of 27 November 2020.

With reference to the specific area of sustainable finance, Regulation (EU) no. 2019/2088 (SFDR), which establishes transparency obligations towards investors for financial market participants and financial advisors, came into force in 2021. In particular, the SFDR requires customers to adopt appropriate control units, to be disclosed to them, in order to integrate sustainability risks and consider adverse sustainability effects in their investment and advisory processes in financial products.

In order to implement the provisions of the SFDR through the definition of appropriate organisational control units at Group level, the Parent Company prepared a specific Policy, which the Parent Company and the Affiliated Banks adopt in their capacity as financial market participants and/or financial advisors and which identifies and formalises the control units envisaged in order to comply with the regulatory provisions.

Risk activities and conflicts of interests with regard to related parties

On 2 July 2021, the Bank of Italy published the 35th update of Circular no. 285/2013 on Corporate Governance. By means of the measure publishing this update, the Bank of Italy ordered banks to comply with the provisions of Article 88, paragraph 1, subparagraphs 4 and 5, of Directive (EU) no.

2013/36 (CRD), as amended by Directive (EU) no. 2019/878 (CRD V), on loans to representatives and their related parties.

This provision introduces, for the purposes of the directive, a new definition of "related party", as well as a requirement to document and make available to competent authorities data on loans granted to members of the management body and their related parties. However, it does not change the previous rules on risk activities and conflicts of interest with related parties, which therefore remain fully applicable.

The Parent Company implemented the consequent adjustment activities.

Corporate governance

Several regulatory changes took place during the year on corporate governance. The Parent Company put in place the consequent adjustment activities that will be completed during 2022, in line with the deadlines for the entry into force of the measures mentioned below.

On 2 July 2021, the EBA published the updated Guidelines on Internal Governance. This is the final draft revision of the "Guidelines on Internal Governance" - initially developed in 2018 pursuant to Article 74 "Internal governance and recovery and resolution plans" of Directive no. 2013/36/EU (CRD IV) - which specify the internal governance arrangements, processes and mechanisms that credit institutions and investment firms must implement to ensure effective and prudent management.

The amendments to the above-mentioned Guidelines are designed to take into account the changes introduced in this area by Directive (EU) no. 2019/878 (CRD V) and Directive (EU) no. 2019/2034 on the new prudential supervision framework of investment firms (IFD).

New aspects include, in particular:

- the need to consider - as part of the internal governance arrangements, processes and mechanisms as well as the overall risk management framework - aspects related to the identification, management and mitigation of money laundering and terrorist financing risk;
- the inclusion of specific Guidelines concerning new standards of behaviour to be met by entities to ensure the fair and gender-neutral treatment of personnel.

At the same time, on the same date, the Bank of Italy, recognising the EU provisions in the national regulations, published the 35th update of Circular no. 285/2013 on Corporate Governance. The main changes include the revision of the categories within which banks are grouped ("largest and most complex banks, intermediate banks and smaller and less complex banks") and the introduction of a "gender quota" relating to the presence of the least represented gender in management and control bodies.

Also on 2 July, an update of the *joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU* was published.

This is the final draft revision of the "Guidelines on the assessment of the suitability of members of the management body and key personnel", which were initially developed in 2018 pursuant to Directive no. 2013/36/EU (CRD IV) and Directive no. 2014/65/EU (MiFID II) and which set out the requirements regarding the suitability of members of the management body, as well as the requirements regarding the suitability of key personnel.

The amendments by the above-mentioned Guidelines are designed to take into account the changes introduced in this area by Directive (EU) no. 2019/878 (CRD V) and Directive (EU) no. 2019/2034 on the new prudential supervision framework of investment firms (IFD).

On 20 December 2021, the Bank of Italy published Note no. 22 on its website, announcing that it had declared to the EBA its intention to comply with the aforementioned Joint Guidelines. In particular, with the Note the Bank of Italy implements Title IX of the Guidelines ("Assessment of the suitability of competent authorities and resolution authorities in the context of the resolution"), which take on the value of supervisory guidelines.

With the Measure of 4 May 2021, the Bank of Italy also issued new Provisions on the procedure for assessing the suitability of representatives of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee systems. Following the adoption of the Decree of the Minister for the Economy and Finance no. 169/2020 on the eligibility requirements for representatives of banks and other intermediaries regulated by the TUB, it became necessary to update the procedure for checking by the Bank of Italy, in line with the provisions of the Regulation; in fact, the TUB envisages that the Bank of Italy's assessment must be carried out in accordance with the procedures and timeframes established by it.

Finally, on 8 December 2021, the ECB published the final version of the document called "Guide to fit and proper assessments" on its website.

With this revision, the ECB adopts a new approach aimed at improving the overall requirements checking process, taking into account a number of new relevant aspects such as, for example, gender diversity and climate and environmental risks.

At the same time, the ECB also updated the "Fit & Proper Questionnaire" that supervised entities must send to the ECB or the competent national authorities to assess the suitability and propriety of appointments made.

Please note that the Guide is not a legally binding and mandatory document but specifies in more detail the supervisory policies, practices and processes applied by the ECB when assessing the suitability of board members.

Remuneration policies

With effect from 10 March 2021, Regulation (EU) no. 2088/2019 of 27 November 2019 on sustainability-related disclosures in the financial services sector became applicable. Compliance with Article 5 on the subject of transparency of remuneration policies in relation to the integration of sustainability risks took place through the adoption by the Board of Directors on 31 March 2021 of the Group 2021 Remuneration and Incentive Policies, approved by the Shareholders' Meeting on 16 June 2021.

On 14 June 2021, the European Commission Delegated Regulation (EU) no. 923/2021 of 25 March 2021 also came into force, supplementing Directive no. 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92, paragraph 3 of that Directive.

On 24 June 2020, through the Commission Implementing Regulation (EU) no. 2021/637 of 15 March 2021, the "*Implementing Technical Standards on public disclosures (ITS) by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) no. 575/2013*" were adopted. Therefore, the 2021 ex-post reporting, to be submitted to the 2022 Shareholders' Meeting of the Parent Company, will have to be aligned with the new models.

On 2 July 2021, the EBA published the updated Guidelines for Sound Remuneration Policies pursuant to Directive no. 2013/36/EU. This is the final draft revision of the "Guidelines on sound remuneration policies pursuant to Articles 74, paragraph 3, and 75, paragraph 2, of Directive no. 2013/36/EU and on disclosure pursuant to Article 450 of Regulation (EU) no. 575/2013", which were initially developed in 2016 pursuant to Articles 74 "Internal governance and recovery and resolution plans" and 75 "Supervision of remuneration policies" of Directive no. 2013/36/EU (CRD IV); these Guidelines specify the obligations on remuneration policies applicable to all personnel of entities and the specific obligations to be complied with by institutions on remuneration policies and variable elements of the remuneration of key personnel.

The amendments to the Guidelines are designed to take into account the changes to remuneration policies introduced by Directive (EU) no. 2019/878 (CRD V).

Among the new features is the need for entities to implement gender-neutral remuneration policies for all personnel.

On 24 November 2021, the Bank of Italy recognised the changes introduced by Directive (EU) no. 2019/878 (CRD V) and the aforementioned Guidelines by means of the publication of the 37th update of Circular no. 285/2013 and subsequent updates, on remuneration and incentive policies and practices in banks and banking groups. This update replaces Chapter 2 of Part One, Title IV of that Circular. The amendments are aimed at incorporating the changes introduced by CRD V on this matter and the EBA Guidelines referred to above.

Cassa Centrale Banca started activities to comply with the above-mentioned regulations. These activities will take place as part of the process of preparing the Group's 2022 Remuneration and Incentive Policies.

Anti-Money Laundering

The regulatory framework on anti-money laundering and countering the financing of terrorism has been supplemented by the Bank of Italy Provisions on the storage and provision of documents of 24 March 2020, which became effective on 1 January 2021, and by the FIU Provision on sending Aggregated Anti-Money Laundering Reports of 25 August 2020 (applicable starting from the reports referring to transactions relating to January 2021). In order to ensure compliance with the reference regulations, with particular regard to the Banks affiliated, Cassa Centrale Banca coordinated the preparatory activities for the release of dedicated IT interventions and oversaw the updating of the relevant internal regulations in view of the evolution of the reference regulatory framework and the plan of defined interventions.

IVASS published Measure no. 111 of 13 July 2021 implementing Articles 15 and 16 of Legislative Decree no. 231/2007. The Measure, which makes amendments to IVASS Regulation no. 44/2019, establishes the criteria and methods to be used to identify and assess one's money laundering risk and establishes dimensional and organisational criteria on the basis of which the parties required to comply establish the anti-money laundering and internal audit functions, appoint the managers of these functions and the person responsible for reporting suspicious transactions. The document is addressed to the banks as insurance intermediaries referred to in Article 109, paragraph 2, letter d) of Legislative Decree no. 209/2005 (known as Private Insurance Code). Insurance intermediaries are required to comply with the provisions of the Measure as of 1 January 2022. Cassa Centrale Banca is taking steps to ensure compliance with the provisions with reference to the insurance intermediation activities carried out by its Affiliated Banks.

On 4 October 2021, the Bank of Italy published note no. 15 "Implementation of the European Banking Authority's Guidelines on risk factors for customer due diligence (EBA/GL/2021/02)" with which the Guidelines developed by the European Banking Authority (EBA) pursuant to Article 17 and Article 18, par. 4, of Directive no. 2015/849/EU (known as IV AML Directive) on customer due diligence measures and on the factors that credit institutions and financial institutions should take into account when assessing the money laundering and terrorist financing risks related to ongoing relationships and occasional transactions, are recognised as part of the implementation regulations of 30 July 2019, on customer due diligence, taking on the value of supervisory guidelines. The new Guidelines represent a revision of the ESAs' Risk Factor Guidelines of February 2018 and have been revise, among other things, to provide more guidance to intermediaries on how to carry out customer profiling and risk self-assessment. The Parent Company takes this into account when updating its risk profiling and self-assessment models.

Privacy

In relation to the health emergency caused by the pandemic related to the spread of COVID-19, during the year the Privacy Authority published several opinions and indications on the processing of data relating to vaccinations and Green Pass control methods. Therefore, the Data Protection Service provided support to all the legal entities to which it offers its services with regard to the methods and limits within which employers can process data relating to vaccinations and the Green Pass.

With regard to the new definition of default, as described above, the Data Protection Service advised on the preparation of a specific privacy impact assessment for an IT implementation aimed at allowing the exchange of data of "multi-credit" customers between Group banks on the status of their payments in order to intervene preventively, by regularising the debt position and avoiding a higher risk classification at Group level.

In order to guarantee the principle of transparency sanctioned by the GDPR, customer information was revised to indicate the activity in question and published on the website of the Affiliated Banks.

The Privacy Authority, with Measure no. 231 of 10 June 2021, issued new Guidelines on the processing of cookies and other tracking tools; the Data Protection Service through a special Circular provided guidance to all legal entities to which it offers its service.

Administrative liability of entities

On 29 November 2021, Legislative Decree no. 184 of 8 November 2021 on "Implementation of Directive (EU) no. 2019/713 of the European Parliament and of the Council of 17 April 2019 on combating fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision no. 2001/413/JHA" was published in the Official Gazette.

This decree introduces Article 25-octies.1 (offences relating to non-cash means of payment) into Legislative Decree no. 231/2001, extending the administrative liability of entities to the offences of:

- Art. 493 ter of the Penal Code: misuse and counterfeiting of non-cash payment instruments;
- Art. 493 quater of the Penal Code: possession and dissemination of computer equipment, devices or programmes intended to commit offences involving non-cash payment instruments;
- Art. 640 ter of the Penal Code: computer fraud aggravated by the transfer of money, monetary value or virtual currency.

Moreover, unless the act constitutes another administrative offence punishable more severely, it is punishable for any other offence against public faith, against property or which in any event offends property envisaged by the Penal Code, when it concerns means of non-cash payment.

This rule entered into force on 14 December 2021.

Moreover, on 30 November 2021, Legislative Decree no. 195 of 8 November 2021 "Implementation of Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by means of criminal law" was published in the Official Gazette, which made changes to the offences of receipt of stolen goods, money laundering and use of money, goods or benefits of unlawful origin as well as self laundering.

Cassa Centrale Banca started the analyses aimed at identifying the consequent changes to be made to the Organisational, Management and Control Model pursuant to former Legislative Decree no. 231 of 8 June 2001.

Further interventions

Moreover, as part of the banking prudential regulations, note the following regulatory updates the analysis and assessment of which have led to the possible revision, completed or still in progress (depending on the date of their publication), of the corresponding internal regulations and/or the implementation of further adjustments:

- Update no. 36 of 20 July 2021 of Circular no. 285 of 17 December 2013 with a view to complying with the EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06), which rendered obsolete certain provisions on the criteria to be adopted for the valuation of real estate used as a guarantee for loans;
- adoption by the European Commission, on 27 October 2021, of a package of measures modifying banking prudential regulations (known as Banking Package 2021) with a view to strengthening the resilience of banks, contributing to the post-COVID-19 economic recovery and facilitating the transition to climate neutrality. The Package of Measures, in consultation until 28 December 2021 and sent to the European Parliament and the Council for discussion and adoption, is in fact aimed at transposing into European law the Finalisation Document of the Basel III Accord, published by the Basel Committee in December 2017, and includes the following three legislative proposals:

  1. a proposal for a Directive amending Directive no. 2013/36/EU on capital requirements (CRD IV);
  2. a proposal for a Regulation amending Regulation (EU) no. 575/2013 on capital requirements (CRR);
  3. a proposal for a Regulation amending the CRR and Directive no. 2014/59/EU (BRRD) on the resolution of G-SIIs (known as "daisy chain");

- publication by the European Banking Authority (EBA) on 9 November 2021 of the final draft of the Guidelines on indicators to be included in recovery plans under BRRD II. This is the final version of the Guidelines called "*Final Report. Guidelines on recovery plan indicators under Article 9 of Directive no. 2014/59/EU*" which implements the comprehensive review of qualitative and quantitative indicators on recovery and resolution of credit institutions and investment firms (BRRD), also taking into account the changes made by Directive (EU) no. 2019/879 (BRRD II) to improve the effective preparation of entities to deal with crisis;
- publication by the European Banking Authority (EBA) on 10 June 2021 of the final version of the document called "*Final Report. Revised Guidelines on major incident reporting under PSD2*", transposed by means of a Bank of Italy notice on 29 October 2021, on

its website, implementing for payment service providers the updated EBA Guidelines on the reporting of serious accidents pursuant to the PSD2 Directive (EBA/GL/2021/03). The Guidelines set out the criteria for classifying serious operational or security accidents, as well as the contents, format and procedures for reporting these accidents to the national authorities. Compared to the previous version, the framework is updated to strengthen and, at the same time, simplify the reporting system of serious accidents in the light of the experience gained. In particular, a new warning criterion related to the breach of security of the network or information systems is introduced, with the aim of better capturing accidents resulting from malicious action that has compromised the availability, authenticity, integrity or confidentiality of the network or information systems (including data) related to the provision of payment services. Moreover, to reduce the reporting cost on PSPs, the EBA proposed to remove some unnecessary steps in the reporting process by allowing more time for the submission of the final accident report to the authority (from two weeks to 20 working days). At the same time, the Authority proposed to simplify and streamline the serious accident reporting form, also with a view to aligning the various EU accident reporting frameworks. The new Guidelines repeal and replace the previous 2017 Guidelines and apply from 1 January 2022;

- publication in the Official Gazette of 29 November 2021, in implementation of Article 10 of the 2019-2020 European Delegation Law (Law no. 53 of 22 April 2021, LDE), of Legislative Decree no. 182 of 2021, amending the TUB and the TUF, in order to transpose Directive (EU) no. 2019/878 (CRD V) into domestic law and to bring it into line with Regulation (EU) no. 2019/876 (CRR II) and the European Supervisory Authorities' (ESAs) guidelines on ownership structures (JC_GL_2016_01).

Main regulatory interventions following the Covid-19 pandemic

In order to increase the tools with which to cope with the economic crisis resulting from the Covid-19 pandemic, the Government has adopted new economic support measures contained in the Support Decree (Law Decree no. 41 of 22 March 2021) and the Support Decree-bis (Law Decree no. 73 of 25 May 2021).

With these measures, further measures have been introduced to support businesses and third sector operators, employment and the fight against poverty, health and safety. The measures started to chart a gradual path out of emergency measures (in particular with regard to public guarantee systems for loans and moratoria).

With reference to the issue of legislative moratoria, the Support Decree-bis extended until the end of 2021 the measures concerning public guarantees and the moratorium on loans to businesses, reshaping them to favour a gradual exit from the facilities. Among other things, the conditions of access and the coverage rates for loans guaranteed by the Central Guarantee Fund for small and medium-sized enterprises were amended and reduced, respectively, and the extension of the moratorium on mortgages were limited to the capital portion of instalments.

The Parent Company informed constantly the Group Banks of the regulatory changes introduced, guiding the IT implementations that have become necessary to align with the new law provisions.

Operating performance of the Cassa Centrale Group

Performance indicators of the Group

The main performance indicators for the year ended 31 December 2021 are shown below.

RATIOS	31/12/2021	31/12/2020	% change
STRUCTURAL RATIOS			
Loans to customers*/Total Assets	50.6%	50.3%	0.7%
Direct funding/Total assets	71.5%	69.6%	2.6%
Equity/Total assets	7.7%	7.7%	(1.2%)
Net loans/Direct funding from customers	70.8%	72.2%	(1.9%)
PROFITABILITY RATIOS			
Net profit/Equity (ROE)	4.7%	3.6%	30.2%
Net profit/Total assets (ROA)	0.4%	0.3%	28.7%
Cost/Income **	61.5%	60.8%	1.1%
Interest margin/Net interest and other banking income	59.3%	55.0%	7.8%
Net commissions/Net interest and other banking income	30.7%	29.0%	5.8%
Net interest and other banking income/Total assets	2.6%	2.6%	(1.8%)
OPERATIONAL EFFECTIVENESS RATIOS			
Operating costs/Traded volumes ***	1.0%	1.0%	0.0%
Traded volumes per employee (mln) ****	12.7	11.9	6.7%

* Loans to customers include loans and advances to customers at amortised cost and fair value, thus differing from the exposures to customers shown in the financial statements.

** Indicator calculated as the ratio of operating costs to net interest and other banking income.

*** The traded volumes are calculated considering the gross performing loans to customers, the total funding excluding the repos component with Cassa di Compensazione e Garanzia.

**** The number of employees of the Group is taken from the figure on the reference date.

The indicators shown represent the main operating trends of the Cassa Centrale Group as at 31 December 2021.

With regard to structural ratios, loans to customers represent 50.6% of the total consolidated assets of the Cassa Centrale Group, confirming the predominant activity of the Affiliated Banks aimed at financing the reference territory, households and small economic operators in the context of their business activities. The index is up compared to that recorded in December 2020 and shows the important role played by the Affiliated Banks in supporting households and businesses in a context affected by the prolonged health emergency.

Direct funding from customers remained the Group's main source of funding, accounting for 71.4% of total assets. The trend in direct funding, which rose in 2021, reflects the capacity of the Cassa Centrale Group, through the Affiliated Banks, to attract depositing customers in a context of high uncertainty related to the evolution of the Covid-19 pandemic.

In light of the trend in lending activities, the ratio of net loans to direct funding from customers, at December 2021, stood at 70.8%, down compared to the figure at the end of the year 2020, confirming the high level of liquidity of the Cassa Centrale Group.

With reference to profitability ratios, the ROE, calculated as the ratio of profit for the year to equity, is 4.7%, while the ROA[14], calculated as the ratio of net profit to the financial statements total, is 0.4%, up from 0.3% in 2020.

Productivity, measured through the index of traded volumes per employee, grew to 12.7 million in December 2021, confirming the path undertaken by the Cooperative Banking Group aimed at progressively increasing industrial efficiency, while the incidence of operating costs on volumes traded amounted to 1%, in line with the figure for December 2020.

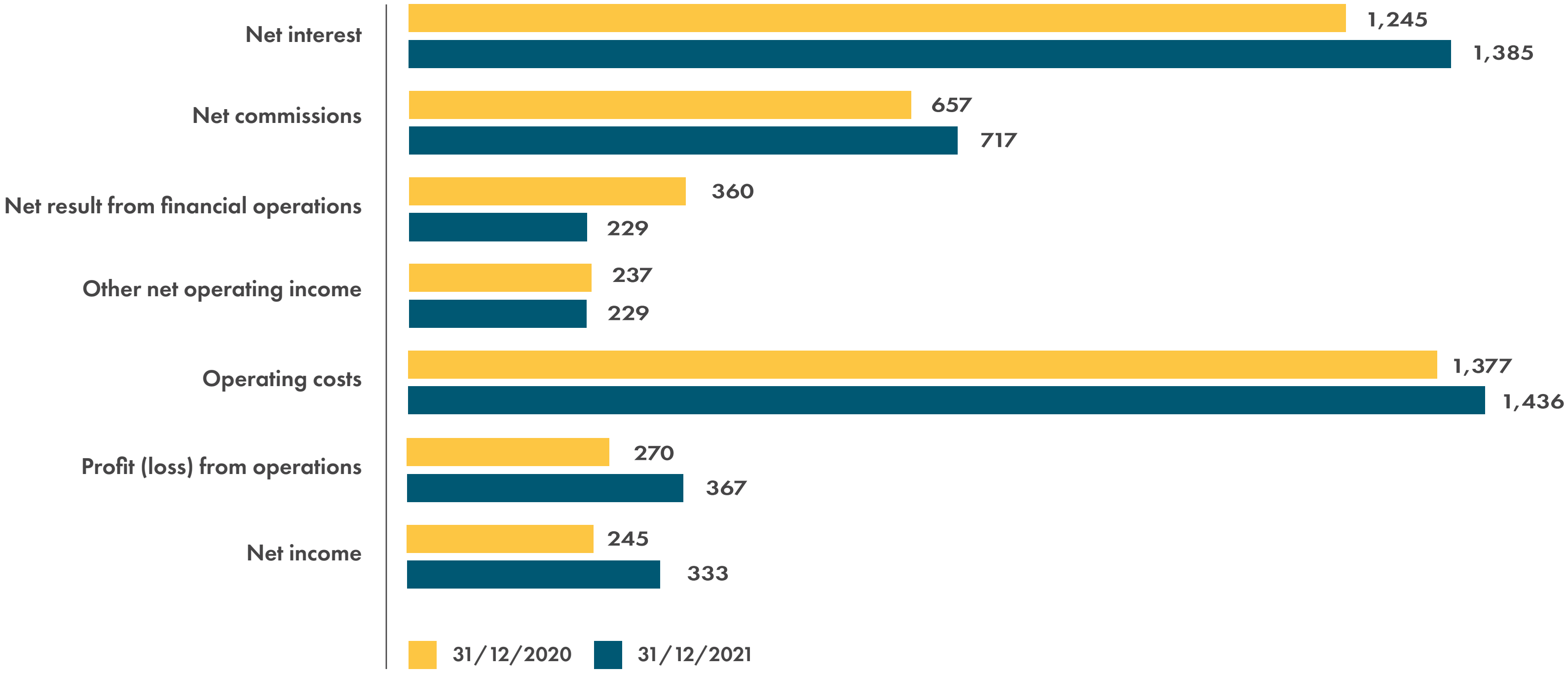
The following paragraphs provide a brief description of the Group's main income statement and balance sheet aggregates, together with further management evidence commenting on the indicators previously reported.

Summary of results

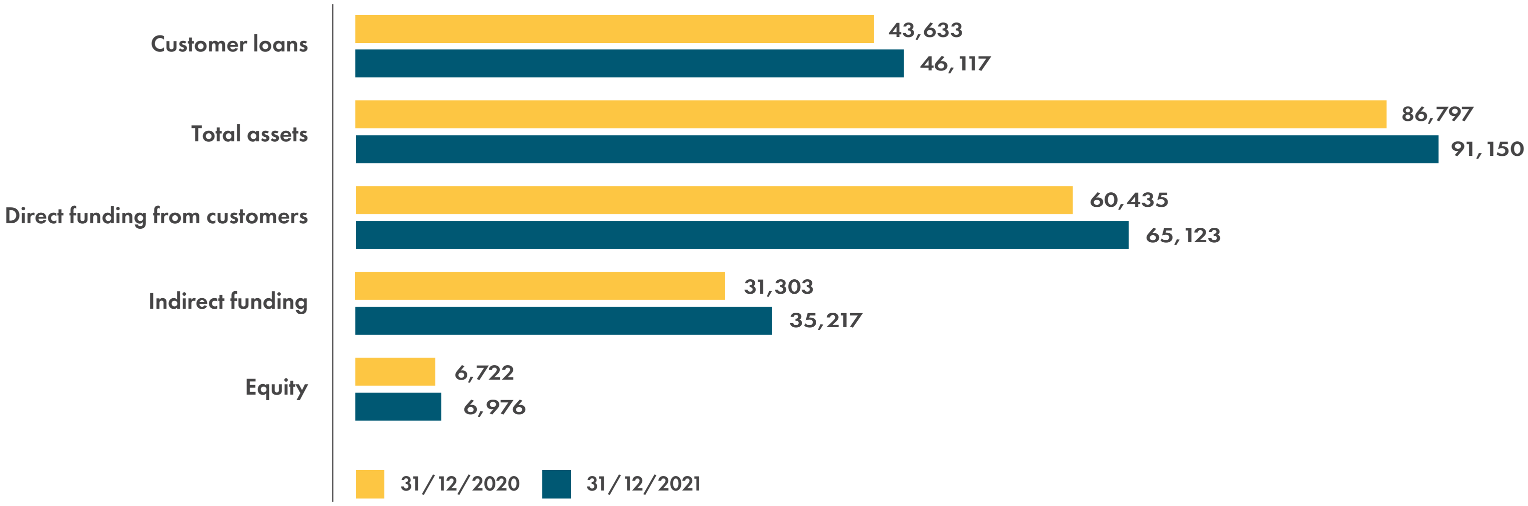
A graphic representation of the results of the main items in the income statement and balance sheet is provided below. Please refer to the specific sections for details of individual items.

[14] The ROA is calculated in accordance with Directive (EU) no. 36/2013 (the so-called CRD IV).

Consolidated income statement figures (millions of euro)



Consolidated balance sheet figures (millions of euro)



Economic results

Reclassified consolidated income statement[15]

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Interest margin	**1,385**	**1,245**	**140**	**11.2%**
Net commissions	717	657	60	9.1%
Dividends	3	2	1	50.0%
Net trading revenues	230	359	(129)	(35.9%)
Net interest and other banking income	**2,335**	**2,263**	**72**	**3.2%**
Net value adjustments/write-backs	(526)	(616)	90	(14.6%)
Income from financial activities	**1,809**	**1,647**	**162**	**9.8%**
Operating charges*	(1,628)	(1,556)	(72)	4.6%
Net allocations to provisions for risks and charges	(34)	(56)	22	(39.3%)
Other income (charges)	226	235	(9)	(3.8%)
Profit (loss) from disposal of investments and equity investments	(6)	-	(6)	n.s.
Gross current result	**367**	**270**	**97**	**35.9%**
Income tax	(36)	(25)	(11)	44.0%
Profit (loss) for the year for minority interests	2	-	2	n.s.
Net result of the Parent Company	**333**	**245**	**88**	**35.9%**

* This item includes personnel costs, other administrative expenses and operating amortisation/depreciation.

As at 31 December 2021, the net interest and other banking income of the Cassa Centrale Group stood at 2.34 billion, up by 72 million compared to the end of 2020. The Group's margins are mainly attributable to the interest margin, up by EUR 140 million, reflecting the prevailing traditional banking activity, which to a large extent characterises the Affiliated Banks, and the growing contribution from the own securities portfolio and transactions with the Eurosystem.

Net commissions rose to EUR 717 million, albeit in a context still affected by the pandemic, and represent 31% of the net interest and other banking income, confirming the growing focus of the Cassa Centrale Group on the development of the service margin.

Net trading revenues fell to EUR 230 million compared to the end of 2020.

Net value adjustments amounted to EUR 526 million in 2021, confirming the Cassa Centrale Group's high level of control over credit risk. The average coverage on impaired loans stands at 74%, up sharply from 64% at the end of 2020.

[15] In order to provide a better management representation of the results, the reclassified consolidated income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 7th Update.

The higher operating charges (+4.6%) compared to the end of 2020 reflect the trend in administrative expenses and the increase in operating amortisation, as shown in the following paragraphs.

Profit before tax amounted to EUR 367 million, up sharply compared to December 2020 (+35.9%), with the net profit pertaining to the Parent Company standing at EUR 333 million.

Interest margin

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Financial assets measured at amortised cost not comprising loans	245	204	41	20.1%
Other financial assets and liabilities measured at FVTPL	4	3	1	33.3%
Other financial assets measured at FVOCI	41	35	6	17.1%
Financial instruments	**290**	**242**	**48**	**19.8%**
Net interest to customers (loans)	989	984	5	0.5%
Debt securities in issue	(44)	(63)	19	(30.2%)
Customer relations	**945**	**921**	**24**	**2.6%**
Net interest to banks	**12**	**15**	**(3)**	**(20.0%)**
Differentials on hedging derivatives	**(7)**	**(7)**	**-**	**0.0%**
Other net interest	**145**	**74**	**71**	**96.0%**
Total interest margin	**1,385**	**1,245**	**140**	**11.2%**

The interest margin of 2021 amounted to EUR 1.39 billion, up EUR 140 million year-on-year (+11.2%).

This growth is mainly due to the contribution of financial instruments and funding transactions at negative rates with institutional counterparties. The contribution to the interest margin from transactions with customers also increased, up 2.6% compared to the end of 2020.

With regard to customer relations, there was an increase in direct funding, as a result of the continuing climate of uncertainty related to the economic health situation, despite the decrease in the average cost of this funding at Group level. In terms of the composition, the decrease in fixed-term deposits continues of volumes and interest according to a trend that has been underway since the establishment of the Cassa Centrale Group.

In terms of loans, while operations with customers on the one hand benefited from the increase in volumes disbursed, partly due to government and local measures following the Covid-19 emergency, on the other hand, average unit returns decreased as a result of the new conditions related to support measures and the persistent competitive pressure on reference markets.

In the light of the extraordinary measures put in place to cope with the Covid-19 health emergency, the Group paid close attention to its portfolio management strategy, ensuring the use of refinancing operations with the Eurosystem and diversification of its owned portfolio.

The own securities portfolio contributes to the growth of the Group's comprehensive income, with a significant increase in revenues from financial assets measured at amortised cost (EUR +41 million) compared to the comparison period.

The item other net interest, which shows an annual positive increase of EUR 71 million, includes interest income accrued on funding transactions at negative rates with institutional counterparties as TLTRO-III and PELTRO refinancing transactions.

Net commissions

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Fees and commissions income	**818**	**744**	**74**	**9.9%**
Financial instruments	127	109	18	16.5%
Management of collective portfolios	59	45	14	31.1%
Custody and administration	5	4	1	25.0%
Payment services	351	350	1	0.3%
Distribution of third party services	97	76	21	27.6%
Structured finance	1	1	-	0.0%
Financial guarantees given	16	15	1	6.7%
Financing transactions	117	110	7	6.4%
Foreign currency trading	1	1	-	0.0%
Other fees and commissions income	44	33	11	33.3%
Fees and commissions expenses	**(101)**	**(87)**	**(14)**	**16.1%**
Financial instruments	(13)	(13)	-	0.0%
Offsetting and settlement	-	(4)	4	(100.0%)
Custody and administration	(15)	(12)	(3)	25.0%
Collection and payment services	(53)	(40)	(13)	32.5%
Servicing activities for securitisation operations	(1)	(1)	-	0.0%
Out-of-branch offer of financial instruments, products and services	(9)	(9)	-	0.0%
Other fees and commissions expenses	(10)	(8)	(2)	25.0%
Total net commissions	**717**	**657**	**60**	**9.1%**

Net commissions amounted to EUR 717 million at the end of 2021, up 9.1% compared to 2020, even though the latter was a year heavily impacted by the pandemic.

The comparison with 2020 shows the increasing contribution from the distribution of third-party services and collective portfolio management. The contribution to the interest margin of Payment Services remained broadly stable.

The trend in net commissions reflects the strong growth in managed and insurance indirect funding, in line with a trend that has been ongoing since the establishment of the Cassa Centrale Group.

Net result from financial operations

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Financial assets and liabilities held for trading	10	1	9	n.s.
- Equities	-	-	-	-
- Debt securities	-	-	-	-
- UCITS units	-	-	-	-
- Derivative instruments	*10*	*(5)*	*15*	*n.s.*
- Other	-	*6*	*(6)*	*(100.0%)*
Net result from the sale of financial assets and liabilities	202	357	(155)	(43.4%)
Net result from hedging activities	1	(1)	2	n.s.
Dividends and similar income	3	2	1	50.0%
Net change in value of other financial assets and liabilities	17	2	15	n.s.
Total net result from financial operations	**233**	**361**	**(128)**	**(35.5%)**

The net result from financial operations at December 2021 amounted to EUR 233 million, down EUR 128 million from the previous year. This change is mainly due to the contribution from the sale of financial assets and liabilities.

Operating costs

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Administrative expenses	(1,507)	(1,439)	(68)	4.7%
- personnel costs	*(901)*	*(870)*	*(31)*	*3.6%*
- other administrative expenses	*(606)*	*(569)*	*(37)*	*6.5%*
Operating amortisation/depreciation	(121)	(117)	(4)	3.4%
Other provisions (excluding credit risk adjustments)	(34)	(56)	22	(39.3%)
- of which on commitments and guarantees	(19)	(20)	1	(5.0%)
Other operating charges/income	226	235	(9)	(3.8%)
Total operating costs	**(1,436)**	**(1,377)**	**(59)**	**4.3%**

Operating costs amounted to EUR 1.4 billion at the end of 2021, up year-on-year by EUR 59 million (+4.3%).

Personnel costs of EUR 901 million are higher than in the same period of 2020 (+3.6%). This change is attributable to higher costs in salaries and wages, including the extraordinary early retirement incentive component, which also increased compared to the end of 2020 (EUR +23 million).

The Group recorded an increase in other administrative expenses of EUR 37 million compared to the comparison period, mainly due to higher contributions (EUR +27 million) paid to the DGS [Deposit Guarantee Schemes] and SRF [Single Resolution Fund] funds and for the European Central Bank Supervision.

Depreciation/amortisation, amounting to EUR 121 million, was slightly down compared to the end of 2020, while other operating income/charges amounted to EUR 226 million, a decrease of 3.8%, mainly due to lower revenues of the instrumental companies from parties outside the scope of the Cassa Centrale Group.

The decrease in other provisions offsets, at least in part, the higher contributions paid in 2021 to the DGS and SRF funds, which were prudently set aside in 2020.

As at 31 December 2021, the Group's Cost Income, calculated as the ratio of operating costs to net interest and other banking income, stood at 61.5%, substantially in line with the figure at the end of 2020.

Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Loans to customers	(524)	(607)	83	(13.6%)
- of which write-offs	*(21)*	*(26)*	*5*	*(19.2%)*
Loans to banks	(1)	(2)	1	(50.0%)
OCI debt securities	-	(2)	2	(100.0%)
Contractual changes without derecognitions	(1)	(5)	4	(80.0%)
(Net value adjustments)/write-backs	**(526)**	**(616)**	**90**	**(14.6%)**

The uncertainty related to the evolution of the Covid-19 health emergency has been accompanied, throughout 2021, by the maintenance of prudent levels of provisions to support the potential impairment of credit exposures and, in particular, of positions under moratorium.

In 2021, adjustments were made to loans to customers totalling EUR 524 million. The amount of the adjustments, although significant, is lower than in 2020, which was strongly affected by the high level of uncertainty and prudence related to the pandemic.

Total loan loss provisions amounted to EUR 526 million.

Financial position aggregates

Reclassified consolidated balance sheet[16]

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
ASSETS				
Cash and cash equivalents	895	823	72	8.8%
Exposures to banks	3,533	2,463	1,070	43.4%
Exposures to customers	46,117	43,633	2,484	5.7%
of which at fair value	*284*	*288*	*(4)*	*(1.4%)*
Financial assets	37,235	36,812	423	1.2%
Equity investments	64	75	(11)	(14.7%)
Tangible and intangible assets	1,328	1,352	(24)	(1.8%)
Tax assets	778	849	(71)	(8.4%)
Other asset items	1,200	790	410	51.9%
Total assets	**91,150**	**86,797**	**4,353**	**5.0%**
LIABILITIES				
Due to banks	16,611	17,438	(827)	(4.7%)
Direct funding	65,123	60,435	4,688	7.8 %
- Due to customers	*61,388*	*55,447*	*5,941*	*10.7%*
- Debt securities in issue	*3,735*	*4,988*	*(1,253)*	*(25.1%)*
Other financial liabilities	33	81	(48)	(59.3%)
Provisions (Risks, charges and personnel)	473	469	4	0.9%
Tax liabilities	58	81	(23)	(28.4%)
Other liability items	1,876	1,572	304	19.3%
Total liabilities	**84,174**	**80,076**	**4,098**	**5.1%**
Minority interests	1	1	-	0.0%
Group equity	6,975	6,721	254	3.8%
Consolidated equity	**6,976**	**6,722**	**254**	**3.8%**
Total liabilities and equity	**91,150**	**86,797**	**4,353**	**5.0%**

[16] In order to provide a better management representation of the results, the reclassified statement of financial position figures differ from the layouts of the Financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 7th update.

As at 31 December 2021, the Cassa Centrale Group's assets amounted to approximately EUR 91.1 billion (+5.0% compared to EUR 86.8 billion at December 2020) and consisted mainly of exposures to customers which included loans measured at amortised cost and at fair value totalling EUR 46.1 billion, accounting for approximately 51% of total assets. Financial assets were up sharply compared to the end of 2020, with loans to banks amounting to EUR 3.5 billion to leverage the benefit of tiering and the portfolio of own securities that amounted to EUR 37.2 billion.

Liabilities are mainly made up of direct funding from customers which, at December 2021, stood at EUR 65.1 billion (+ 7.8% compared to EUR 60.4 billion in December 2020) and whose details are shown in the following table. Due to banks amounted to EUR 16.6 billion at the end of 2021, down from the figure recorded at the end of the previous year, while the Group's consolidated equity amounted to EUR 7.0 billion, including the profit realised in the period, up by +36% compared to December 2020).

Total customer funding

(Figures in millions of euro)	31/12/2021	% impact	31/12/2020	Change	% change
Current accounts and deposits on demand	58,289	90%	51,602	6,687	13.0%
Fixed-term deposits	2,070	3%	2,582	(512)	(19.8%)
Repos and securities lending	271	0%	506	(235)	(46.4%)
Bonds	1,165	2%	1,952	(787)	(40.3%)
Other funding	3,328	5%	3,793	(465)	(12.3%)
Direct funding	**65,123**	**100%**	**60,435**	**4,688**	**7.8 %**

The climate of uncertainty related to the continuation of the Covid-19 pandemic crisis contributed, in 2021, to a further increase in the households' propensity to save and to a postponement, at least in part, of investment spending by businesses, with a consequent accumulation of liquidity on the technical forms of deposits and current accounts.

The total amount of direct funding from customers of the Cassa Centrale Group came to 65.1 billion, up by +7.8% (+4.7 billion) compared to the previous year. As mentioned, change trend is driven by the trend in short-term funding from customers, and in particular from current accounts (90% of direct funding) which amounted to EUR 58.3 billion, up by 6.7 billion compared to December 2020.

Fixed-term funding, in the form of deposits, repos and bonds, amounted to EUR 3.5 billion, equal to 5% of total direct funding volumes, a decrease of EUR 1.5 billion compared to the previous year. At December 2021, repos include transactions carried out by the Parent Company with the counterparty Cassa di Compensazione e Garanzia for a total of EUR 54 million, down compared to EUR 300 million in December 2020.

(Figures in millions of euro)	31/12/2021	% impact	31/12/2020	Change	% change
Assets under management	**23,399**	**66%**	**19,210**	**4,189**	**21.8%**
Mutual funds and SICAVs	7,518	21%	6,242	1,276	20.4%
Asset management	8,486	24%	6,554	1,932	29.5%
Banking-insurance products	7,396	21%	6,414	982	15.3%
Assets under administration	**11,818**	**34%**	**12,093**	**(276)**	**(2.3%)**
Bonds	9,377	27%	9,460	(83)	(0.9%)
Shares	2,441	7%	2,633	(192)	(7.3%)
Indirect funding*	**35,217**	**100%**	**31,303**	**3,914**	**12.5%**

* Indirect funding is expressed at market values.

Indirect funding of the Cassa Centrale Group, valued on the market, amounted in December 2021 to a total of 35.2 billion (+12.5% compared to the end of December 2020). Assets under management, amounting to approximately EUR 23.4 billion (+21.8% compared to the comparison period), accounted for 66% of total indirect funding and showed a marked trend driven by the growth in asset management (+29.5%) due to the performance of the CASH PIP programme. Mutual funds and SICAVs (+20.4%) and banking-insurance products (+15.3%) also maintained high growth rates.

The assets under administration amounted to EUR 11.8 billion at the end of 2021, down 2.3% compared to December 2020. The contraction was more related to the equity segment (-7.3%) than to bonds (-0.9%).

From the point of view of composition, although the largest volume is represented by assets under management, indirect funding reflects a balance between the individual forms of assets under administration and management, the result of policies of adequate and prudent diversification of investments implemented with customers.

Cassa Centrale Group funding, consisting of overall traded volumes on behalf of customers, amounted to EUR 100.3 billion as at 31 December 2021 and consisted of 65% from direct funding and the remaining 35% from indirect funding.

Percentage composition of funding

PERCENTAGE COMPOSITION OF FUNDING	31/12/2021	31/12/2020
Direct funding	65%	66%
Indirect funding	35%	34%

Net loans to customers

(Figures in millions of euro)	31/12/2021	% impact	31/12/2020	Change	% change
Loans at amortised cost	**45,833**	**99.4%**	**43,345**	**2,488**	**5.7%**
Mortgage loans	36,599	79.4%	33,992	2,607	7.7%
Current accounts	3,367	7.3%	3,440	(73)	(2.1%)
Other loans	3,525	7.6%	3,400	125	3.7%
Finance leases	675	1.5%	605	70	11.6%
Credit cards, personal loans and CQS	909	2.0%	707	202	28.6%
Impaired assets	758	1.6%	1,201	(443)	(36.9%)
Loans at fair value	**284**	**0.6%**	**288**	**(4)**	**(1.4%)**
Total net loans to customers	**46,117**	**100.0%**	**43,633**	**2,484**	**5.7%**

At the end of 2021, net loans of the Cassa Centrale Group to customers amounted to EUR 46.1 billion. Almost all of these are loans at amortised cost, amounting to EUR 45.8 billion, which increased by 5.7% (+2.5 billion) compared to December 2020. The aggregate consisted mainly of mortgages, which amounted to EUR 36.6 billion and accounted for 79% of total loans to customers, current accounts amounting to EUR 3.4 billion and other loans amounting to EUR 3.5 billion. The trend shows, on the one hand, a positive change in loans to maturity represented by mortgages (+7,6%) and on the other hand a decrease in short-term loans. This change is related to the measures provided for in the government's economic support decrees issued in response to the Covid-19 health emergency and the consequent reshaping of on-demand exposures to government-guaranteed forms of financing.

The Cassa Centrale Group's commitment to favouring the granting to its customers of the benefits envisaged by local and governmental measures continues in order to offer economic support to the production system, households and to support social stability in the territories. In addition to the initiatives coordinated by the Parent Company, specific loans were proposed by the individual Group Banks, with dedicated lines of credit and preferential conditions.

Initiatives in favour of businesses, households and the territory

During 2020, the Italian government passed important legislative measures to mitigate the effects of the Covid-19 pandemic on the economy. As a result, the Cassa Centrale Group has promptly taken all actions to favour the concession to its customers of the benefits provided by these measures in addition to adhering to specific conventions or agreements including the Addendum to the 2019 Credit Agreement promoted by the Italian Banking Association (Associazione Bancaria Italiana - ABI).

The economic support measures and arrangements based on moratoria and new loans guaranteed by the state were initially designed for a limited duration until 2020, namely 30 September 2020.

If during the summer of 2020, also thanks to the expectations on the imminent launch of vaccination plans at national and European level, the health emergency seemed to be heading towards a progressive mitigation, during the autumn of 2020 there was a resurgence of infections with a consequent new worsening of data on both hospital admissions and the percentage of deaths. From the economic point of view, this flare-up of the pandemic did not lead to periods of complete interruption of economic activities but to geographically variable slowdowns with restrictive measures applied in a diversified and alternating manner on a regional basis.

In consequence of these developments, the measures for suspending payments contained in the main legislative intervention to support economic activities (Law Decree no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020) were extended for the first time until 31 January 2021 by Law Decree no. 104 of 14 August 2020, converted into Law no. 126 of 13 October 2020, and then until 30 June 2021 by the 2021 Budget Law (Law no. 178 of 30 December 2020). Finally, with Law Decree no. 73 of 25 May 2021, the suspension of mortgage payments, albeit limited to the principal amount only, was further extended until 31 December 2021. In this further round of renewal of facilities, given the partial recovery of the economy due to the good results of the vaccination campaign, the Group recorded requests for renewal of moratoria for a minority of previously suspended mortgages.

The measures aimed at ensuring new liquidity to businesses through access to Government-guaranteed financing (Law Decree no. 23 of 8 April 2020, converted into Law no. 40 of 5 June 2020), after an initial period of validity limited to 2020, have also been extended until 31 December 2021 for the same reasons.

The data relating to the moratoria linked to Covid (EBA compliant and non) and the loans covered by the State guarantee extended until 31 December 2021 are shown below[17].

[17] Data source: EBA - COVID19 reporting as at 31 December 2021 on legislative and non-legislative moratoria on loans.

MORATORIA GRANTED AS AT 31/12/2021	Number of loans *	Amount ** (Figures in millions of euro)	Performing ** (Figures in millions of euro)	Impaired ** (Figures in millions of euro)	% impaired amount
Total moratoria granted	**125,476**	**13,314**	**12,527**	**786**	**6%**
By source of reference:					
EBA compliant moratoria	83,872	9,814	9,438	377	4%
Other Covid-related moratoria	35,833	2,904	2,817	87	3%
Moratoria subject to forbearance measures	5,771	596	273	323	54%
By status of moratoria:					
Outstanding (repayment schedule suspended)	**4,091**	**620**	**577**	**42**	**-**
of which: Households	1,406	114	103	10	-
of which: Non-financial companies	2,619	499	467	32	-
Past due (repayment schedule reactivated)	**121,385**	**12,694**	**11,950**	**744**	**-**
of which: Households	52,894	4,346	4,095	251	-
of which: Non-financial companies	59,323	8,223	7,732	491	-

* The figure refers to individual positions.

** Gross amount

The data shown in the first section of the table above refer to all the requests for suspension of the payment of the mortgage instalments, submitted and accepted from the beginning of the health emergency until 31 December 2021.

Moratoria that were first granted as EBA Compliant and that are extended upon expiry are no longer classifiable as EBA Compliant and are classified as "Other Covid-related moratoria"; and as such continue to be classified even after the reactivation of the repayment schedule (i.e. upon expiry of the extension/moratoria). As shown in the table, as at 31 December 2021, "Other Covid-related moratoria" have been granted on a total of 35,833 transactions with a value of EUR 2.9 billion, of which EUR 2.4 billion already have a repayment schedule reactivated.

In general, as at 31 December 2021, the majority of the moratorium relationships concluded the period of use of the benefit, with the consequent restart of the ordinary amortisation plans.

Therefore, the consolidated figure can be considered a very comforting signal that eases fears of a possible cliff effect and confirms a positive connection between the improvement in the health situation and a return to normal compliance with loan repayment obligations without the end of the facilities being reflected in a general deterioration in credit quality.

LOANS GRANTED WITH A STATE GUARANTEE AS AT 31/12/2021	Number of loans *	Amount ** (Figures in millions of euro)
Total loans granted	**71,326**	**5,395**
By type of customer:		
of which: Households	*30,939*	*789*
of which: Non-financial companies	*40,145*	*4,596*
By residual duration:		
Less than/equal to 12 months	268	26
More than 12 months	71,058	5,369

* The figure refers to individual positions.

** Gross amount

The possibility of obtaining loans with public guarantees through a simplified selection procedure (the guarantee, in fact, is issued without any prior selection based on the MCC rating of the applicant) continues by virtue of the exception to the normal restrictions on State aid introduced by the Temporary Framework, the validity of which was extended until 30 June 2022. Thus, the growth of loans granted on the basis of Law Decree no. 23/2020 continues, albeit following a much flatter curve than in 2020. The new requests are less and less due to the actual difficulties of companies, which at this stage are resorting to guaranteed finance to reschedule their debts in the medium/long term and not to make up for urgent liquidity shortages.

Credit quality

The Group adopts an extremely rigorous policy in the valuation of impaired loans. Part E of the Explanatory Notes, to which explicit reference is made, provides details of all quantitative and qualitative information on risks and the related hedging policies. Loans granted to customers are the main sources of credit risk for the Group and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided below.

Loans to Customers

(Figures in millions of euro)	31/12/2021			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	**2,876**	**(2,118)**	**758**	**73.6 %**
Non-performing	976	(851)	125	87.2 %
Unlikely to pay	1,850	(1,252)	598	67.7 %
Overdue/past due	50	(15)	35	30.0 %
- of which forborne	*1,395*	*(1,005)*	*390*	*72.0 %*
Performing exposures at amortised cost	**45,642**	**(567)**	**45,075**	**1.2 %**
- of which forborne	*1,145*	*(112)*	*1,033*	*9.8%*
Total Loans to Customers for financing at amortised cost	**48,518**	**(2,685)**	**45,833**	**5.5 %**
Impaired exposures at fair value	-	-	-	-
Performing exposures at fair value	**284**	-	**284**	-
Total Loans to Customers	**48,802**	**(2,685)**	**46,117**	**5.5 %**

(Figures in millions of euro)	31/12/2020			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	**3,337**	**(2,136)**	**1,201**	**64.0%**
Non-performing	1,365	(1,043)	322	*76.4%*
Unlikely to pay	1,925	(1,083)	842	*56.3%*
Overdue/past due	47	(10)	37	21.3%
- of which forborne	*1,506*	*(901)*	*605*	*59.8%*
Performing exposures at amortised cost	**42,580**	**(436)**	**42,144**	**1.0%**
- of which forborne	*927*	*(75)*	*852*	*8.1%*
Total Loans to Customers for financing at amortised cost	**45,917**	**(2,572)**	**43,345**	**5.6%**
Impaired exposures at fair value	-	-	-	-
Performing exposures at fair value	**288**	-	**288**	-
Total Loans to Customers	**46,205**	**(2,572)**	**43,633**	**5.6%**

As at December 2021, the Cassa Centrale Group had net loans to customers of EUR 46.1 billion, compared to a gross exposure of EUR 48.8 billion, and adjustment provisions totalling EUR 2.7 billion, allowing it to maintain an average portfolio coverage of 5.5%.

Net performing loans, including those at amortised cost and fair value, amounted to EUR 45.4 billion (EUR 42.4 million as at December 2020) accounting for 98.4% of total loans, while net impaired loans, amounting to approximately EUR 758 million (EUR 1.2 billion at the end of 2020), fell to 1.6%. These ratios confirm the attention of the Cassa Centrale Group to the management of impaired loans despite an economic context of great uncertainty.

The impaired loan portfolio, in terms of net exposure, had in December 2021 non-performing positions amounting to EUR 125 million written down by a total of EUR 851 million, and unlikely to pay amounting to EUR 598 million with value adjustments of EUR 1.3 billion. Within impaired exposures, which are transversal to the degree of risk, there are forborne exposures of EUR 390 million, equal to 0.8% of total loans, a decrease of EUR 215 million compared to December 2020.

Performing loans, as at December 2021, show value adjustments of EUR 567 million, representing a coverage level of performing loans of 1.2%, up from 1.0% in 2020. The item includes forborne positions with a net value of EUR 1.0 billion and an average coverage of 9.8%.

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which increased to 87.2% and 67.7% respectively, allow the Group to provide significant protection against credit risk in a highly uncertain economic context.

The table below shows the main credit risk management indicators[18].

RISK MANAGEMENT RATIOS	31/12/2021	31/12/2020	Change
NPL ratio	***5.5%***	*6.8%*	*(1.3%)*
NPL coverage	***74%***	*64%*	*10%*
Texas ratio	***32%***	*38%*	*(6%)*

The NPL ratio as at 31 December 2021 decreased from the December 2020 figure to 5.5% (6.8% at the end of 2020). The decrease in the indicator confirms the improvement in asset quality that the Cassa Centrale Group is pursuing, with a progressive and constant decrease in the stock of impaired loans, in line with the guidelines issued by the Supervisory Authority.

The constant attention paid to the valuation of NPLs is also reflected in the level of coverage of non-performing loans, with a level of NPL coverage that increased to 74%, up by 10 pp compared to December 2020.

The active management of impaired loans and its progressive reduction are reflected in the Group's Texas ratio, with a value at December 2021 of 32% (38% at the end of 2020), while the cost of risk[19] of the credit portfolio amounts to 114 Bp.

[18] The calculation of the indices - NPL ratio, NPL Coverage and Texas ratio (which as its numerator considers gross impaired loans) - was carried out on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated in October 2021).

[19] The Cost of risk index is determined as the ratio between net adjustments and write-backs for credit risk and net customer loans.

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2021		
	Gross exposure	Value adjustments	Net exposure
Public Administrations	240	(1)	239
Financial and insurance companies	1,169	(27)	1,142
Non-financial companies	23,199	(1,748)	21,451
Consumer households and other unclassifiable enterprises	24,194	(909)	23,285
TOTAL	**48,802**	**(2,685)**	**46,117**

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2020		
	Gross exposure	Value adjustments	Net exposure
Public Administrations	192	(1)	191
Financial and insurance companies	1,116	(20)	1,095
Non-financial companies	22,395	(1,730)	20,665
Consumer households and other unclassifiable enterprises	22,502	(820)	21,682
TOTAL	**46,205**	**(2,572)**	**43,633**

In representing the loan portfolio by sector of economic activity, it is clear that the Cassa Centrale Group, reflecting the nature of the Affiliated Banks, has a prevalent allocation of loans to customers with counterparties represented by consumer households and non-financial companies, which account for about 50% and 47% of total net exposures to customers, respectively.

Composition of financial instruments

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	303	312	(9)	(2.9%)
Financial liabilities	(1)	(15)	14	(93.3%)
Banking book assets (FVOCI)	11,036	9,440	1,596	16.9%
Financial fixed assets excluding loans (AC)	25,884	27,051	(1,167)	(4.3%)
Total securities portfolio	**37,222**	**36,788**	**434**	**1.2%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	6	7	(1)	(14.3%)
Trading liabilities (FVTPL)	(3)	(9)	6	(66.7%)
Total derivatives portfolio	**3**	**(2)**	**5**	**n.s.**
TOTAL FINANCIAL INSTRUMENTS	**37,225**	**36,786**	**439**	**1.2 %**

The portfolio owned by the Group, as at 31 December 2021, amounted to 37.2 billion, a partial increase on December 2020 (+1.2%).

Financial assets measured at amortised cost decreased by EUR 1.2 billion to EUR 25.9 billion, while banking book assets increased by EUR 1.6 billion year-on-year.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of client banks, an activity carried out by the Parent Company.

Financial assets

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Debt securities	**36,707**	**36,271**	**436**	**1.2%**
- Mandatorily measured at fair value (FVTPL)	16	17	(1)	(5.9%)
- Measured at fair value through other comprehensive income (FVOCI)	10,807	9,203	1,604	17.4%
- Measured at amortised cost (AC)	25,884	27,051	(1,167)	(4.3%)
Equities	**243**	**263**	**(20)**	**(7.6%)**
- Mandatorily measured at fair value (FVTPL)	14	26	(12)	(46.2%)
- Measured at fair value through other comprehensive income (FVOCI)	229	237	(8)	(3.4%)
UCITS units	**273**	**269**	**4**	**1.5%**
- Mandatorily measured at fair value (FVTPL)	273	269	4	1.5%
Total financial assets	**37,223**	**36,803**	**420**	**1.1%**

As at 31 December 2021, the composition of financial assets was almost entirely debt securities (99%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Loans to central banks	3,273	2,089	1,184	56.7%
Loans to other banks	260	374	(114)	(30.5%)
Fixed-term deposits	*75*	*186*	*(111)*	*(59.7%)*
Other loans	*185*	*188*	*(3)*	*(1.6%)*
Total loans (A)	**3,533**	**2,463**	**1,070**	**43.4%**
Due to central banks	(15,948)	(16,617)	669	(4.0%)
Due to other banks	(663)	(821)	158	(19.2%)
Current accounts and deposits on demand	*(467)*	*(490)*	*23*	*(4.7%)*
Fixed-term deposits	*(83)*	*(43)*	*(40)*	*93.0%*
Repos	*(10)*	*(10)*	*-*	*0.0%*
Other loans	*(103)*	*(278)*	*175*	*(63.0%)*
Total payables (B)	**(16,611)**	**(17,438)**	**827**	**(4.7%)**
NET FINANCIAL POSITION (A-B)	**(13,078)**	**(14,975)**	**1,897**	**(12.7%)**

At the end of 2021, total loans to banks amounted to EUR 3.5 billion, up by EUR 1.1 billion year-on-year. The current composition mainly reflects the liquidity held on the ECB target account, amounting to EUR 3.3 billion. Interbank funding of EUR 16.6 billion was down compared to the previous year (EUR -827 million).

Eurosystem refinancing operations as at December 2021 amounted to a total of EUR 16.0 billion and mainly related to TLTRO-III operations.

Fixed assets

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Equity investments	64	75	(11)	(14.7%)
Goodwill	28	28	-	0.0%
Tangible	1,245	1,270	(25)	(2.0%)
Intangible	55	54	1	1.9%
Total fixed assets	**1,392**	**1,427**	**(35)**	**(2.5%)**

Fixed assets as at 31 December 2021 amounted to EUR 1.4 billion and mainly reflect properties for functional use. Other intangible assets are mainly represented by user licenses and software, while goodwill refers to assets with an indefinite useful life included in intangible assets, as detailed in part B of the Explanatory Notes to the consolidated financial statements.

Consolidated equity

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Share capital	1,272	1,274	(2)	(0.2%)
Own shares (-)	(866)	(866)	-	0.0%
Share premium	73	75	(2)	(2.7%)
Reserves	6,114	5,915	199	3.4%
Valuation reserves	43	72	(29)	(40.3%)
Equity instruments	6	6	-	0.0%
Profit (loss) for the year	333	245	88	35.9%
Group equity	**6,975**	**6,721**	**254**	**3.8%**
Minority interests	1	1	-	0.0%
Consolidated equity	**6,976**	**6,722**	**254**	**3.8%**

Reconciliation between the Parent Company's equity and profit for the year and the consolidated equity and profit for the year

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,143	46
Effect of the consolidation of subsidiaries	5,745	345
Effect of the measurement of associates using the equity method	61	(5)
Reversal of write-downs of equity investments and recognition of goodwill impairment	(21)	
Elimination of dividends received from subsidiaries and associates		(55)
Other consolidation adjustments	47	2
Balances as per the consolidated financial statements	**6,975**	**333**

Own funds and capital adequacy

Own funds and capital ratios

OWN FUNDS AND CAPITAL RATIOS	31/12/2021	31/12/2020
Common Equity Tier 1 capital - CET 1	7,272	7,031
Tier 1 capital - TIER 1	7,278	7,037
Total own funds - Total Capital	7,283	7,046
Total risk-weighted assets	32,189	32,769
CET1 capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	22.59%	21.46%
Tier 1 capital ratio (Tier 1 capital/Total risk-weighted assets)	22.61%	21.47%
Total capital ratio (Total own funds/Total risk-weighted assets)	22.63%	21.50%

Risk Weighted Assets

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Credit and counterparty risk	27,847	28,679	(832)	(2.9%)
Credit valuation adjustment risk	78	25	53	n.s.
Market risk	139	106	33	31.1%
Operational risk	4,125	3,959	166	4.2%
Total RWA	**32,189**	**32,769**	**(580)**	**(1.8%)**

Own funds for prudential purposes are calculated on the basis of the capital and economic result determined in accordance with IAS/IFRS and the accounting policies adopted, and taking into account the prudential rules in force at the time.

In accordance with the above provisions, own funds derive from the sum of positive and negative components, based on their capital quality; the positive components are fully available to the Bank allowing them to be used in full to cover the overall regulatory capital requirements pertaining to risks.

At December 2021, the Group's Common Equity Tier 1 capital (CET1), determined in application of the standards and references already mentioned, amounted to EUR 7,272 million, Tier 1 capital amounted to EUR 7,278 million and Total capital amounted to EUR 7,283 million. The CET1 capital ratio stood at 22.59% (21.46% at December 2020), the Tier 1 capital ratio was 22.61% (21.47% at December 2020) and the Total capital ratio stood at 22.63% (21.50% at December 2020). Excluding the effects of the transitional regime, with a view to full application of prudential provisions at the same reference date, fully loaded CET1 capital amounted to EUR 6,759 million and the related *fully loaded CET1 capital ratio is 21.31%*; fully loaded Tier 1 capital amounted to EUR 6,765 million and the related fully loaded Tier 1 capital ratio is 21.33%; and finally, *Total capital fully loaded amounted to EUR 6,770 million and the related fully loaded Total Capital ratio was 21.35%.*

Main strategic business areas of the Cassa Centrale Group

The Cassa Centrale Group has developed its business and service model through an organisational structure divided into two main areas:

- the Affiliated Banks, which represent the Group's core business through the management of banking activities in the territory;
- the Industrial Group, including the Parent Company and the Companies that offer services to Affiliated Banks in finance, credit, insurance, ICT, NPLs and asset management.

* The Industrial Group refers to a management representation of the main strategic areas of the Group that contribute to the economic and financial results commented on below.

The definition of strategic business areas is consistent with the methods adopted by the governance function for making operational and strategic decisions and is based on internal management reporting.

Affiliated Banks

The Affiliated Banks represent the most important part of the Cooperative Banking Group's consolidated assets and the strength of the Group's current and future development. The Affiliated Banks traditionally operate with the aim of fostering the development of communities and the local economy. The principles of mutuality, which characterise Cooperative Credit, allow the Banks to play a fundamental role in the national banking industry and be an important reference point for households and small and medium-sized enterprises (hereinafter also "SMEs").

The Group's Strategic Plan aims to develop relationships with households and SMEs by making the most of the territorial network and exploiting synergies, the expansion of the commercial offer and economies of scale resulting from belonging to a Group of national importance.

In general, the structure of Cooperative Credit Banks reflects the nature of territorial banks, characterised by high customer funding deriving from historical ties with the territory to which they belong, a prevalence of loans to counterparties represented by households and small companies and a low loan-to-deposit ratio which, from a liquidity perspective, reflects the structural soundness of the Group and the investment of excess liquidity mainly in government bonds.

Below is a summary representation of the main income statement and balance sheet aggregates of the Affiliated Banks, with a focus on the individual territorial areas in which the Group operates.

(Figures in millions of euro)

LOANS TO CUSTOMERS	31/12/2021					Total 31/12/2021	Total 31/12/2020	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Gross customer loans	10,784	10,401	10,377	10,667	4,776	**47,005**	44,725	2,280	5.1%
of which performing	*10,033*	*9,870*	*9,822*	*10,046*	*4,440*	***44,212***	*41,490*	*2,722*	*6.6%*
of which non-performing	*751*	*531*	*555*	*621*	*335*	***2,793***	*3,236*	*(443)*	*(13.7%)*
Value adjustments	691	550	507	544	270	**2,562**	2,474	88	3.6%
Net customer loans	10,093	9,851	9,870	10,123	4,506	**44,442**	42,252	2,190	5.2%

The total gross loans of the Affiliated Banks amounted, as at 31 December 2021, to EUR 47.0 billion, up compared to the end of 2020 of 5.1%. The trend in loans to customers confirms the evolutionary trend underway since the establishment of the Cassa Centrale Group. The annual growth highlights the high commercial dynamism of the Affiliated Banks and reflects, at least in part, the extraordinary government and local measures to support credit.

The regional analysis of the credit disbursed confirms that the operations of the Affiliated Banks are mainly concentrated in the northern part of Italy, in line with the territorial structure of the branches of the Cassa Centrale Group. Looking in detail at the various geographical areas into which the Group is divided, the allocation is homogeneous in four of the five areas, with the exception of the South and Islands areas which, has a lower incidence on total loans due to the smaller average size of each Affiliated Bank operating in that area.

In 2021 the growth in performing loans of the Affiliated Banks totalled EUR 2.7 billion (+6.6% year-on-year), with marked growth in all territorial areas according to a range that varies from +4.5% for the Trentino-Alto Adige area to +8.0% for the Central area.

At the counterparty level, the significant exposure of the overall credit disbursed to households and local small and medium-sized enterprises is confirmed, demonstrating the central role of the Affiliated Banks in supporting the growth of the territory and the support to an economic context strongly affected by the effects of the Covid-19 health emergency.

In line with the Cassa Centrale Group's strategy, the active management of impaired loans continued in 2021, leading to a further reduction in total non-performing loans (-13.7%) with a special focus on the management of non-performing loans. Overall, the ratio of impaired loans to gross loans to customers stood at 5.9%, reflecting a regional trend that varied from 5.1% in the North-East to 7.0% in the South and Islands.

Confirming a strategy of the Cassa Centrale Group that is particularly attentive to credit risk management, and in the presence of a decrease in the total stock of impaired loans, provisions on non-performing loans of the Affiliated Banks stood at 73%, a sharp increase compared to 64% at the end of 2020. The average coverage levels of the Affiliated Banks remain among the highest in the national banking system.

(Figures in millions of euro)

FUNDING	31/12/2021					Total 31/12/2021	Total 31/12/2020	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Overall funding	23,034	19,908	22,115	19,209	7,976	**92,242**	83,932	8,310	9.9%
Direct funding	15,305	13,558	14,635	13,286	7,040	**63,824**	59,212	4,612	7.8%
Indirect funding*	7,729	6,350	7,481	5,923	936	**28,418**	24,720	3,698	15.0%
of which administrated	*1,768*	*1,402*	*2,508*	*1,482*	*434*	***7,595***	*7,928*	*(333)*	*(4.2%)*
of which managed	*5,962*	*4,947*	*4,972*	*4,440*	*502*	***20,823***	*16,792*	*4,031*	*24.0%*

* Indirect funding is expressed at market values.

The total funding of the Affiliated Banks amounted to EUR 92.2 billion (EUR +8.3 billion year-on-year), confirming the high ability of the Affiliated Banks attracting new depositors and converting direct funding into indirect funding.

Direct funding amounted to 63.8 billion, up by 4.6 billion compared to the end of 2020 (+7.8%), a figure that reflects at least in part the growing share of savings held by households due to the economic uncertainty linked to the ongoing health emergency.

The distribution of direct funding among regional areas proportionally respects the trend described above for credit volumes and shows, during 2021, greater growth in the North East, North West and Central areas, with an increase of over 8%.

The different regional areas show a structural surplus of resources in the ratio of lending to funding, which results in a high degree of liquidity for the Affiliated Banks and for the Cassa Centrale Group. The prudent approach to the investment of resources raised by depositors historically characterises the operations of the BCC-CR-RAIKAs.

Total indirect funding of the Affiliated Banks amounted to EUR 28.4 billion[20], up by EUR 3.7 billion compared to December 2020. Indirect funding as a

[20] Indirect funding is expressed at market values.

percentage of total funding amounted to 31%, up from 29% at the end of 2020, demonstrating the ability to shift funding to the indirect component in accordance with the guidelines of the Cassa Centrale Group, even in a context of strong prudence on the part of depositing customers. The regional analysis shows that indirect funding as a percentage of total funding exceed 30% in all areas, except for the South and Islands, where the ratio is 12%.

An analysis of the composition of indirect funding confirms the growth, in absolute and relative terms, of the managed and insurance component, which rises to 73% of total indirect funding, compared to 68% at the end of 2020.

The trend in indirect funding of the Affiliated Banks in 2021 reported a strong growth in both the Bancassurance segment (+16% year-on-year) and the Asset Management and Funds segment (+29%), against a decrease in assets under management, which stood at EUR 7.6 billion (-4.2%).

The strong boost in managed indirect funding, which has been in progress since the establishment of the Cassa Centrale Group, is part of the significant growth margins available to the Affiliated Banks compared to the rest of the banking industry, having historically favoured the placement of direct funding products. Growth has been driven and accompanied by important investments in the specialist training of staff of the Affiliated Banks in order to increase their ability to offer Shareholders and customers a high level of advisory support. These investments, supported by the careful research of the Industrial Group's companies for products suitable for BCC-CR-RAIKAs' Shareholders and customers, is gradually closing the gap with the system, while maintaining a high level of attention to the quality of the overall service offered to the savings customer.

(Figures in millions of euro)

MARGINS AND COMMISSIONS	31/12/2021					Total 31/12/2021	Total 31/12/2020	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Interest margin	320	279	258	303	170	**1,331**	1,193	138	11.6%
Net commissions	123	137	147	140	60	**608**	557	51	9.2%
Net interest and other banking income	495	458	451	487	258	**2,149**	2,109	40	1.9%

The economic contribution from the interest margin for the affiliated banks totalled EUR 1,331 million, or 62% of net interest and other banking income. Growth compared to 2020 amounted to +11.6%, reflecting, on the one hand, the resilience of credit intermediation, despite a generalised contraction in the average return of the loan portfolio, and, on the other hand, the growing benefit deriving from ECB refinancing operations and the return on the own securities portfolio with the greater contribution of inflation-linked securities.

Therefore, the contribution of the interest margin to overall profitability is high, in line with the predominantly traditional banking operations that characterise the Affiliated Banks and the Group as a whole. The main source of income remains the traditional activity of collection of savings and lending in the territories where the Affiliated Banks are located.

The net commissions of the Affiliated Banks totalled EUR 608 million, up 9.2% compared to 2020, the latter being strongly affected by the Covid-19 health emergency.

The commission margin of the Affiliated Banks shows an average contribution to the net interest and other banking income of around 28%, with a regional impact that goes from 33% in the North West to 23% in the South and Islands, in line with the lower volumes of indirect funding placed by BCC-CR-RAIKA operating in this regional area.

The trend of the net interest and other banking income of the Affiliated Banks (+1.9%) is completed by the contribution from trading in the Affiliated Banks' own securities portfolio, down compared to 2020.

An analysis of Affiliated Banks' primary revenues shows that their ability to offer Shareholders and customers services capable of completing the commercial offer and increasing margins, is becoming increasingly decisive. This development is carried out with a strong focus on the protection of Shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks.

Industrial Group

The Industrial Group is represented by the Parent Company and the subsidiaries and associates that operate in different areas of activity, namely:

- ICT and back office services, with the subsidiary Allitude S.p.A. (hereinafter also "Allitude");
- leasing services, with the subsidiary Claris Leasing S.p.A. (hereinafter also "Claris Leasing" or "Claris");
- insurance services, with the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura Agenzia" and "Assicura Broker");
- collective asset management services, with the subsidiary Nord Est Asset Management S.A. (hereinafter also "NEAM");
- consumer credit services, with the subsidiary Prestipay S.p.A. (hereinafter also referred to as "Prestipay");
- other ancillary services, with the subsidiaries Centrale Credit Solutions S.r.l., Centrale Soluzioni Immobiliari S.r.l., Centrale Casa S.r.l., Claris Rent S.p.A. and Centrale Trading S.r.l.

The main income statement and balance sheet aggregates of the Industrial Group as at 31 December 2021 are shown below.

(Figures in millions of euro)

LOANS TO CUSTOMERS*	31/12/2021	31/12/2020	Change	% change
Gross customer loans	**1,805**	1,479	326	22.0%
of which performing	***1,715***	*1,378*	*337*	*24.5%*
of which non-performing	***82***	*101*	*(19)*	*(18.6%)*
Value adjustments	**122**	98	24	24.7%
Net customer loans	**1,675**	1,381	294	21.3%

(*) Management data including all intra-group eliminations.

With reference to loans to customers, the Industrial Group's contribution mainly reflects the lending activities of the Parent Company and its subsidiaries Claris Leasing and Prestipay.

Gross loans to customers totalled EUR 1.8 billion, up EUR 326 million year-on-year (+22%). The growth reflects the expansion of the Parent Company's loan portfolio, the consolidation of Claris Leasing's loan portfolio and the start of consumer credit operations by the newly formed Prestipay. Performing loans to customers include exposures in margins and default funds to Cassa di Compensazione e Garanzia related to repos, which remain stable at EUR 105 million at the end of 2021.

Non-performing loans amounted to EUR 82 million with an annual decrease of EUR 19 million (-18.6%), thanks to the active management of the impaired portfolio in line with the guidelines of the Cassa Centrale Group.

Total gross allocations amounted to EUR 122 million, up from EUR 98 million at the end of 2020. The increase, in accordance with a policy of sound and careful management, reflects the prudent hedging of positions under moratorium and exposures in the company portfolio.

As a whole, net loans to customers of the Industrial Group grew by EUR 294 million year-on-year (+21%), reaching EUR 1.7 billion.

(Figures in millions of euro)

FUNDING*	31/12/2021	31/12/2020	Change	% change
Overall funding	**8,098**	7,806	292	3.7%
Direct funding	**1,299**	1,223	76	6.2%
Indirect funding**	**6,799**	6,583	216	3.3%
of which administrated	***4,223***	*4,165*	*58*	*1.4%*
of which managed	***2,576***	*2,418*	*158*	*6.5%*

* Management data including all intra-group eliminations.

** Indirect funding are expressed at market values; ETF financial products are included in the segment.

Total funding of the Industrial Group amounted to 8.1 billion, up by EUR 292 million compared to the end of 2020, with the change mainly attributable to the Parent Company's operations.

Direct funding increased by EUR 76 million year-on-year to EUR 1.3 billion. This growth reflects the increase in liquidity deposited on the current accounts of the asset management, which was only partially offset by lower exposures to Cassa di Compensazione e Garanzia.

Indirect funding[21] totalled EUR 6.8 billion, with a contribution of EUR 2.6 billion, or 38%, from assets under management and transactions mainly related to asset management products. Funding under administration amounted to EUR 4.2 billion, or 62% of indirect funding, with operations mainly focused on the bond market.

[21] The indirect funding represented refers to the component placed by Cassa Centrale Banca directly with customers and does not include the component placed through Banks.

(Figures in millions of euro)

MARGINS AND COMMISSIONS*	31/12/2021	31/12/2020	Change	% change
Interest margin	**55**	51	4	7.3%
Net commissions	**110**	99	11	10.1%
Net interest and other banking income	**185**	154	31	20.1%

* Management data including all intra-group eliminations and the residual economic results of fully consolidated entities other than the cohesion agreement.

The breakdown of revenues highlights the mainly service-oriented nature of the Industrial Group. Net commissions totalled 110 million, while the Interest margin amounted to 55 million, representing 59% and 30%, respectively, of net interest and other banking income.

Compared to the previous year, there was an increase in Interest margin of approximately EUR 4 million, and of Net commission income of approximately EUR 11 million; the growth of the latter is mainly attributable to the scope of consolidation of the Parent Company and of the subsidiary NEAM, which, compared to the previous year, saw an increase in commissions from assets under management. With regard to Cassa Centrale Banca, the commissions related to the payment systems also outperformed 2020, although the latter was partially affected by restrictions related to the Covid-19 health emergency.

Overall, net interest and other banking income increased by 20% due to the trading of the Parent Company's own securities portfolio, which generated significant profits in 2021.

Below is a brief review of the Industrial Group, with particular focus on the activities carried out by the Parent Company and the service companies supporting the Affiliated Banks.

1. Parent Company

The establishment of the Group has led to an enrichment of the system of offering financial products and services and to the strengthening of financial risk controls for the entire Group. The range of services offered by Cassa Centrale Banca is divided into the following areas:

- Finance;
- Credit;
- Consumer credit services;
- Payment systems;
- Governance and support.

Finance

In the finance sector, Cassa Centrale Banca offers its Affiliated Banks and other client Banks a complete range of services and products for access to financial markets and for offering depositing customers multiple investment solutions.

Cassa Centrale Banca offers services to access the main bond, equity and derivatives markets both for retail customers and for management of the owned portfolio: in 2021, Cassa Centrale Banca carried out transactions on bond markets for approximately EUR 25 billion (down by approximately 50% compared to 2020) and on stock markets for approximately EUR 3.5 billion (+17% compared to 2020).

With regard to operations in the interbank sector, intermediation of refinancing operations with the ECB and securitised financing operations of Affiliated Banks and customers as part of the "Collateral Account" service increased to EUR 16.0 billion at the end of 2021, compared to EUR 15.3 billion at the end of 2020. At the Cassa Centrale Group level, recourse to refinancing via the Eurosystem amounted to EUR 16.0 billion at the end of 2021 and was fully represented by participation in the TLTRO-III and PELTRO operations.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of other customer Banks. During the year, OTC rate derivatives were traded for a total original notional amount of EUR 511 million. The types of OTC derivatives in the portfolio are configured into interest rate swaps (IRS) and interest rate options.

A further activity that is carried out within the Treasury support services of Affiliated Banks and customers is foreign currency trading. During 2021, the volume of spot and forward foreign currency trading (amounting to EUR 3.29 billion) increased compared with 2020 (+17.4%).

The Finance Department has always offered services aimed at managing the relationship with savings customers, which over time have become an element of excellence in the overall commercial offer of Cassa Centrale Banca.

Among these, the main products and services offered are:

- **Asset Management:** Cassa Centrale Banca's Asset Management closed 2021 with EUR 11.4 billion[22] in assets under management and more than 102 active accounts. During the year, the trend of funding was very positive, with net contributions of approximately EUR 2,0 billion. The "PIP CASH Doppia Opportunità" campaign (from 1 January to 31 May) contributed to this result, providing for the remuneration of the cash in the management account (gradually invested through the PIP) at a rate of 1% for the duration of the plan itself. An initial ceiling of EUR 550 million was allocated to the initiative, which was later extended by a further EUR 550 million due to its great commercial success. This campaign has further fuelled the growth of planned investment plans (PIP): currently there are more than 35 thousand active accounts. It is an instrument that has proven to be very defensive and useful in managing the most volatile phases of the market, reducing the risk on the timing of entry and offering the possibility for customers to gradually enter the market or take profits without exiting the investment. The Private segment continued to grow (more than EUR 1.5 billion at the end of the year), partly due to the increased possibility of customisation according to the amount invested.

  With regard to the performance of the portfolios, all balanced and equity lines have shown positive changes since the beginning of the year and are also highly satisfactory in terms of comparison with the reference benchmarks.

  Introduced to provide support to placing banks during the period of restrictions related to the virus containment measures, the *CCB#LIVE* webinar delivered through the Teams digital platform was consolidated. It is a container in which market trends, strategies on management lines, market views by Cassa Centrale Banca managers and NEF partner managers, analysis of funds and bancassurance products/services are dealt with. The appointment is fortnightly with the participation of an average of over 700 consultants from the

[22] The amount refers to Asset Management placed directly by Cassa Centrale Banca for approximately EUR 2.5 billion, Asset Management placed through banks for approximately EUR 6.9 billion, Institutional asset management for approximately EUR 1.1 million and pension funds, for which Cassa Centrale Banca has delegated management powers for approximately EUR 900 million.

Placement Banks.

- **Funds Partner**: the third-party fund placement platform called Funds Partner is made available to Affiliated Banks and client banks. This is a useful tool for advisors who can access a universe of around 3 thousand funds available through a platform on which Cassa Centrale Banca has activated a process of definition and maintenance of the list of funds that can be placed (funds with capitalisation of less than EUR 100 million and a track record of less than 3 years are excluded). The platform offers numerous tools provided by Morningstar, the reporting provided by the 12 investment houses and the "example portfolios" compliant with the MiFID risk profile. For these houses, Cassa Centrale Banca also carries out the service of entity appointed to perform payments. Traded volumes exceeded EUR 2.8 billion at the end of 2021.
- **Advanced Advisory services**: the advanced advisory service is provided to customers of 15 Banks. Cassa Centrale Banca supports these Banks as advisor in identifying the best investment strategies.

Credit

Cassa Centrale Banca's Credit Department provides support to its Affiliated Banks and Group companies in their lending activities and, with regard to these aspects, guides the direction and coordination of the Cooperative Banking Group. In the Credit area, the Group defined its credit policy guidelines in a context that preceded the spread of the Covid-19 epidemic. These lines were drawn up in anticipation of a limited growth in world trade and in particular considering a modest increase in Italy's GDP. The main objectives of the Group's lending activities inferred from the guidelines can be summarised as follows: (i) optimisation of portfolio asset allocation in qualitative and quantitative terms; (ii) strengthening of the sales network and repositioning of its lending operations; (iii) prevention of credit quality deterioration, in the medium term, particularly on the largest risk groups.

The health emergency of 2020 profoundly changed the macroeconomic scenario by causing a generalised shock to production that simultaneously affected the offer (closure of activities and disruption of value chains) and demand (contraction in consumption and reduction of income). This scenario also affected banking activities, which began to record the first significant impacts of the emergency starting from spring 2020 and until the end of December 2021, except for a short break during the summer months. The most pronounced consequences during 2021 were reported, with a significant downsizing of operations, in the tourism/hospitality and commercial sectors The radical change in the operating environment and in the outlook expected for the future required a revision of the Group's credit portfolio management guidelines. This activity, although started during the second half of 2020, also covered the whole of 2021 with a specific project on the loan portfolio, aimed at assessing the prospective sustainability of debt by companies, taking into account:

- scenario analyses and assessment of deterioration and impairment rates in the various sectors;
- assessments of the impacts deriving from the support measures by virtue of law or granted by the initiative;
- application of the 2020/21 sector estimates on the 2018/19 financial statements of individual companies with the aim of making a projection of the expected cash flows and therefore of assessing the relative sustainability of the debt.

Among the loan portfolio management objectives, a strategy was identified aimed at ensuring adequate support to businesses through the granting of new loans under the government measures envisaged by the so-called Liquidity Decree, and encouraging the use of State guarantees in order to optimise the riskiness of the portfolio. The creditworthiness analysis, in particular, privileged the verification of the medium-term sustainability of the debt service, through the projections of the expected cash flows, prudentially reduced compared to the figures of the previous years in relation to the continuation of the Covid emergency.

In providing the new loans, the utmost attention is still paid to credit quality, product, geographical and above all dimensional diversification. In fact, the dimensional aspect is considered of fundamental importance and represents the backbone of the Group's credit supply strategy. The logic of spreading the risk over a multitude of small recipients, which has always been the main component of the credit approach of the Affiliated Banks, has been strengthened with the introduction of risk thresholds and through an operational practice pursued in the day-to-day relationships between the Group's corporate structures and the Credit Departments of the individual Affiliated Banks. More space was also given to distributed products (leasing, factoring, personal loans and salary-backed loans) due to their lower risk profile compared to similar banking transactions. As regards the definition of the specific lending activities (moratoria and new loans) under the "Cura Italia" and "Liquidity" Decrees, in relation to the impacts of the Covid-19 emergency, please refer to the paragraph on initiatives in favour of businesses, households and the community (chapter "Operating performance of the Cassa Centrale Group").

During 2021, the Cassa Centrale Group played a leading role in the territories served by its Affiliated Banks in supporting households and small businesses engaged in the energy requalification of buildings. Thanks to a proprietary management system that integrates all stages of the process, from the reservation of the right to sell to the purchase of the credit and its subsequent offsetting in the Bank's payments and contributions, the Group has been able to respond effectively to a pressing and widespread demand from both established current account holders and many new customers. The Group's operations included all types of originating beneficiaries (households, businesses and condominiums) and all types of facilities, whether grouped together under the generic names of Ecobonus (credits with deductibility in 10 years) or Superbonus (credits deductible in 5 years). The widespread commercial success achieved in the reference markets obliged some banks to supplement their ordinary tax capacity by means of re-transfer agreements with parties outside the Group, including those not belonging to the financial intermediaries sector. The relationship with large companies or general contractors was limited to a few cases, confirming the specific role of cooperative credit banks, focused on serving retail and small business customers in their territories. A predominant portion of the energy requalification interventions supported by the Affiliated Banks did not give rise to requests for credit support during the phase that separates the start of the works from the collection of the price for the sale of the tax credit, confirming that these are mainly small unit cuts and that the customers served are concentrated among households with good availability of savings.

In 2021, Cassa Centrale Banca took part in the ABI - Cassa Depositi e Prestiti Working Group to prepare an Addendum to the Agreement between the two Entities, which will enable its member Cooperative Credit Banks to operate with Cassa Depositi e Prestiti, without the need to involve intermediaries that do not belong to the Group. ABI and CDP signed the above Addendum on 24 June 2021.

During 2021, the Cassa Centrale Group has confirmed its participation in the various initiatives promoted by the Italian Banking Association in favour of both private individuals ("Fondo di Solidarietà mutui" ["Mortgage Solidarity Fund"] and "Fondo di Garanzia per la Prima Casa" ["First Home Guarantee Fund"]) and businesses (Accordo per il credito – Imprese in ripresa 2.0 ["Credit Agreement - Businesses in Recovery 2.0"]). With regard to activities in the sector of credit agreements/subsidised loans, collaboration continued with the main references in the sector: national (e.g. Medio Credito Centrale, MISE per la c.d. Nuova Sabatini, ISMEA and SACE), territorial, regional, trade associations and various Consortia for Collective Credit Guarantees present on the national territory. The main agreements were signed with:

- Artigiancredito (Emilia-Romagna Region) for the Energy Fund. Revolving fund for subsidised finance with private participation, promoted by the Emilia-Romagna Region with POR-FESR 2014/2020 resources and managed by Artigiancredito. The Fund is designed to support the green economy through the provision of low-interest loans.
- Artigiancredito (Emilia-Romagna Region) for the New Businesses Fund. Revolving fund for subsidised finance with private participation, supported by the Emilia-Romagna Region with POR-FESR 2014/2020 resources and managed by Artigiancredito. The Fund is designed to support the new business practices through the provision of low-interest loans.
- Insieme per l'Agricoltura (IPA) (Together for Agriculture) is the memorandum of understanding signed between AVEPA and the main banks operating in the Veneto region, including Cassa Centrale Banca representing the BCCs of Veneto, for the advance of contributions to farms entitled to aid, by means of a loan at preferential conditions.
- SACE ("Garanzia Italia" Agreement); this is a strategic agreement, in that, in addition to the possibility of accessing an additional system of Guarantees, it has allowed the banks of the Cassa Centrale Group and client companies direct access to SACE services.
- Agreement for the regulation of relations between Ente Nazionale per il Microcredito and Cassa Centrale Banca Credito Cooperativo Italiano S.p.A. Among the main features that distinguish the Cooperative Credit Banks and Rural Banks of the "Cassa Centrale

Banca Cooperative Banking Group" are economic support and proximity to the community, the promotion of local development and the commitment to social responsibility, also towards the weakest subjects. For this reason, the parent company CCB promoted in the name and on behalf of the Group banks an important agreement with ENM, aimed at responding to and supporting the financial and social needs of individuals who have difficulty in accessing traditional credit. The Agreement allows for the development of micro-credit projects with Ente Nazionale per il Microcredito assisted by mandatory auxiliary services.

During 2021, several agreements were signed for which only the securities and the entities concerned are reported: Veneto Sviluppo S.p.A. (agreement on the intervention of the anti-crisis rotation fund for production activities), Finpiemonte S.p.A. (measurement data sheets Regional Law no. 07/2018 Article 22 and Regional Law no. 17/2018), Puglia Sviluppo S.p.A. (Lender for Title II, Chapter 3 applications on the Puglia Simple platform).

New subscriptions to the Confidi Framework Agreement were registered in the period concerned. More specifically, the following agreements have been made: Finterziario Società Cooperativa a Responsabilità Limitata, Confidi Rating Italia, Artfidi Lombardia S.c.r.l., Consorzio Lucania Fidi, Asconfidi Lombardia S.C.p.A., Confiditer Cooperativa di Garanzia Collettiva, Agrifidi Modena Reggio Ferrara Soc. Coop., Confidimpresa Abruzzo e Confidimpresa, Farmafidi Italia.

Consumer credit services

Prestipay S.p.A., the Company specialised in consumer and household credit controlled by Cassa Centrale Banca and owned by Deutsche Bank, completed its first year of business in 2021.

The "Prestipay" brand, initially conveyed as a result of a distribution partnership launched in 2018 that included a commercial and distribution agreement for third-party white label products, represented the starting point for the development of the offer of consumer credit products of the Cassa Centrale Group to support the activities of the Affiliated Banks throughout the country.

After obtaining the authorisation from the Bank of Italy - despite the state of emergency due to the Covid-19 epidemic that significantly affected operations - the dedicated consumer credit team completed correctly and remotely all the preparatory activities required to operate as 106 of the TUB as a specialised company. In January 2021, Prestipay S.p.A. started operating on the IT system designed by the General Management and implemented with the contribution of colleagues and external suppliers.

The IT architecture proved to be modern, reliable and performing, with a high degree of industrialisation of processes, which, thanks also to the creation of proprietary scoring models and the application of specific policy rules, made it possible to adequately govern the business, combining the monitoring of credit risk and the level of service provided to Banks and their customers.

During the first part of 2021, Prestipay S.p.A. concentrated on completing the operational roll-out phase aimed at progressively migrating the Banks, already active under the previous commercial agreement, to the Company's new operations and new ICT applications.

This approach made it possible to start direct disbursement of Prestipay personal loans immediately, while guaranteeing the business continuity of the service in disbursing loans to the private customers of the Affiliated Banks.

In April 2021, Prestipay S.p.A. had already completed the migration and activation of the collaboration with 70 Affiliated Banks and with 4 additional Banks outside the Group and customers of the Company.

The agility of the business model and the correct planning of activities related to the operational start-up allowed the Company to achieve very positive results despite the continuation of the state of emergency due to the Covid-19 epidemic that affected the reference context and the macroeconomic scenario during the year.

In terms of the results for 2021, direct disbursements of personal loans under the Prestipay brand recorded total volumes of approximately EUR 178 million, an increase of over 6% compared to the previous year. Also considering the disbursements of the loans disbursed in the first quarter of the year during the migration phase and as part of the commercial agreement, total disbursements amounted to EUR 210 million, an increase of more than 25% compared to the same period of the previous year and performing better than the reference market.

In terms of the number of operations handled in 2021, the Company processed over 21,700 cases and over 15 thousand personal loan contracts were finalised.

With reference to the loans disbursed directly by Prestipay S.p.A., note that partner Banks made extensive use of the new certified digital signature process for finalising loan contracts made available by the Company as part of its new operations. As at 31 December 2021, around two thirds of operations had been finalised with a digital signature. This has led to a considerable simplification of the Banks' branch operations and the speeding up of the application resolution processes thanks to the complete digitalisation of contractual and ancillary documentation.

The results obtained by Prestipay are particularly positive in the context of a national market scenario that, despite being affected by the resurgence phase that followed the start of the pandemic, recorded lower overall disbursements than in 2019.

As regards the internal activities carried out by the Company in 2021, these focused on strengthening the internal organisational structure and consolidating the service offered to the Affiliated Banks with the launch of the first commercial campaigns and the introduction of new products.

Moreover, the absorption capacity of daily volumes managed during the assessment, resolution and settlement of loan applications channelled by the Banks was increased through the implementation of dedicated IT developments, the streamlining of processes and the simultaneous introduction of specialised resources.

The Company also presented some important innovations in terms of digital services with the launch of the new product portal prestipay.it through which private bank customers can submit a loan request completely online, finalising the contract remotely and in paperless mode thanks to the certified digital signature service.

One of the first in the consumer credit market, the Company also equipped itself with an artificial intelligence system to manage customer service requests, which enabled it to handle over 8 thousand interactions through a specially designed and configured chatbot.

Significant events include the fact that the Company completed a share capital increase approved by the Extraordinary Shareholders' Meeting on 16 September 2021 and subscribed by both shareholders. This now amounts to EUR 22.5 million.

Considering the entire activity carried out, thanks to cost savings, high industrialisation of processes, commercial activities and thanks to the constant support offered to the distribution channel represented by the branches located throughout the territory and to the internet channel, Prestipay S.p.A. closed its first financial year with a result that went well beyond the expectations of the business plan initially approved by the shareholders and the achievement of a net profit of EUR 1.1 million.

Payment systems

The payment systems market is going through a period of strong renewal and high competitiveness. There is a growing diffusion of digital payments on channels provided by banks or innovative solutions offered by new market operators entering the markets. In this very dynamic context, the Payment Systems for the Cassa Centrale Group represent a service and support structure for the Group's Banks and operate in five different areas of activity, (i) Settlements, (ii) Foreign relations, (iii) Centralised services, (iv) Treasury, (v) E-money, in order to develop new services, making them available to the Affiliated Banks, to enable them to be competitive and retain their customers.

During the emergency period following the spread of the Covid-19 pandemic, the Payment Systems ensured the operational continuity of the services offered by optimally modulating the management of resources (with remote and on-site operations) in order to guarantee monitoring of all transactions, in particular those that require physical presence at the company (processing of bills, checks, foreign documents, etc.).

The individual areas of activity and services offered are detailed below.

Settlements

With regard to settlements, the Covid-19 emergency led to a reorganisation of many activities in order to guarantee the operational continuity of the services provided. Very complex interventions were launched, especially to guarantee the payment of pensions, incentives and subsidies recognised by the Government (and related entities) in favour of citizens and businesses and for cash management. With regard to the latter, the activity carried out during the lockdown in order to guarantee the power supply to the ATMs and to keep the service operational was particularly complex. Moreover, the new applications to manage the payments of subsidies that INPS started to disburse in April 2020 were implemented very quickly. The Settlements Service also guaranteed the continuous monitoring of the procedures relating to bank transfers, commercial collections, sepa direct debit and check image truncation.

The Service actively participated in the national work group set up within the ABI for the adjustment of the CIT, CAI and Bills procedures following the numerous moratoria introduced by the various regulatory measures resulting from the Covid emergency.

For the Cash Management Service, note that the migration activities of the Banks were completed with the consequent expansion of the valuable transportation network to all regions of Italy.

The money purchase and sale service provided by Coinservice, which joins the traditional service of transportation of valuables, was activated in 21 Banks of the Group.

The Cash Supply service was activated with the company Euronet for the supply and distribution of certified cash on the proprietary ATM network.

THE analysis of the new Sicurcash product, which enables the secure management of valuables directly at large retailers, was completed. The new one was made available to the entire Group in December 2021.

The processing and accounting stages for paper bills and paid operations were improved.

Foreign relations

In 2021, despite the continuing difficulties caused by the pandemic, there were important signs of recovery in the foreign sector. The number of foreign payments increased by 13% compared to the same period in 2020. If their value is analysed, the increase is 43%. Therefore, the values returned almost to their pre-crisis level. The increase in operations also involved Trade Finance, which, although it did not see a significant contraction in operations in 2020, saw a significant increase in its numbers in 2021. International guarantees issued increased by almost 40%, import documentary credits by 10% and export documentary credits by more than 50%.

The Service was engaged in two new projects concerning:

- participation in the GPI (Global Payments Innovation) service offered by Swift, which allows Member banks to fully track Cross-Border payments made on the ordering-beneficiary leg, and to manage information/return requests in an automated way and in real time;
- adaptation of Swift messages relating to International Guarantees in compliance with the technical standards introduced in November 2021, with full integration into the information system.

Centralised services

The Centralised Services structure ensured during the period of the pandemic that the main activities were maintained: management of bank and tax inspection files; reports to government bodies and authorities (e.g. Archivio dei rapporti – ADR [Archive of Reports] and reports concerning the Single Justice Fund); first-level checks on anti-money laundering and countering the financing of terrorism on third-party products (prepaid cards and asset management) placed by BCC-CR-RAIKA members of the GBC and banks outside the Cooperative Banking Group; management of SITRAD encryption keys.

During the first months of 2021, work was completed on the adoption of the new interbank procedure, “Spunta Banca DLT”, for the automatic checking of reciprocal current accounts. The procedure, carried out by SIA S.p.A. in collaboration with ABI-Lab, allows banks to quickly identify misalignments in interbank transactions and is configured as an experiment that uses a technologically advanced infrastructure (known as the AbiLabChain), in the future potentially available to other advanced services. Some banks outside the Cooperative Banking Group, which use the information systems managed by Allitude, have also joined the procedure.

Moreover, the commitment as part of the management processes of the Parent Company and Group database continued, also through direct involvement in dedicated working groups, which led to a strengthening of the operational structure.

Public bodies treasury

The Payment Systems Department also includes treasury activities carried out for several public bodies in Italy. As at 31 December 2021, the total number of bodies managed was 1,030, while 679 bodies had an IT mandate, confirming the ongoing commitment to introducing more modern ways of delivering the service. As part of the service, support was also provided to the Affiliated Banks to participate in 46 tenders for treasury services (37 of which were won).

E-money

The activities related to E-money are mainly directed at supporting the Banks that subscribed to the 'ABI Unico 3599' service (debit and credit) and that place the prepaid products of Cassa Centrale Banca.

The current health situation has undoubtedly changed the habits of consumers, who increasingly prefer to use payment cards both for purchases in shops and for payments to the Public Administration. Since the end of February 2021, two new solutions for accepting cards on POS are available thanks to the partnership with Nexi: the SmartPOS and the PagoPA POS.

In the first few months of 2021, the regulatory adjustment process envisaged for Strong Customer Authentication (SCA) was gradually completed: from 12 April 2021, all e-commerce transactions are subject to the full application of the rules set forth by the SCA.

In collaboration with the Allitude technical structure, procedural interventions were carried out in order to fulfil the new regulatory obligation that requires (starting from 8 May 2021) the intermediaries issuing payment cards to report to the Interbank Alert Center CAI – CARTER segment – whether there has been full payment of the debt for which a person had previously been reported to CAI (late payment).

The activities relating to the tokenisation/virtualisation project for debit and prepaid cards are being concluded. This is the innovative payment system that allows you to digitise a card within a smartphone and pay on the POS enabled through the Samsung, Google and Apple apps. Samsung Pay was activated in July, Google Pay in August, while Apple Pay will be released to customers in February 2022.

Activities continued on the release of new products envisaged for the second half of 2021 (International Debit Card and Bancomat Pay Business), while a feasibility analysis was launched for an organisational review of the e-money segment with a special focus on the POS offer.

As at 31 December 2021, debit cards stood at around 1.58 million (compared to around 1.4 million in December 2020), prepaid cards at 423 thousand, credit cards at 414 thousand, POS at 76 thousand and ATMs at 2,429.

Governance and support

Also in 2021, the Parent Company's governance and support functions have worked to strengthen the organisational structures and develop the activities of the Cassa Centrale Group.

Within the Planning Department, a unit dedicated to ensuring the management of relations and communications with the EU and national authorities and supervisory bodies and the financial community was strengthened.

The Planning area also manages activities aimed at an orderly business development of the Group with a dedicated structure that has constantly transferred the Parent Company's operational and strategic guidelines to the Affiliated Banks, ensuring their effective understanding and implementation.

Activities also continued aimed at:

- management of activities aimed at defining the Group's 2021-24 Strategic Plan;
- supporting activities relating to merger projects among Affiliated Banks started and/or concluded during the financial year;
- the development of an IT platform integrated with all Group Companies with the aim of ensuring consistency between the operating and strategic planning of each individual Affiliated Bank and that of the Group as a whole.

In 2021, activities continued to strengthen the structures responsible for Financial Statements, Supervisory and Tax Reporting, in order to further strengthen the controls aimed at ensuring the correct and timely representation of the Parent Company's individual and consolidated economic and financial results, as well as the fulfilment of the related accounting, supervisory and tax obligations. In this sense, the Parent Company has provided important support to the Affiliated Banks in the management of accounting, tax and reporting processes, as well as in the activities to improve efficiency and correct management of the Group's income statement and balance sheet consolidation processes.

The Operations Department provided continuous support to the Group in a variety of projects and activities aimed towards both the evolution and innovation of products and services for affiliated banks and customers, as well as compliance with external regulations.

The action of the ICT Governance Service has moved along two main lines: regulatory and strategic.

The regulatory process continued by issuing and accompanying the adoption of the internal regulatory framework (see, among others, the issue of the Regulation on the Management of the Group Information System) with the aim of achieving regulatory compliance, risk reduction and operational efficiency.

More specifically, the focus was on the processes of:

- management of ICT Programmes and Projects: defining a Group standard;
- management of Incidents, Changes and ICT Configurations: monitoring significant events, consolidating the scope of application, adapting, where necessary, internal regulations to the new directives of the Bank of Italy and EBA, coordinating the activities of setting up the Group CMDB;
- management of ICT Services and ICT Service Levels: drawing up the necessary internal regulations and launching the activities aimed at setting up the Group ICT Service Catalogue;
- Data Governance management: taking care of and monitoring internal regulations and their effective adoption, the implementation of data quality assurance controls and the establishment of the Group's Data Dictionary and Business Glossary.

In the strategic field, the 21-24 ICT Strategic Plan was substantially updated. Moreover, the relevant Strategic Sub-Programmes were launched, including and highlighting the following:

- *Core Banking Modernization:* launch and monitoring of the programme and definition of the corresponding reference architecture. Definition of architecture for PEF modernisation and related *software selection*;
- Migration Programme: monitoring and conclusion of the migration programme of the Group Banks from the S.I. Gesbank to the target SIB2000.

Moreover, the ICT Governance Service acts as coordinator of the activities of the Operations Department in contributing to the SRB programme and the relevant CIPA surveys for which it is responsible, as well as in discussions with the Audit Department.

In line with the IT Security Strategic Plan, the Parent Company's Information Security Service, in collaboration with Allitude's Servizio Cyber Security Operations, has launched a number of technical and security governance projects in 2021 together with training or certification activities:

- drafting of IT Security Information Flows, and updating of the three-year masterplan;
- updating or implementation in Allitude of the technological infrastructure in relation to processes in the areas of vulnerability management, Threat Intelligence, EDR, Identity Governance, and Antifraud;
- extension of the information classification solution with the enabling of information protection mechanisms in the Parent Company and Allitude and related training activities for employees;
- provision, in collaboration with the Marketing Service, of a cybersecurity awareness campaign aimed at customers with a multi-channel relaunch and restructuring of Inbank's security section;
- updating the model for secure third-party management and defining contractual requirements as part of information security;
- organisational relocation of the Information Security Service, working for the Operations Department Manager (with effect from 1 May 2021).

For the Service Government area, an organisational development and population plan was defined to ensure the gradual monitoring of target responsibilities and the assumption of its own governance and coordination role with respect to the administrative and banking back office services provided by Allitude.

In this direction, several initiatives were undertaken to define the target operating model, providing the structure with a solid architecture of internal processes, tools and competences to enable it to have the levers to effectively fulfil its objectives and responsibilities. In this regard, the framework of the processes in the structure's perimeter is defined and several worksites have been started for its implementation (e.g. governance of operational/organisational/financial performance in the provision of back office services by Allitude), in complementarity and synergy with the projects pursued in the Services Department of Allitude.

These actions are set on a path that will continue in 2022, and will also result in the formalisation of an internal organisational model with specific perimeters of responsibility in terms of the governance of back office services.

The Organisation continued to develop its structure with a view to further strengthening the functional controls and mechanisms of the operation and support of the function within the company context. The digital transformation and project support programme continued in multiple areas, providing coordination and management of measures to ensure business continuity and critical processes in the emergency context. The stabilisation of integrated process management and the definition of the Group's internal regulatory management model also continued, carrying out the updates resulting from the implementation of external regulations.

The Cost Management and Procurement continued activities for the adoption by all Affiliated Banks and Allitude of the Ivalua technology platform with the aim of standardising the expense management process and obtaining control over the Group's register of suppliers, supplies and expense. The Ivalua platform was also implemented to manage the repository of supply contracts in accordance with certain regulations (Outsourcing/EBA, Operational Continuity in Resolution/SRB) and to refine the management of supplier qualification. With the aim of rationalising the Group's supplies during the period, the supply agreements negotiated for electricity, graphometric tablets and the mailing of customer documents were made available to the Banks/Companies, while also providing support to the Banks interested in assessing the agreements already in place, which over time will benefit the Group with financial savings, uniformity of supplies and contractual commitments.

The Workplace Prevention and Protection Office continued its function of monitoring and implementing measures to contain the risks related to the health and physical safety of workers, while providing support for all matters relating to these aspects. The activities related to the preparation of technical documentation such as the preparation of updates to DVRs, work instructions, etc. continued. Finally, the Office continued its activities as a specialist Compliance control unit with the audit plan envisaged for the Banks identified. Finally, the Office developed a consultancy project for the group's Banks and Companies aimed at implementing an organisational model to provide tools to improve overall Health and Safety control unit.

The Corporate Affairs and Shareholdings Department guaranteed operational and administrative support for the activities of the Board of Directors and the Board Committees. The activity of the corporate bodies was particularly intense in 2021, in particular, note that in the year under review:

- the Board of Directors met 34 times,
- the Risk Committee 29 times,
- the Appointments Committee met 31 times,
- the Remuneration Committee 15 times,
- the Independent Directors' Committee 13 times,
- the Sustainability and Identity Steering Committee met for the first time on 14 January 2021, followed by 6 meetings during the year.

The advisory service provided to the affiliated banks in the organisation of the meetings was also important. For the Shareholders' meetings held during 2021, the Affiliates were suggested to trace the previous year's experience by using the Appointed Representative. This option, allowed by Article 106 of Law Decree no. 18/2020, which extended this instrument typical of listed companies to Cooperative Credit Banks, made it possible to comply with the assembly ban imposed by the emergency regulations in force.

In 2021, the Equity Investments Office, which is part of the Corporate Affairs Department, continued to provide advisory support to affiliated banks and Group companies.

Particularly intense and demanding was also the support activity provided in the analysis process carried out by the Affiliated Banks for the purposes of the self-assessment of the corporate bodies and the checks pursuant to

Article 26 of the TUB regarding the requirements of the more than 300 corporate officers elected in the first half of the year. In particular, during the Shareholders' Meetings of April-May 2021, the activity consisted of three main moments: (i) consultancy for Affiliated Banks on the application, appointment and checking of the qualifications of their company representatives; (ii) preparation of the documentation required for checking the requirements of the company representatives of the Affiliated Banks carried out by the Appointments Committee and the Board of Directors of the Parent Company; (iii) notification to the Supervisory Authorities of the documentation required for the purposes of checking the requirements of the company representatives of the Affiliated Banks and consequent response to requests for additions made by the Authorities themselves.

In this context, there was also the management of some particularly delicate cases in terms of banking governance, with seven cases in which the Parent Company exercised its power to remove persons.

During the year, the Corporate Affairs and Equity Investments Department also oversaw the development of the new regulations on fit and proper and corporate governance, initially through the transposition of Ministerial Decree no. 169 of 23 November 2020 within the new Model for the optimal qualitative-quantitative definition of the Bodies and Management of the Affiliated Banks, and subsequently through the drafting of position papers during the public consultations launched by the Bank of Italy before the issue two Circulars, respectively on the assessment of the fulfilment of requirements applied to corporate representatives and corporate governance, and by the ECB for the update of the Fit and Proper Guide and of the new questionnaire. In November and December, the Management also provided a special personalised advisory service to Affiliated Banks whose corporate bodies are expected to be renewed on the occasion of the Shareholders' Meetings to approve the financial statements as at 31 December 2021.

In the first half of 2021, the structure of the Management continued to be strengthened, envisaging the setting-up of an office dedicated to the issue of transactions with related parties and associates, a profile that, given the particular structure of the Group, is of significant importance. Therefore, the structure immediately took on an important role in supporting the Affiliates and the Companies of the Banking Group, providing the required feedback.

The Legal Department has supported the Group Companies and the Affiliated Banks in all aspects related to contracts and the management of claims and ongoing lawsuits with consulting activities.

The Legal Department also coordinated the entry into force of the new Group Regulations for the handling of complaints, which were applied at Group level from 1 June 2021. An update to this regulation was also prepared, the adoption of which took place by the Board of Directors of Cassa Centrale Banca on 16 December 2021 and which will be sent in January 2022 to the Affiliated Banks and Companies falling within the scope of the Group's consolidated supervision (e.g. Prestipay) for their adoption.

The Legal Department also prepared and sent to the Affiliated Banks and Companies falling within the scope of the Group's consolidated supervision a policy for the management of verbal complaints submitted by customers, which was implemented as from October 2021.

Moreover, in order to promote an integrated and coordinated management of disputes (with the exclusion of those of a fiscal, labour law and credit recovery nature) concerning the Parent Company, the Affiliated Banks and the Group Companies, the Legal Department has launched a project to revise and update the Group's Regulations for the management of disputes, which were adopted by the Board of Directors of Cassa Centrale Banca on 16 December 2021 and which are expected to come into force in the first few months of 2022.

The Cooperative Banking Group is new on the national economic framework and requires investments in communication and media, and coordination of the activities related to the Institutional Relations of the Affiliated Banks. In these respects, 2021 was characterised by an intensification of the activities carried out by both the Affiliated Banks and the Parent Company, aimed in particular at:

- providing support to the activities of the Board Steering Committee on Sustainability and Identity, set up on 1 January 2021, which held 8 meetings during the year, 2 of which were joint meetings with other Board Committees;
- examining and interpreting the production of laws and regulations on sustainability/ESG, which are affecting the strategic and operational approach of banks across the board, maintaining constructive relations with the supervisory and control bodies in charge as well as with the category structures;

- acknowledging the Group as an entity with distinctive characteristics within the banking world, enhancing the objectives of sustainable development and the principles and values of the Mutual Credit Cooperation. Specific projects were further enhanced, such as the "Community of practice of External Communication Representatives", which brings together the specialist functions of banks and subsidiaries with the aim of pooling the experience of individual companies;
- increasing, according to a constant and gradual approach, the Group's visibility to the outside world also through social networks, coordinating the activity of enhancing the various initiatives activated by the Group;
- launching a five-year collaboration with Euricse, a research institute specialised in cooperation and social enterprise issues;
- drawing up the first Sustainability Plan, which defines common and coordinated objectives at Group level, achievable and reportable through specific indicators (KPIs).

2. ICT and back office services

Within the ICT Department, following the company merger in 2020, the year 2021 was characterised by the consolidation of operational integration and organisational transformation activities. In 2021, the project activities of the ICT Department were implemented on the basis of the requirements formulated by the following applicant structures:

- Business (Finance, Credit, NPL, Payment Systems, Centralised Services, Product Company Integration);
- Governance and Support (Corporate Affairs and Equity investments, Legal, Operations, HR, Planning, Institutional Relations);
- Controls (Anti-Money Laundering, Compliance, Internal Audit, Risk Management);
- Transversal and Simplification (ICT, Innovation and transversal projects).

The projects included in the Operational Plan are consistent with the evolutionary lines envisaged in the Group's ICT Strategic Plan for the three-year period 2020-2022 and can be summarised in the following areas.

Omnichannel area: evolution of real-time payment systems and tools; development of Digital Services dedicated to end customers (for the Mobile and Internet Banking channels, in particular); digitalisation of sales processes both inside and outside the branch; integration and evolution of platforms supporting product companies (Prestipay, Claris Leasing and Assicura).

Banking Information System area: standardisation of Information System processes and configurations (Register and Transparency); evolution of the various application modules on the basis of business priorities (dematerialisation of sales processes to make in- and out-of-branch offers more efficient) and the need for regulatory compliance in the areas of finance, credit, anti-money laundering and payment systems; implementation of the feasibility study and start of the analysis phase for the Group's new PEF; launch of the Core Banking Modernisation programme with the definition of an evolutionary strategy.

Data Management, Analytics & Synthesis Systems area: preparation of an architectural revision plan for the Data Warehouse area with the introduction of a Data Hub layer; preparation of the infrastructure to make a Business Intelligence product with Self BI functions available to users to make them autonomous in consulting the various databases: expansion of the information database available; implementation of the Data Governance framework with the introduction of Data Dictionary and Business Glossary that will be progressively enriched with the contents of the various databases.

Reporting and Supervisory Systems area: The migration to the new application platform dedicated to individual Supervisory reporting was activated with three market banks in production and parallel in the quarters of June, September and December for three group banks. Activities to ensure constant adaptation to the regulatory changes that have emerged during the year, in particular the review of Basel 4 reporting as from 30 June 2021. Monitoring and adjusting Group consolidation requirements.

Technology/Infrastructure area: completion of projects aimed at strengthening the resilience of the infrastructures in charge of providing services; technology refresh of hardware components that find more modern and performing solutions on the market; revision of the WAN connectivity service with the aim of extending the use of broadband for the optimal use of collaboration tools; introduction of additional technological hosting services for user banks; start of the cloud journey to define the policy, architectural framework and governance operating models for the adoption of the public cloud.

Governance and Processes area: consolidation of Demand Management, Project Management, Incident Management and Change Management processes through the implementation of support tools and the appointment of representatives for specific processes to govern and monitor the operating phases; a process of industrialisation of the Performance and SLA Management processes and of re-engineering of the operating model for the provision of support services was started; adoption of processes for managing testing; adoption of methods and tools for the operational implementation of the Group's Enterprise Architecture model.

During 2021, the Allitude Services Department completed the stabilisation of back office services, defining and formalising the new operating and target service models of the hubs, which will be completed during 2022, for example through migration to the new target platform for personnel management and administration.

Moreover, in 2021, several initiatives were implemented to increase the efficiency and effectiveness of back office services, such as the re-engineering and digitalisation of processes, training and upskilling plans for resources (i.e. the "WorKit" initiative), and the definition of tools for monitoring the operational performance of services.

During the year, a series of meetings were held with the Group's Banks, with the aim of representing the current Allitude offer and understanding the Banks' requirements. On the basis of the evidence gathered in the initiative, working tables were set up to assess the expansion of the current service offer and increase the volumes managed.

At the helm of the Group's operational machine, the Service Governance and the ICT Governance and Security were involved in a continuous set-up of the governance structure with expansion and strengthening of the workforce. Moreover, to comply with the segregation of roles envisaged by the regulator, the ICT Governance function and the ICT Security function have been divided into two separate services.

The period was characterised by several activities to support the Group's implementation requirements, both functional and technological. These requirements were formalised in the document of the ICT Operational Plan and approved by the competent decision-making bodies. In this context, in particular, solutions were developed that correspond to requirements deriving from the adoption of the operating requirements consistent with the qualification of the Group as a significant supervised entity.

In the face of the Covid-19 emergency, Allitude also needed to guarantee the Group, in all its organisational structures, the operational continuity of ICT and back-office services. This role was promptly fulfilled through a number of initiatives, including the qualification of the personnel of Cassa Centrale Banca and Allitude to smart working.

The development activities linked to the implementation requirements of the new policies, regulations and controls of the Parent Company were also important, including those concerning the areas of management of ICT incidents, ICT changes, ICT demand and operating plan, data governance and ICT security. These initiatives see Allitude engaged on both sides: that of provider of IT solutions to support the operations of the Group companies and that of companies that must align their internal practices to the new regulatory requirements, combining them with the effectiveness of internal processes and with the own organisational structure.

Operational and organisational support continued as part of the migration programme of the Affiliated Banks operating on the Gesbank information system to the SIB2000 information system.

At the same time, the in-house development of new content in relation to the Group's information systems continued, the best market solutions were selected and purchased to meet many of the new specialist needs that have emerged.

Finally, it should be noted that part of the activities carried out by Allitude are carried out not only with respect to the Group, but also with other banks not belonging to the Cassa Centrale Group, which use the services it provides.

3. Leasing services

The offer of leasing services, through specific agreements for the distribution of the product with Group banks, represents an important aspect of the commercial strengthening of the Cassa Centrale Group, which, with reference to credit risk, has reserved for its subsidiary an increase in direct lending thanks to operations towards this specific loan formula. The market context, although still affected by the uncertainties resulting from the spread of the Covid-19 epidemic, shows positive and encouraging signs of recovery in the macroeconomic variables that show strong correlations with the leasing industry.

The leasing instrument is thus confirmed as an important driver of growth and development. Claris Leasing S.p.A., through its services, wants to accompany the investments of small and medium-sized enterprises, customers of the Banks affiliated to the Cassa Centrale Group, offering support to the territories especially in the difficult economic context following the pandemic.

The positive feedback from the market is reflected in the Company's final trends, which are well above expectations for the current year. In fact, during 2021, Claris Leasing S.p.A., mainly through placements made by the distribution network of Banks affiliated to the Cooperative Banking Group, concluded 1,449 new lease contracts for a total of EUR 253 million of new investments. Compared to the figures for the same period in 2020, there was an increase of approximately 85% in the volume of contracts signed. Consistently with the trends of the sector, the growth recorded in 2021 by the company particularly involved the capital goods sector, also thanks to the Nuova Sabatini incentives, while real-estate leasing, although growing, only intervened to finance properties functional to the activities of the companies. In developing its business, the company also pays the utmost attention to the most environmentally friendly projects, in line with EU and national policies aimed at enhancing investments in the green economy.

With regard to asset quality, in line with the Cassa Centrale Group's objective, the gradual reduction of non-performing exposures continued through a strategy of disposals managed directly by the company. The gross NPL ratio stood at 7.2% in December 2021, a marked improvement from 9.5% in December 2020 and 12.5% at the end of 2019. Supported by a prudent provisioning policy, the ratio of net impaired exposures to total leasing receivables was 2.2% at the end of 2021, down from 3.1% as at 31 December 2020 and 5.2% in 2019. In line with the Parent Company's directives, the coverage of non-performing loans was close to 92%. With regard to the granting of Covid-19 moratoria, as at 31 December 2021, 153 contracts were suspended for a total amount of EUR 40 million (approximately 6% of total gross loans). 97% of these suspensions are related to the application of the "Cura Italia" Law Decree, while the remaining 3% is a consequence of the application of the ABI moratorium, or resulting from specific initiatives undertaken by Claris Leasing S.p.A. The end-of-year figures reflect a significant drop in the number of moratoria compared to EUR 133 million recorded in June 2021 (approximately -70% of volumes) and EUR 204 million of September 2020 (approximately -80%), confirming a loan portfolio that exits from the moratoria without any particular tensions.

The Cassa Centrale Group's range of services is enriched with contents through the company Claris Rent S.p.A. (established in December 2019, with the sole shareholder being the parent company Claris Leasing S.p.A.).

Claris Rent S.p.A. was established with the aim of developing a business project involving the marketing of services in the field of long-term rentals, initially through the intermediation of third-party products, and operating leases. The commercial strengthening of the GBC thus embraces new contents allowing to expand and integrate the range of products offered to the customers of the Cassa Centrale Group through the distribution channels of the Affiliated Banks.

In March 2021, the company received the compliance opinion issued by the Compliance Department of the Parent Company regarding the commercial proposal of rental products for customers of the affiliated BCCs.

As from April 2021, a campaign was launched to sign up BCCs willing to promote the company's products within their customer portfolios. As at 31 December 2021, ten BCCs, located in Friuli V.G., Veneto, Emilia-Romagna, Lombardy and Piedmont, signed the Agreement and another 10 are in the process of joining.

Since September, promotional and communication campaigns have been launched, shared with the individual partner Banks and, in the last quarter of the year, 13,500 Customers were recorded as having entered the web windows displaying the company's offers.

The start-up of the company took place during a rather complicated economic phase due to the spread of the Covid-19 pandemic. The economic problems following the pandemic, such as the shortage of microchips (which also affects the production of vehicles for mobility), the shortage of raw materials and the difficulties in the logistics sector have also affected the availability of goods to be hired, generating some critical issues in terms of the Company's commercial proposal. In order to limit the effects related to the critical delivery of new cars, the company has proposed firstly: (i) vehicles in the 'warehouse' of commercial partners (with frequent updating of the 'product showcase'), (ii) short-term rentals to cover the delivery time window, (iii) free rentals and/or free fuel cards for new subscribers to NLT contracts.

During 2021, the company brokered 131 long-term rental orders with fees determined by commissions (a result affected by the recorded lack of vehicles to be registered) and entered into 164 operating lease agreements. These results, together with the operating lease agreements already in place, made it possible to reach a total value of production of EUR 392 thousand in December 2021.

The offer of services in the leasing sector is supplemented by the collaboration agreement between the Parent Company and Fraer Leasing S.p.A. belonging to the French Group Société Générale. During 2021, this agreement allowed the distribution network of the Cooperative Banking Group to sign 1,374 contracts for a total amount of approximately EUR 225.6 million.

4. Insurance services

The fact that all member banks increasingly share the strategic value of the insurance offer as a means of building customer loyalty and consolidating the relationship with customers, implementing the principles of mutuality and fostering the protection of households and businesses in the various regions, has enabled the bancassurance sector to develop further, despite the complexities and constraints caused by the continuation of the pandemic.

The effective collaboration established by Assicura Agenzia and Assicura Broker with the 69 Affiliated Banks and the 9 member banks outside the scope of the Cooperative Banking Group, which have chosen to operate with our companies, recognising the value of the services and products made available, generated an increase in the new production, common to all sectors, which is significantly higher than both the objectives shared during commercial planning and the market trend and growth estimates drawn up by ANIA for 2021, which envisage an increase in premiums year-on-year of 2.8% for the Non-Life sector (against a drop of 4.5% in third-party motor liability and growth of 7% in the other businesses) and 8.5% in the Life sector. However, what has been achieved only marginally expresses the development potential offered by the sector because of the deep-rooted underinsurance in Italy, which became evident with the pandemic, and because of the profound heterogeneity of the offer capacity still shown by the member banks.

In fact, during the year, member banks took out more than 195 thousand new policies (+20%) as part of the offer of standardised products, collecting more than EUR 1.2 billion in new premiums (+10%), with a particularly significant growth in the protection area (+41% non-life policies, +63% credit protection insurance, +36% term life policies) and an increase of almost 30% in supplementary pension funds. The development of investment products (+6%) was equally positive, with a major revision of the product mix and a doubling of the placement of multi-branch products (which account for more than 2/3 of total inflows).

The production results reward Assicura's commitment to updating the product catalogue, boosting the consulting capabilities of the bank through targeted training courses (during the year, 241,900 hours were provided and 6,494 intermediaries were trained and there were two further editions of the master's course for SMEs, bringing the total number of member banks to 41 with 107 participants), in the continuous evolution of operating processes, in particular through the introduction of advanced electronic signature through OTP. Moreover, the maximum attention continues to be paid to after-sales management, especially in the support offered to customers when claims occur (in the last twelve months, 24,260 thousand cases were managed, an increase of 19% compared to 2020, with a percentage of claims settled on events reported of 91%).

In the second half of the year, the strategic project aimed at identifying an insurance partner capable of meeting the needs for products and services to guarantee the growth of the bancassurance sector was launched, in line with the development projections represented in the three-year strategic plan shared with the ECB, which see an average annual increase of 11% with an increase in profitability generated by the bancassurance sector from EUR 79 million to an estimated EUR 96 million by 2024. Major companies, deeply attracted by the development potential offered by our pool of shareholders and customers and favourably interested in the significant results achieved in recent years - the result of the continuous revision of the organisational model and the creation of a product catalogue whose value has been unanimously appreciated - were involved in the project that will end in the first few weeks of 2022 with the signing of a five-year partnership agreement.

Thanks to the activity carried out both in terms of new production and in terms of maintaining the existing portfolio on the basis of a much higher retention than the market, premiums managed at the end of the year exceeded EUR 6.6 billion, broken down into EUR 5.7 billion relating to investment instruments, more than EUR 686 million relating to supplementary pension funds and more than EUR 257 million relating to insurance cover in the protection area.

The profitability accrued by banks increased by 34% to more than EUR 60 million, with an increasing share of commissions generated by the protection sector (46% of the total), in line with the pursuit of the objective of achieving greater stability of revenues based on the recurrence of commission collections and the greater retention of the non-life portfolio.

Net commission income for Assicura Agenzia exceeded EUR 9.3 million, an increase of 34.7% compared to 2020, and contributed to a gross profit for the year of EUR 5.7 million and a net profit of EUR 4.1 million, an increase of 37% compared to the previous year's result.

During the year, Assicura Broker completed its insurance assessment activities relating to institutional coverage, and was committed to managing and reporting to customers on the activities carried out during the renewal phase. This activity improved the insurance level of the policies of the customer Affiliated Banks, aligning the coverage levels and providing greater security for the GBC.

Special attention was paid to the renewal of the D&O policies of the Group Companies and of the customer Banks, in a particularly difficult market context that sees a gradual reduction in the insurance offer, both due to the ever decreasing willingness of companies to insure these risks, and due to the reduction in the policy limits that can be assumed by the market. Nevertheless, thanks to the GBC's total assets, it has been possible both to contain cost increases and to ensure that all our customer companies are able to take out a policy.

In the second half of the year, the activities carried out in relation to the GBC's coverage, which was grouped together at the Trento office for better efficiency, focused on coverage renewals as at 31 December 2021 with the aim of improving the existing coverage, continuing to optimise guarantees by concentrating policies on a few selected partners.

With regard to the business area, in 2021, thanks to the commercial activity carried out on the customer companies of the Group Banks, the number of companies that provided brokerage services increased. In this sector there was an increase of more than 40% compared to an average market growth on non-life policies of 2.8%. These developments allowed us to strengthen the structure at the service of companies, increasing the personnel at the Cuneo and Brescia branches in order to provide the personalised consultancy service on customer policies, which represents the insurance broker's business.

Moreover, in order to improve the efficiency of the coverage taken out by customers, a number of Facilities with leading companies that will allow us to further improve the quality of the policies offered to customers by concentrating premium volumes were agreed on.

Overall, there was an increase in brokered premiums and commissions collected during 2021. The latter amounted to EUR 3.5 million, a 20% increase over the previous year, bringing gross profit to EUR 1.2 million and net profit to EUR 918 thousand.

5. Collective asset management services

NEAM is the Luxembourg-based asset management company wholly owned by Cassa Centrale Banca which manages the NEF Mutual Investment Fund composed of 18 different sub-funds.

The NEF Fund is placed by all Affiliated Banks and by numerous customer Banks that mainly use Cassa Centrale Banca as the entity appointed to perform payments, i.e. as intermediary called upon to carry out activities to support customers in the administrative, accounting settlement and tax phases.

Thanks to the good results of the BCC-CR-RAIKA commercial network and the favourable market conditions, assets under management reached a total amount of over EUR 5.8 billion at the end of 2021, with an increase of 25.33% since the beginning of the year, while the shares amounted to 377 million, with an increase of 20.10%.

Assets under management therefore increased by EUR 1 billion and 170 million since the beginning of the year, mainly as a result of net funding of EUR 649 million and a positive market contribution of EUR 521 million.

Over the period, PACs (Capital Accumulation Plans) contributed more than EUR 800 million to funding, while PICs (Capital Investment Plans) were marginally negative. With regard to the PACs, there was a net growth of almost 70,000 new openings during the year, totalling 512 thousand units, which are equal to monthly deposits of around EUR 65 million.

In detail, the figures show a significant growth in the ethical segments compared to other products, especially the NEF Ethical Balanced Dynamic with an increase of 244 million and the NEF Ethical Global Trends SDG with 221 million. There are three segments that exceed EUR 600 million in size (Ethical Balanced Dynamic, Euro Short Term and Euro Equity), while several have now exceeded EUR 300 million. There was also significant growth in the NEF Global Equity +45%, NEF Euro Equity +39%, NEF Pacific +26% and NEF Us Equity +60%. Note the launch of the new Target 2028 segment invested in debt securities, which has raised EUR 80 million since its launch in April.

In confirmation of the high quality level of operations, NEAM received two very important awards: it was ranked first in Italy, for the second consecutive year (2020 and 2019), in the Sole 24 Ore High Performance Award according to the analysis carried out by the independent company CFS Rating, which confirmed NEAM S.A. as Best Management Company - Italian Small Funds; moreover, a few weeks later, Lipper awarded the NEF with the title of Refinitiv Lipper Fund Awards Winner Europe 2021 as Best Overall Small Fund Family Group at three years[23].

6. Other services

Centrale Credit Solutions S.r.l. (hereinafter also referred to as "CCS") mainly provides consultancy services for extraordinary financial transactions such as the sale of impaired loans, securitisations and project financing. CCS also provides administrative support to other Group companies operating in the real estate sector, through specialised companies in the sector.

During the second half of 2021, the Company was mainly involved in structuring, as advisor, the second securitisation transaction of the Cassa Centrale Group supported by the GACS state guarantee. This operation, called Buonconsiglio 4, involved 38 Italian banks (29 belonging to the Group) for an amount of non-performing loans sold for approximately EUR 579 million in terms of *gross book value*.

For CCS, the financial statements for the year ended 31 December 2021 show a gross profit of approximately EUR 827 thousand.

Centrale Soluzioni Immobiliari S.r.l. (hereinafter also referred to as "CSI") was set up to allow for the purchase, sale and exchange of real estate assets, including the development or completion of the same with a view to their replacement on the market. This activity is carried out mainly as an ancillary activity to the activities of Cassa Centrale Banca, with the aim of safeguarding the creditworthiness of impaired loans secured by real guarantees.

During the year, CSI continued - through specialised companies - to create, complete and maintain the sites relating to real estate acquired through bankruptcy proceedings. In January 2021, a new building was purchased in Trento, which, after renovation, will be leased to the Parent Company in order to increase the space used for offices and meeting rooms.

Work continues regularly on the various worksites with the start of work on two new worksites in the second half of the year, after obtaining the building permits.

Against minimum revenues from sales of owned properties and annual rents, less costs, a loss of approximately EUR 55 thousand is recorded.

Centrale Casa S.r.l., a real estate brokerage company, is controlled by the Group and carries out its activities with the aim of supporting the Affiliated Banks in meeting the needs of customers intending to sell or purchase residential, tourist, artisan, commercial and industrial real estate.

It acts as an intermediary between supply and demand and also offers real estate and rental consultancy services as well as property value estimates. Operations are carried out in compliance with the regulations in force and in a completely autonomous manner, implementing all the necessary control units for the separation of activities from banking and financial activities.

[23] The identification of the overall winning company in its category is obtained through an average ranking of the funds of each company expressed on their three-year performance as positions in deciles on their respective asset classes.

The activity carried out also helps the Group Banks and companies to dispose of part of their real estate assets, as well as to implement cross-selling policies towards customers, offering services functional to the purchase and/or sale of properties.

The activity carried out in 2021 was still affected by the Covid-19-related restrictions, although there was a general recovery in the real estate market. In particular, in the central months of the year, purchase and sale transactions relating to business activities carried out partly in the previous year were concluded. These, together with the ordinary business, resulted in a significant increase in turnover compared to previous years. The budget objectives were substantially achieved and a very positive economic result is expected.

The activities and investments on the internet and social channels continued in order to obtain maximum visibility for the company and the properties handled, with significant returns in terms of requests from potential Customers.

During 2021, there were approximately 1,500 contacts with new people and over 1,100 specific requests were received for properties handled exclusively by Centrale Casa. The inspections to acquire sale engagements were 137, while there were more than 260 face-to-face visits to properties with customers. The sale engagements of properties agreed upon were 57 with 43 sales transactions. Moreover, rental, consultancy and estimate appraisals account for approximately 10% of the total turnover.

Lastly, new advertising and promotional materials were prepared to communicate and enhance various new services and methods of Customer support, with an update of the images and the restyling of the company brand, which led to the CCB Group's settings.

Originally established to provide support and assistance to banks that use the online trading service offered by Directa Sim, over the years Centrale Trading S.r.l. (hereinafter also "Centrale Trading" or "CT") has entered into agreements with many companies, making it possible to expand the range of services offered to the Group's Affiliated Banks and other third-party banks. There are currently 152 partner banks, widely distributed throughout the country. Over time, Centrale Trading has developed a series of complementary activities and has entered into agreements with various companies (Italpreziosi S.p.A., Six Financial Information, WebSim and MasterChart) in order to provide services able to meet the needs of its customers and enhance income flows. Since July 2021, Centrale Trading has been controlled by Cassa Centrale Banca.

Risk management and internal control system

The Cassa Centrale Group operates in a macroeconomic context that is permeated by a multitude of elements of discontinuity with respect to the past, not only due to the still uncertain prospects for economic recovery, after the onset of the health emergency, the continuing negative rates, the ongoing measures issued in Europe and Italy, but also with reference to the reform of Cooperative Credit.

The risk governance model, i.e. the set of corporate governance mechanisms and management and control mechanisms aimed at facing the risks to which the Group is exposed, is part of the broader framework of the internal control system (so-called "SCI"), defined in accordance with the prudential regulatory provisions contained in Circular no. 285/2013 of the Bank of Italy. These provisions require the adoption of a series of detailed actions in relation to organisation, processes and internal devices of the company.

The Group attaches great importance to the management and control of risks, in order to ensure prudent and effective management of banking activities, in compliance with the Group's cooperative principles and mission. In particular, the Parent Company, in the exercise of management and coordination of the individual Group Companies, establishes and defines the duties and responsibilities of the control bodies and functions within the Group, the coordination procedures, the reports, information flows and related connections, in compliance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. In addition, it issues provisions for the execution of the instructions provided by the Supervisory Authority in the interest and for the stability of the Group.

The guiding principle of the company's choices is therefore based on two fundamental assumptions:

- the awareness that an effective system of controls is an essential condition for the pursuit of the company's objectives and that organisational structures and processes must constantly be fit for purpose to support the realisation of the company's interests while contributing to ensuring conditions of sound and prudent management and corporate stability;
- the strategic importance of the role of the Cooperative Credit network, thanks to which the Group can offer its customers a complete range of banking and financial services, consistent with the operational and regulatory framework of reference.

The Group pays particular attention to risk management and governance in order to ensure the constant evolution of its organisational/procedural controls and methodological solutions. These functions are carried out with tools to support effective and efficient governance of risks, also in relation to changes that have permeated the reference operational and regulatory environment. As required by the regulations on the reform of Cooperative Credit, the outsourcing of the Company Control Functions of the Affiliated Banks at the Parent Company has been made operational and it is therefore the task of the latter to define the guidelines on risk measurement and management.

Cassa Centrale Banca, as the Parent Company, carries out management, coordination and control activities in order to guide the Group towards business objectives consistent with the distinctive features of each Group Company and in line with balanced risk management. These objectives are intended to define:

- the organisational structures suitable for identifying and managing the risks to which the Group is exposed;
- the strategic guidelines aimed at safeguarding the Group's equity, economic and liquidity structure;
- the actions to be taken to safeguard the mutualistic purposes of the

Affiliated Banks, in compliance with the Cohesion Contract and the related Guarantee Agreement to which the Affiliated Banks and the Parent Company are mutually committed.

The methodological framework used is based on a precise management of the different types of risks to which the Group is exposed and is characterised by a unitary vision of the company risks considering both the macroeconomic scenario and the individual risk profile. In addition, it aims to stimulate the growth of a culture of risk control, reinforcing a transparent and accurate representation of risks to the benefit of immediate "governability" by top management.

The risk-taking strategies are summarised in the Risk Appetite Framework (known as RAF) represents the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them.

The Group's RAF represents the framework within which company risk management is developed and it is broken down into:

- general principles of risk propensity;
- monitoring the Group's overall risk profile;
- monitoring of the main risks specific to the Group.

In other words, the RAF provides the framework for determining the Group's risk appetite that:

- acts as a tool for strategic control, relating risks to the business strategy and translating the mission and strategic plan into qualitative and quantitative variables;
- operates as a tool for risk management and control, linking risk objectives to business operations and translating them into constraints and incentives for the structure.

The framework developed by the Parent Company is divided into the following main areas:

- **organisational**: this includes the definition of the duties and responsibilities of the corporate bodies involved in the RAF and in the carrying-out of direction, coordination and control activities towards Group companies, in order to ensure unity in its management. Within this context, in addition to the definition of the information flows, the organisational and governance documents are updated with regard to the main risk profiles and the references for the management of the related interrelationships within a framework of overall consistency. This includes risk governance policies, the risk management process, internal processes for determining and assessing capital adequacy and liquidity risk (ICAAP and ILAAP), most significant transactions, strategic and operational planning and the internal control system;
- **methodological**: through the definition of indicators, of operational references for their evaluation and the setting of thresholds of reference as well as the declination of the objectives and indicators identified in the system of operational limits;
- **application**: through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes and the definition of functional requirements for the development of related activities.

The framework defines the general principles in terms of the risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the Group's risk-taking strategy are set out below:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the Group's entire operations are based;

- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions, and aims to maintain adequate levels of risk:

- **capitalisation**, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier1 ratio, the Tier1 ratio, the Total Capital ratio and the financial leverage indicator;
- **liquidity**, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the Liquidity Coverage Ratio, the Net Stable Funding Ratio and the loan-to-deposit gap;
- **profitability**, through the monitoring of indicators such as, for instance, the cost-income and the ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks and the capital adequacy assessment measures are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to periodically provide summary information on the evolution of the Cooperative Banking Group's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a unified representation of the risk profiles to which the Group is exposed.

In order to strengthen the overall risk management and governance system, common policies and regulations have been adopted within the Group and issued by the Parent Company.

With reference to quantifiable risks, the declination of the elements making up the RAF has been set using the same risk measurement methodologies as those used in the internal process of self-assessment of capital adequacy and liquidity risk management and governance (ICAAP/ILAAP).

In the RAF adopted by the Group, the following thresholds were defined:

- Risk Profile, indicates the risk actually assumed, measured at a given time on a current or forward-looking basis;
- Risk Appetite, i.e. the level of risk that the Group intends to assume in order to pursue its strategic objectives;
- Alert Threshold, i.e. the system of risk thresholds which, if exceeded, provides for reporting at appropriate levels and activation of any corrective actions in order to avoid reaching or exceeding the Risk Tolerance;
- Risk Tolerance, i.e. the maximum deviation from the Risk Appetite allowed; it is set in such a way as to ensure sufficient margins to operate, even under stress conditions, within the maximum assumable risk;
- Risk Capacity, i.e. the maximum risk that the Group is technically able to assume without violating regulatory requirements or other restrictions imposed by shareholders or by the Supervisory Authority.

As part of the overall governance and risk management system, the Group formalised its risk management process, i.e. the set of rules, procedures, resources (human, technological and organisational) and control activities aimed at identifying, measuring, assessing, monitoring, preventing, mitigating, as well as communicating to the appropriate hierarchical levels, all the risks assumed or assumable in the various segments and at business portfolio level, taking into account, in an integrated logic, also the mutual interrelations and the evolution of the external context.

The operating structures are primarily responsible for the risk management process: during day-to-day operations, these structures must identify, measure or assess, monitor and mitigate the risks deriving from ordinary business activities in line with the risk management process; they must comply with the operating limits assigned to them in line with the risk objectives and with the procedures in which the risk management process is structured.

The definition of a risk management process in a manner consistent with the strategic decisions adopted represents a prerequisite for the effective pursuit of the risk policies adopted by the competent corporate bodies, as it allows to guide the operations of the risk-taking functions. It should also be noted that this risk management process, although it has repercussions on the methods of carrying out the company business, is kept separate, within the scope of internal regulations, from the devices that govern the related production/administrative processes (e.g. credit process, etc.).

The risk management process consists of the following steps:

- **identification**: risk classification, taking into account the definition and the specific supervisory provisions, in the business model also through the identification of the internal and external sources from which the risk originates (known as risk factors). In this context, the Corporate functions involved in the overall risk management process are also relevant, depending on the activities assigned to them. The activities of collecting and classifying information and the relevant sources of information related to the risk and preparatory to the definition of a complete information base, the identification of the risk and the development of the subsequent stages of the process are also highlighted;
- **measurement/assessment**: the activity of determining, through specific methods approved by the Board of Directors, the capital absorption of internal capital, as well as further synthetic risk measures and more detailed indicators used for management purposes and/or functional to the assessment of risks that are difficult to quantify and to the subsequent monitoring phase;
- **prevention/mitigation**: concerning the organisational controls and the identification of interventions aimed at preventing and/or mitigating risk, in line with the established risk appetite. In particular, the following controls are highlighted that allow:
    - from an ex-ante perspective to prevent risk-taking beyond the desired level;
    - with an ex-post perspective to reduce the assumed risk to the desired level, as well as to manage any stress conditions.

This process phase is integrated into the Risk Appetite Framework adopted by the Group through two macro-activities:

- **monitoring**: collection and structured organisation of the results obtained from measurement and evaluation activities, as well as further quantitative and qualitative surveys that support the analysis of exposure to the risks under examination and the verification of compliance with the RAF indicators in their various forms, adopted in compliance with the RAF Regulations;
- ***reporting* and communication**: activities aimed at preparing the appropriate information to be transmitted to corporate bodies and other functions (including control functions) regarding the risks assumed or assumable in the different segments, also capturing, in an integrated logic, the interrelationships with each other and with the evolution of the external environment.

Please note that following the establishment of the Cooperative Banking Group, the Risk Management Department of the Parent Company is responsible for preparing and managing the RAF of the GBC and for proposing the qualitative and quantitative parameters necessary for its definition.

Risk map[24]

The mapping of significant risks, which constitutes the framework within which all risk measurement/assessment, monitoring and mitigation activities are developed, was carried out taking into consideration:

- the specific characteristics of the Group;
- its current and future operations;
- the context in which it operates;
- the provisions laid down by the Regulators;
- the best market practices.

To this end, the Group identified the risks to which it is or could be exposed, i.e. risks that could affect its operations, the pursuit of strategies and the achievement of corporate objectives.

Risk mapping, carried out at Group level and implemented during the definition of the RAF (approved by the Board of Directors of the Parent Company), is itself the result of the activities aimed at drawing up the ICAAP/

[24] Note that risk mapping is subject to annual updating, therefore for 2022, a new assessment will be carried out that will also take into account the possible impacts arising from the conflict between Russia and Ukraine, with potential evolutions and changes to the mapping itself.

ILAAP Report. These activities, preparatory to the review and updating of the map of significant risks of the Cooperative Banking Group, led to the updating of the Risk Map and of the relevant "Policy for the identification of the Group's Significant Risks", approved by the Board of Directors of the Parent Company at the meeting of 31 March 2021. The risk mapping process, defined by the Policy, represents the starting point of all the Group's strategic processes, through a structured and dynamic approach:

- at centralised level, by the Risk Management Department;
- with the involvement of the corporate bodies, the Internal Audit Department, the Compliance Department, the Anti-Money Laundering Department and the other Group Departments in relation to those matters falling within their competence, in order to ensure alignment with the evolution and/or changes in the business model;
- with the involvement of the Group's main user companies, where deemed necessary, in order to enhance their role in relation to individual operational specificities.

The analysis was carried out by evaluating the Group's current and potential operating conditions, in order to identify any risk profiles already present in the current context or not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the company's operations. This analysis also took into account the principle of proportionality.

The process of identification of the Group's significant risks is a fundamental recognition process for the whole system of risk management as it constitutes an ideal "link" between different processes, representing the starting point to address:

- as part of the RAF, the identification of the most significant types of risk on which to define appropriate "risk appetite" values, tolerance thresholds and risk limits;
- as part of ICAAP/ILAAP, the delimitation of the risks with the greatest impact on the adequacy of the Group's capital and liquidity situation, in terms of current and/or potential risks and under stress conditions;
- as part of the MRB area, the identification of the main areas of vulnerability of member banks and the possible activation of strengthening mechanisms;
- as part of the Recovery Plan, the definition of possible areas of intervention aimed at recovering from "near to default" situations and the consequent calibration of appropriate recovery actions.

The process of identifying the Group's significant risks consisted of three main phases:

- the identification of potentially significant risks, i.e. checking the relevance of corporate risks already assessed, and the analysis, research and identification of new potentially significant risks not yet considered by the Group;
- the application of the criteria of relevance to potentially significant risks, through qualitative and quantitative analyses;
- the identification of significant risks, aimed at defining the "Short list" of significant risks for the Group on the basis of the results of the previous analyses.

The Group's "Risk Map" valid for 2021 is shown below, with reference to the first level of risk identified, as well as some second and third level risks considered particularly significant:

Credit risk

Risk of loss deriving from the insolvency or worsening of the creditworthiness of counterparties entrusted by the Group.

Counterparty risk

Risk that the counterparty to a transaction involving certain financial instruments defaults before the settlement of the transaction. Counterparty risk arises from the following types of transactions: over-the-counter financial and credit derivatives; repurchase and reverse repurchase agreements on securities or commodities; securities or commodities lending or borrowing transactions; and margin lending (so-called Securities Financing Transactions); transactions with long-term settlement. This risk is a particular type of credit risk, which generates a loss if transactions with a given counterparty have a positive value at the time of insolvency.

Credit valuation adjustment (CVA) risk

Risk of adjustment of the interim market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the counterparty risk vis-à-vis the institution, but does not reflect the current market value of the credit risk of the institution vis-à-vis the counterparty.

Market risk

Risk of an unfavourable change in the value of an exposure to financial instruments, included in the regulatory trading book, due to adverse trends in interest rates, exchange rates, inflation rates, volatility, share prices, credit spreads, commodity prices (generic risk) and/or the situation of the issuer (specific risk).

Operational risk

Risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events. This includes, among other things, losses resulting from fraud, human error, interruptions in operations, unavailability of systems, breach of contract, natural disasters.

Liquidity and funding risk

The risk of not being able to cope efficiently and without jeopardising normal operations and financial equilibrium, of not being able to meet its payment obligations or disburse funds due to an inability to find sources of funding or to find them at above-market costs (funding liquidity risk) or due to the presence of limits on the disposal of assets (market liquidity risk) and incurring capital losses.

Credit concentration risk

Risk arising from exposures to counterparties, including central counterparties, groups of related counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity, as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

Country risk[25]

Risk of losses caused by events occurring in a country other than Italy. It should be understood in a broader sense of sovereign risk as it relates to all exposures regardless of the nature of the counterparties, whether natural persons, corporations, banks or governments.

Transfer risk[26]

Risk that the Group, exposed to a borrower financing in a currency other than the one in which it receives its main sources of income, will incur losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.

Basis risk[27]

Risk arising from the impact of relative changes in interest rates on interest rate sensitive instruments, which are similar in terms of maturities, but different in terms of interest rate indices used for pricing. The basis risk derives from the imperfect correlation in the adjustment of the rates accrued and paid on various instruments sensitive to the interest rate with otherwise similar rate change characteristics.

Interest rate risk of the banking book

Current and future risk of changes in the Group's banking book following adverse changes in interest rates, which affect both the economic value and the interest margin.

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[25] The country risk is considered to be a Level 2 risk within credit risk.

[26] The transfer risk is considered to be a Level 3 risk (a sub-category of country risk within credit risk).

[27] The basis risk is considered to be a Level 3 risk (a sub-category of position risk within market risk).

Residual risk[28]

Risk that the recognised credit risk mitigation techniques used by the bank will be less effective than expected.

Securitisation risk[29]

Risk that the economic substance of the securitisation transaction is not fully reflected in the risk assessment and risk management decisions.

Excessive leverage risk

Risk that a particularly high level of indebtedness in relation to capital endowment will make the Group vulnerable, making it necessary to take corrective measures to its business plan, including the sale of assets with losses that could also lead to value adjustments on the remaining assets.

Strategic and business risk

Current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or erroneous business decisions, inadequate implementation of decisions, poor responsiveness to changes in the competitive environment.

Real estate portfolio risk

Current or prospective risk deriving from changes in the value of owned properties due to changes in prices in the Italian real estate market.

Reputational risk

Current or prospective risk of a decline in profits or capital resulting from a negative perception of the Group's image by customers, counterparties, Group shareholders, investors or Supervisory Authorities.

Compliance risk

Risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory rules (laws or regulations) or self-regulation (e.g. articles of association, codes of conduct, corporate governance codes).

Risk of money laundering and terrorist financing

Risk arising from the violation of legal, regulatory and self-regulatory provisions functional to the prevention of the use of the financial system for the purposes of money laundering, terrorist financing or the financing of weapons of mass destruction development programmes as well as the risk of involvement in money laundering and terrorist financing or the financing of weapons of mass destruction development programmes.

Risk associated with the acquisition of equity investments

Risk of inadequate management of equity investments, in line with the provisions of Bank of Italy Circular no. 285/2013 and subsequent updates.

Risk of conflicts of interest with respect to associated parties

Risk of distortions in the process of resource allocation, exposure of the entity to risks that are not adequately measured or monitored, and potential harm to depositors and shareholders due to the possible lack of objectivity and impartiality of decisions regarding the granting of loans and other transactions to persons close to the decision-making centres of the institution.

Encumbered assets risk[30]

Risk that the portion of restricted assets held will be of such an extent as to limit the level of liquidity of the entity's assets.

Sovereign risk[31]

Risk related to the inability or unwillingness of a State to honour its payment commitments.

ESG risks

Risks deriving from environmental, social or governance factors that may

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28 The residual risk is considered to be a Level 2 risk within credit risk.

29 The securitisation risk is considered to be a Level 2 risk within credit risk.

30 The risk related to the portion of restricted assets is considered a Level 2 risk as part of the liquidity and funding risk.

31 The attention of the regulator to this phenomenon has grown over time, although it has not generated an update to the regulatory framework of reference. Moreover, the ECB, during SREP, paid attention to the phenomenon given the importance of exposure to Italian government bonds. The Group decided to quantify an economic capital absorption for sovereign risk on the HTCS Business Model and Trading, in order to determine the possible impact this could have on the OCI reserve and comprehensive income. However, overall sovereign risk exposure is monitored by calculating specific indicators (Sovereign Risk/Cet1, Govt ITA HTC/Tot ptf and Govt ITA HTCS/Tot ptf) on a quarterly basis.

represent sources of structural change for individuals, for the economic activity and, ultimately, for the financial system. ESG risks materialise when ESG factors affecting the counterparties of banks have a negative impact on the financial performance or solvency of those institutions.

Risk related to climate change[32]

Risk deriving from losses related to extreme or chronic climate events (Physical Risk) or the transition to a low-carbon economy (Transition Risk).

Pandemic risk

Risk of losses deriving from the consequences for public health, economic activity and trade due to the outbreak of an epidemic.

Main actions and Functions involved in the mitigation and control of risks to which the Group is subject

The risks identified within the risk map can be classified into two types:

- risks that can be measured in terms of internal capital, in relation to which the Group uses specific metrics to measure capital absorption: credit and counterparty risk, market risk, credit valuation adjustment (CVA) risk, operational risk, interest rate risk in the banking book, credit concentration risk (divided into Geo-Sectoral and Single Name concentration risk), strategic risk, real estate risk and sovereign risk;
- risks that are not measurable in terms of internal capital, for which, as robust and agreed-upon methodologies for determining the relative capital absorption have not yet been established, a capital buffer is not determined and for which, in accordance with the above-mentioned regulatory provisions, adequate control and mitigation systems are put in place: liquidity risk, country risk, transfer risk, basis risk, residual risk, securitisation risk, excessive leverage risk, reputational risk, compliance risk, risk of money laundering and terrorist financing, encumbered assets risk, risk associated with the acquisition of equity investments, risk of conflicts of interest with associated parties, ESG risk, risk linked to climate change and pandemic risk.

In general, the criteria for assigning the overall materiality of each risk are based on a joint analysis of materiality by operations and exposure.

With reference to each of the relevant risks identified, the definition adopted by the Group and the main information related to the governance of the risk, the tools and methodologies for measuring/assessing and managing the risk and the structures responsible for the management are reported below.

Credit risk

Credit risk consists of the possibility of incurring losses arising from the default or deterioration of a counterparty's creditworthiness and is mainly expressed in the risk that a counterparty will not fulfil its obligations in full, by not returning all or part of the object of the contract.

Therefore, this risk is mainly found in the traditional activity of granting secured and unsecured loans recorded and not recorded in the financial statements (for example, endorsement credits) and the potential causes of default lie largely in the lack of liquidity of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty. Activities other than traditional lending also expose the Group to credit risk.

In light of the provisions on the internal control system (Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an effective and efficient credit risk management and control process consistent with the framework addressed by the Parent Company. In addition to line controls (so-called first level controls), the outsourced functions within the Parent Company in charge of second and third level controls, with the collaboration of their respective contacts, are responsible for measuring and monitoring risk trends, as well as the correctness/adequacy of management and operational processes.

Control activity over credit risk management is carried out by the Risk Management Department, outsourced to the Parent Company, which makes operational use of its internal contacts at Affiliated Banks.

The main areas of intervention aimed at strengthening the monitoring of

32 The risk related to climate change is considered as a Level 2 risk, as part of the ESG risks.

risk to regulatory requirements pertain to the degree of formalisation of the valuation policies of impaired loans (i.e. NPL & provisioning management), as well as the development and full effectiveness of second-level controls on the entire segment of the credit process.

By virtue of the Cohesion Contract entered into with the Affiliated Banks, the Parent Company defines common and homogeneous rules and criteria for the performance of the activities relating to the entire process of granting credit and the management of the related risk. The rules and criteria defined by the Parent Company apply to risk measurement, preliminary investigation, disbursement, valuation of guarantees including real estate guarantees, performance control and monitoring of exposures, revision of the credit lines, classification of risk positions, intervention in case of anomalies, classification criteria, the policy of provisions, classification and measurement of credit exposures, and classification and management of impaired exposures.

The above rules and criteria are set out in the Group Credit Regulations, as part of which the Parent Company also defines its own decision-making autonomy for the granting of credit, the maximum exposure thresholds for each individual customer or group of connected customers for each Affiliated Bank according to the risk of the bank itself. Within these thresholds, the decision-making levels for the disbursement of credit are defined by each individual Affiliated Bank, in compliance with the limits established in the Group's risk policies.

The Parent Company defines the strategy and related management plan for impaired exposures at Group level, identifying binding short/medium/long-term objectives for each Affiliated Bank. Moreover, it establishes the measurement criteria of exposures and creates a common information base that allows all Affiliated Banks to know the exposures of customers towards the Group, as well as the measurements concerning the exposures of borrowers.

In this regard, the Parent Company prepared a specific Group policy for the classification and measurement of loans, which, in addition to regulating the process of classifying credit exposures (both on and off-balance sheet), sets out rules for the measurement of real estate collaterals and other types of guarantees.

With reference to transactions with associated parties, the Group has adopted specific Regulations governing the identification, approval and execution of transactions with associated parties, as well as organisational structures and a system of internal controls to guard against the risk that the proximity of certain parties to its decision-making centres may compromise the impartiality and objectivity of the relevant decisions.

In consideration of the operating methods that characterise the Group's lending activities, the credit process was structured in the phases of planning, granting of credit, credit management, classification of positions and management of impaired items.

The Risk Management Department defines, as part of the Risk Appetite Framework process, the risk appetite that represents the maximum amount of capital that the Group is willing to put at risk in order to achieve its strategic-income objectives, based on the business model and strategic decisions adopted; in particular, as regards credit risk, the Risk Management Department, in line with the provisions of the prudential regulatory provisions, breaks down the risk objectives, identified in the RAF, into risk-limits and monitoring indicators.

The former have the objective of placing a limit on operations through a system of thresholds and escalation procedures, and in addition, credit risk policies are prepared by setting monitoring thresholds for them. The latter are of a managerial nature, with the aim of ensuring adequate monitoring of the Group's exposure to credit risk, thus constituting a functional system of continuous monitoring of the economic and equity position and representing support for the decisions taken by the corporate bodies. Therefore, they are an integral part of the RAF, making it possible to prevent the exceeding of critical thresholds that could compromise compliance with the appetite and monitoring thresholds defined in the RAS.

The Risk Management Department carries out controls aimed at monitoring, on a periodic basis, credit exposures (both on and off-balance sheet), which are substantiated in the activities of systematic verification of the performance monitoring of credit exposures (in particular impaired exposures), in assessing the consistency and accuracy of classifications, determining the adequacy of provisions and monitoring the adequacy of the recovery process for credit exposures and the relative degree of uncollectability.

These controls are carried out by means of activities that include the monitoring of phenomena and precise process investigations, the results of which may or may not lead to the determination of findings.

The Risk Management Department also provides preventive judgments on the consistency of the most significant transactions with the RAF by acquiring, based on the nature of the transaction, the judgement of the other departments involved in the risk management process. For these purposes, it identifies all the risks to which the Group may be exposed in undertaking the transaction; it quantifies and assesses, based on the data acquired by the competent company departments, the impacts of the transaction on the risk objectives, on the alert and tolerance thresholds; it evaluates, based on the aforementioned impacts, the sustainability and consistency of the transactions with the risk appetite defined by the Board of Directors; it identifies the measures to be adopted to adjust the overall risk governance and management system, including therein the need to update the risk appetite and/or the system of operating limits.

For the purposes of determining internal capital for credit risk, the Group uses the standardised method, adopted for the determination of prudential requirements for credit risk. As part of the financial statements, it decoded to make use of rating models, developed on a statistical basis and using credit scoring methodology, for the simulation and measurement of creditworthiness and related provisions for ordinary customers and interbank exposures;

For the purpose of measuring the capital requirement for credit risk, the type of customer to which the exposures attributable to the subject are attributed is first identified. Customer classification is carried out not only for assets that generate a capital requirement for credit risk, but also for assets that fall within the scope of counterparty risk and settlement risk on non-contextual settlement transactions. The issuers of securities received as collateral and the guarantors/counter-guarantors/vendors of credit protection relating to personal collaterals are also included.

The Credit Department is the company body delegated with the governance of the credit process (credit granting and auditing, monitoring, management of disputes) as well as the coordination and development of credit transactions and loans. The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles within the IT system.

The Group also uses credit risk mitigation techniques (hereinafter also "CRM") to mitigate credit risk.

The Group considers as authorised CRM the forms of credit protection that comply with the general and specific requirements of Part 3, Title II, Chapter 4 of Regulation (EU) no. 575/2013.

In accordance with the relevant legislation, eligible credit risk mitigation techniques may be collateral or personal forms of credit protection, provided that the assets on which the protection is based meet the requirements of the legislation.

Taking into account its operating characteristics, the Group has decided to use the following CRM tools for prudential purposes:

- financial collateral involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection, such as cash deposits with third parties, financial instruments issued by supervised intermediaries which the issuer itself has undertaken to repurchase at the bearer's request, and life insurance policies (meeting the requirements of European Regulation no. 575/2013);
- personal guarantees and counter-guarantees represented by sureties and given by supervised intermediaries within the scope of eligible authorities. These also include mutualistic guarantees of personal type provided by credit guarantee consortia ("Confidi") which meet the subjective and objective criteria for admissibility.

For the purposes of the benefits provided by CRM, the following are currently taken into consideration:

- personal guarantees issued by monitored intermediaries;
- personal guarantees issued by territorial entities and by the SME Guarantee Fund managed by Mediocredito Centrale;
- financial collateral pursuant to the provisions of Legislative Decree no. 170 of 21 May 2004;
- financial collateral involving cash and financial instruments, and lent through repurchase agreements.

Finally, specific policies have been defined regarding the acquisition and management of the main forms of guarantee used or protection of credit exposures, in order to ensure that the legal, economic and organisational requirements for their recognition for prudential purposes are met.

In order to mitigate credit risk, the Group is continuing to reduce its NPL stock through:

- the sale of impaired loans;
- the process of recovering impaired exposures by centralising management with the Parent Company.

Counterparty risk

The counterparty risk is a particular type of credit risk and represents the risk that the counterparty to a transaction involving certain financial instruments specifically identified by the regulations will default before the transaction is settled.

The regulations specify that the transactions that can give rise to counterparty risk, which is a particular type of credit risk, are as follows:

- over-the-counter (OTC) credit and derivative financial instruments;
- repurchase and reverse repurchase agreements on securities or commodities, securities or commodities lending or borrowing transactions and margin lending (SFT – Securities Financing Transactions);
- transactions with long-term settlement (LST – Long Settlement Transactions).

Counterparty risk management and control is part of the Group's broader risk management and control system, structured and formalised in specific internal regulations.

The Group is exposed to counterparty risk in relation to OTC derivative activities and repurchase agreements (SFT). Operations pertaining to OTC derivatives are almost entirely balanced; there are therefore sporadic operations for the hedging of assets or liabilities which refer to properties while operations of speculative nature are not implemented.

The Group estimates the additional requirement for Credit Valuation Adjustment (CVA) applicable to OTC derivatives transactions, based on the standardised methodology set out in Article 384 of the CRR. The capital absorption is calculated from the estimated credit equivalent determined for counterparty risk purposes, taking into account the residual maturity of derivative contracts and the creditworthiness of the counterparty.

The Risk Management Department prepares a report on the results of the counterparty risk measurement and monitoring phase for the General Management and the Board of Directors.

Market risks

Market risks concern the risks generated by operations on the markets regarding financial instruments, currencies and commodities. They are divided into:

- **Specific position risk on debt securities in the regulatory trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with the situation of the issuers.
- **Generic position risk on debt securities in the regulatory trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with movements in market interest rates (risk factor affecting the current value of such instruments).
- **Position risk on equities in the regulatory trading book**, which comprises two components:
  - "generic risk", i.e. the risk of incurring losses caused by adverse changes in market prices of most equities;
  - "specific risk", i.e. the risk of incurring losses caused by adverse changes in the price of a given equity due to factors connected with the situation of the issuer.
- **Position risk for UCITS units in the regulatory trading book**, which represents the risk of incurring losses caused by adverse changes in market prices.
- **Exchange rate risk**, oi.e. the risk of incurring losses due to adverse changes in the prices of foreign currencies on all positions held by the Group regardless of the allocation portfolio on the entire financial statements.

Settlement risk

The settlement risk is the risk of losses arising from a counterparty's failure to settle past due transactions in securities, currencies and commodities, including those represented by derivative contracts and derivative contracts without exchange of principal, in both the banking and trading books for supervisory purposes. Repo transactions and securities or commodities lending or borrowing transactions are excluded.

Concentration risk of the trading book

The concentration risk of the trading book is linked to the possibility that the insolvency of a single large borrower or of several borrowers related to each other could lead to losses that could compromise the stability of the lending bank. For this reason, the supervisory provisions in force concerning "large exposures" prescribe a mandatory quantitative limit, expressed as a percentage of eligible capital, for risk positions with individual "customers" or "groups of connected customers". Any overdrafts with respect to this limit are permitted only if they refer to a position in the trading book for supervisory purposes and provided that specific additional capital requirements are met.

The Group complies with the observance of prudential rules with specific procedures and control systems aimed at ensuring sound and prudent management of market risks.

The policies relating to the management of the securities portfolio defined by the Board of Directors are based on the following main elements:

- definition of risk/return objectives;
- definition of risk appetite (defined in terms of operating limits in the finance portfolios with reference to the various management, accounting and supervisory aspects). In particular, value-at-risk (VaR) limits, issuer and instrument type limits and concentration risk exposure limits are established and measured;
- restriction on tradable financial instruments in terms of the instruments admitted (or admitted in position but with specific exposure limits) and their nature;
- allocation of delegations.

In order to manage and monitor market risk exposures taken as part of the regulatory trading book, the Group has defined in its Finance Regulation and in the underlying implementing provisions: the guiding principles, roles and responsibilities of the organisational functions involved. This is in order to ensure the regular and orderly execution of financial market activities, within the scope of the risk/return profile outlined by the Board of Directors or declared by customers, and to maintain a correct mix of instruments aimed at balancing liquidity flows.

In this regard, the Finance Department has the task of assessing the opportunities offered by the market and managing the portfolio of financial instruments in line with the strategic guidelines and risk management policy defined by the Board of Directors. To this end, it identifies the instruments to be traded and carries out the purchase/sale transaction in line with the strategy it wishes to implement (investment or hedging) and in compliance with the limits and powers assigned. The Finance Department is also responsible for monitoring the price performance of financial instruments and for verifying compliance with the operating limits and/or risk/return objectives defined, adjusting, where appropriate, the structure and composition of the proprietary portfolio.

The Group has established systems and controls for portfolio management by defining a documented trading strategy by position or portfolio and appropriate policies and procedures for active position management. The system of operating limits and delegations on the regulatory trading book and on the banking book is compliant with regulatory provisions and consistent with the requirements of international accounting standards.

In order to monitor and control market risks, information flows to the corporate bodies and organisational units involved are produced on a regular basis, concerning the specific phenomena to be monitored and the aggregate values relating to the composition of the Group's trading book.

Operational risk

Operational risk is defined as the possibility of incurring losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or from exogenous events. This definition includes legal risk, but not reputational and strategic risk. This includes, inter alia, losses resulting from fraud, human error, breach of contract, natural catastrophes, business interruptions and system downtime.

Operational risks, depending on the specific aspects, also include IT risk, i.e. the risk of incurring losses in connection with the use of information and communication technology (Information and Communication Technology – ICT). This sub-category of risk considers potential damage resulting from the unavailability of information systems, degradation of service quality, violation of data confidentiality, compromise of data integrity, and loss of data quality.

Operational risk also includes the risk of outsourcing, i.e. the risk of incurring potential organisational malfunctions, critical issues and/or losses linked to the decision to outsource the performance of one or more business activities to third-party suppliers; legal and compliance risks are also included, while strategic and reputation risks are not.

With regard to legal risk, the Group includes the risk of losses deriving from contractual or non-contractual liability or from other disputes, while the risk of losses deriving from violations of laws or regulations is attributed to a specific case, defined as compliance risk.

With reference to the measurement of the prudential requirement for operational risks, the Group has approved the application of the Basic Indicator Approach (BIA). In addition, the Group, for the purpose of managing and controlling operational risk, continuously verifies exposure to certain onset profiles through the analysis and monitoring of a set of indicators. This activity is carried out by the Risk Management Department.

In addition to the corporate bodies, different organisational units are involved in the management and control of operational risks, each of which is assigned specific responsibilities consistent with the ownership of the activities of the processes in which the risk in question can occur. Among these, the Risk Management Function is responsible for analysing and assessing operational risks, ensuring an effective and timely evaluation of the related event profiles, in accordance with the operating procedures for which it is responsible.

The Internal Audit Function, in the broader context of the control activities for which it is responsible, carries out specific and targeted periodic checks on operational risks. Lastly, with regard to organisational controls, particularly important is the Compliance Function which is responsible for monitoring and controlling compliance with the rules as well as providing support in the prevention and management of the risk of incurring judicial or administrative sanctions, of incurring significant losses as a result of the violation of external (laws or regulations) or internal (articles of association, codes of conduct, corporate governance codes) rules, and, for all pertinent areas, also important is the work carried out by the Anti-Money Laundering Function.

Considering the peculiar characteristics of the risk in question and the way it manifests itself, as well as the substantial inability of the regulatory method of calculating capital absorption (BIA method) to identify the areas of operations most exposed to operational risks, the Group deemed it appropriate to develop a more in-depth management approach, aimed at acquiring a better knowledge and awareness of the actual level of exposure to risk.

With the support of a dedicated tool, a census, collection and storage of the most significant loss events found in the company's operations is carried out. To this end, a specific database has been set up in which the loss events identified are traced back to the types envisaged by the Basel Agreement (and to the related risk owners). The application adopted allows to frame the entire operational risk management process (from the recognition and registration by the organisational units where the event was found, to the "validation" of the same, up to the authorisation for the accounting of the economic impact) within a predefined workflow. The Group's objective is to identify the areas characterised by greater vulnerability, in order to prepare more effective control and mitigation systems. In this context, the application solution adopted makes it possible to manage the mitigation "tasks", i.e. the risk containment initiatives for risk owners and activated by them.

The Group defined, in close connection with project references drawn up in the competent association offices and in compliance with the principles and regulations in force, the method for analysing IT risk and the related management process (including profiles relating to the provision of IT services through the outsourcing of ICT services to external suppliers). The implementation of the afore-mentioned methodology makes it possible to integrate the management of operational risks by also considering the risks connected to IT and business continuity profiles, and to document the evaluation of IT risk based on the continuous information flows established with the Centre(s)/Service(s). The adoption of these references is also prior to the preparation of the process of verification, at least annually, of the evaluation of IT risk based on the results of the monitoring of the effectiveness of the measures to protect ICT resources.

With regard to the management of operational risks, to be noted are the controls adopted in the context of compliance with the regulations introduced by the regulatory provisions on the internal control system which have defined a comprehensive framework of principles and rules to be followed in order to outsource corporate functions and have required the activation of specific controls against the related risks, as well as the maintenance of the ability to control the work of the supplier and the skills necessary for the possible re-insourcing, if necessary, of the outsourced activities.

In order to ensure compliance with the requirements of the regulations in force, the Legal Department defines specific outsourcing agreements. In this context and with reference to the outsourcing of important operational and control company functions, which entails more stringent obligations in terms of contractual obligations and specific requirements imposed on the supplier (relating, inter alia, to the definition of specific objective and measurable service levels and the relevant thresholds of relevance), the service levels ensured in the event of an emergency and the related continuity solutions are defined; contractual provisions cover, inter alia: (i) the right of access for the Supervisory Authority to the premises where the service provider operates; (ii) the presence of specific termination clauses to terminate the outsourcing agreement in the case of particular events preventing the provider from guaranteeing the service or in the event of failure to comply with the agreed service level.

The Group internally maintains the expertise required to effectively control the Important Operational Functions (IOF) and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

More generally, as part of the actions undertaken with a view to ensure compliance with the regulations introduced by the Bank of Italy through the 15th update of Circular 263/06 (and subsequently merged into Circular 285/13, Part One, Title IV, Chapter 4), initiatives related to the implementation of organisational profiles and internal provisions of regulatory references on information systems are of note.

The adoption of a Business Continuity Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks. With this in mind, the operating procedures to be activated to deal with the crisis scenarios were established, assigning to this end the roles and responsibilities of the various players involved.

Although it is not necessary, in general, to change the underlying business continuity strategy, the references adopted have been reviewed and supplemented in the light of the requirements set out in Chapter 5 of Title IV of Part One of Bank of Italy Circular 285/13, to support compliance with the reference provisions. In particular, the business continuity plan was updated with reference to the risk scenarios which, although in principle compatible with those already described previously, are now more precautionary than those envisaged in the current provisions. Incident classification and rapid escalation procedures have also been introduced along with the anticipation of the necessary links with the IT security incident management procedure soon to be implemented in accordance with the relevant regulatory provisions set forth in Chapter 4, Title IV, Part One of Circular 285/13.

Credit concentration risk

Credit concentration risk is the risk arising from exposures to counterparties, including central counterparties, groups of related counterparties (single-name concentration) and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity (geo-sectorial concentration), as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

The policies on concentration risk, defined by the Board of Directors, are mainly based on the following specific elements:

- powers delegated in terms of concentration risk management;
- total amount of exposure to "large risks".

With a view to prudent management, the Parent Company defines maximum exposure thresholds at the level of each individual subsidiary bank, depending on its risk class, and at Group level, in line with the regulatory provisions in force relating to Large Exposures and the provisions contained in the risk management framework. Compliance with the thresholds is ensured by the application of specific preventive controls carried out by the Credit Department of the Parent Company, in the pre-investigation and pre-trial phase, for each loan application processed within the processes of granting and managing credit by the Affiliated Banks and of the Parent Company.

Exposure to concentration risk is also measured and monitored in terms of capital absorption. To this end, the Group uses the following calculation metrics:

- with reference to the single-name definition of risk (i.e. concentration towards individual counterparties or groups of related counterparties), the regulatory algorithm of Granularity Adjustment (GA) proposed in Annex B to Title III, Chapter 1 of Part One of Circular 285/13 of the Bank of Italy. For the application of this algorithm, Circular 285/13 of the Bank of Italy refers to the concept of loan portfolio and, in particular, to exposures to companies that do not fall within the "retail" class. In this regard, reference should be made to the asset class "companies and other entities", "short-term exposures to companies", "exposures to companies in the asset classes that are past due and secured by real estate", "equity exposures" and "other exposures". The exposures also include off-balance sheet transactions, the latter to be considered for an amount equal to their credit equivalent. In the presence of credit protection instruments that meet the (objective and subjective) eligibility requirements under the current rules for credit risk mitigation techniques (CRM), exposures to companies backed by guarantees provided by eligible companies are included in the calculation and exposures to companies backed by guarantees provided by eligible entities other than companies are excluded. In application of this algorithm, the quantification of the internal capital in relation to the concentration risk requires preliminary:

    i. determination of the amount of exposures for individual counterparties or groups of related counterparties;
    ii. calculation of the Herfindahl index, a parameter that expresses the degree of concentration of the portfolio;
    iii. calculation of the proportionality constant C which is a function of the "probability of default" (PD) associated with cash loans. The proportionality constant is determined on the basis of a specific calibration – established by the supervisory provisions in force – of the constant itself when the PD attributed to cash loans changes;

- with reference to the geo-sectorial profile of the risk, the methodology for estimating the effects on internal capital developed by the ABI "Laboratorio per il Rischio di Concentrazione" [Laboratory for Concentration Risk]. The objective of measuring the impacts of geo-sectorial concentration risk is to estimate any capital add-on with respect to the standardised credit risk model, measured by the Herfindahl indicator at industrial sector level (Hs). The capital add-on is envisaged only if the calculated mark-up coefficient is greater than one.

Liquidity risk

Liquidity risk relates to the possibility of the Group not being able to fulfil its payment obligations due to an incapacity to obtain new funds (funding liquidity risk), its inability to sell its assets on the market (asset liquidity risk), or that it may be forced to liquidate its assets in unfavourable market conditions, incurring very high costs to meet these commitments (market liquidity risk).

Funding liquidity risk, in turn, can be distinguished between: (i) mismatching liquidity risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) contingency liquidity risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) margin calls liquidity risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

Liquidity risk can be generated by various factors both internal and external to the Group. The identification of these risk factors is done through:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:

- items that do not have a defined due date (on demand and revocation items);
- financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
- financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of seniority of financial instruments.

The Parent Company's Board of Directors has approved a document entitled "Group Regulation for Liquidity and Funding Risk Management" which defines the policies, responsibilities, processes, operational limits and tools for managing liquidity risk, both during normal business operations as well as during potential liquidity crises, in line with current liquidity regulations. The Regulation includes the strategies and organisational measures which serve to promptly contain liquidity risk; the ordinary and stress scenarios which the Group may encounter are defined. The sources of liquidity risk to which the Group is exposed can primarily be identified within the Finance/ Treasury, Funding and Credit processes.

The Group has adopted a liquidity risk governance and management system that, in accordance with the provisions of the Supervisory Authorities, pursues the goal of financing the development of its activities at the best market conditions in normal operating circumstances and to guarantee the ability of meeting payment commitments even if a liquidity crisis situation emerges, without interrupting operational continuity or alter the Group's financial balance.

If the Parent Company finds a deterioration of the Group's liquidity position in terms of operational and/or intraday management such as to jeopardise the settlement of payment commitments in the short term, it can use the liquid assets owned by the Affiliated Banks, which are required to comply with the Parent Company's instructions. In order to ensure the operational requirements envisaged by the Delegated Regulation no. 61/2015, the Affiliated Banks expressly agree that the securities in their own portfolios fall under the direct control of the Group Liquidity Management function as a potential source of funding in times of stress.

With the purposes of knowing future liquidity requirements with adequate advance notice, to have available fund supply sources that can be activated within the time intervals and at the costs deemed appropriate, and to carry out the activity efficiently, the management of liquidity risks requires:

a. defining the organisational structure responsible for the preparation and implementation of the "Group Regulation for Liquidity and Funding Risk Management";

b. setting up an adequate information system to:

   - know and measure, at any time, the Group's current liquidity position and its future evolution;
   - assess the impact of different scenarios, in particular of unforeseen and adverse conditions, on the future evolution of the Group's liquidity position;
   - monitor the different fund procurement channels, in the evolution of their profiles in terms of times required for activation, amounts and costs;

c. defining a Contingency Funding Plan, to be activated promptly if the Group experiences a liquidity crisis, establishing the chain of responsibility and the system of initiatives to overcome the crisis situation successfully.

The organisational structure tasked with governing and managing the liquidity risk provides for the operational management of the Group's liquidity position to be entrusted to the Treasury department, which acts on the basis of the strategic guidelines defined by the Board of Directors, as well as the indications given by the Finance Committee and the Risk Management Committee. Control activities are carried out by the Risk Management Department in coordination with the Treasury Department. The results of the control activities are passed on to the Risk Management Committee and the Board of Directors.

The principles for liquidity risk management are defined in the "Regulation for Liquidity and Funding Risk Management". This document is divided into four processes:

- Operating Liquidity, whose objective is to assure the ability to meet expected and unexpected payment commitments by maintaining a sustainable ratio between incoming and outgoing cash flows. The management of operational liquidity is entrusted to the Parent Company's Treasury Department and to the Finance Department of the Affiliated Banks on the basis of indications received and in compliance with the guidelines established by the Parent Company's Board of Directors. The main risk objective envisaged by the Group RAF to measure and govern the operational liquidity risk profile is the Liquidity Coverage Ratio (LCR), which aims to strengthen the short-term resilience of the liquidity risk profile by ensuring that sufficient high-quality liquid assets are held. On a weekly basis, a consolidated report is produced and sent to the Supervisory Authority, which monitors the short-term trend of the Group's liquidity position. Within the analysis of operational liquidity, the Parent Company monitors intra-day liquidity by using the two indicators derived from the 'Annual report on financial stability' of the Bank of Italy of November 2011 (LCNO – Largest cumulative net out flow and LIIP – Liquidity and intraday payment commitments);

- Structural Liquidity, whose objective is to maintain an adequate ratio between medium/long term assets and total liabilities, in order to avoid pressures on current and prospective short-term sources; structural liquidity is managed by the Treasury Department and the Finance Department of the Affiliated Banks, which operate in accordance with the strategic guidelines laid down by the Board of Directors, and it is directed at assuring the financial balance of the structure by maturity over a time horizon exceeding one year. Through the analysis of the Group's structural liquidity position, the ability to finance assets and to meet payment commitments through an adequate balance of the maturity of asset and liability items is assessed. Hence, the main objective is to manage funding through strategic decisions pertaining to funding sources and to the loans to be made in such a way as to prevent the emergence of excessive imbalances deriving from short-term financing of medium-long term operations. To measure and control structural liquidity risk, the Group uses as a reference the Net Stable Funding Ratio (NSFR).

- Stress test and scenario analysis, a process during which the financial balance is assessed in plausible, albeit improbable, extreme conditions. The data collected through reports during the year, along with the historic records of the same types of data, provide support in the execution of stress tests and scenario analyses, carried out with the goal of verifying the Group's ability to address alert and crisis conditions outside normal operations. The procedure for carrying out operational liquidity stress tests entails modifying the profile of incoming and outgoing cash flows on the basis of the effects deriving from the occurrence of stress cases. These cases, tied to factors inside and outside the Group, are selected taking into consideration scenarios built *ad hoc*, which can prove to be sufficiently severe, and contemplating even low-probability events. The Risk Management Department, with the support of the Finance Department, periodically estimates the maximum amount of liquidity that can be obtained at the Parent Company level (back-up liquidity estimates). Moreover, the amount of available margin of high-quality liquid assets at Affiliated Banks is also shown. This type of analysis is carried out with respect to the time horizon of 30 calendar days following the valuation date. The results are then reported to the Risk Management Committee.

- Contingency Funding Plan, or emergency Plan, a process directed at managing the emergence of a severe liquidity crisis of the Group. This document governs the tools for monitoring the onset of a crisis, the internal escalation processes for managing it and the actions that can be put in place to restore a situation of equilibrium.

The liquidity risk tolerance thresholds are set by the Board of Directors on the basis of the following limits:

- for Operational Liquidity, the limit is set to the value assumed by the Liquidity Coverage Ratio (LCR) indicator, i.e. the ratio between basic and supplementary liquid assets and total net cash outflows in the 30 subsequent calendar days in a stress scenario. The structure of the indicator is based on Commission Delegated Regulation (EU) no. 2015/61, supplementing Regulation (EU) no. 575/2013 (CRR) and hence transposes into Italian law the provisions of the Basel Committee in the document "Basel 3 - The Liquidity Coverage Ratio and liquidity risk monitoring tools". With reference to the monitoring of operational liquidity, a series of additional indicators were identified;

- for Structural Liquidity, the limit is set at the value assumed by the Net Stable Funding Ratio (NSFR) indicator, i.e. by the ratio between the elements that provide stable financing and the elements that require stable financing. The structure of the indicated is based on Regulation (EU) no. 2019/876, which recognised the guidelines of Basel Committee "Basel III: the Net Stable Funding Ratio", of October 2014. With reference to the monitoring of structural liquidity, a series of additional indicators were identified.

If the Risk Limits are exceeded, actions and measures are envisaged with the aim of reducing the level of risk to within the pre-established limits identified in the Group Regulation for the Management of Liquidity and Funding Risk, identifying actions to be taken when the first critical situations occur. Therefore, escalation processes were envisaged: they will be activated if the Risk Management Department, through its periodic monitoring activities, finds changes in the thresholds envisaged in the Regulation. Moreover, the Risk Management Department, as part of its ordinary monitoring reporting, informs the corporate bodies of the individual Affiliated Banks concerned and the corporate bodies of the Parent Company about the overrunning of the thresholds and about the remediation actions taken to restore the liquidity position.

Regulation (EU) no. 575/2013 (CRR) prescribes that financial intermediaries shall use additional liquidity monitoring metrics (ALMM) to obtain a full picture of the liquidity risk profile. Specifically, the Implementing Regulation (EU) no. 2016/313 prescribes that the following 6 models must be set up as control information instruments:

- **Funding concentration by counterparty**: its purpose is to collect information about funding concentration by counterparty of the reporting entities, highlighting the first ten funding contributors.
- **Funding concentration by type of product**: its purpose is to collect information about funding concentration by type of product of the reporting entities, broken down by the following types of funding: retail funding and wholesale funding.
- **Prices for funding of various durations**: its purpose is to collect information about the average value of the transactions and the average prices paid by the entities for funding with duration ranging from overnight to 10 years.
- **Renewal of the funding**: its purpose is to collect information about the volume of funds due and on the new funding obtained, i.e. on the renewal of funding at the daily level over a one-month time horizon.
- **Concentration of the offsetting capacity by issuer/counterparty**: its purpose is to collect information about the concentration of the offsetting capacity of the reporting entities with reference to the ten main assets held or liquidity lines granted to the entity for that purpose.
- ***Maturity Ladder***: used to represent assets and liabilities falling due, divided into a number of time brackets; it is possible to determine any gaps for each time bracket and compare them with the Group's compensation capacity.

These information models are drawn up monthly and the Group, in the face of possible critical situations, assesses whether to activate appropriate governance strategies to avoid the emergence of stress situations.

The monitoring of the Group's liquidity situation, based on the reports, on the scenario analyses and on the signals provided by the risk indicators, is carried out, according to their related competences and functions, by the Treasury Department, by the Finance Committee, the Risk Management Committee and by the Risk Management Department.

The positioning of the Group with regard to operational and structural liquidity is also reported to the Board of Directors on a quarterly basis.

The requirements of the Cassa Centrale Group are largely ascribable to decreases in liquidity available to shareholder banks or clients; the Group's ability to respond to its own needs is constantly assessed, taking into account in particular the following:

- availability and price of securities that can be easily liquidated;
- availability of credit within the interbank system;
- potential of institutional bond funding;
- use of other funding tools.

With regard to attainable credit and the potential for bond funding, the Group adopts the best practices in order to safeguard or improve the ratings attained thus far. The internal regulation of liquidity risk management meets the requirements set out in the supervisory provisions and guarantees consistency between the management measurements and the regulatory ones.

With regard to monthly monitoring, the Group measures and monitors its exposure to operating liquidity risk at 30 days through the regulatory indicator called Liquidity Coverage Ratio (LCR). It is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario.

The indicator in question is determined monthly through the specific Supervisory Reports that the Group is required to send to the Supervisory Body.

Interest rate risk of the banking book

The interest rate risk on the banking book consists of the possibility that a change in market interest rates has a negative impact on the financial situation of the Group, determining both a change in the economic value and in the expected interest margin.

More specifically, exposure to interest rate risk can be divided into two areas:

- equity risk, i.e. the possibility of negative changes in the value of assets, liabilities or off-balance sheet instruments due to changes in the interest rate structure, with a consequent negative impact on the value of equity;
- income risk, which arises from the possibility that an unexpected change in the structure of interest rates will lead to a reduction in interest margin; it can depend on the mismatch in the maturity structure and the periods of redefinition of interest rate conditions for loans and funding.

Exposure to interest rate risk is measured in terms of changes in the economic value of assets and liabilities in the banking book; therefore, positions in the trading book for supervisory purposes for which reference is made to market risk are not taken into account in this context.

In order to measure the exposure to interest rate risk in terms of capital absorption from an economic value perspective, the Group has decided to use an estimation approach that follows the method prescribed in the EBA 2018/02 guidelines. The calculation of the change in economic value (delta EVE) carried out by the Group is summarised below:

- the present value of all asset and liability positions sensitive to interest rate risk is determined on the basis of the expected interest rate scenario in the banking book;
- appropriate upward and downward shocks to the curve, both parallel and non-parallel. The measurement of sensitivity on the economic value and that calculated on the interest margin uses the 6 shock scenarios envisaged by the Basel Committee, then borrowed from the EBA guidelines (EBA/GL/2018/02), in addition to the parallel shock scenarios, assuming rising and falling rates (Parallel +200bp; Parallel -200bp; Steepener; Flattener; Parallel Down; Parallel Up; Short Up; Short Down);
- for scenarios involving a decline in rates, a decreasing floor is taken into account, starting at -100 basis points and zeroing out linearly up to the 20-year maturity in increments of 5 basis points for each year;
- the performance over time of non-indexed demand liability items uses a behavioural benchmark model;
- the new present value is redetermined for each shock scenario;
- capital absorption is determined by the difference of the two present values, pre- and post-shock.

The Group assesses exposure to interest rate risk not only in terms of economic value, but also in terms of changes in interest margin. This assessment, considering a hypothetical change in the interest rate curve, is carried out over a period of 12 months following the reference date, under the assumption of "constant financial statements", i.e. assuming that the volume and composition of assets and liabilities remain constant, thus providing for their replacement in equal measure as they are settled.

Supervisory review and evaluation process and MREL requirement

As part of the prudential review and assessment process for 2020 (known as SREP), the Supervisory Authority has adopted a "pragmatic" approach in light of the health crisis caused by the Covid-19 pandemic. In this context, in a letter dated 17 November 2020, the Banking Supervisory Board indicated that no SREP decision would be made for the 2020 cycle, therefore confirming the requirements established as part of the SREP 2019 process, the outcomes of which were communicated to the Group by letter dated 25

November 2019. These requirements, applicable from 1 January 2020, are still in force for the Group, as described in the following paragraphs.

The Group is required to meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.25%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.25%, to be held in the form of Common Equity Tier 1 (CET1) capital. In relation to this aspect, it should be noted that as part of the support measures issued by the Authorities in response to the health emergency, the ECB, with the press release of 12 March 2020 "ECB Banking Supervision provides temporary capital and operational relief in reaction to Coronavirus", has specified that it is no longer required to cover this requirement in full with Common Equity Tier1, but that this requirement can also be covered with Additional Tier1 or Tier2 instruments, respectively up to a maximum of 18.75% and 25% of P2R, anticipating by one year the provisions of CRD V.

The Supervisory Authority also expects the Group to meet the Pillar 2 (P2G) approach of 1% on a consolidated basis, which should consist entirely of Common Equity Tier 1 capital and held in addition to the total capital requirement.

Finally, with reference to the Resolution regulatory framework, in application of the European Directive establishing a framework for the reorganisation and resolution of credit institutions and investment firms (so-called Bank Recovery and Resolution Directive - BRRD), during the 2020 Resolution Cycle, discussions continued with the SRB (Single Resolution Board), in order to define the MREL (Minimum Requirement of Eligible Liabilities) target to be assigned to the Group. These targets are defined in compliance with the regulatory changes introduced by the Banking packages, which entered into force in December 2020, and therefore replace the previous decisions adopted by the SRB on the matter.

The determination of the MREL requirement was communicated to the Parent Company in March 2021. For details, please refer to the section "Significant events in the year" of this Report.

ICAAP and ILAAP

The corporate self-assessment processes of capital adequacy (known as ICAAP) and liquidity risk management and governance system (known as ILAAP) of the Group and their structure are based on a management model consistent with the operations and complexity of the Group, according to the principle of proportionality.

The Parent Company, in the exercise of guidance, coordination and control over the Affiliated Banks and Group Companies, defines in detail the roles and responsibilities of the corporate bodies and structures involved in the management of the ICAAP/ILAAP process. In particular, in order to achieve an effective and efficient management and control system, the bodies define the strategic guidelines and governance policies of the ICAAP/ILAAP process and adopt an effective management process; they are also responsible for its implementation, supervise its actual functioning and verify its overall functionality and compliance with the requirements of the regulations.

Procedures have been defined in the ICAAP/ILAAP process for:

- the identification of all risks to which the Group is or could be exposed, in consideration of its specific operating conditions. This risk mapping process, defined by a specific policy, represents the starting point of all strategic processes of the Group and is strongly integrated with the Risk Appetite Framework, as well as with the overall business risk management and control system. It is coordinated, at a centralised level, by the Risk Management Department of the Parent Company, with the involvement of the corporate bodies and other departments as far as their competence is concerned (in order to ensure alignment with the evolution and/or changes of the business model). The involvement of other Group companies is also envisaged, where deemed necessary, in order to enhance their role in relation to individual operational specificities. The analysis is carried out by evaluating the Group's current and potential operating conditions, in order to identify the risk profiles already present in the current context or not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the company's operations. This analysis also takes into account the principle of proportionality and is carried out at least once a year;
- the measurement/assessment of risks from a current, future and stress situation perspective. In this context, the methods for measuring risks with quantification of capital absorption are consistent with

the indications provided by the reference regulations and with the size and operational specificity of the Group, while for non-quantifiable risks, suitable measurement, control and mitigation systems have been defined. In particular, in conducting the stress tests, particular attention was paid to the weaknesses of the Group in order to quantify, on internal and regulatory capital, the most significant impacts and continuously monitoring and identifying the possible emergence of new threats, vulnerabilities and changes in the context in which the Group operates;

- the definition of the minimum requirement for own funds and eligible liabilities (known as MREL) on the basis of what was communicated to Cassa Centrale Banca by the Single Resolution Committee with Decision SSB/EES/2021/20 of 29 March 2021 which, although still not binding, the Group monitors;
- the quantification of internal capital, in all the scenarios considered in the ICAAP/ILAAP process, against first and second pillar risks and the overall risk, both from a current and forward-looking perspective over the medium term, integrating the shorter perspective with the medium term;
- the self-assessment of capital adequacy, taking into account the results separately obtained with reference to the measurement of risks and capital from current, prospective and stress situation viewpoints, identifying the areas of the process where improvements can be made and planning any actions required in terms of assets and organisation;
- the self-assessment of the adequacy of the liquidity and funding risk management process, taking into account the results obtained with reference to the measurement of liquidity risk from a current, prospective and stressed perspective, identifying the areas of the process that are susceptible to improvement and planning any interventions envisaged in the governance and management of liquidity and organisational risk.

Climate and Environmental Risks

For the financial sector, the issue of ESG risks and, specifically, of climate and environmental risks, is not only an ethical/reputational and sustainability issue, but above all a strategic driver that will guide the choices of individual players in the coming years in terms of competitive positioning and the search for a risk/return balance.

This acceleration was mainly driven by a political will that - within the European Union, in particular - led to the financial sector playing a role in transmitting "ESG sensitivity" to the productive sectors, encouraging the redirection of financial flows (in the form of credits and investments granted by banks) towards "sustainable" counterparties/transactions, promoting their transparency, in order to achieve balanced and inclusive growth (known as "Sustainable Finance").

In order to address this objective, the European Commission published in March 2018 the "Action Plan for Financing Sustainable Growth" aimed at strengthening the contribution of the financial sector towards the EU agenda and, at the same time, defining a uniform EU-wide taxonomy of sustainable activities.

In this context, banks began to integrate ESG factors into their strategic objectives and business plans, both to provide a concrete response to their stakeholders (investors, rating agencies, shareholders and the financial community as a whole) and to meet the demands of their customers, who are increasingly sensitive to the positioning of financial operators with regard to the offer of ESG products ("Green" products, in particular).

The European Central Bank (ECB) considers climate and environmental risks as the main risk factors for the banking system in the Eurozone. As credit, market, operational and other risk factors, climate and environmental risks will have a widespread impact on the various sectors and geographical areas. The ECB deems it necessary for all institutions to take timely and decisive action to ensure sound, effective and comprehensive management and reporting about these risks.

During 2020, the ECB outlined a programme aimed at introducing management and monitoring of climate risks in the banks under its direct supervision. After having been asked to conduct, in February 2021, a self-assessment with respect to the practices adopted by the Group with respect to the thirteen expectations defined in the "Guide on Climate and Environmental Risks" ("Questionnaire A"), the Group was asked to draw up an action plan to ensure - on the basis of this self-assessment - the implementation of these thirteen expectations ("Questionnaire B").

The European Supervisory Authority believes that, although there has been some improvement over the previous year, European banks need to make significant efforts to meet the expectations outlined, both in qualitative and quantitative terms. In this regard, in the second half of 2021, the ECB carried out guidance with respect to the adjustment plans declared by the banks.

Once the comprehensive review of the self-assessments has been completed, the ECB outlined a programme for discussing these self-assessments as part of the dialogue with the competent national Supervisory Authorities. A specific stress test is also planned to be launched in the first quarter of 2022 ("2022 SSM climate risk stress test"). On this point, there are a number of critical issues linked, in the first place, to the costs to be incurred for carrying out this exercise (estimated as very significant, both in terms of the effort required of the internal structures involved and in terms of costs and investments necessary to sustain this type of stress test) even more exacerbated by the reduced time margin available to collect and prepare the necessary databases.

Internal control system

The Cassa Centrale Group has created a structured system of internal controls which, on a daily basis and proportionally to the complexity of the activities carried out, involves the entire organisational structure and conforms to the legislation governing the "Internal Control System', reported in Part One, Title IV, Chapter 3 of Bank of Italy Circular 285/2013 and subsequent updates.

The Cassa Centrale Group attributes strategic importance to the integrated management of controls and related risks as they constitute, among other things:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the corporate bodies of the internal control system to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

The Parent Company has adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance, organisation, technical situation and financial position of the individual Group Companies. This system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

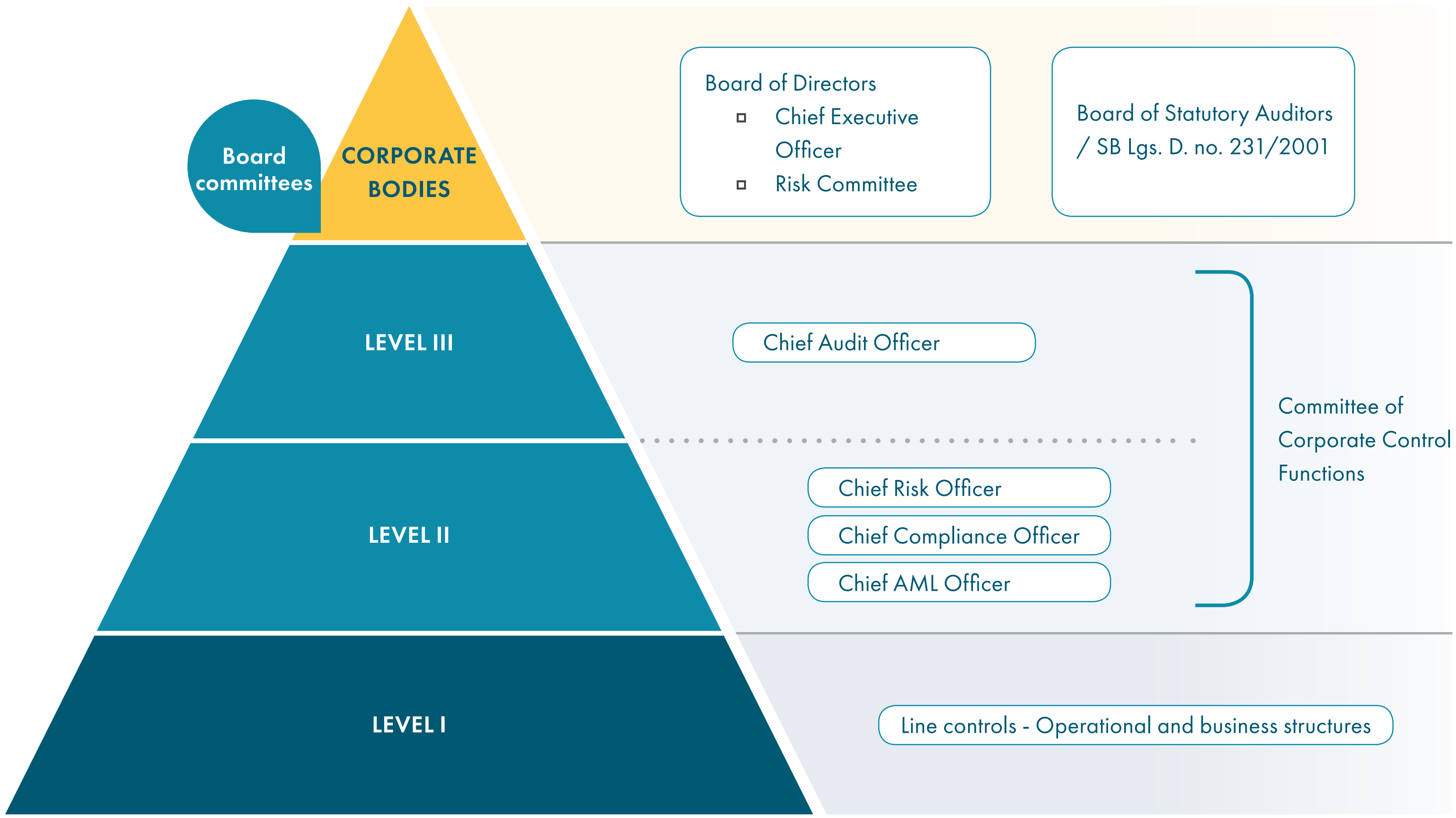
- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the Group's Risk Appetite Framework (RAF);
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of the company's operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The central role of the internal control system within the Group's corporate organisation means that:

- it takes on strategic importance. In this regard, the "control culture" holds a prominent position on the scale of the Group's values, affecting not only the Corporate Control Functions, but the entire corporate organisation of the Parent Company and all Group Companies (e.g. corporate bodies, structures, hierarchical levels, personnel);
- it represents a primary element of the corporate governance system of the Parent Company and Group Companies and plays a decisive role in identifying, measuring, assessing and mitigating the Group's significant risks, ensuring the Group's sound and prudent management and financial stability.

The Group's internal control system includes, in keeping with regulatory and legislative provisions in force, the following types of controls:

- **line controls** (so-called "first-level controls"): controls which are designed to ensure the proper conduct of operations (e.g. hierarchical, systematic and spot checks) and which, as far as possible, are incorporated into computerised procedures. These are carried out by the same operational and business structures (so-called "Level I functions"), including through units dedicated exclusively to control tasks that report back to the managers of the structures themselves, i.e. performed within the back office.
- **controls on risks and compliance** (so-called "second-level controls"): controls designed to ensure, inter alia:
    - the proper implementation of the risk management process;
    - compliance with the operational limits assigned to the various Functions;
    - compliance of the company operations with regulations, including self-regulations. The Functions responsible for these controls are separate from the operational functions and contribute to the definition of risk management policies and the risk management process.
- **internal audit** (so-called "third level controls"): internal audit controls aimed at identifying breaches of procedures and regulations and periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure and of the other components of the internal control system and information system (ICT audit) at Group level, at predetermined intervals in relation to the nature and intensity of the risks.



The Parent Company's corporate bodies, the Parent Company's Risks Committee, the Committee of Corporate Control functions, as well as the Corporate Control functions themselves represent the main players in the internal control system.

Specifically:

- the **Board of Directors** is responsible for strategic planning, organisational guidance, evaluation and monitoring functions. In particular, as a body with strategic supervision functions, it defines and approves the business model, strategic guidelines, risk appetite, tolerance threshold (where identified) and risk management policies at Group level, the guidelines of the internal control system, the criteria for identifying the most significant transactions to be submitted to the prior scrutiny of the Risk Management Department and the general terms of the ICAAP process in order to ensure overall consistency with the RAF and the strategic guidelines;
- the **Risks Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;

- the **Board of Statutory Auditors**, as the body with control functions, is responsible for overseeing the completeness, adequacy, functionality and reliability of the internal control system and the RAF at Group level, in accordance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. The Board of Statutory Auditors performs the functions of the supervisory body, established pursuant to Legislative Decree no. 231/2001 on the administrative liability of entities, which supervises the functioning and observance of the organisational and management model adopted by the Parent Company for the purposes of the same Legislative Decree;
- the **Chief Executive Officer**, as a body with management functions, has an understanding of all business risks, including the possible risks of malfunctioning of internal measurement systems (the so-called "model risk"), where present, and, within the scope of integrated management, of their interrelationships with each other and with the evolution of the external environment. In this context, they are able to identify and assess the factors, including the complexity of the organisational structure, from which risks may arise for the Group;
- the **Committee of Corporate Control Functions**, consisting of the managers of the corporate control functions, carries out the coordination and integration activities of the functions overseeing the internal control system.

The Group's corporate control functions are represented by the following structures:

- Internal audit function (**Internal Audit Department**);
- Risk control function (**Risk Management Department**);
- Compliance function (**Compliance Department**);
- Anti-money laundering function (**Anti-Money Laundering Department**).

The model adopted for the Group

The supervisory provisions for Banks in relation to the Cooperative Banking Group issued by the Bank of Italy establish that the corporate control functions for affiliated Cooperative Credit Banks are carried out under an outsourcing regime by the Parent Company or other companies of the Group.

The Parent Company carries out its tasks in compliance with the following criteria:

- the corporate bodies of the members of the Group are aware of the choices made by the Parent Company and are responsible, each according to their own competencies, for the implementation, within their respective business realities, of the strategies and policies pursued in the field of controls, favouring their integration within the scope of Group controls;
- special internal representatives are appointed within the user companies who: i) perform support tasks for the outsourced control function and hierarchically to the Bank's Board of Directors; ii) report functionally to the outsourced control function; iii) promptly report particular events or situations, which may change the risks generated by the subsidiary.

Each individual Group Company must have an effective system of information exchange that guarantees, on an ongoing basis:

- that the corporate bodies and related committees will be able to fulfil their roles and responsibilities within the internal control system;
- that the corporate control functions pursue, in compliance with their respective competences, principles of collaboration and integration of controls, including:
    - mutual alignment on the basis of annual activity plans/programmes;
    - sharing of any critical elements highlighted;
    - constant updating of the committees in support of the main corporate functions established within the Group (and the participation of the relevant Managers of the aforesaid corporate control functions) on matters relating to the integrated internal control system;
- exchange of information preparatory to the implementation of spe-

cific moments of coordination between the managers of the corporate control functions in order to ensure a productive collaboration and coordination of the major initiatives at Group level related to the internal control system.

In order to ensure guidance and coordination, the Parent Company oversees Group Companies through the continuous exchange of flows, information and data in order to carry out management control that is useful for ensuring the balanced maintenance of economic, financial and equity conditions, the level of risk and, more generally, the integrated internal control system at Group level as a whole.

The Board of Directors of the user companies carries out its duties with precise reference to that defined by the Parent Company and in particular:

- appoints the internal representative who carries out support tasks for the outsourced control functions;
- approves the Audit Plan and Activity Programmes for the Compliance, AML and Risk Management Departments;
- takes action to eliminate the deficiencies found during the verification activities.

The Board of Statutory Auditors of the individual user companies carries out the activities required by current legislation with a view to monitoring the completeness, adequacy, functionality and reliability of the integrated internal control system, collaborating with the respective Parent Company Body.

The Supervisory Body, set up pursuant to Legislative Decree no. 231/2001, oversees the functioning and observance of the organisational and management model adopted by the company itself to prevent the offences relevant to the purposes of the same Legislative Decree.

The General Manager of the user companies supports the Board of Directors in the management function. As part of the internal control system, they support the Company in the initiatives and corrective actions highlighted by the Corporate Control Functions and brought to the attention of the corporate bodies.

The internal representatives of the individual user companies perform support tasks for the outsourced corporate control function, report functionally to the same and promptly report particular events or situations, which are likely to modify the risks generated by the subsidiary.

The bodies of the Group companies other than the user companies are assigned the same responsibilities as those of the bodies of the user companies, insofar as they are compatible. These bodies are also the assignees of all the powers attributed to them by the regulations and regulatory provisions applicable to the company to which they belong. The internal corporate control functions, where present, in compliance with the rules applicable to them, carry out their activities in line with the principles established by the Parent Company.

Internal audit function

The Internal Audit Department oversees, according to a risk-based approach, on the one hand, the control of the regular performance of operations and development of risks and, on the other hand, the evaluation of the completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, bringing possible improvements to the attention of corporate bodies, with particular reference to the Risk Appetite Framework (RAF), the risk management process and the instruments for measuring and controlling risks and making recommendations to corporate bodies.

This function – which is separate from the other corporate control functions from an organisational point of view – reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties. It operates according to principles based on the diligence and professionalism of its employees, in light of the awareness that an effective preventive activity can only be effectively implemented if all staff are made aware of their responsibilities, if a culture based on the value of integrity (honesty, fairness, responsibility) and on a set of values to be recognised and shared at all organisational levels, is disseminated.

The Internal Audit Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the function and avails itself of the collaboration and support of the internal representatives of the same, who report functionally to the Manager of the Internal Audit Department of the Parent Company and hierarchically to the Bank's Board of Directors. With similar operating procedures, the Internal Audit Department also operates for Group Companies that sign an agreement to outsource the function.

The main activities of the Internal Audit Department are the following:

- assessing the completeness, adequacy, functionality, reliability of the other components of the ICS, the risk management process and other business processes, also taking into account the ability to identify errors and irregularities. In this context, it reviews, among other things, the second level corporate control functions (Risk Management, Compliance, Anti-Money Laundering);
- annually submitting a risk-based Audit Plan to the corporate bodies for approval, which reports the planned audit activities, taking into account the risks of the various corporate activities and structures; the Plan contains a specific section relating to the audit activity of the information system (the so-called ICT Audit);
- assessing the effectiveness of the RAF definition process, the internal consistency of the overall scheme and the compliance of the company's operations with it and, in the case of particularly complex financial structures, their compliance with the strategies approved by the corporate bodies;
- assessing the consistency, adequacy and effectiveness of the governance mechanisms described in the business model and carrying out periodic tests on the functioning of operational and internal control procedures;
- regularly checking the business continuity plan;
- carrying out detection tasks with regard to specific irregularities as well;
- carrying out also on request verifications in particular cases (so-called Special Investigation) for the reconstruction of facts or events considered to be of particular importance;
- coordinating with the other corporate control functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- if, as part of the collaboration and exchange of information with the manager of the statutory audit, it becomes aware of critical issues that have emerged during the statutory audit activity, it shall take steps to ensure that the competent corporate functions adopt the necessary measures to overcome such critical issues.

In order to fulfil the responsibilities assigned to it, the Internal Audit Department has access to all the central and peripheral activities of Cassa Centrale Banca and the Group Companies and to any information relevant for this purpose, including through direct contact with staff.

Risk control function

The Risk Management Department, as part of the Group's internal control system, fulfils the responsibilities and tasks envisaged by the Bank of Italy Circular 285/2013 for the risk management function. It provides useful elements to Corporate bodies in the definition of guidelines and policies on risk management and ensures the measurement and control of the Group's exposure to different types of risk.

The Risk Management Department is also responsible for identifying, measuring and monitoring the risks assumed or assumable, establishing the control activities and ensuring that the anomalies found are brought to the attention of the corporate bodies so that they can be appropriately managed.

It operates for the user companies, under an outsourcing regime, in compliance with the service levels established and formalised in the agreement for outsourcing the Risk Management Function, and avails itself of the cooperation and support of their internal contacts, who report functionally to the Manager of the Risk Management Department of the Parent Company.

Within this scope, the Risk Management Department:

- guarantees the effective and proper implementation of the process of identifying, evaluating, managing and monitoring the risks undertaken, both current and forecast;
- coordinates the process of defining, updating and managing the Risk Appetite Framework (hereinafter "RAF"), within which it has the

task of proposing the qualitative and quantitative parameters necessary for the definition of the RAF;

- checks the adequacy of the RAF;
- is responsible for defining the operational limits to the assumption of the various types of risk, as well as for verifying their adequacy on a continuous basis;
- assesses, at least annually, the robustness and effectiveness of the stress tests and the need to update them;
- defines common metrics for assessing operational risks in line with the RAF and methods for assessing and controlling reputational risks in coordination with the Compliance Department and the relevant structures;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- ensures the consistency of the risk measurement and control systems with the processes and methodologies for assessing company activities, coordinating with the appropriate company structures;
- in case of violation of the RAF, including the operational limits, it assesses the causes and the effects on the business situation, also in terms of costs, it informs the business units concerned and the corporate bodies, and proposes corrective measures. It ensures that the body with strategic supervisory function is informed in case of serious violations; the risk control function has an active role in ensuring that the recommended measures are taken by the functions concerned and brought to the attention of the corporate bodies;
- contributes to ensuring the consistency of the remuneration and incentive system with the reference framework for determining the Bank's risk appetite (RAF);
- is responsible for assessing the adequacy of internal capital (ICAAP) and liquidity reserves (ILAAP);
- is responsible for preparing the public disclosure (Pillar III);
- is involved in defining the risk governance policies and the phases of the risk management process through the establishment of a system of policies, regulations and documents for the implementation of the risk limits for the Group;
- defines the metrics and methodologies for measuring and monitoring risks and the related guidelines to be adopted at the Group level;
- verifies, on an ongoing basis, the presence of adequate risk management processes;
- is responsible for the development, validation, maintenance and updating of risk measurement and control systems, ensuring that they are subject to periodic backtesting, that an appropriate number of scenarios are analysed and that conservative assumptions are used on dependencies and correlations;
- develops and applies indicators capable of highlighting anomalous and inefficient situations in risk measurement and control systems;
- analyses and assesses risks deriving from new products and services and from entry into new operating and market segments, including by assuming different risk scenarios and evaluating the bank's ability to ensure effective risk management;
- measures and monitors the current and prospective exposure to risks, also at Group level, and its consistency with the risk objectives, as well as the compliance with the operational limits, making sure that the decisions on risk taking by the different corporate levels are consistent with the advice provided;
- ensures, through reporting activities, a constant and continuous flow of information to the corporate bodies and other corporate control functions on the exposure to risks and the results of the activities carried out;
- provides preventive opinions on the consistency of the most significant transactions with the RAF, including those originated by user companies while also contributing to defining the parameters for their identification, where appropriate, obtaining the advice of other functions involved in the risk management process;
- carries out second-level checks on credit exposures;
- verifies the adequacy and effectiveness of the measures adopted to remedy the shortcomings identified in the risk management process;
- verifies the proper monitoring of the performance of individual credit exposures;
- oversees the process of assigning and updating the ratings used to

assess the creditworthiness of the counterparties;

- oversees the processing of the classification of the risk-based model and, in agreement with the Planning Department, the activation of the appropriate corrective actions (i.e. Relaunch Plan, Recovery Plan, Combination Plan);
- informs the Chief Executive Officer/General Manager of any exceeding of targets/thresholds/limits relating to the assumption of risks;
- is responsible for activating monitoring activities on the actions put in place if targets/thresholds/limits are exceeded and for communicating any critical issues until the thresholds/limits return within the established levels;
- prepares and submits to the corporate bodies the report on the activities carried out by Management, in accordance with the provisions of the reference regulations;
- contributes to the dissemination of a control culture within the Group.

As part of the Integrated Internal Control System, the Risk Management Department coordinates with the other corporate control functions in order to:

- adopt consistent and integrated risk measurement and assessment methods, providing a common and integrated representation of the areas of greatest risk;
- define risk-based intervention priorities;
- develop the sharing of operational and methodological aspects and the actions to be taken in case of significant and/or critical events in order to identify possible synergies and avoid potential overlapping and duplication of activities.

As part of the activities listed above, the Risk Management Department prepares annually a risk-based approach and submits an activity plan to the corporate bodies based on:

- the main risks to which the Group is exposed;
- any shortcomings emerging from the checks carried out;
- any elements identified by the Internal Audit or any findings reported by the Validation Service;
- the risk objectives defined by the Group;
- any evidence emerged from discussions with the Supervisory Authorities.

Compliance function

The Compliance Department takes a risk-based approach to managing compliance risk with regard to the entire business activity. This is done through the assessment of the adequacy of internal procedures aimed at preventing the violation of applicable external rules (laws and regulations) and self-regulation (e.g. Articles of Association, Cohesion Contract and Code of Ethics).

In particular, in its role as Parent Company Function, it exercises control over the risks impending on the activities carried out by all Group Companies in order to assess the various risk profiles contributed by these Companies and the overall risks of the Group. This translates into the performance of specific monitoring and verification activities concerning the Group as a whole and/or individual Group Companies, which therefore guarantee adequate information flows, timely responses to specific requests and collaboration in the event of remote or on-site verification.

The Compliance Department is separate from the other corporate control functions from an organisational point of view, it reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties.

The Compliance Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the function and avails itself of the collaboration and support of the internal representatives of the same, who report hierarchically to the Board of Directors of the respective Company and, at the same time, report functionally to the Department Manager. With similar operating procedures, the Compliance Department also operates for the other Group Companies that sign an agreement to outsource the function. This department also carries out any further activities aimed at assessing and reporting the various risk profiles brought to the Group by the

Companies and the overall risks of the Group.

For the monitoring of certain regulatory areas for which it is permitted by applicable regulations or for the performance of specific obligations in which the Compliance Department's activities are articulated, the same may make use of specialist compliance control units and/or support, remaining in any case responsible for the definition of risk assessment methodologies. In particular, the role of specialist control units is attributed to the Tax Service and the Workplace Prevention and Protection Office, for the respective regulations indirectly supervised by the function.

In particular, the Compliance Department:

- continuously identifies the applicable rules and assesses their impact on corporate processes and procedures;
- collaborates with the corporate structures for the definition of methodologies for the assessment of compliance risks;
- identifies suitable procedures and/or organisational changes for the prevention of the detected risk, with the possibility of requesting their adoption;
- verifies the adequacy and correct application of the procedures for the prevention of the detected risk;
- ensures ongoing and continuous monitoring of the adequacy and effectiveness of the measures, policies and procedures relating to investment services and activities;
- prepares information flows directed to the corporate bodies and structures involved (e.g.: operating risk management and internal audit);
- verifies the effectiveness of the organisational adjustments (structures, processes, procedures, including operational and commercial) suggested for the prevention of compliance risk;
- is involved in the ex-ante assessment of the compliance with applicable regulations of all innovative projects (including the operation of new products or services) that the company intends to undertake as well as in the prevention and management of conflicts of interest between the different activities carried out by the company and also with regard to employees and company representatives;
- provides advice and assistance to corporate bodies in all matters in which compliance risk is significant;
- collaborates in the training of staff on the provisions applicable to the activities carried out;
- coordinates with the other corporate control functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- provides, for the aspects within its competence, its contribution to the Risk Management Department in the assessment of risks, in particular those that cannot be quantified, as part of the process of determining capital adequacy;
- collaborates with the Risk Management Department, in line with the Risk Appetite Framework (RAF), to develop appropriate methodologies for the assessment of operational and reputational risks arising from any areas of non-compliance, also ensuring the reciprocal exchange of information flows suitable for an adequate oversight of the areas of competence;
- spreads a corporate culture based on the principles of honesty, fairness and respect for the spirit and letter of the rules.

Anti-money laundering function

The Anti-Money Laundering Department adopts a risk-based approach in overseeing the management of the risks of money laundering and terrorist financing with regard to the company's activities by evaluating the adequacy of internal procedures intended to prevent the violation of applicable external standards (laws and regulations) and self-regulation (e.g. Articles of Association and Codes of Ethics).

The Anti-Money Laundering Department operates in accordance with the responsibilities assigned to it as a second-level corporate control function of the Parent Company and fulfils the contractual obligations arising from its role as supplier to the Affiliated Banks and the user companies.

The Anti-Money Laundering Department operates, for the Affiliated Banks and the user companies, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the function, and avails itself of the collaboration and support of internal representatives, who, operating in close functional coordination with the Anti-Money Laundering Department, supervise the processes related to anti-money laundering legislation in the Affiliated Bank/User Company.

The Anti-Money Laundering Department of the Parent Company formulates and prepares specific directives and instructions to which the Anti-Money Laundering representatives must adapt their operations, in order to ensure the operational consistency of the Group in relation to the management and measurement of the risks of money laundering and terrorist financing.

In the event that a Group Company is the recipient of anti-money laundering obligations and has not outsourced the function to the Parent Company, specific information flows are transmitted to the Anti-Money Laundering Department of the Parent Company by the same companies (the Annual Anti-Money Laundering Report, the annual planning of activities, any significant critical issues identified by the execution of anti-money laundering activities).

The Anti-Money Laundering Department has the objective of:

- contributing to the definition of strategic guidelines and policies for the overall governance of risks related to money laundering and terrorist financing, the preparation of communications and periodic reports to corporate bodies and the feeding of the Risk Appetite Framework, collaborating with other corporate control functions in order to achieve an effective integration of the risk management process;
- developing a global approach to risk based on the strategic decisions taken by the Parent Company, defining the Group's methodology for assessing the risks of money laundering and terrorist financing, the procedures for coordinating and sharing information between Group Companies and general standards for the adequate verification of customers, the retention of documentation and information and the identification and reporting of suspicious transactions;
- ensuring adequate Group supervision, continuously verifying the suitability, functionality and reliability of the anti-money laundering arrangements, the procedures and processes adopted within the Group and their degree of adequacy and compliance with the law;
- playing a management and coordination role in relation to Group Companies, promoting and spreading the culture of prevention of the risk of money laundering and terrorist financing.

The Anti-Money Laundering Department oversees and coordinates the management of money laundering and terrorist financing risks, through the execution of a series of activities that may be related to the following types of processes:

- main processes, i.e. the set of activities aimed at the correct fulfilment of the obligations of proper customer due diligence, data and information retention and reporting of suspicious transactions;
- cross-cutting processes, i.e. the set of activities functional to mitigate and contrast the risk of money laundering.

In the performance of its duties, the Anti-Money Laundering Department has access, in the manner deemed most appropriate, to all activities and to all central and peripheral structures of the Group, as well as to any information that it deems relevant for the performance of its duties and is equipped with tools that are useful for carrying out the controls for which it is responsible.

As part of the integrated internal control system, the Anti-Money Laundering Department contributes in its areas of responsibility to:

- the definition of a common risk taxonomy for analysis and evaluation activities;
- the constant exchange of information;
- the establishment of uniform risk measurement and reporting methods;
- the management of any misalignments in the level of risk assessments that have emerged during the planning of activities;
- the examination of the findings that have emerged and the related corrective actions proposed, examining any conflicting assessments in order to reach a single and satisfactory solution for all the corporate control functions that have highlighted the same significance.

Human Resources

The total workforce of the Cassa Centrale Group as at 31 December 2021 stood at 11,448 employees, compared to 11,301 as at 31 December 2020.

Staff composition by category and gender

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER	31/12/2021			31/12/2020	Change	% change
	Men	Women	Total	Total		
Executives	177	10	**187**	201	(14)	(7.0%)
Middle managers	2,358	729	**3,087**	2,981	106	3.6%
Office staff	4,139	4,035	**8,174**	8,119	55	0.7%
TOTAL	**6,674**	**4,774**	**11,448**	**11,301**	**147**	**1.3%**

Staff composition by age group

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP	31/12/2021				31/12/2020	Change	% change
	<30	30-50	>50	Total	Total		
Executives	-	37	150	**187**	201	(14)	(7.0%)
Middle managers	3	1,408	1,676	**3,087**	2,981	106	3.6%
Office staff	776	5,474	1,924	**8,174**	8,119	55	0.7%
TOTAL	**779**	**6,919**	**3,750**	**11,448**	**11,301**	**147**	**1.3%**

The average age of the Group's personnel is in the 30-50 bracket with about 61% of employees in that bracket.

The long-term strategy of the Group is always oriented towards the quality of its human resources, with a primary commitment in promoting the constant development of individual and group capabilities and skills.

The main guidelines followed by the Group are valuing initiative and flexibility, supporting growth opportunities through adequate development paths and promoting active participation in the implementation of projects, providing instruments and methods for the emergence of innovative contributions to be made available to the company.

Corporate Culture and smart working

In the particularly difficult and still on-going period of the Covid-19 health emergency, messages of cohesion, closeness, sense of belonging and solidarity with the employees of the Cassa Centrale Group were strengthened and the forms of communication and support were also enhanced.

Throughout the past year, infographics and messages were made available to employees on the organisational management of smart working and the emotional aspects of the complex period we are going through due to the spread of the pandemic (from the five rules to better manage working times and spaces at home, to useful suggestions to maintain a good level of work-life-balance).

In particular, specific empowerment spaces for employees were also maintained throughout 2021 ("Once a week: your thirty minutes of empowerment"), with talks by Luca Mazzucchelli, psychologist and therapist expert in personal growth. In line with the approach adopted by large companies, psychological issues related to emerging fears and worries in employees linked to the pandemic emergency were also addressed.

The pilot project in the Parent Company and Allitude continues with Mindwork, the online platform where psychologists and therapists are available to the employees of the two Companies. The degree of employee satisfaction is high, the service was positively received and used to support the critical time related to the pandemic and the new normality, but also for personal empowerment projects deriving from new responsibilities.

In 2021, the partnership with Mindwork grew, including through a new seminar led by psychologist Dr. Bianca Maria Cavallini with the aim of providing Cassa Centrale Banca employees with concrete tools to better manage stress and anxiety situations in general, such as inspections and audits. The webinar, which was open to all employees, received a very positive response, confirming the certainty of the great benefit that can derive from actions of support and psychological support in the company, especially in this sensitive historical moment.

In spring 2021, thanks to the partnership with Talent Garden, 6 new thematic webinars were proposed as part of the Digital Transformation projects reserved specifically for banks' top managers.

Following the Masterclass, which saw as protagonists the HR Managers of banks and companies of the Group, online webinars were launched to discover the 3 areas of digital transformation: Technologies; New Work Experience; Digital Change Management.

Through interaction with external speakers, experts in the various subjects, and focus groups among the participants, a Group dialogue started to be built on the issues of technology and its impact, also applied to the new working models. The training, entirely remote, has allowed the participants to experiment with innovative methods of interaction.

The need to create communication spaces between the Parent Company and some senior level figures within our Group Banks is strong, especially in this phase of purely digital relations where daily contact with the Banks has been drastically reduced. In support of all 'Communities of practice', the space created by Talent Garden seminars helped to stimulate more dialogue.

With the support of Talent Garden and in collaboration with CeTif, the Research Centre on Technology, Innovation and Financial Services of the Università Cattolica del Sacro Cuore, the annual meeting of the Compliance Department was organised in December 2021 in order to increase and enhance the network between the Parent Company and the Banks' compliance officers through the creation of interactive moments aimed at building an environment of virtuous exchange of information and common practices.

In April and May, the "Smart Manager: Empower The Future" course was launched to address the issue of remote working and the management of employees in the "new normal". Through guided focus groups, the needs and requirements of the Parent Company's managers were collected; the various opportunities for interaction with speakers and managers outside the Group made it possible to discuss and imagine unprecedented futures regarding the flexibility and organisation of post-pandemic work.

At the training level, an initiative was launched to disseminate methods and skills for the virtuous management of smart working within the Group. In particular, in some BCCs specific training was carried out with the teaching of CUOA Business School as regards the softer and more managerial aspects and as regards the more technical and IT aspects.

In the second half of 2021, in collaboration with Talent Garden, the managerial development project "Kitto Grow" was launched, aimed at all Cassa Centrale Banca managers with a commitment of five meetings. The training, which included innovative working methods, was aimed at enhancing the managerial skills of those who are in charge of managing people and are also responsible for their professional growth and development. In fact, the HR Department values the key principle according to which values and good practices must be consistently adopted and transmitted by those who have the greatest hierarchical responsibility in order to be fully absorbed by the organisational culture and employees of Cassa Centrale Banca.

For the Group, external events are an excellent opportunity for employer branding and recruiting: the Group strengthened its partnership with the academic world in order to promote itself more effectively with young university talent, make itself known to a wider audience and thus build a solid communication strategy. The Cassa Centrale Group has launched a university "career day" in order to represent all Group companies. In particular, it participated in the Career fair 2021 held by the University of Trento, completely digitalised, attracting particular interest from young participants (graduate or graduating students). In October 2021, the partnership with JETN, the Junior Enterprise of the University of Trento, was strengthened through the organisation of a webinar on Sustainable Finance, aimed at promoting two scholarships financed by Cassa Centrale Banca.

At the end of 2021, the project site was opened to build an organisational culture that puts people at the centre, encourages constructive dialogue and strengthens, internally, the Group's most constitutive and characteristic value: the value of cooperation. The first project, called: "Sam, the employee who gives voice to employees", focuses on the implementation of the Qualtrics tool, which allows surveys and thus quantitative and qualitative measurements of employee engagement. It is an employee experience management tool that collects continuous feedback from every employee experience to promote targeted actions with which to influence engagement, talent planning, productivity and innovation.

Brand Identity: supporting actions

The project on the corporate identity of Cassa Centrale Banca was strengthened with the realisation of the Manifesto of values, built within the Parent Company through the internal dialogue of people with different experiences, young people and managers engaged in the search for those "key words" that could be used to represent the identity culture of the Parent Company.

Numerous video interviews were conducted with employees to build a different storytelling on the values and key words for Cassa Centrale Banca.

A completely online event and a kit were developed to provide a phygital experience for the employees with the intent to create a greater connection with respect to the issue of corporate identity.

At the same time, Allitude also started the project of defining its own internal Manifesto.

Recruiting activities

Even during the health emergency, recruiting activities continued. Thanks to the use of the SAP Success Factors platform and webcalling tools, it was possible to continue with job posting activities, review of applications and interviews. Technology has proven its efficiency in supporting experts and managers in their search for tomorrow's talent.

Partnerships to innovate and compete

Despite the pandemic, the well-established partnership with SDA Bocconi School of Management has made it possible to create new high-level professional training courses and to continue to provide the on-going courses in new ways, in full compliance with Covid-19 security measures.

The partnership with CeTif, the Research Centre on Technologies, Innovation and Financial Services at the Sacred Heart Catholic University continues to contribute to providing skills to our Banking Care Academy.

After consolidating the partnership with the Politecnico di Milano, the collaboration with Talent Garden has contributed to the start of new digital transformation and managerial development projects to support the entire Group in 2021. Talent Garden is a very lively national entity, a crossroads of experimentation and innovation capable of catalysing the most innovative debates on the Italian scene and beyond; joining the Talent Garden network is an important step towards consolidating the open and smart vision that we intend to bring to the Banking Group.

Training and development of skills in the Cassa Centrale Group

The Banking Care Academy is responsible for the design, promotion and implementation of training courses for the Banking Group. Through the SAP Success Factors Learning Management System (LMS) platform, the training proposals reach all Group employees, with awareness and participation objectives for the individual growth of employees within the Affiliated Banks.

In this particularly complicated period, the Banking Care Academy has launched some projects for the Banks and Companies of the Group aimed at facilitating training continuity through the digital tools offered by technology and aimed at the training and development of new skills.

The certification of skills, an essential element in some courses of the Academy, was also guaranteed through a new proctoring tool, already tested in universities all over the world and fundamental for the management of the learning assessment process.

Innovative projects continued during 2021:

- Drive the change (Digital Transformation): winner of the ABI Innovation 2021 Special Mention;
- Digital Confidence (cybersecurity).

"Drive the change: train yourself to lead change" is a digital training platform which allows employees to simulate conversations by interacting with virtual characters: this is the object of the special mention obtained by Cassa Centrale Banca at the ABI Award. A new recognition that enhances the Group's growth path in the field of digital innovation and training. The project received a mention in the "Innovation Award for Digital Transformation" category. All the candidate projects have exploited, through the application of digital technology, the potential of new technologies to transform the concept of banking by redesigning internal processes and promoting a digital corporate culture.

Digital transformation is an extraordinary opportunity for the evolution of the Group and Drive the change represents the path to generate the engagement and participation necessary to change the mindset of the digital evolution in progress. Banking Care Academy is convinced that starting a digital innovation means breaking down cultural and organisational boundaries, dismantling rigid barriers, removing resistance to change in people and creating new ways to interact and manage their activities. Such a revolution must be supported by a leadership culture that strengthens the connections between people and their sense of belonging. In this sense, the objective of the Drive the change project is to foster a mindset able to make people feel free to take initiatives and bring value through their ideas. The Drive the change project is based on the use of artificial intelligence simulators, developed by the People and Corporate Culture Service and the Digital Office of the Parent Company, with the collaboration of SkillGym.

SkillGym is an advanced Digital Role Play system dedicated to training in the management of business and leadership conversations, through the practice and reflection of the impact of one's own behaviour. SkillGym uses Artificial Intelligence, Interactive Cinema and Augmented Reality to offer an authentic and immersive training experience. This path, developed specifically for the Cassa Centrale Group, allows to train and transmit the benefits of a path of innovation and change. Practice is the most effective way to improve conversation skills and to develop motivation, involvement and propensity for change.

The "Confidenza Digitale" project, launched in the second half of 2020, also continued throughout 2021. This is a cybersecurity project that encompasses training initiatives and communication/awareness-raising activities aimed at spreading a culture of security in the digital world, through the involvement of every single person within the Group.

Remuneration policies

On 16 June 2021, the Ordinary Shareholders' Meeting of the Parent Company - on the proposal of the Board of Directors - approved the Group's 2021 remuneration and incentive policies for all personnel, including the most important personnel, as well as members of corporate bodies.

With regard to Group Companies within "scope", the Remuneration Policies (hereinafter also referred to as the "Policies") approved by the Shareholders' Meeting of the Parent Company were adopted by formal resolution of the respective Shareholders' Meetings for the Affiliated Banks and by competent bodies for the other Companies.

The 2021 Remuneration and Incentive Policies have been defined on the basis of the 25th update of 23 October 2018 of the Supervisory Provisions on “Remuneration and Incentive Policies and Practices”, issued by the Bank of Italy in November 2014 with the 7th Update of Circular no. 285 of 17/12/2013 in implementation of EU Directive no. 2013/36/EU of 26/06/2013 (known as CRD IV) and the Delegated Regulation (EU) no. 604/2014 containing the new “Regulatory Technical Standards” (RTS), relating to the appropriate qualitative and quantitative criteria to identify the categories of staff whose professional activities have a material impact on the risk profile of the institution (known as Risk Takers), who integrated CRD IV starting from June 2014.

The Policies also comply with the Provisions on “Transparency of banking and financial transactions and services”; appropriateness of relations between intermediaries and customers, updated by the Bank of Italy on 19 March 2019, align national provisions with the Guidelines on remuneration policies and practices relating to the sale and supply of retail banking products and services issued by European Banking Authority in December 2016.

In addition, the Policies include information on their consistency with the integration of sustainability risks, in compliance with the provisions of Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks of Regulation (EU) no. 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

The Policies describe in an organic manner: the principles on which the Cassa Centrale Group’s remuneration and incentive system is based; the roles, timing and activities that define the governance of the process of drafting, reviewing and adopting Group remuneration and incentive policies; the remuneration and incentive system to be adopted in 2021 by the Group for all employees, including the most important personnel, as well as for the members of corporate bodies.

The objective is to achieve, in the interests of all stakeholders, remuneration systems that are consistent with the Group’s values and the mutualistic aims of the Affiliated Banks, with the corporate objectives, long-term strategies and with the Group’s prudent risk management policies, as defined in the provisions in force on the prudential control process, such as to avoid distorted incentives that could lead to regulatory violations or excessive risk taking for the bank and the financial system as a whole.

For further information and a detailed description of the policies in place, please refer to the document “2021 remuneration policies” available on the Cassa Centrale Banca website at the address www.cassacentrale.it, in the Governance section.

Welfare and Trade Union Relations

2021 saw the Welfare, Trade Union Relations and Labour regulations Service engaged in several trade union negotiations on management of redundancies and generational turnover. In particular, the BCCs involved in these operations were: Cassa Rurale ed Artigiana del Friuli Venezia Giulia that, keeping the same name, incorporated BCC di Turriaco, Cassa Rurale Alto Garda that incorporated Cassa Rurale di Rovereto becoming Cassa Rurale AltoGarda - Rovereto, BCC di San Giovanni Rotondo and BCC di Cassano delle Murge e Tolve, BCC Felsinea, BCC di Casalgrasso e Sant’Albano Stura, Cassa Rurale Dolomiti, BCC di Brescia, BCC ZKB, PrimaCassa, Cassa di Trento, Lavis, Mezzocorona e Valle di Cembra, Cassa Rurale Alta Vallagarina e Lizzana, Cassa Rurale Rotaliana e Giovo, Cassa Rurale di Ledro, Cassa Rurale Val di Non, BCC Prealpi San Biagio, Friulovest Banca, BCC RomagnaBanca and BCC di Flumeri.

With regard to other extraordinary mergers, the union procedures were concluded for Cassa di Trento, Lavis, Mezzocorona e Valle di Cembra, which incorporated the Cassa Rurale Alta Vallagarina e Lizzana, and for the BCC di Spello e Bettona, which incorporated the BCC del Velino.

Trade union procedures were also started for extraordinary mergers for BCC Alto Vicentino, which incorporated Cassa Rurale Vestenanova, taking on the new name of BCC Banche Venete Riunite; for BCC Banco Marchigiano, which incorporated BCC del Gran Sasso; and for BCC di Alberobello e Sammichele di Bari, which incorporated BCC di Monopoli, taking on the new name of BCC di Alberobello, Sammichele e Monopoli.

A trade union agreement on access to the Solidarity Fund and related generational turnover was also signed by Cassa Centrale Banca.

The agreements covered a total of potentially 148 colleagues who will access the Solidarity Fund in the period between 2021 and 2027; against these departures and over the same period of time, a generational change was envisaged (recruitment on a permanent basis and/or transformation from a fixed-term to a permanent basis) in favour of potential 98 new resources.

The procedure for the management of redundancies and generational turnover was also started for Allitude S.p.A.

The further continuation of the emergency period due to the Covid-19 pandemic has made it necessary to maintain a constant and continuous activity of updating and support in the application and interpretation of the numerous legislative and regulatory provisions (national and local) concerning the measures to be adopted for the management of human resources and to combat the spread of contagion in the workplace. In particular, support was provided with regard to the new regulations on access to company premises with valid green certification.

The consultancy linked to the extraordinary emergency situation was accompanied by ordinary technical support activities for the competent Compliance and Remuneration Offices for the drafting of individual agreements for the mutual termination of the employment relationship and/or redefinition of specific contractual clauses; support activities in the drafting of opinions on issues concerning labour law and in the preparation of all contracts for the management of the subordinate and para-subordinate employment relationship (e.g. employment contracts, letters of employment and/or transformation, transfers, secondments, assignments of contracts, etc.); out-of-court assistance in the management of individual and collective labour disputes and related settlements and in the management of disciplinary proceedings and any appeals; support in the drafting and revision of internal regulations and policies with impacts on personnel management; drafting of internal circulars on legal, management and contractual issues; assistance in the interpretation of labour law and in the correct application of contractual regulations as well as the various corporate reorganisation processes implemented by Group banks.

During the second half of the year, the negotiations already begun in the first half of 2020 for the drafting of the new Supplementary Company Agreement of Allitude S.p.A. were also concluded.

With regard to the procedures initiated between the National Secretaries of Trade Unions (OO.SS.) and Federcasse, negotiations continued for the renewal of the National Collective Labour Agreement for Executives and the work of the permanent National Commission established by the shared Protocol on “Measures to prevent, combat and contain the spread of the Covid-19 virus in the Cooperative Credit category” signed on 24 March 2020. In September, concrete discussions on the renewal of the National Labour Agreement for Professional Areas and Middle Managers also started concretely.

Other information on operations

Consolidation and development of Corporate Identity activities

2021 was marked by a number of extraordinary activities due to the Covid-19 state of emergency which led the Parent Company to continue supporting the Banks and the territories and then to undertake new projects related to economic recovery.

In order to facilitate the Banks in carrying out the new meeting procedures (not in person but with an Appointed Representative) and to allow them to easily and promptly convey the information required for adequate participation in the meetings, a specific section called “2021 Shareholders' Meeting” was proposed again on MyCMS (the platform for managing the Bank's websites). In addition to the regulatory section, communication aids (videos, infographics, etc.) have been developed for all Group banks, and a reserved area has been made available to Shareholders for pre-meeting documents.

In order to support the Banks in communicating the measures related to economic recovery following the health emergency, in collaboration with the Credit Department, during 2020 an information web page on the “110% Superbonus” was prepared for the institutional website www.cassacentrale.it and, for websites connected to MyCMS, communication materials were drawn up and a major digital marketing campaign was launched. Given the success of the previous communication campaign and in view of the extension of the national tax benefit to 2022, a national digital campaign was rescheduled during the first half of 2021 for a further two months. The purpose of the campaign was to collect leads (potential customers) through a contact form (available on the landing page on the website www.cassacentrale.it) for the request for information/appointment directly selecting their bank of reference to which to send a request for contact.

The first national multi-channel communication campaign of the Cassa Centrale Group was part of the broader scope of activities related to the introduction and consolidation of the Group identity. At the end of 2020, the first flight of the national campaign took place with a dense TV, print and digital planning, which had as its main objective the recognition of the Cassa Centrale Group pictogram. In order to continue the process of consolidating the Group's identity, and following a very positive response to the first programming, the second phase of the Cassa Centrale Group's national multi-channel communication campaign began in March 2021.

The main novelties of this second phase were represented by a programming also on the most popular national radio stations and by the addition – for the press and digital planning – of three new subjects relating to the CSR (Corporate Social Responsibility) area, the Digital Bank - Inbank and Bancassurance, in addition to the institutional ADV.

In this second flight we started a more vertical focus on the concept of Cooperative Credit, as declined by the Cassa Centrale Group, and on the composition of the Group, made of numerous local and independent Banks. The value building process therefore shifts from a more institutional communication to a more specific definition of some offer areas thanks to the three new advertising subjects.

The campaign was developed on different means of communication: TV to ensure brand awareness and visibility and reach a wide audience, the press for the reputational aspect and authority that it guarantees and the web/digital to profile an active audience and reach a younger group, and radio in order to intercept a very wide target audience and convey the message of “bank close to the people”.

In June, an additional advertising subject dedicated to mobile payments in partnership with Nexi was introduced and, in continuity with the previous months, the Group was present in the main national paper and digital newspapers. Given the excellent results of the summer campaign, a further communication flight was carried out between the end of November and the end of December.

Still pertaining to the wider scope of brand enhancement, the Marketing

Service was involved in the graphic restyling of the Group payment cards, which first featured the new debit and recharge cards (already available), and finally, the Nexi classic credit card. In particular, the new card design of the Nexi classic credit card was designed to be in line with the Group's identity. At the same time as the restyling of the new plastics, on and offline advertising materials were prepared, characterised by simple and easy to understand communication in order to create a coordinated and coherent image across all payment products.

In continuity with previous years, work continued on the MyCMS (Content Management System), an easy-to-manage multi-site shared platform that allows the individual bank to configure and customise its website in just a few steps. After three years from the start of the initiative, it was deemed appropriate to envisage an evolution of the platform to provide an increasingly usable tool, both administrator and user side, also improving the desktop and mobile user experience. Major improvements were made in 2021.

Following a comparative analysis of a sample of 10 Affiliated Banks and market trends, and in the light of the experience gained over the years, the evolution of MyCMS took place in two steps:

- STEP 1: back-end improvements and updates related to front-end graphics to optimise the use of the site and to make it even easier for administrators to operate;
- STEP 2: major user experience improvements, especially in the use of the mobile channel and an important front-end graphic review of desktop use as well.

At the same time as the developments described above, analysis has begun for the migration to the latest version of the open source platform (scheduled for 2022), which will allow MyCMS to evolve further, with the aim of providing bank webmasters with an increasingly powerful and usable tool.

As at 31 December 2021, 59 Affiliated Banks joined this important project; of these, 58 have already published their website with the new platform.

During 2021, a performance analysis of the corporate website cassacentrale.it was carried out in order to assess its positioning and visibility.

A demographic analysis of the web audience was carried out, which is important in order to provide a browsing experience commensurate with users' behaviour and habits and to check the ability to intercept the target audience.

The behaviour of surfers from search engines and the most frequently used keywords to reach the Group's site were also studied.

As a result of this analysis, since May 2021, constant activity and monitoring on the www.cassacentrale.it website was started in order to pursue the two main objectives:

- strengthening brand positioning in search engine results pages, using ADVs based on keywords checked weekly;
- the dissemination of information aimed at raising perceptions on certain corporate topics.

With regard to CSR, in order to illustrate the Group's commitment to sustainability with the stakeholders, a new "Sustainability" section has been prepared on the corporate website www.cassacentrale.it.

To prepare the section, we started with the payoff "Cooperative. Sustainable. Responsible": the 3 pillars around which to illustrate and tell the story of the Group's commitment through the values of everyday action. The section develops the following topics:

- Cooperative: business model, developed initiatives;
- Sustainable: our values, the objectives of the 2030 Agenda and the materiality matrix;
- Responsible: applied to people, the environment, credit and finance;
- Sustainability governance;
- Code of Ethics, ESG Policies;
- NFS.

In the first few months of the year, the project dedicated to the virtualisation of the cards and enabling them to pay through the Samsung pay, Google pay and Apple pay wallets was launched. The Marketing Service, in collaboration with the partners, devised the communication concept aimed at spreading and enhancing the service throughout the country. The Samsung Pay wallet was launched in July and Google Pay in September. The project will be completed in the first half of 2022 with the launch of Apple pay.

An important project carried out in 2021 was dedicated to defining the Cassa Centrale Group's offer to young people. In the first half of 2021, several market analyses were carried out, involving the Banks and Companies of the Group, in order to create a simple offer (updated and standardised agreements and procedures at central level), modular and customisable for the customer (products and services according to requirements). In October 2021, through a virtual event, the "Progetto Giovani" (Youth Project) was officially launched - the new offer dedicated to four distinct targets and represented by as many differentiating brands, which echo the Group's pictogram. The project was also supported by a communication kit, consisting of a new creative concept dedicated to the four products and characterised by a common thread: the room, a space full of objects, tools and memories that represent the characteristic world of each age. A dedicated website, www.spazioanoi.it, was also created with the aim of communicating the banking offer, enhancing the value of being a Local Bank, and where young people can find the offer most suited to their needs and some editorial content consistent with the specific target.

Two major digital campaigns have been activated during 2021:

- Asset Management: following the important graphic restyling that affected the brand's communication line, a national digital and social campaign was structured for the Group, with the aim of increasing brand awareness of the GP brand and at the same time creating leads (contacts) in particular for prospect customers. The campaign, under the Cassa Centrale Group brand, geo-targeted across the country and running from July to October, involved social media, search engines and customised content feeds, referring users to the www.cassacentrale.it/gestionipatrimoniali landing page;
- Inbank: a digital campaign was also launched for the Inbank world, which was the subject matter of a restyling of all online and offline communication. The aim of the campaign was to give value to the new Inbank Digital Bank, create brand awareness through communicative consistency with other Group campaigns and improve the perception of the Cassa Centrale Group in the digital and innovation spheres; it began on 22 September and ended on 16 November 2021 and involved search engines and native ads. The digital marketing actions led to the Inbank https://www.cassacentrale.it/inbank/ mini website where two call-to-actions were created to monitor the success of the campaign: "How to activate Inbank" and "Find the bank".

Also within Inbank, following the update of the Inbank trading platform, the communication line dedicated to the tool was revised to make the new features immediately visible. In order to raise awareness among banks and help customers use Inbank trading, two video tutorials were created, with the aim of explaining the main new features in a simple and immediate manner and making customers autonomous in using the tool.

At the end of the year, further important projects started:

1. in order to comply with the instructions of the Supervisory Authority and Bancomat S.p.A., an early and massive replacement of debit cards was planned. In order to facilitate the process of activating the new card and to communicate the early replacement to the customer in a simple and direct manner, a series of useful tools were prepared for the bank (e.g. sample letter/account statement; email template, infographic with the steps to follow to activate the new card);

2. given the increase in online frauds to which bank customers have been exposed especially in the last year, a communication campaign on IT security "I navigati - Informati e sicuri" (The browsed - Informed and safe) was carried out at the end of November, at the proposal of ABI Lab, promoted by CERTFin - CERT Finanziario Italiano, to which the main Italian banking groups complied with. The objectives of the campaign can be summarised as follows:

   - raising the level of attention on cybersecurity;
   - increasing customer awareness;
   - sensitising customers on the virtuous behaviour to adopt;
   - encouraging the correct use of new technologies and digital channels, maintaining high trust in remote channels.

   The campaign was organised on different means of communication: TV to ensure awareness and visibility and reach a wide audience; the press for the reputational aspect and authority that it guarantees and the digital/social to reach an active audience and a younger group. Eight video clips of about 1 minute in length were also produced, following the format of a real mini-series, explaining in detail the issues of computer fraud and made available on Cassa Centrale Banca's corporate website.

3. Finally, in October 2021, a prize operation called "Con un PAC

NEF ti senti protetto" (With a NEF PAC you feel protected) was launched, reserved for all customers of NEF's placement banks, for which Cassa Centrale Banca is the Paying Agent. In order to further support the commercial activity, a national digital campaign was planned under the NEF and Cassa Centrale Banca brand name on search engines and information web portals.

Relations with related parties

Details of transactions with related parties are provided in Part H of the Explanatory Notes, to which reference should be made.

Information on going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates

With reference to the Bank of Italy, Consob and Isvap documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, concerning the information to be provided in the financial reports on the business outlook, with particular reference to business continuity, financial risks, impairment testing and uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Group can continue to operate in the foreseeable future and therefore certifies that the consolidated financial statements as at 31 December 2021 have been prepared on a going concern basis.

There are no elements or warnings in the Group's equity and financial structure and operating performance that could lead to uncertainties as to its ability to continue as a going concern.

For information on financial risks, impairment testing of assets and uncertainties in the use of estimates, reference should be made to the information provided in this report, comments on operating performance, and/or in specific sections of the consolidated financial statements.

Own shares

The share capital of the Parent Company Cassa Centrale Banca amounts to EUR 952,031,808, made up of 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

As at 31 December 2021, 15,874,453 ordinary and preference shares with a nominal value of EUR 825,471,556 (corresponding to 86.71% of the share capital) are held by the Affiliated Banks of the Cassa Centrale Group and therefore, in the consolidated financial statements, these are to be considered as own shares held in portfolio.

No shares of the Parent Company were sold during the year.

Policies for business continuity management

After completing the update of the documentary framework characterising the model in 2020 and represented, in particular, by the Group Regulation on Business Continuity and Crisis Management, the update of the Business Continuity Plan of the Parent Company and of the Group Companies and the Allitude S.p.A. Disaster Recovery Plan, during the year 2021 the methodologies for the verification of the continuity solutions were standardised.

Tests were planned for 2021 with particular reference to the technological test of the Disaster Recovery solution provided by Allitude, which were successfully completed, regarding the unavailability scenarios indicated by the Bank of Italy were successfully completed.

During 2021, the Business Impact Analysis was updated through a further refinement of the method on management, impact assessments and recovery times, as well as a more detailed analysis on processes, which will eventually lead to an update of the Parent Company Business Continuity Plan.

Particular attention was paid to strengthening the network of Business Continuity Contacts present at Group Banks, through training and awareness meetings aimed at continuous improvement of the Group Business Continuity organisational model.

The initiatives to manage the Covid-19 pandemic emergency also continued, ensuring the operational continuity of business processes, with advisory activities and monitoring of their implementation at Group level and with a special reference to the measures introduced by the authorities (e.g. checking the Green Pass).

The health emergency and the consequent restrictive measures issued by the Government to protect public health had a significant impact on the management of the Cooperative Banking Group. The Parent Company, through the establishment of an emergency management operating unit, immediately activated measures to contain the risk of contagion, identifying specific procedures to ensure the operational continuity of critical processes and the safeguarding and protection of the health of workers, customers and suppliers, providing for guidance and coordination mechanisms for the Group.

In order to ensure homogeneous and coordinated interventions and measures at Group level, Cassa Centrale Banca has sent guidelines, communications and circulars, both informational and regulatory, to the Banks and Companies of the Group, in compliance with the restrictions and government provisions being issued and regular and constant information flows to corporate bodies have been envisaged. Cassa Centrale Banca has set up numerous initiatives in implementation of the government DPCM and the protocols shared with the corporate partners, giving continuity to the measures adopted since the beginning of the pandemic.

During this period, widespread information continued on the Covid-19 emergency, on risks and prevention measures through the issue of circulars to employees, infographics and posters affixed at the workplace and the substantial continuation of work in remote mode by the employees, with appropriate information on the risks of agile work and on safety in terms of risk.

The adoption of specific protocols for company sanitation and hygiene continued, the use of certified masks as personal protective equipment and disinfectant gel, as well as the updating of the regulations of the procedures for opening branches and related access by customers, providing for the use of appointments for the performance of operations that cannot be carried out remotely and that are of an urgent nature, in line with government measures.

In compliance with the government measures issued and the external context in relation to the level of spread of the virus, the specific company regulations for the procedures to be applied to the return of workers have been constantly adjusted and updated, with particular attention paid to the measures relating to physical distancing in the offices, the checking of the Green Pass and the numerical monitoring of staff returning from remote working on the basis of pre-established parameters.

In addition, due to the continuation of the Covid-19 emergency and with the primary objective of protecting the health of staff, the Operations Department, in agreement with Allitude, deemed it appropriate to continue the migration schedule of the Banks using the Gesbank information system, maintaining the new migration model of the information system based on a minimum on-site presence in order to respond to the ongoing health emergency and the limitations dictated by it in terms of mobility and proximity allowed among people. This operating method allowed the regular performance of activities and the completion of the migrations planned during the period.

In continuity with the control and protection actions linked to the spread of the Covid-19 epidemic, Cassa Centrale Banca deemed it appropriate to renew the verification of its prevention plan through a voluntary and independent assessment process, entrusting for this purpose Bureau Veritas, a company world leader in the assessment and analysis of risks related to quality, environment, health, safety and social responsibility.

Following the carried out assessments, Cassa Centrale Banca obtained confirmation of the "Safe Guard" certification demonstrating that it had managed the specific risks linked to the Covid-19 emergency in compliance with the regulatory provisions issued by the Authorities.

Organisational, management and control model pursuant to Legislative Decree no. 231 of 8 June 2001

In implementation of the delegation pursuant to article 11 of Law no. 300 of 29 September 2000, Legislative Decree no. 231 of 8 June 2001 (hereinafter also "the Decree") was issued, with which the legislator aligned domestic regulations to the international conventions, adopted also by Italy, on the liability of legal persons.

These in particular include the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Communities, the Convention signed in Brussels on 26 May 1997 on the fight against corruption involving officials of the European Community or of the Member States and the Organisation for Economic Co-operation and Development (OECD) Convention of 17 December 1997 on the fight against corruption of foreign public officials in economic and international transactions.

The Decree, which lays down "rules on the administrative liability of legal persons, companies and associations, including those without legal personality", has introduced into the Italian legal system a regime of administrative liability applicable to entities for offences which are exhaustively listed, and committed in their interest or to their advantage: (i) by natural persons who hold positions of representation, administration or management of those entities or of one of their organisational units with financial and functional autonomy, as well as by natural persons who exercise, including de facto, the management and control of those entities, or (ii) by natural persons subject to the management or supervision of one of the persons indicated above.

The entity is not liable, on the other hand, if the aforementioned parties have acted in the exclusive interest of themselves or of third parties (art. 5, paragraph 2 of the Decree) or when it voluntarily prevents the carrying out of the action or the occurrence of the event.

In any case, the administrative liability of entities is independent of the criminal liability of the natural person who committed the offence.

The offences for which the administrative liability of entities is configurable, with specific indication of the applicable sanctions, are listed in Section III of the Decree. The Decree provides for forms of exemption from the administrative liability of entities. In particular, it establishes that, in the event of a crime committed by a top management party, the entity is not liable if it proves that:

- the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models suitable for preventing offences of the type that occurred;
- the task of supervising the functioning and observance of the models and their updating has been entrusted to a corporate body with autonomous powers of initiative and control;
- individuals have committed the offence by fraudulently circumventing organisational and management models;
- there has been no lack of or insufficient supervision by the body responsible.

Therefore, in the case of a crime committed by top management, there is a presumption of liability on the part of the entity due to the fact that such parties express and represent the policy and, therefore, the will of the entity itself: this presumption, however, can be overcome if the entity can demonstrate the existence of the four conditions indicated above in compliance with the provisions of art. 6, paragraph 1 of the Decree.

In this case, although there is personal responsibility on the part of the top management, the entity is not liable under the Decree.

In the same way, the administrative liability of the entity also exists for offences committed by subordinates, if their action was made possible by failure to comply with management or supervisory obligations. In any case, failure to comply with these management or supervisory obligations is excluded if the company demonstrates that it has adopted and effectively implemented, prior to the commission of the offence, an organisational and management model suitable for preventing offences of the type that has occurred.

The Model must meet the following requirements:

- identification of the activities within the scope of which there is the potential that offences provided for in the Decree may be committed;
- provision of specific protocols aimed at planning the formation and implementation of the company's decisions in relation to the crimes to be prevented;
- identification of methods of managing financial resources suitable to prevent the commission of such offences;
- provision of information obligations towards the body responsible for supervising the functioning of and compliance with the Model;
- introduction of a disciplinary system suitable to sanction non-compliance with the measures indicated in the Model;

- provision of adequate information channels that, also through IT methods and ensuring the confidentiality of the identity of the reporter, allow individuals in top positions and their subordinates to submit detailed reports of unlawful conduct or violations of the Model;
- prohibit retaliatory or discriminatory acts against whistle-blowers for reasons linked - directly or indirectly - to the reporting of potential violations of the Model.

The Parent Company has long since adopted a Model aimed at preventing the risk of incurring administrative liability of entities for the offences provided for in the Decree. The Cassa Centrale Banca model consists of two parts.

The General Section provides a description of the reference regulatory framework, the Bank's governance model and organisational set-up, the tasks and responsibilities of the Supervisory Board, the disciplinary system and the training and communication plan relating to the Model. It also provides indications on the methodology used to define the Model. Lastly, it identifies the roles and responsibilities regarding the adoption and updating of the Model.

The Special Section, organised in specific protocols for each category of offense envisaged by the Decree, identifies the sensitive activities within which the commission of such offenses is reasonably conceivable, as well as the control measures, the organisational measures and the behavioural principles to be adopted for the purpose preventing their commission.

In particular, through the adoption and constant updating of the Model, the Parent Company has proposed pursuing the following main objectives:

- contribution to the internal dissemination of knowledge of the offences provided for in the Decree and of the activities that may lead to their implementation;
- communication within the Bank of the knowledge of activities in the context of which there is a risk of offences being committed and the internal rules adopted by the Bank governing the same activities;
- communication of full awareness that conduct contrary to the law and internal provisions is condemned by the Bank, as, in carrying out its corporate mission, it intends to comply with the principles of legality, fairness, diligence and transparency;
- assurance of an organisation and system of controls appropriate to the activities carried out by the Parent Company and guarantees of the correctness of the behaviour of top management, employees and collaborators.

With the establishment of the Cooperative Banking Group, the Parent Company launched a project to progressively adapt its Model in order to ensure alignment with the new governance structure and the changed operating environment. The updating activity was concluded with the approval of the same by the Board of Directors on 4 June 2020, also taking into account the regulatory changes introduced in 2019. With respect to these changes, the Parent Company has also provided operational support to the Affiliated Banks for updating their respective Models.

At the same time, during the period of reference, the Parent Company continued the project aimed at rationalising and standardising the management of the administrative liability of entities by the Group Companies, through the preparation of a document containing principles and guidelines with which they are required to comply. In particular, the document envisages that all Italian subsidiaries are required to adopt a Model if, based on the results of the risk self-assessment activity, there is a concrete exposure to the risk of commission of offences. In such cases, they are also required to set up a Supervisory Board in accordance with the guidelines provided in the document, as well as to prepare specific information flows aimed at enabling the Parent Company to become aware of relevant facts concerning the companies themselves.

Furthermore, on 30 July 2020, Legislative Decree no. 75 of 14 July 2020 came into force with rules for the "implementation of Directive (EU) no. 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law". This Decree made numerous changes to the system of administrative liability of entities, both through the introduction of new offences in the "catalogue" of so-called predicate offences (pursuant to Legislative Decree no. 231 of 8 June 2001), and through the amendment of existing offences.

Consequently, Cassa Centrale Banca commenced the assessment of the impacts of the new regulations through the performance of the risk assessment, aimed at identifying the activities within which the offences may be committed as well as determining the relative level of exposure to the risk of commission thereof and the appropriate mitigating measures. This activity was concluded with the approval, by the Board of Directors, of the update of the Model on 30 March 2021.

Subsequently, documentation templates were issued to the Affiliated Banks, to be customised in relation to the specific operating context of each one, to support the updating activities, which remain the responsibility of the individual Group company.

There were also two regulatory changes in 2021. On 29 November 2021, Legislative Decree no. 184 of 8 November 2021 on "Implementation of Directive (EU) no. 2019/713 of the European Parliament and of the Council of 17 April 2019 on combating fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision no. 2001/413/JHA" was published in the Official Gazette.

Finally, on 30 November 2021, Legislative Decree no. 195 of 8 November 2021 "Implementation of Directive (EU) no. 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by means of criminal law" was published in the Official Gazette.

As a result of these regulatory interventions, Cassa Centrale Banca started the analyses aimed at identifying the consequent changes to be made to the Organisational, Management and Control Model.

For more details on Legislative Decree no. 184/2021 and Legislative Decree no. 195/2021, please refer to the paragraph "Significant regulatory events that occurred during the year".

Sustainability

The Sustainability Plan

In recent years, sustainability has become increasingly important and has become a central theme in the United Nations 2030 Agenda and in policy goals for the future.

Aware of the importance of pursuing sustainable development, the Cassa Centrale Group has set itself the goal of guaranteeing, in the light of the cooperative values that distinguish it, the transition to economic, social and environmental sustainability for all the communities and territories in which it operates, acting as an interpreter of sustainability, according to its own path, which respects its specific features that can be summarised as follows:

- as banks: to maintain balanced management in order to be able to play a full role in serving the Communities;
- as a BCC: to enhance knowledge of proximity and the privileged relationship with cooperative members, which derive from its regional roots and small/medium size;
- as a Group: combining the autonomy of banks with the economies and synergies of being a Group.

Non-financial reporting is prepared by ensuring comparability with the rest of the banking system and at the same time enhancing the principles of mutual cooperation.

The activities already underway and those planned for the future according to a gradual path have been collected in the first Sustainability Plan, approved by the Board of Directors in the meeting of 2 December and structured in 4 thematic areas: Governance and Sustainable Business Development, Collaborators, Community Members and Customers, Environment. These areas refer to the Sustainable Development Goals and summarise the detailed initiatives.

The Plan represents the organic evolution of activities already carried out, combining different elements:

- the 2021-2024 Strategic Plan, both in general terms and in terms of ESG enabling factors and related indicators (KPIs);
- the aforementioned Sustainable Development Goals, legal and regulatory requirements and the Group's identity principles;
- the issues reported in the Consolidated Non-Financial Statement.

The rolling update of the Sustainability Plan, in strong coordination with the Strategic Plan, will allow for a gradual refinement of the objectives, also responding to the increasingly intense regulatory requirements and innovations in this field.

In short, the Plan is an opportunity to enhance, affirm and reaffirm our being a Cooperative Banking Group, which interprets sustainability according to its own path, maintaining and improving its attention to the territory.

In 2021, the activities aimed at evolving the governance and organisational structure of Cassa Centrale Banca for the management of ESG issues in order to meet regulatory requirements and implement the overall ESG strategy also began. This was formalised at the beginning of 2022.

The initiative with Caritas Italiana

Since the outbreak of the Covid-19 pandemic, the number of people turning to Caritas throughout Italy has increased considerably: requests for help from people who have lost their jobs have risen by 80%, and people who had never before turned to Caritas for support accounted for 25% of the total number of people met.

The uncertainty over the duration of this pandemic crisis worsened the conditions of many families, who slipped below the poverty line, into situations of extreme fragility and high risk.

In this context, Cassa Centrale Banca, in addition to other interventions, intervened by donating, together with Allitude Group companies, Claris Leasing and Assicura, EUR 1 million distributed among the 9 diocesan Caritas branches and to Caritas Italiana.

Each beneficiary diocesan Caritas proposed and implemented specific projects in 2021, in response to the requests for help from the people most affected by the pandemic.

The areas of intervention were identified according to the different situations of need in the various territories.

As a result of the positive results achieved during the year, at the end of 2021 Cassa Centrale Banca, together with Allitude, disbursed a new total donation of EUR 1 million spread over 15 interventions in favour of Caritas Italiana to address particularly critical social situations throughout the country.

The support initiatives will be specifically aimed at countering - and hopefully overcoming - situations of distress and fragility among adolescents and young people exacerbated by the continuing pandemic situation.

Projects can be developed in four main areas:

- school: teaching support (including distance learning), school club that organises extra-curricular activities for school students, scholarships for young people (including university students), access to electronic equipment;
- health: psychological support (including family support), health education, check-ups and early diagnosis, support to frail minors (with disabilities, learning disorders, etc.);
- social relations and culture: educational workshops (music, theatre, cooking, language), environmental responsibility courses, aggregation and socialisation activities, sports activities;
- training (for young adults): vocational training and qualification courses, job placement courses, curricular and extracurricular internships with work grants.

Trade initiatives

Cassa Centrale took part in the first “Cooperative Sustainability Day” organised on 3 November by Confcooperative, with Federcasse at the Palazzo della Cooperazione in Rome. The event pointed out the strong value identification of the cooperative system with the goals of the 2030 Agenda.

It also took part in the trade initiative that involved Shareholders and customers of affiliated banks in filling in the questionnaire on the propensity to invest in sustainable instruments, collecting almost 5,800 questionnaires, distributed thanks to the cooperation of a significant number of Affiliated Banks. The overall results of the survey will be released in spring 2022.

Consolidated non-financial statement

For more details on the Group’s Sustainability, please refer to the Consolidated Non-Financial Statement, which Cassa Centrale Banca prepares on an annual basis pursuant to Article 5, paragraph 3 of Legislative Decree no. 254/2016. The document is published on the Cassa Centrale Banca website at www.cassacentrale.it in the “Investors” section.

Research and Development

The Cassa Centrale Group carries out research and development activities in line with its strategic objectives and market needs. This component is discussed in various sections of this Report as part of the activities managed by the Corporate Functions of the Parent Company and Subsidiaries during 2021.

Country-by-country reporting

The "Country-by country" reporting as provided for by Art. 89 of Directive no. 2013/36/EU of the European Parliament and of the Council (known as CRD IV), is published on the Bank's website www.cassacentrale.it.

Significant events occurred after the end of the financial year

It should be noted that, after 31 December 2021 and until the date of approval by the Board of Directors of this consolidated financial report, no events, facts or circumstances have occurred that led to a change in the data approved at that time, nor that they have had significant subsequent impacts on the Group's financial position and income statement.

The main events that occurred after the end of the year are shown below.

Launch of the Climate Risk Stress Test ("2022 SSM climate risk stress test")

In recent years, the issue of climate change received increasing attention from policymakers, Supervisory Authorities and other relevant institutions, many of which have carried out stress test exercises. Examples are the energy transition stress tests carried out in 2018 by the Dutch Central Bank (DNB), the joint climate stress test pilot exercise coordinated by the *Autorité de contrôle prudentiel et de resolution* (ACPR) and the *Banque de France* in 2020 or the two-year climate exploratory scenario (CBES) launched by the Bank of England in June 2021.

It is also well known that climate and environmental risks have been on the ECB's agenda for several years and - most likely - will become one of the SSM's priorities for 2022. As part of its climate roadmap, the ECB carried out an ECB economy-wide climate stress test in 2021.

The ECB itself envisaged the launch of a specific climate stress test ("2022 SSM climate risk stress test"), to be carried out starting in March 2022 and ending in July 2022. This stress test will require financial institutions to report on a common set of climate risk metrics, including the volume of greenhouse gas emissions they finance. Moreover, it will be required to assess their short-term exposure to physical and transition risk, and their exposure to transition scenarios over the next 30 years.

In the letter inviting to take part in this stress test exercise, the ECB noted that it considers this stress test exercise to be a "learning exercise", both for the participating banks and the supervisor, which will improve data quality and availability.

It represents - in a nutshell - the beginning of a journey that, in the first instance, aims to identify vulnerabilities, best practices in the sector and challenges faced by European banks, the results of which will be integrated into the Supervisory Review and Evaluation Process (SREP) using a qualitative approach (no direct capital impact on Pillar 2 guidance is envisaged).

The stress test consists of three modules:

- Module 1: general questionnaire to assess how banks are building their climate stress test capabilities as a risk management tool. Module 1 will provide an overview of the positioning of banks in this process.
- Module 2: benchmarking analysis to compare banks on a common set of climate risk parameters. This translates into the calculation of two specific metrics aimed at estimating how much banks depend on income from greenhouse gas-intensive industries and how much greenhouse gas emissions banks finance. Module 2 will provide an indicative proxy for the sustainability of the banks' business model and how exposed banks are to emission-intensive companies.
- Module 3: bottom-up stress test focusing on transition and physical risks. The stress test assesses how extreme weather events would affect banks in the coming year, how vulnerable they would be if the price of carbon emissions rose sharply over the next three years, and how banks respond to transition scenarios over the next 30 years.

The Group was invited to participate in the first two Modules, thus being exempted from participating in Module 3 (for which, however, the provision of the starting points to the ECB is required).

Complaints and disputes

On 5 January 2022, the Court of Cassation published an order dismissing the appeal filed by North East Services S.p.A. under extraordinary administration (hereinafter NES) against the order of the Court of Treviso issued in the challenge against the bankruptcy liabilities of the insolvency procedure.

Specifically, with regard to the claim for the assets deposited by Cassa Centrale Banca and owned by the latter (amounting to EUR 930,327.90 at the time of the declaration of insolvency of NES), the Official Receiver of the Court of Treviso dismissed the claim and ordered that Cassa Centrale Banca be established as an unsecured creditor only. In view of this, Cassa Centrale Banca challenged against the bankruptcy liabilities, appealing against the decision of the Official Receiver in the part in which it excluded the claim in its entirety and established Cassa Centrale Banca as an unsecured creditor for the claimed amount of EUR 930,327.90. In the challenge against the bankruptcy liabilities, the Court of Treviso, with order dated 7 January 2016, recognised in favour of Cassa Centrale Banca the claim/return of part of the money that NES should have kept at the date of the opening of the proceedings (EUR 273,074.36) and allowing a residual claim of approximately EUR 657,253.54 in bankruptcy on an unsecured basis. In a subsequent appeal, NES requested the repeal of the aforementioned order and the confirmation of the bankruptcy liabilities in the part in which it established Cassa Centrale Banca for the whole of its claim as an unsecured creditor. The Court of Cassation dismissed the appeal and ordered NES to pay the legal costs.

Inspection by the Bank of Italy on Anti-Money Laundering and Transparency

In the first half of 2021, the Banking Group was subject to an inspection by the Bank of Italy aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services. The results of the inspection were communicated by means of an inspection report dated 12 January 2022.

The Supervisory Authority found that two and a half years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's anti-money laundering and transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks. The areas of intervention are currently being analysed, also in order to prepare a detailed implementation schedule to be submitted to the Bank of Italy.

ECB inspection on credit and counterparty risk

In a letter dated 17 December 2021, the ECB informed the Cassa Centrale Group of the start of an inspection of credit and counterparty risk from March 2022, focusing on exposures to "Commercial Real Estate", as part of a broader spectrum of control and analysis activities carried out on the entire European banking system.

New SREP Decision

In a letter dated 2 February 2022, the Banking Supervisory Board communicated its approval of the ECB's decision establishing the new capital, liquidity and qualitative requirements for Cassa Centrale Banca, effective from 1 March 2022. This decision is based on the Supervisory Review and Evaluation Process (SREP) carried out in 2021.

The Group is required to meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.50%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%, to be held through CET1 instruments for at least 56.25% and in the form of Tier 1 capital for 75%.

Awarding of first rating by DBRS Morningstar

On 8 February 2022, the rating agency DBRS Morningstar, at the end of the first assessment process carried out on Cassa Centrale Banca, awarded the latter a BBB (Low) rating in relation to the Long-Term Issuer Rating and Long-Term Senior Debt profiles. In this way, the issuer and the related issues of financial instruments are placed in the "Investment Grade" category. This category includes instruments considered to be of higher quality, issued by companies characterised by positive management and favourable development prospects.

DBRS's assessment takes into account the role of Parent Company played by Cassa Centrale Banca since the establishment of the Cooperative Banking Group in 2019, in exercising management and coordination over the affiliated Cooperative Credit Banks-Rural Banks and Raiffeisenkassen, monitoring the stability of the Group.

In particular, the levels of liquidity, capitalisation and funding were considered positive. Further strengths of the Group were found in the improvement of asset quality and the high level of coverage of impaired loans.

Extraordinary shareholders' meeting for amendments to the articles of association

On 7 March 2022, the ECB communicated the approval of the application for assessment pursuant to Article 56 of the TUB of the amendments to the articles of association approved by the Board of Directors at its meeting on 2 December 2021 (for further details on the aforementioned amendments to the articles of association, please refer to the section "Significant events during the year").

The Board of Directors, in accordance with the provisions of Article 2364 of the Italian Civil Code and Article 15.1 of the Articles of Association, resolved, inter alia, to convene the Shareholders' Meeting within one hundred and eighty days of the end of the financial year, since Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. is a company required to prepare consolidated financial statements.

The Extraordinary Shareholders' Meeting, which met on 25 March 2022, gave its final and formal approval to the above-mentioned amendments in order to make them effective in time for the Ordinary Shareholders' Meeting to approve the financial statements as at 31 December 2021, which is also called to renew the corporate officers for the three-year period 2022-2024.

Resignation of the Chief Executive Officer and General Manager of Cassa Centrale Banca and assignment of the temporary position

In December 2021, Mario Sartori resigned from his position as Chief Executive Officer and General Manager of Cassa Centrale Banca with effect from 1 February 2022.

Following this, the Board of Directors, during its meeting of 3 February 2022, co-opted Sandro Bolognesi, former CFO and Deputy General Manager of the Parent Company, and appointed him as Chief Executive Officer and General Manager. The mandate will expire on the occasion of the renewal of the corporate bodies, which will take place at the Ordinary Shareholders' Meeting called to approve the 2021 financial statements.

Share capital increase of NEAM

In its meeting of 2 December 2021, the Board of Directors of Cassa Centrale Banca resolved to subscribe to the share capital increase promoted by the Board of Directors of Neam. The capital increase, which was completed on 17 January 2022 for an amount of EUR 1,525,000, was necessary to provide the company with the resources required to meet its capital ratios following the increase in the company's assets under management.

After the increase, Neam's share capital now consists of 240,000 shares of 12.5 EUR/share, for a value of EUR 3,000,000.

CENTRALE CREDIT SOLUTIONS S.r.l. – change of organisational structure and voluntary liquidation of the Company

Following the establishment of the Re.o.Co. Management Structure, Centrale Soluzioni Immobiliari S.r.l., the Board of Directors of Cassa Centrale Banca, in its meeting of 27 January 2022, ordered the convening of an Extraordinary Shareholders' Meeting of Centrale Credit Solutions S.r.l. to start the procedure for the liquidation of the Company.

Sale of Iccrea S.p.A. shares - Tranche III

With regard to the equity investment in Iccrea Banca S.p.A., the third tranche of the sale of its shares, equal to 897,000 shares for a value of EUR 47,361,600, originally scheduled for 31 December 2021 and included in the "shareholding structure" Transaction Agreement of 14 October 2019, was finalised - subject to agreement between the Parties - on 19 January 2022. Following this transaction, the Group holds a total of 3.31% of Iccrea Banca SpA, of which 0.49% is held directly by Cassa Centrale Banca.

This equity investment will be divested by 31 December 2022.

Definition of the partnership with Assimoco Group in the bancassurance sector

On 10 March 2022, the Board of Directors of Cassa Centrale Banca resolved to continue exclusive negotiations with the Assimoco Group in order to define a five-year collaboration for the distribution of a complete range of life and non-life insurance products through the Affiliated Banks of the Cassa Centrale Group and through its subsidiary Assicura Agenzia.

Assimoco is a subsidiary of the German insurance company R+V Versicherung, which belongs to the DZ Bank Group, a historical partner of Cassa Centrale Banca and an expression of German cooperative credit.

Update on cyber risk management in the light of the Russian-Ukrainian conflict

Although the Cassa Centrale Group operates in the financial sector, it is currently unlikely to be a direct target of cyber attacks from Russia, as no assets owned by any of the "oligarchs" have been frozen. There are also no impacts due to cyber threats related to the Russian-Ukrainian conflict. However, the attention and potential risk is medium to high.

In the light of these considerations, specific actions to strengthen the Group's security control unit were examined, with a special attention to the following areas:

- prevention technologies;
- threat analysis, collection and enhancement of IoC shared by Cyber Threat Intelligence sources;
- critical supplier risk management;
- awareness and communication;
- business continuity.

Detailed information on the current geopolitical context and cyber risk management actions related to the Russian-Ukrainian conflict were also shared internally with control functions and top management.

Finally, on 8 March 2022, the joint document of the Regulators (Bank of Italy, Consob, IVASS, FIU) of 7 March 2022 concerning the "Call for compliance with the restrictive measures adopted by the EU in response to Russia's military aggression in Ukraine" was forwarded to all Group Banks and Companies for guidance and management purposes.

For further information regarding the possible impact of the Russian-Ukrainian crisis on the Group, please refer to the chapter "Business outlook".

Business outlook

2021 saw the prolonged effects of the current health emergency, which generated significant impacts in terms of health on the social, economic and financial fabric of large areas of the world.

The measures issued by the European Authorities together with the government interventions (in particular the Decrees "Cura Italia", "Liquidità" and "Rilancio") are helping to contain the recessionary effects, and the massive vaccination campaign makes it possible to look forward to 2022 with greater positivity. Nonetheless, the entire banking sector will have to continue to assess the evolution of the situation with great care, all the more so in an environment conditioned by the increase in the costs of raw materials and energy.

A strong focus on the reduction of impaired loans must be maintained, aiming at a continuous improvement in asset quality. The effects of the pandemic on the various sectors of the economy are not yet fully appreciated, so the focus on credit risk management will have to remain high.

The stable financial markets in 2021 allowed for growth in household financial investments so that cash investments in asset management instruments continued to support revenues. The climate of persisting uncertainty certainly influenced this trend.

One of the new developments on the macroeconomic front in the second half of 2021 is the issue of inflation. After a prolonged period of virtually no price pressure, prices have been rising rapidly in recent months. The trend initially seemed temporary and related to the price of raw materials and energy. In recent months, the phenomenon has proved to be more structural, and this could lead to a revision of market interest rate expectations in the coming months.

Therefore, bank lending and borrowing rates could undertake an upward normalisation phase after many years of ultra-expansionary policies by all major central banks. The timing and intensity of this normalisation is still uncertain.

A lower contribution to profitability could come from payment and liquidity management services, also as a result of increased competitive pressure from non-banking operators and the digital transformation process. Within a context of weakness in traditional banking activity, improving operating efficiency, cost reduction and new business strategies are confirmed as the main levers for the recovery of profitability in the sector.

In the current economic and social context, the Group continues to focus its attention on the one hand on strongly supporting the economic fabric of the reference territories, which are facing a crisis never experienced in the past, and on the other on overseeing the overall risk profile.

Activities related to the Group's organisational and operational structure continue, also considering that the new operating context will require further investments in technology and human capital.

With regard to the ongoing military crisis in Ukraine, Cassa Centrale Banca acted promptly in order to intercept the possible impacts of the conflict and measure its effects on the Group, also with respect to the most exposed customers.

In this context, despite the considerable uncertainties of this phase, the reference macroeconomic scenarios are of particular relevance: their continuously evolving updates show a significant increase in energy and raw material procurement costs, which may be mitigated by possible government support measures currently under discussion.

The very duration of the conflict is now an unpredictable variable, but at the same time fundamental in determining the repercussions on the Italian and world economies. Consequently, a clearer quantification of the impacts will only be possible in 2022.

On the other hand, with regard to the Cassa Centrale Group's direct exposures to Russia and to entities residing in Russia, note that the amounts were immaterial as at 31 December 2021.

Independent Auditors' Report on the Financial Statements of the Cassa Centrale Group

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Classification and valuation of loans to customers for financing measured at amortised cost

Description of the key audit matter

As indicated in the Consolidated Explanatory Notes "Part B - Information on the Consolidated Balance Sheet – Section 4 of Assets" and in the Report on Consolidated Operations – paragraph "Credit Quality", the gross amount of loans to customers for financing measured at amortised cost as at December 31, 2021 is equal to Euro 48,518 milion (of which Euro 2,876 milion of non-performing loans), reduced by adjustment provisions of Euro 2,685 milion (of which Euro 2,118 milion related to non-performing loans), resulting in a net amount of Euro 45,833 milion (of which Euro 758 milion of non-performing loans).

Furthermore, the Report on Consolidated Operations shows that the coverage ratio of loans to customers for financing measured at amortised cost as at December 31, 2021 is equal to 5.5%. More specifically, in accordance with the allocation required by IFRS 9 "Financial Instruments", the coverage ratio of performing exposures, classified in "First Stage" and "Second Stage", is equal to 1.2%, while the coverage ratio of non-performing exposures, classified in "Third Stage", is equal to 73.6%.

The Consolidated Explanatory Notes "Part A – Accounting Policies" and "Part E – Information on Risks and Related Hedging Policies" describe:

- the processes and the classification criteria of credit exposures adopted by the Group in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards;

- the measurement criteria of loans to customers measured at amortised cost as well as the estimate methods of the expected credit losses and for determining the loan loss provisions based on the allocation of credit exposures among the three reference stages.

Moreover, as part of its policies for managing loans to customers, the Group has adopted credit monitoring processes and controls with particular reference, among other things, to positions that benefited from Covid-19 moratorium also through a more structured segmentation into homogeneous risk clusters.

In fact, during 2021, the general macroeconomic and sector framework was still affected by significant uncertainty due to the evolution of the Covid-19 pandemic and the related containment measures, continuing to require banks to manage the related impacts on credit risk and on the related accounting estimates. In addition, the context has continued to be characterized by initiatives and concessions introduced by the governments and monetary authorities, whose impacts on the Group's economic and financial situation are described in the Consolidated Explanatory Notes – Parts B, C and E, which include, also for the fiscal year 2021, specific disclosures concerning the effects of the Covid-19 pandemic and of the measures to support the economy on the Group's strategy, objectives and risk management policies, as well as on the Group's economic and financial situation.

In addition, the Group implemented further refinements to the IFRS 9 impairment model to reflect the guidelines and recommendations provided by the regulatory and european supervisory bodies, by identifying, among other things, some areas of intervention considered worthy of further incisive actions and controls to increase coverage levels in accordance with the guidelines of the regulators and with the Group policies.

Considering the significance of the amount of loans to customers for financing measured at amortised cost recorded in the financial statements, the increased complexity of the monitoring process of the credit quality and of the estimation process of the expected credit losses adopted by the Group, also taking into account the prolonged effects Covid-19 pandemic, and the relevance of the discretionary components inherent in such processes, we considered the classification and valuation of loans to customers for financing measured at amortised cost as a key audit matter of the consolidated financial statements of the Group as at December 31, 2021.

Audit procedures performed

The main audit procedures performed, also supported by specialists of the Deloitte Network, were as follows:

- analysis of the lending process with particular reference to the recognition and understanding of the organisational and procedural controls set up by the Group to ensure the monitoring of credit quality and the correct classification and measurement of the credit exposures in accordance with the regulatory framework, the internal policies and applicable accounting standards;

- check the implementation and operating effectiveness of the relevant controls identified in relation to the classification and valuation processes of loans to customers for financing measured at amortised cost;

- analysis and understanding of the main valuation models adopted by the Group for the determination of the additional loan loss provisions relating to performing loans, and the related refinements, as well as check of the reasonableness of the parameters subject to estimation;
- check, on a sample basis, the classification of performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Group's internal policies and applicable accounting standards, with focused analysis on high-risk performing loans (known as "bonis sotto osservazione");
- check, on a sample basis, of the classification and measurement of non-performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Group's internal policies and applicable accounting standards;
- comparative and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortised cost and of related loan loss provisions, also through examination of the monitoring reports provided by the Group and discussion of the related results with the functions involved;
- analysis of subsequent events occurring after the reference date of the financial statements;
- check the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Other Matters

The consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as of December 31, 2020 have been audited by other auditors that on April 15, 2021 expressed an unmodified opinion on those consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has appointed us on June 16, 2021 as auditors of the Bank for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the report on operations of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2021 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
April 22, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Consolidated Financial Statements of the Cassa Centrale Group

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

	ASSETS	31/12/2021	31/12/2020
10.	Cash and cash equivalents	895	823
20.	Financial assets designated at fair value through profit or loss	593	607
	a) financial assets held for trading	6	7
	b) financial assets designated at fair value	1	2
	c) other financial assets mandatorily measured at fair value	586	598
30.	Financial assets designated at fair value through other comprehensive income	11,036	9,440
40.	Financial assets measured at amortised cost	75,250	72,859
	a) loans to banks	4,055	2,793
	b) loans to customers	71,195	70,066
50.	Hedging derivatives	6	2
60.	Fair value change of financial assets in hedged portfolios	17	45
70.	Equity investments	64	75
90.	Tangible assets	1,245	1,270
100.	Intangible assets	83	82
	of which:		
	- goodwill	28	28
110.	Tax assets	778	849
	a) current	166	165
	b) deferred	612	684
120.	Non-current assets and groups of assets held for disposal	3	7
130.	Other assets	1,180	738
	Total assets	**91,150**	**86,797**

	LIABILITIES AND EQUITY	31/12/2021	31/12/2020
10.	Financial liabilities measured at amortised cost	81,734	77,873
	a) due to banks	16,611	17,438
	b) due to customers	61,388	55,447
	c) debt securities in issue	3,735	4,988
20.	Financial liabilities held for trading	3	9
30.	Financial liabilities designated at fair value	1	15
40.	Hedging derivatives	29	57
60.	Tax liabilities	58	81
	a) current	9	8
	b) deferred	49	73
80.	Other liabilities	1,876	1,571
90.	Provision for severance indemnity	118	130
100.	Provisions for risks and charges	355	339
	a) commitments and guarantees given	137	121
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	218	218
120.	Valuation reserves	43	72
140.	Equity instruments	6	6
150.	Reserves	6,114	5,915
160.	Share premium	73	75
170.	Share capital	1,272	1,274
180.	Own shares (-)	(866)	(866)
190.	Minority interests (+/-)	1	1
200.	Profit (loss) for the year (+/-)	333	245
	Total liabilities and equity	**91,150**	**86,797**

Consolidated Income Statement

	ITEMS	31/12/2021	31/12/2020
10.	Interest income and similar revenues	1,534	1,445
	of which: interest income calculated with the effective interest method	1,508	1,406
20.	Interest expenses and similar charges	(149)	(200)
30.	**Interest margin**	**1,385**	**1,245**
40.	Fees and commissions income	818	744
50.	Fees and commissions expenses	(101)	(87)
60.	**Net fees and commissions**	**717**	**657**
70.	Dividend and similar income	3	2
80.	Net result from trading	10	1
90.	Net result from hedging	1	(1)
100.	Profit (loss) from disposal/repurchase of:	202	357
	a) financial assets measured at amortised cost	162	305
	b) financial assets designated at fair value through other comprehensive income	40	52
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	17	2
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	17	2
120.	**Net interest and other banking income**	**2,335**	**2,263**
130.	Net value adjustments/write-backs due to credit risk relative to:	(525)	(611)
	a) financial assets measured at amortised cost	(525)	(609)
	b) financial assets designated at fair value through other comprehensive income	-	(2)
140.	Profit/loss from contractual changes without derecognitions	(1)	(5)
150.	**Net income from financial activities**	**1,809**	**1,647**
180.	**Net income from financial and insurance activities**	**1,809**	**1,647**

	ITEMS	31/12/2021	31/12/2020
190.	Administrative expenses:	(1,507)	(1,439)
	a) staff expenses	(901)	(870)
	b) other administrative expenses	(606)	(569)
200.	Net allocations to provisions for risks and charges	(34)	(56)
	a) commitments and guarantees given	(19)	(20)
	b) other net allocations	(15)	(36)
210.	Net value adjustments/write-backs to tangible assets	(104)	(101)
220.	Net value adjustments/write-backs to intangible assets	(17)	(16)
230.	Other operating expenses/income	226	235
240.	**Operating costs**	**(1,436)**	**(1,377)**
250.	Profit (loss) on equity investments	(5)	(1)
260.	Net result of fair value measurement of tangible and intangible assets	(1)	-
280.	Profit (loss) from disposal of investments	-	1
290.	**Profit (loss) before tax from current operating activities**	**367**	**270**
300.	Income taxes for the year on current operating activities	(36)	(25)
310.	**Profit (loss) after tax from current operating activities**	**331**	**245**
330.	**Profit (loss) for the year**	**331**	**245**
340.	Profit (loss) for the year for minority interests	2	-
350.	**Profit (loss) for the Parent Company**	**333**	**245**

Statement of consolidated comprehensive income

	ITEMS	31/12/2021	31/12/2020
10.	**Profit (loss) for the year**	**331**	**245**
	Other post-tax components of income without reversal to the income statement	**(5)**	**(37)**
20.	Equities measured at fair value through other comprehensive income	(4)	(35)
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	(2)
60.	Intangible assets	-	-
70.	Defined benefit plans	(1)	-
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**(24)**	**60**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non designated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	(24)	60
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
170.	**Total other post-tax components of income**	**(29)**	**23**
180.	**Comprehensive income (Item 10+170)**	**302**	**268**
190.	**Consolidated comprehensive income pertaining to minority interests**	**(2)**	**-**
200.	**Consolidated comprehensive income pertaining to the Parent Company**	**304**	**268**

Statement of changes in consolidated equity as at 31/12/2021

				Allocation of result from previous year		Changes during the year										
							Equity transactions									
	Balances as at 31/12/20	Adjustment to opening balances	Balances as at 01/01/21	Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2021	Group equity as at 31/12/21	Equity pertaining to minority interests as at 31/12/21
Share capital:																
a) ordinary shares	1,266	X	1,266	-	X	X	4	(6)	X	X	X	X	-	X	1,264	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	75	X	75	-	X	(3)	1	X	X	X	X	X	-	X	73	-
Reserves:																
a) of profit	5,902	-	5,902	210	X	(6)	-	-	-	X	X	X	-	X	6,106	3
b) other	13	-	13	-	X	(5)	-	X	-	X	-	-	-	X	8	-
Valuation reserves	72	-	72	X	X	-	X	X	X	X	X	X	-	(29)	43	-
Equity instruments	6	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-
Own shares	(866)	X	(866)	X	X	X	-	-	X	X	X	X	X	X	(866)	-
Profit (loss) for the year	245	-	245	(210)	(35)	X	X	X	X	X	X	X	X	333	333	(2)
Group equity	**6,721**	**-**	**6,721**	**-**	**(35)**	**(14)**	**5**	**(6)**	**-**	**-**	**-**	**-**	**-**	**304**	**6,975**	
Equity pertaining to minority interests	**1**	**-**	**1**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**		**1**

Statement of changes in consolidated equity as at 31/12/2020

				Allocation of result from previous year		Changes during the year										
							Equity transactions									
	Balances as at 31/12/19	Adjustment to opening balances	Balances as at 01/01/20	Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2020	Group equity as at 31/12/20	Equity pertaining to minority interests as at 31/12/20
Share capital:																
a) ordinary shares	1,268	X	1,268	-	X	X	3	(5)	X	X	X	X	-	X	1,266	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	75	X	75	-	X	-	-	X	X	X	X	X	-	X	75	-
Reserves:																
a) of profit	5,704	-	5,704	189	X	12	-	(1)	-	X	X	X	(2)	X	5,902	1
b) other	12	-	12	-	X	1	-	X	-	X	-	-	-	X	13	-
Valuation reserves	55	-	55	X	X	(6)	X	X	X	X	X	X	-	23	72	-
Equity instruments	6	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-
Own shares	(869)	X	(869)	X	X	X	3	-	X	X	X	X	X	X	(866)	-
Profit (loss) for the year	221	-	221	(189)	(32)	X	X	X	X	X	X	X	X	245	245	-
Group equity	**6,480**	**-**	**6,480**	**-**	**(32)**	**7**	**6**	**(6)**	**-**	**-**	**-**	**-**	**(2)**	**268**	**6,721**	
Equity pertaining to minority interests	**4**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**		**1**

Consolidated cash flow statement

Indirect method

	Amount	
	31/12/2021	31/12/2020
A. OPERATING ACTIVITIES		
1. Operations	**671**	**731**
- income for the year (+/-)	331	245
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (-/+)	(6)	-
- gains/losses on hedging activities (-/+)	(1)	1
- net value adjustments/write-backs due to credit risk (+/-)	525	611
- net value adjustments/write-backs to tangible and intangible assets (+/-)	121	117
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	34	55
- uncollected net premiums (-)	-	-
- other uncollected insurance revenue/charges (-/+)	-	-
- taxes, duties and tax credits not settled (+/-)	36	25
- net value adjustments/write-backs from discontinued operations net of tax (-/+)	-	-
- other adjustments (+/-)	(369)	(323)
2. Cash flows generated/used by the financial assets	**(4,564)**	**(14,033)**
- financial assets held for trading	2	-
- financial assets designated at fair value	1	-
- other assets obligatorily measured at fair value	17	(5)
- financial assets designated at fair value through other comprehensive income	(1,624)	(1,868)
- financial assets measured at amortised cost	(2,545)	(12,258)
- other assets	(415)	98
3. Cash flows generated/used by the financial liabilities	**4,086**	**13,357**
- financial liabilities measured at amortised cost	3,861	13,730
- financial liabilities held for trading	(6)	2
- financial liabilities designated at fair value	(14)	(35)
- other liabilities	245	(340)
Net cash flow generated/used by operating activities	**193**	**55**

	Amount	
	31/12/2021	31/12/2020
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**20**	**35**
- sales of equity investments	-	13
- dividends collected on equity investments	3	2
- sales of tangible assets	17	20
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(106)**	**(121)**
- equity investment acquisitions	(1)	-
- tangible asset acquisitions	(89)	(105)
- intangible asset acquisitions	(16)	(16)
- purchases of subsidiaries and business units	-	-
Net cash flow generated/used by investment activities	**(86)**	**(86)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(35)	(32)
- sale/purchase of third parties' controlling interests	-	-
Net cash flow generated/used by funding activities	**(35)**	**(32)**
NET CASH FLOWS GENERATED/USED DURING THE YEAR	**72**	**(63)**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	823	886
Total net cash flows generated/used during the year	72	(63)
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	895	823

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General part

Section 1 – Statement of compliance with international accounting standards

Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as the "Cassa Centrale Group" or the "Group") is required to prepare its consolidated financial statements in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission under the procedure set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the reference date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), limited to those applied for the preparation of the consolidated financial statements as at 31 December 2021.

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The seventh update, issued on 29 October 2021 and supplemented by the communication of 21 December 2021, called "Update of the additions to the provisions of Circular 262. Bank financial statements: layouts and rules of preparation" concerning the impacts of Covid-19 and measures to support the economy.

It should be noted that the 7th update of the Bank of Italy Circular no. 262 of 2005 introduced some changes to the financial statement information, with a special reference to the items of the balance sheet assets "Cash and cash equivalents" and "Financial assets measured at amortised cost". Therefore, where necessary, the comparison period was restated in order to improve the comparison of the items in the accounts.

In interpreting and applying the new international accounting standards, reference was also made to the "Framework for the Preparation and Presentation of Financial Statements", i.e. the Systematic Framework for the preparation and presentation of financial statements (known as Conceptual Framework or the Framework), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Group uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Group's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Section 2 – General preparation criteria

The consolidated financial statements of the Cassa Centrale Group include the Parent Company Cassa Centrale Banca and the direct and indirect subsidiaries: for further details on the scope of consolidation, please refer to "Section 3 – Scope and methods of consolidation" of this Part A.

The consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement, the Consolidated Explanatory

Notes, and are accompanied by the Directors' report on operations and the situation of the Group.

In addition, IAS 1 "Presentation of financial statements", requires the representation of a "statement of comprehensive income" also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Group chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive Income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive Income.

In compliance with the provisions of art. 5 of Legislative Decree no. 38/2005, the consolidated financial statements are prepared using the Euro as the accounting currency. The consolidated balance sheet and the consolidated income statement, as well as the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and the Consolidated Explanatory Notes have been prepared in millions of euros. Any differences found between the amounts in the Explanatory Notes and the consolidated financial statements are attributable to rounding up.

The consolidated balance sheet and the consolidated income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the consolidated income statement and the related section of the Explanatory Notes, revenues are recorded without sign, while the costs are indicated in brackets. In the statement of consolidated comprehensive income, the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the Consolidated Explanatory Notes, including when not specifically required by the legislation.

The Financial Statements as at 31 December 2021 have been prepared with clarity and give a true and fair view of the financial position, economic result for the year and changes in equity of the Bank.

The consolidated financial statements are prepared on the basis of the going concern assumption of the Cassa Centrale Group, as the directors reasonably expect that the Group will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Group and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Group may be subject in the flow of its operations, also considering the effects of the Covid-19 pandemic and the potential geopolitical risks related to the Russia/Ukraine conflict, are not significant and are therefore such as to cast doubt on the company's ability to continue as a going concern.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the carrying amount of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the carrying amount of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on active markets;
- the assessment of congruity in the value of goodwill and other intangible assets;
- the valuation of minority equity investments classified under item 30 "Financial assets measured at fair value through other comprehensive income";
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the consolidated financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the consolidated financial statements. For further details on the breakdown and relative carrying amounts of the specific statement captions affected by said estimates, see the relevant sections of these Consolidated Explanatory Notes. The processes adopted support the carrying amounts on the date of preparing the consolidated financial statements. The measurement process turned out to be particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by the considerable volatility of the financial parameters determined for the measurement as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors, not under the Group's control, which may undergo rapid and unforeseeable changes.

The consolidated financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of truth and fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the context of the Covid-19 pandemic, please refer to the specific paragraph included in "A.1 – General Part, Section 5 - Other aspects" of this Part A.

Note that the 2021 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the Financial Statements as at 31 December 2020 except for what is shown in the section "Other Aspects" in points d) and e) in relation to the measurement of loans to customers in the context of the Covid-19 pandemic.

The evaluation impact resulting from this update is reflected in item 130 of the income statement.

Section 3 – Scope and methods of consolidation

The Consolidated financial statements refer to a scope of consolidation better defined below. In this regard, the provisions of IFRS 10, 11, 12 and IFRS 3 have been taken into account, including in the scope of consolidation - as specifically provided for by IAS/IFRS - including companies operating in sectors of activity different from that of the Parent Company. Similarly, structured companies are also included if their control requirements are met, regardless of their mere shareholding.

Moreover, with regard to the consolidation of Cooperative Banking Groups, it should be pointed out that Law no. 145 of 30 December 2018 "State Budget for the 2019 financial year and multi-annual budget for the three-year period 2019-2021" (2019 Budget Law), in transposing into Italian law, Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC on the treatment of central bodies for the purposes of consolidated accounts, introduced the obligation to prepare consolidated financial statements for the whole of the central body and its affiliates (known as "single consolidating entity"). This Community provision had so far not been transposed in our country, given the absence, before the reform of cooperative credit, of central bodies in Italy, which are widespread in other European countries. Among other things, in the explanatory report to the 2019 Budget Law it is pointed out that the effects of the regulatory change are twofold:

a. "for the purposes of preparing the consolidated financial statements, the Parent Company and the banks belonging to the cooperative banking group constitute a single consolidating entity";

b. "in preparing the consolidated financial statements, the accounting items relating to the Parent Company and the Affiliated Banks are recorded on a consistent basis".

In this regard, it seems reasonable to believe that the Italian legislator, as part of the amendments introduced by the 2019 Budget Law, has taken into account the interpretation provided by the European Commission in 2006 according to which, even in the case of IAS adopters, the obligation to prepare consolidated financial statements must be assessed in accordance with the provisions of the national transposition of European directives.

In light of the interpretation of the European Commission and considering that, as a result of the transposition into Italian law of Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC, in the case of Cooperative Banking Groups, the entity required to prepare consolidated financial statements (reporting entity) is represented by the aggregation of the central body and the Affiliated Banks (known as "single consolidating entity"), it is considered that the rules of IFRS 10 "Consolidated Financial Statements" apply only for the purposes of identifying the scope of consolidation of the reporting entity; i.e. only for the purposes of assessing the existence of situations of control between the entities forming the reporting entity and third parties (e.g. subsidiaries of the Parent Company or individual Affiliated Banks).

Recognition of the reporting entity nature within the sole consolidating entity also implies that IFRS 3 would apply only to the accounting of business combinations involving the latter and third parties (e.g. in the case of acquisition of new subsidiaries).

The provision of the Testo Unico Bancario (Consolidated Banking Act - TUB), according to which the Cohesion Contract ensures the existence of a situation of control as defined by international accounting standards, must also be interpreted in light of the subsequent amendments made to national accounting regulations by the 2019 Budget Law.

In this context, on the one hand, the 2019 Budget Law defines the procedures with which to comply with the consolidation obligations in the case of central bodies, on the other hand, the TUB's provisions are important in order to circumscribe the Central Body's governance powers over its affiliates.

The aforementioned approach is consistent, among other things, with the approach already adopted in other European jurisdictions with regard to the manner in which central bodies and their affiliated entities are consolidated, as for example in France.

That being said, in line with the above, the preparation of the consolidated financial statements was carried out through a process of aggregation of:

- financial statements of the Parent Company Cassa Centrale Banca and its subsidiaries/associates over which it exercises control on the basis of the majority of voting rights and/or the connection on the basis of significant influence;
- financial statements of the Affiliated Banks and their subsidiaries/associates over which the Parent Company exercises direction and coordination on the basis of the Cohesion Contract.

This process was followed by a subsequent phase of reclassification to own shares of the same shares of Cassa Centrale Banca held by the Affiliated Banks and the elimination of the asset and economic balances attributable to intra-group transactions.

Subsidiaries

Without prejudice to that stated in the previous paragraph regarding the peculiarities of the consolidation method of the Cooperative Banking Group, the scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, and is realised when an investor simultaneously:

- has the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- has the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

The subsidiaries are consolidated from the date on which the Group acquires control, according to the 'acquisition method' - IFRS 3, and cease to be consolidated when control is no longer held.

The existence of control is subject to a continuous valuation process if there are events and circumstances that indicate the presence of a change in one or more of the three elements forming the control requirement, presented in the following paragraph "Significant valuations and assumptions for determining the scope of consolidation".

The full consolidation consists of the 'line-by-line' acquisition of the aggregates of the balance sheet and the income statement of the entities controlled, as contra-entry to the cancellation of the investment held by the Group in the entity and the recognition, in the appropriate items, of the shares held by minority interests.

The differences emerging from this offsetting were subject to the provisions of IFRS 3; if they were allocated to the appropriate items, they are subject to the accounting treatment of the reference standard; if they were not specifically allocated, they are booked to goodwill under intangible assets and subject to impairment testing. Negative differences (so-called bargain purchase or badwill) are recognised in the consolidated income statement.

In addition, for entities controlled through an investment relationship, the share of equity pertaining to minority interests, the result for the year and comprehensive income is represented separately in the respective consolidated financial statements (under consolidated balance sheet liability item 190. Third party minority interests, 340. Profit (loss) for the year for minority interests in the consolidated income statement and 190. Consolidated comprehensive income pertaining to minority interests in the statement of consolidated comprehensive income).

Costs and revenues relating to the controlled entity are included in the Consolidated Financial Statements from the date of acquisition of control. The costs and revenues of the subsidiary transferred are included in the consolidated income statement until the transfer date; the difference between the consideration of the transfer and the carrying amount of the net assets of the same is recognised in the consolidated income statement item 280. Profit (loss) from disposal of investments. In the presence of a partial disposal of the controlled entity which does not determine the loss of control, the difference between the consideration of the transfer and the associated carrying amount is booked as a contra-entry to equity.

Controlling interests held for sale are consolidated on a line-by-line basis and stated separately in the Financial Statements as a group held for disposal valued as at the reporting date at the lower of the carrying amount and the fair value less disposal costs, based on the treatment provided for in IFRS 5.

Controlling shareholdings with total assets of less than EUR 10 million are accounted for using the equity method, as line-by-line consolidation would require a considerable effort in terms of production, collection and consolidation of data, against negligible benefits in relation to financial reporting. This option, however, is expressly provided for in Article 19 of Regulation (EU) no. 575/2013 (CRR) on consolidation methods for the purposes of prudential supervision.

In special purpose vehicles, the circumstances that need to be examined for the purposes of any existence of a situation of control pursuant to IFRS 10 are:

- the involvement/role of Group companies in the structuring of the transaction (originator/investor/servicer/facility provider);
- the subscription of a large portion of Asset Backed Securities (ABS) issued by the special purpose vehicle on the part of Group companies;
- the scope/objective of the transaction.

In 2021, the following business combinations between subsidiaries took place:

- effective from 1 January 2021, the merger by incorporation of Banca di Credito Cooperativo di Turriaco - Cooperative Company into Cassa Rurale ed Artigiana del Friuli Venezia Giulia – Cooperative Company was carried out;
- effective from 1 January 2021, the merger by incorporation of Cassa Rurale ed Artigiana di Vestenanova into Banca Alto Vicentino Credito Cooperativo di Schio, Pedemonte e Roana Cooperative Company was carried out;
- effective from 1 January 2021, the merger by incorporation of Banca di Credito Cooperativo del Velino into Banca di Credito

Cooperativo di Spello and Bettona was carried out;

- effective from 1 January 2021, the merger by incorporation of Banca del Gran Sasso d'Italia - Banca di Credito Cooperativo - Cooperative Company into Banco Marchigiano Credito Cooperativo – Cooperative Company was carried out;
- effective from 1 July 2021, the merger by incorporation of Banca di Credito Cooperativo di Monopoli - Cooperative Company into Banca di Credito Cooperativo di Alberobello and Sammichele di Bari - Cooperative Company was carried out;
- effective from 1 July 2021, the merger by incorporation of Cassa Rurale di Rovereto - Banca di Credito Cooperativo - Cooperative Company into Cassa Rurale Alto Garda - Banca di Credito Cooperativo - Cooperative Company was carried out.

The full scope of the subsidiaries that are part of the Cassa Centrale Group as at 31 December 2021 is shown below.

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS						
A.1 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS - COHESION CONTRACT						
CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - COOPERATIVE COMPANY	Sabaudia (LT)	Sabaudia (LT)	4			
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Altamura (BA)	Altamura (BA)	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - COOPERATIVE COMPANY	Mazzarino (CL)	Mazzarino (CL)	4			
CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - LIMITED LIABILITY COOPERATIVE COMPANY	Catania	Catania	4			
BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Rimini	Rimini	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - COOPERATIVE COMPANY	Castel Gandolfo (Rome)	Rocca Priora (Rome)	4			
CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ala (TN)	Ala (TN)	4			
CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Arco (TN)	Arco (TN)	4			
CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ledro (TN)	Ledro (TN)	4			
LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	Tione di Trento (TN)	Tione di Trento (TN)	4			
CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo Valsugana (TN)	Borgo Valsugana (TN)	4			
CASSA RURALE ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Mezzolombardo (TN)	Mezzolombardo (TN)	4			
CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Moena (TN)	Moena (TN)	4			
CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Malè (TN)	Malè (TN)	4			
CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Pergine Valsugana (TN)	Pergine Valsugana (TN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cavalese (TN)	Cavalese (TN)	4			
CASSA RURALE RENON - COOPERATIVE COMPANY	Collalbo RENON (BZ)	Collalbo RENON (BZ)	4			
CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Fondo (TN)	Revò (TN)	4			
CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - COOPERATIVE COMPANY	S. Martino in Passiria (BZ)	S. Martino in Passiria (BZ)	4			
CREDITO COOPERATIVO CENTRO CALABRIA - COOPERATIVE COMPANY	Cropani Marina (CZ)	Cropani Marina (CZ)	4			
CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cles (TN)	Cles (TN)	4			
CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Trento	Trento	4			
CASSA RURALE ALTA VALLAGARINA E LIZZANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Volano (TN)	Volano (TN)	4			
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - COOPERATIVE COMPANY	Alberobello (BA)	Alberobello (BA)	4			
CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Leno (BS)	Leno (BS)	4			
BANCA DI CREDITO COOPERATIVO DI AQUARA - COOPERATIVE COMPANY	Aquara (SA)	Aquara (SA)	4			
BANCA DI CREDITO COOPERATIVO DI ANAGNI - COOPERATIVE COMPANY	Anagni (FR)	Anagni (FR)	4			
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - COOPERATIVE COMPANY	Verbicaro (CS)	Verbicaro (CS)	4			
BANCA DI CREDITO COOPERATIVO DI BARLASSINA - COOPERATIVE COMPANY	Barlassina (MB)	Barlassina (MB)	4			
BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - COOPERATIVE COMPANY	Bene vagienna (CN)	Bene vagienna (CN)	4			
CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo San Giacomo (BS)	Borgo San Giacomo (BS)	4			
CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - COOPERATIVE COMPANY	Boves (CN)	Boves (CN)	4			
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Caraglio (CN)	Caraglio (CN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - COOPERATIVE COMPANY	Cassano delle Murge (BA)	Cassano delle Murge (BA)	4			
BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	Donoratico (LI)	Castagneto Carducci (LI)	4			
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	Castel Bolognese (RA)	Castel Bolognese (RA)	4			
BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	San Lazzaro di Savena (BO)	San Lazzaro di Savena (BO)	4			
BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	Rovereto di Cherasco (CN)	Rovereto di Cherasco (CN)	4			
BANCO MARCHIGIANO CREDITO COOPERATIVO	Civitanova Marche (MC)	Civitanova Marche (MC)	4			
BANCA DI CREDITO COOPERATIVO DI CONVERSANO - COOPERATIVE COMPANY	Conversano (BA)	Conversano (BA)	4			
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Corporeno (FE)	Corporeno (FE)	4			
CORTINABANCA – CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cortina d'Ampezzo (BL)	Cortina d'Ampezzo (BL)	4			
BANCA DI CREDITO COOPERATIVO DI FLUMERI - COOPERATIVE COMPANY	Flumeri (AV)	Flumeri (AV)	4			
BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - COOPERATIVE COMPANY	Aosta	Gressan (AO)	4			
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Longare (VI)	Longare (VI)	4			
BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - COOPERATIVE COMPANY	Locorotondo (BA)	Locorotondo (BA)	4			
CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	Gorizia (GO)	Gorizia (GO)	4			
BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Udine	Udine	4			
PRIMACASSA – CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Martignacco (UD)	Martignacco (UD)	4			
BVR BANCA – BANCHE VENETE RIUNITE CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - COOPERATIVE COMPANY	Schio (VI)	Schio (VI)	4			
BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	Nave (BS)	Brescia	4			
BANCA CENTRO LAZIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Palestrina (Rome)	Palestrina (Rome)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Brescia	Brescia	4			
BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - COOPERATIVE COMPANY	Pianfei (CN)	Pianfei (CN)	4			
BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - COOPERATIVE COMPANY	Roscigno (SA)	Roscigno (SA)	4			
BANCA DI CREDITO COOPERATIVO LAUDENSE - LODI - COOPERATIVE COMPANY	Lodi	Lodi	4			
FRIULOVEST BANCA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	San Giorgio della Richinvelda (PN)	San Giorgio della Richinvelda (PN)	4			
BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - COOPERATIVE COMPANY	San Giovanni Rotondo (FG)	San Giovanni Rotondo (FG)	4			
BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - COOPERATIVE COMPANY	San Marzano di San Giuseppe (TA)	San Marzano di San Giuseppe (TA)	4			
BANCA DI CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - COOPERATIVE COMPANY	Carmagnola (TO)	Sant'Albano Stura (CN)	4			
BANCA DI CREDITO COOPERATIVO DI SARSINA - COOPERATIVE COMPANY	Sarsina (FC)	Sarsina (FC)	4			
ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	Bellaria-Igea Marina (RN)	Rubicone (FC)	4			
BANCA DI CREDITO COOPERATIVO DELL'UMBRIA E DEL VELINO - COOPERATIVE COMPANY	Spello (PG)	Spello (PG)	4			
BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Bologna	Bologna	4			
BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Tarzo (TV)	Tarzo (TV)	4			
ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	Opicina (TS)	Opicina (TS)	4			
BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	Viterbo	Viterbo	4			
BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - COOPERATIVE COMPANY	Regalbuto (EN)	Regalbuto (EN)	4			
BANCA DI CREDITO COOPERATIVO ABRUZZI E MOLISE - COOPERATIVE COMPANY	Atessa (CH)	Atessa (CH)	4			
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Adria (RO)	Adria (RO)	4			
BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - COOPERATIVE COMPANY	Caltanissetta	Caltanissetta	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A.2 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS OTHER THAN COHESION CONTRACT						
NORD EST ASSET MANAGEMENT SA	Luxembourg	Luxembourg	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
ALLITUDE S.p.A.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	96.70	96.70
				OTHER MINORITY INTERESTS	3.01	3.01
					99.71	99.71
ASSICURA AGENZIA S.r.l.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
ASSICURA BROKER S.r.l.	Trento	Trento	1	ASSICURA AGENZIA S.r.l.	100.00	100.00
CENTRALE CREDIT & REAL ESTATE SOLUTIONS S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
CLARIS LEASING S.p.A.	Treviso	Treviso	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
CENTRALE SOLUZIONI IMMOBILIARI S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
BANCA DI BOLOGNA REAL ESTATE S.p.A.	Bologna	Bologna	1	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
IMMOBILIARE VILLA SECCAMANI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
PRESTIPAY S.p.A.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	60.00	60.00
A.3 ENTITIES CONTROLLED BUT CONSOLIDATED AT EQUITY FOR MATERIALITY LIMITS						
AZIENDA AGRICOLA ANTONIANA S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
BENACO GESTIONI IMMOBILIARI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CÀ DEL LUPO S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
AGORÀ S.r.l.	Leno (BS)	Narbolia (OR)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
TAVERNOLE IDROELETTRICA S.r.l.	Tavernole sul Mella (BS)	Tavernole sul Mella (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	55.00	55.00
BTV GESTIONI S.r.l.	Brescia	Brescia	1	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CENTRALE CASA S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
IMMOBILIARE BCC DI BRESCIA S.r.l.	Nave (BS)	Nave (BS)	1	BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	100.00	100.00
RAIFFEISEN IMMOBILIEN S.r.l.	Renon (BZ)	Renon (BZ)	1	CASSA RURALE RENON - COOPERATIVE COMPANY	100.00	100.00

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
VERDEBLU IMMOBILIARE S.r.l.	Cherasco (CN)	Cherasco (CN)	1	BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	100.00	100.00
CASSA RURALE ALTA VALSUGANA SOLUZIONI IMMOBILIARI S.r.l.	Pergine Valsugana (TN)	Pergine Valsugana (TN)	1	CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
QUADRIFOGLIO 2018 S.r.l.	Castenaso (BO)	Castenaso (BO)	1	BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	100.00	100.00
SOCIETÀ AGRICOLA TERRE DELLA ROCCA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE S.p.A.	100.00	100.00
ASSICURA S.r.l.	Udine	Udine	1	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	22.80	22.80
				PRIMACASSA – CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	19.68	19.68
				CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	14.73	14.73
				ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	11.35	11.35
				OTHER MINORITY INTERESTS	9.07	9.07
					77.63	77.63
TEMA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE S.p.A.	100.00	100.00
CLARIS RENT S.p.A.	Treviso	Treviso	1	CLARIS LEASING S.p.A.	100.00	100.00
CENTRALE TRADING S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	42.50	42.50
				ALLITUDE S.p.A.	10.00	10.00
					52.50	52.50
DOMINATO LEONENSE S.r.l.	Milan	Milan	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	0.00	0.00
FONDO LEONIDA	Verona	Verona	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	0.00	0.00

*Relationship type:

1 = majority of voting rights in the ordinary shareholders' meeting

2 = dominant influence in the ordinary shareholders' meeting

3 = agreements with other shareholders

4 = other forms of control

5 = unitary management pursuant to Article 39, paragraph 1, of "Legislative Decree no. 136/2015"

6 = unitary management pursuant to Article 39, paragraph 2, of "Legislative Decree no. 136/2015"

Structured entities

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) using the equity method because it is below the aforementioned materiality limit, by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

Associates

An associate is a company in which the investing company has significant influence and which is not a subsidiary or part of a joint venture. Significant influence is presumed when the investing company holds, directly or indirectly, at least 20% of the capital of another company. Further indicators of significant influence are as follows:

- representation on the company's governance body;
- participation in the process of defining policies, including therein participation in decisions relating to dividends or other profit distributions;
- the existence of significant transactions between the investor and the investee company;
- the exchange of managerial personnel;
- provision of essential technical information.

Equity investments in associates are consolidated according to the equity method. The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment based on the share of the investee company's equity. The equity investment in associates includes goodwill (net of any impairment) paid for the acquisition. Participation in the post-acquisition profits and losses of associates is booked to the income statement under item 250. Profit (loss) on equity investments.

Any distribution of dividends is used to reduce the carrying amount of the equity investment.

If the interest in the losses of an associate is equal to or exceeds the carrying amount of the investee, no further losses are recognised, unless specific obligations have been undertaken in favour of the associate or payments have been made to said entity.

The valuation reserves of the associates are shown separately in the Statement of Consolidated Comprehensive Income.

The full scope of the investments in associates belonging to the Cassa Centrale Group as at 31 December 2021 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	4.08	4.08
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.14	3.14
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.96	2.96
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	5.16	5.16
					47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.96	6.96
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.80	5.80

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.10	5.10
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.71	3.71
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	7.89	7.89
					47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	24.76	24.76
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
					30.37	30.37

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
					29.17	29.17
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	24.51	24.51
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of Relationship.

Jointly controlled companies

A joint arrangement is a contractual agreement in which two or more counterparties have joint control.

Joint control is the sharing, on a contractual basis, of control of an agreement, which exists solely when the unanimous consent of all parties that share control is required for decisions relating to significant assets. According to IFRS 11, joint arrangements must be classified as joint operations or joint ventures based on the contractual rights and obligations held by the Group.

A joint operation is a joint arrangement in which the parties have rights over the assets and obligations with respect to the liabilities of the agreement. A joint venture is a joint arrangement in which the parties have rights over the net assets of the agreement. These equity investments are measured according to the equity method.

The full scope of the investments in jointly controlled companies forming part of the Cassa Centrale Group as at 31 December 2021 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of Relationship.

Significant valuations and assumptions for determining the scope of consolidation

The scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, including structured entities when the conditions are met, and is realised when an investor simultaneously has:

- the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

Therefore, the Cassa Centrale Group consolidates all types of entities when all three aspects of control are present.

Generally, when an entity is directed through voting rights, control derives from holding more than half of the voting rights.

In other cases, determination of the scope of consolidation calls for consideration of all factors and circumstances that give the investor the practical ability to unilaterally manage the relevant activities of the entity (de facto control). To this end, it is necessary to consider a combination of factors, such as, merely by way of an example:

- the scope and design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held through contractual agreements which confer the power to govern the relevant activities, such as the power to determine the financial and operating policies of the entity, the power to exercise the majority of voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any potential voting rights exercisable and considered substantial;
- the involvement in the entity in the role of agent or principal;
- the nature and the dispersion of any rights held by other investors.

With reference to the Group's situation at the date of these consolidated financial statements, all companies in which the majority of voting rights in the ordinary shareholders' meeting are held are considered wholly-owned subsidiaries, given that no evidence has been highlighted that the other investors have the practical ability to direct the relevant activities.

For companies in which half or less of voting rights are held, at the date of these Consolidated Financial Statements, no agreements, statutory clauses or situations able to attribute the Cassa Centrale Group the practical capacity to unilaterally govern the relevant activities were identified.

Equity investments in wholly-owned subsidiaries with significant third-party interests

At the date of these consolidated financial statements, there are no subsidiaries through an equity relationship with significant third-party interests.

Significant restrictions

At the date of these Consolidated Financial Statements, there are no legal or substantive obligations or restrictions able to obstruct the rapid transfer of capital resources within the Group. The only restrictions are those attributable to regulatory provisions which may require a minimum amount of regulatory capital to be retained, or to the provisions of the Italian Civil Code on distributable profits and reserves.

It should be noted that there are no protective rights held by minorities able to limit the Group's capacity to access or transfer assets between Group companies or settle the Group's liabilities, including in relation to the fact that, as at 31 December 2021, there are no subsidiaries with significant third-party interests, as stated in the previous paragraph.

Other information

The accounting positions forming the basis of the line-by-line consolidation process are those relating to 31 December 2021, as approved by the competent bodies of the consolidated companies adjusted, where necessary, to bring them into line with the homogeneous accounting standards of the Group.

For the consolidation of companies subject to joint control and investments in associates, the most recent financial statements (annual or interim) approved by the companies have been used. In cases where the companies do not apply IAS/IFRS, it is verified that any application of IAS/IFRS would not have had a significant impact on the Consolidated Financial Statements of the Cassa Centrale Group.

Section 4 – Subsequent events

In relation to the provisions of IAS 10, in the period between the reference date of this document and its approval by the Board of Directors, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 31 December 2021 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Given the above, a description of the main events occurred after the end of the year is provided below.

ICCREA S.p.A. - plan for the disposal of an equity interest

With regard to the equity investment in Iccrea Banca S.p.A., note that the third tranche of the sale of its shares, equal to 897,000 shares for a value of EUR 47,361,600, originally scheduled for 31 December 2021 and included in the "shareholding structure" Transaction Agreement of 14 October 2019, was finalised - subject to agreement between the Parties - on 19 January 2022. Following this transaction, the Group holds a total of 3.31% of Iccrea Banca S.p.A., of which 0.49% is held directly by Cassa Centrale Banca.

This equity investment will be divested by 31 December 2022.

Inspection by the Bank of Italy on Anti-Money Laundering and Transparency

In the first half of 2021, the Banking Group was subject to an inspection by the Bank of Italy aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services. The results of the inspection were communicated by means of an inspection report dated 12 January 2022.

The Supervisory Authority found that two and a half years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's anti-money laundering and transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks. The areas of intervention are currently being analysed, also in order to prepare a detailed implementation schedule to be submitted to the Bank of Italy.

In 2021, the Group has already implemented restitutory actions concerning the cases deemed to be ascertained, and allocated provisions deemed to be adequate for the cases subject to further investigation.

Russia - Ukraine crisis

Following the start of the military crisis in Ukraine, the Parent Company Cassa Centrale Banca acted promptly in order to intercept the possible impacts of the conflict and measure its effects on the Group, also with respect to the most exposed customers.

In this context, despite the considerable uncertainties of this phase, the reference macroeconomic scenarios are of particular relevance: their continuously evolving updates show a significant increase in energy and raw material procurement costs, which may be mitigated by possible government support measures currently under discussion.

The very duration of the conflict is now an unpredictable variable, but at the same time fundamental in determining the repercussions on the Italian and world economies. Consequently, a clearer quantification of the impacts will only be possible in 2022.

Section 5 – Other aspects

a) Accounting standards newly applied as of 1 January 2021

In 2021, the following new accounting standards and interpretation or changes to existing standards and interpretations have entered into effect:

- amendments to IFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9 (Regulation (EU)

2020/2097);

- Interest Rate Benchmark Reform - Phase 2 - which has amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Regulation (EU) 2021/25);
- amendments to IFRS 16: amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS16)" extending by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of facilities granted, due to Covid-19, to lessees.

The above amendments did not have an impact on the Group's financial position and economic results as at 31 December 2021.

b) Endorsed accounting standards that will enter into force after the reporting date

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 31 December 2021 are shown below:

- amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements Cycle (Regulation (EU) no. 2021/1080), applicable to reporting with effect on or after 1 January 2022;
- *Annual Improvements* 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases;
- IFRS 17 - Insurance Contracts: intended to replace IFRS 4 – Insurance Contracts. The standard is effective beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers are also applied.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (January 2020).

Moreover, in 2021, the IASB has published the following amendments, not yet endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2: Disclosure of Accounting Policies;
- amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- amendments to IFRS 17 Insurance Contracts: related to comparative information on financial assets presented at the date of initial application of IFRS 17.

d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic

The European regulatory and supervisory bodies, as well as the standard setters, have published a series of guidelines aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the current context of the Covid-19 pandemic. The aforementioned interventions published during 2020 were extensively described in the Annual Financial Report as at 31 December 2020, to which reference should be made.

During 2021 (29 January 2021) the EBA updated its report on the implementation of the prudential regulatory framework defined in relation to the COVID-19 pandemic ("EBA Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02"), clarifying that, in the event that a bank enters into a second moratorium on the same credit facility, any suspension of payments scheduled to occur on or after 1 April 2021 is treated as an individual moratorium measure. Therefore, in such cases, the general rules regarding the definition of default, forbearance and distressed restructuring apply.

Regarding the use of macroeconomic projections, the ECB recommended using as an anchor point the projections formulated by its staff on 12 March 2020, in the subsequent quarters of 2020 and 2021.

The December 2020 projections showed, with reference to the baseline scenario, a drastic reduction in Eurozone GDP in 2020, in the order of 7.3% (however, an improvement over the previous June 2020 estimate of 8.7%) and a subsequent rebound of +3.9%, +4.2% and +2.1% for the three-year period 2021-2023, respectively (with lower intensity than the June 2020 forecast of +5.2% and +3.3% in 2021 and 2022, respectively). The European Central Bank published subsequently new three-year forecasts in 2021, showing a smaller decrease in the Eurozone GDP in 2020 of around -6.8% compared to the previous forecasts. As in previous estimates, an upward economic trend is shown for the three-year period 2022-2024 of +4.2%, +2.9% and +1.6%, respectively (published in December 2021 - with an expected figure for 2021 of +5.1%).

On 5 June 2020, the Bank of Italy released the baseline forecasts included in the already mentioned projections issued by the ECB on 4 June 2020, highlighting a more pronounced reduction in Italian GDP, in the order of 9.2% in 2020 and a subsequent rebound of 4.8% and 2.5% in 2021 and 2022, respectively. On 11 December 2020, the Bank of Italy updated its macroeconomic forecasts, showing a reduction in Italian GDP by 9.0% and a subsequent rebound of 3.5%, 3.8% and 2.3% over the three-year period 2021-2023, respectively. Finally, in December 2021, the Bank of Italy published its latest outlook of economic projections for the three-year period 2022-2024, which shows a substantially stronger expected rebound of +4.0%, +2.5% and 1.7%, respectively (with an expected 2021 figure of +6.2%).

Finally, with its communication of 21 December 2021, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the seventh update of Circular no. 262 “Bank financial statements: layouts and rules of preparation”, in order to provide the market with detailed information on the effects that Covid-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

Despite the improvement in the pandemic context during 2021, aspects of uncertainty persist due to the continuation of the Covid-19 health emergency, requiring Cassa Centrale Group to continue to adopt strengthened control units and processes, as it did during 2020. In terms of preparing the financial statement disclosures as at 31 December 2021, the Group continued to adopt the guidelines and recommendations from the European regulatory and supervisory bodies, as well as from the standard setters; at the same time, it took into account the assessments of the significant business activities and the support measures put in place by the Government in favour of households and businesses.

Lastly, the management of the Cassa Centrale Group placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the persistence of the Covid-19 pandemic, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, income taxes, goodwill and intangible assets.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by the Cassa Centrale Group as at 31 December 2021 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

For the purpose of calculating the expected loss as at 31 December 2021, the Cassa Centrale Group incorporated in its IFRS 9 impairment model the macroeconomic scenarios integrating the effects of the Covid-19 health emergency, as indicated by the European Central Bank in the already mentioned letter of 1 April 2020 and subsequent letter dated 4 December 2020.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2021, conservative criteria were adopted, as the socio-economic effects resulting from the pandemic crisis were taken into account, which, albeit to a lesser extent, continue to manifest themselves in 2021. However, given the difficulty in estimating the duration and development of the pandemic, the Bank considered reflecting in the measurement of loans with more emphasis than in the past the prospective impacts of the pandemic, which suggest a possible increase in insolvencies. The support measures introduced by the State, such as those relating to the granting of state guarantees on loans and, in more incisive terms for our sector, the moratorium measures required, from an operational point of view, a high degree of attention in the management and monitoring mechanisms undertaken by the bank for the possible effects of deterioration of counterparties that, against the suspension of payments, may not be punctually and promptly intercepted. The possible effects of an interruption of the moratorium system not adequately managed or not supported by further institutional measures could in fact significantly increase the default rate.

This resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage levels, with the intention of continuing to adopt substantial and objective credit classification policies in line with the strict requirements envisaged by the Group policies and with the recommendations of the Regulators.

In particular, the first area of intervention concerned provisions on performing exposures that were still under moratorium during the second half of 2021, envisaging the application of minimum coverage levels (known as floors), identified within ranges defined by the Parent Company, and differentiated on the basis of the staging of the positions in terms of IFRS 9.

The second area of intervention concerned positions in stage 3 defined as sub-threshold, in accordance with the "Group Credit Classification Policy", i.e. with an exposure of less than EUR 200 thousand and for which there is no analytical recovery plan. Minimum levels of coverage have been set for these positions with the aim of aligning the coverage to the average Group coverage assessed on an analytical basis. This approach is also in line with the recommendations of ESMA in its "Public Statement European common enforcement priorities for 2020 annual financial reports" published on 28 October 2020.

On the other hand, a third area of intervention concerned the positions migrated to stage 3 during the second half of 2021, to which, despite their recent classification as non-performing, provisions were applied in order to ensure greater uniformity of valuation.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic".

In particular, for the purposes of the valuation of loans to customers as at 31 December 2021, those indicated in the growth prospects of the Eurozone countries, prepared and published by the ECB in the third quarter of 2021 together with the individual Central Banks, including the Bank of Italy, were used as the "anchor point" of internal macroeconomic forecasts. Therefore, these scenarios were updated with respect to those used in the valuation of loans to customers as at 30 June 2021, as they are considered more consistent with the economic and health conditions in place as at 31 December 2021.

For the purposes of calculating the expected loss as at 31 December 2021, the Cassa Centrale Group has used the three scenarios ("mild", "baseline", "adverse"), appropriately averaging their contributions, in accordance with the assessment of a context still of high future variability and potential uncertainty linked to the possible resolution and evolution of the health emergency, and increasing the weight of the most severe scenario.

The gradual improvement of some macro-economic variables, which incorporate the robust growth expectations forecast for the three-year period 2022-2024, has had a significant positive impact on the medium-long term forecasts compared to the projections obtained from the 2020 scenarios: in order to adopt a conservative approach, the Cassa Centrale Group has adopted a variable weighting mechanism between the short-term and medium-long term forecast components.

In this context, the adopted variable weighting system made it possible to mitigate the reductions in collective write-downs of the performing loans to customers portfolio.

The retrospective sensitivity analysis, carried out on the portfolios subject to scenario updates, showed the following effects as at 31 December 2021:

- a slight increase of about 0.4% in the total exposure to business customers classified in stage 2 and a small decrease in allocations of about 5%;
- a small decrease of about 0.4% in exposures to consumer households classified in stage 2 and a simultaneous reduction in expected losses of about 9%.

In this context, the adopted variable weighting system made it possible to mitigate the reductions in collective write-downs of the performing loans to customers portfolio measured at amortised cost, which would have been more than 20% without this variable weighting.

Moreover, in 2021, the Bank implemented several changes to the models for quantifying flat-rate analytical impairment provisions related to credit risk in response to the effects of the Covid-19 health emergency and in compliance with the requirements of IFRS 9. These actions were carried out to incorporate the guidance resulting from ECB (SSM-2020-0154 and SSM-2020-0744) and EBA GL (EBA-GL-2020-02) publications as well as any directions provided by other Standard Setters. The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, have made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk, while ensuring, at the same time, the reduction of elements of potential distortion in estimates.

In order to reflect, from a forward-looking perspective, the greater riskiness developed during the previous year, as well as the uncertainty on the prospective dynamics of certain sectors of the economy and in line with ECB provisions, the PD curves were differentiated from a sectoral perspective (a component refined in the last quarter of 2021 through the use of the Group's internal figures instead of Prometeia decay rates), with effects both on staging and on the calculation of expected losses, refining the previous approach of penalisations (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic.

The evolution of geo-sectoral treatment, through the use of specific curves for some economic sectors, has contributed to maintaining conservative assessments of the sectors most affected by the pandemic, as well as improving the degree of identification of exposures to which more stable and robust criteria should be adopted. In this context, the effect of the component mentioned here presents, all things being equal, an incremental effect on the collective write-downs of the performing portfolio quantifiable in a range between 7% and 10% of the total collective fund.

Moreover, with regard to the calculation of expected losses, the Bank's Loss Given Default (LGD) parameter was further developed by increasing the segmentation of the non-performing LGD component of the model to include the effects of recoveries on open and forborne positions; in this context, the point-in-time concept (anchoring of parameters for the most recent ECL projections) was standardised for two main modules of the risk parameter (i.e. cure rate and non-performing LGD). The aforementioned measures led to an increase in the collective write-downs of the performing portfolio relating to loans to customers in the commercial sector.

Moreover, access to support measures was treated with a particularly conservative approach, as shown below:

- for positions under moratorium, in line with GL ECB SSM 2020 0744, potential credit improvement of counterparties with an operational moratorium at the end of the reporting period or in the preceding three months have been eliminated; this action results in the sterilisation of any credit improvement in the rating of the counterparty during the moratorium period and until a situation is restored that demonstrates the start of and compliance with the repayment schedule for the identified positions;
- for government guarantees issued as part of new lending or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the guarantees.

With reference to the stage classification process of the performing portfolio, during the fourth quarter of 2021, the prudential backstop of 300% of the SICR (in addition to the current transfer threshold definition model) was introduced as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

Note that the current calibration of the IFRS 9 model includes the effects of the new definition of default as from March 2021 and based on the time series over the 2015-2020 time interval. With regard to updating the time series underlying the estimate of the relevant parameters of the IFRS 9 model as at 31 December 2021, it was decided not to include the last nine months of the year 2021 in the reference period. Given the ongoing uncertainty surrounding the resurgence of the health emergency, updating the time series to include the last 9 months of 2021 would have resulted in a significant reduction in one of the main calibration factors for the PD and LGD parameters and, consequently, a reduction in average coverage levels. This conservative approach makes it possible to mitigate the positive impact of introducing, in the same time series, the benefit of the credit support measures introduced by the legislator on moratoria and new disbursements.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the Covid-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Cassa Centrale Group has set up an enhanced monitoring system aimed at verifying punctually the positions that have benefited from a Covid-19 moratorium in order to promptly intercept positions to be downgraded to non-performing. This activity was carried out in 2021 through the segmentation of customers benefiting from the Covid-19 moratorium into homogeneous risk clusters, identified on the basis of early warning-triggers detected through the monitoring tools introduced following the establishment of the Group. Thanks to this activity, customers who benefited from Covid's moratoria and in particular those who requested moratoria expiring in the second half of 2021 were subject to specific analyses, prioritised according to the importance of the exposures at the level of the individual Affiliated Banks and the intrinsic risk of the individual counterparty. These analyses were performed by both the Affiliated Banks and the Parent Company in order to ensure uniformity of classification at Group level and led to the classification of some counterparties in stage 2 and others, deemed in default, in stage 3 reducing the potential cliff-effect that could occur at the end of the moratorium period. Therefore, the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of Covid-19 moratoria

The Cassa Centrale Group has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the debtor has been found to be in financial difficulty (known as Forborne) lead to a change in the carrying amount of the financial asset, resulting in the need to recognise a gain or loss in item 140. "Profits/losses from contractual changes without derecognition" of the income statement (known as Modification accounting).

On the basis of the indications provided by the European Banking Authority in the document "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers ex lege (mainly Law Decree no. 18 of 17 March 2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all renegotiations implemented by 30 September 2020. Therefore, the aforementioned positions were not classified as Forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01.10.2020, the banks made a specific assessment of whether or not the requirements for the assignment of the Forborne attribute were met, given that with the communication of 21.09.2020, EBA declared the interruption of the exemptions previously recognised for the moratoria granted as a result of the health emergency to 30.09.2020. However, the subsequent resurgence of the pandemic led the EBA to change its stance, as per the Amendment of 2 December 2020, date from which the continuation of moratoria, already granted before 30 September 2020 and based on national law or agreements, has made it possible to further benefit from the exemption from the requirement to assess the state of distress of the counterparty.

On the basis of the various guidelines issued by the European Banking Authority in 2020 and 2021, the conduct adopted by the Parent Company and by the Affiliated Banks in granting moratoria can be outlined as follows:

- from 17 March 2020 to 30 September 2020, there was an almost complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 01.10.2020 to 01.12.2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the "Group Policy for the classification and valuation of loans";
- from 2 December 2020, the presumption of absence of the conditions for the forbearance of the Covid-19 moratoria granted in the first instance between 17 March 2020 and 30 September 2020, for which a possible extension did not result in the total of 9 months of suspension being exceeded was applied, while for new requests for moratorium the individual assessment system for each position as described above was maintained;
- finally, from 1 April 2021, following the publication by the EBA of the "Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02", all the suspensions granted starting from 1 April 2021 are no longer considered "EBA Compliant". Therefore, starting from that date, it is necessary to assess the individual position, so as to define whether it is to be reclassified as a forborne

exposure or in default.

In relation to the above, therefore, all moratoria granted to customers in the first and third points, to which the forborne attribute has not been assigned, have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by the Parent Company and the banks belonging to the Cassa Centrale Group on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned "Group Policy for the classification and measurement of loans".

As part of the monitoring, in 2021 the Group carried out an intervention concerning the verification of internal controls on the identification of the status of financial difficulty of the counterparty when granting the measures (legislative or contractual), or provided by the Cooperative Banking Group to support customers affected by the recession induced by the pandemic; this activity took the form of an analysis of the Banking Group in terms of risk profile, regulatory framework and compliance and functionality of information systems. The audits were also conducted at the level of the individual Affiliated Banks, in order to assess the effectiveness of the controls in relation to the identification of conditions of financial difficulty of the customers benefiting from the support measures (moratoria and/or new liquidity), also taking account of the risk profile that characterises the sector at the Bank and also resorting to sample controls.

Measurement of securities at fair value

The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, were measured as at 31 December 2021. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to normalise the impacts of significant short-term fluctuations in stock market prices due to the context of high market volatility, in the application of market methods (stock market multiples and regression analysis), it was considered appropriate to extend the time period of the stock market capitalisations of the comparable companies used as a reference for the valuations to at least 6 months.

Impairment test of goodwill

As required by IAS 36 "Impairment of Assets", the Cassa Centrale Group tested goodwill for impairment when preparing these financial statements as at 31 December 2021, as 12 months had elapsed since the previous valuation, taking into account both the effects of the pandemic crisis and the financial projections of the CGUs included in the Group's approved business plan as at 30 June 2021.

The impairment test confirmed that the recoverable amount of the Group's CGUs is higher than their book value. Therefore, the goodwill recognised in the consolidated financial statements as at 31 December 2021 was not written down. For further details on the impairment test of goodwill, please refer to "Part B - Balance sheet - Section 10, Intangible assets - Item 100".

e) Updating of the IFRS 9 impairment model to reflect the new definition of default

On 1 January 2021, the new definition of default under the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of Reg. (EU) no. 575/2013) came into force. In this context, the IFRS 9 Impairment models of the Cassa Centrale Banca Group were appropriately revised, to take into account the effects of the application of the new regulations.

f) Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO III)

At the end of the reporting period, the Cassa Centrale Group has outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a carrying amount of about EUR 16 billion, which resulted in a positive contribution to interest margin of about EUR 147 million as at 31 December 2021. The return on loans was calculated taking into account the "special interest rate" for the period, in that the Bank considered that the performance targets for loan disbursements required during 2021 were achieved with reasonable certainty thanks to the monitoring of net disbursements on all the member banks in the TLTRO Group led by Cassa Centrale Banca.

The Group has assessed that the transactions of the TLTRO-III programme cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the end of the reporting period, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained in the first monitoring window was also confirmed by the Bank of Italy.

Consequently, in addition to the achievement of the performance targets for loan disbursements, over the time window of the "special reference period", the method used to apply the interest rate to the outstanding TLTRO-III operations included the following cases:

- achievement of performance targets for loan disbursements over the time window of the "special reference period";
- stability of the reference rates of the European Central Bank until the maturity of the operations;
- maintenance of transactions until natural maturity.

g) Interest Rate Benchmark Reform: disclosure required according to IFRS 7

The hedging derivatives of the Group's fixed-rate loans (fair value hedges) are entirely at Euribor, whose calculation method was revised in 2019 in order to continue to use this parameter even after 1 January 2022, for both existing and new contracts.

To make the Euribor compliant with the EU benchmark regulation (Benchmarks Regulation, BMR - Regulation no. 2016/1011/EU), the EMMI – European Money Markets Institute – has transitioned to a new "hybrid" calculation method. The current calculation system – whose activities were completed at the end of November 2019 – does not change the economic variable measured by the index: the Euribor expresses the actual cost of funding for contributing European banks and is always available for consultation. Therefore, the Group does not believe that there is any uncertainty about the timing or amount of Euribor cash flows and does not consider Euribor-linked fair value hedges to be impacted by the reform as at 31 December 2021.

Therefore, as at 31 December 2021, there were no derivatives indexed to benchmarks impacted by the reform, in particular at EONIA and LIBOR.

At the same date, there were no cash flow hedging derivatives.

In the broader context of the complex process of reform of the indices, the Group has launched a project to adjust to the European Regulation no. 1011/2016 ("BMR Regulation"), which provides for areas of adjustment both in customer relations and in its own organisational and operational structures. However, it should be noted that the assets and liabilities indexed to rates other than the EURIBOR are negligible for the Group, therefore, no significant impact is expected from rate substitution.

h) Tax realignment of real estate assets

Art. 110 of Law Decree no. 104 of 2020 (known as "Agosto" Decree) envisaged the possibility for entities that prepare their financial statements in accordance with international accounting standards to realign for tax purposes the higher values recognised in the financial statements as at 31 December 2019 on tangible and intangible assets - including equity investments constituting financial fixed assets - and still present at the end of 2020, by paying a substitute tax on income taxes and IRAP in the amount of 3% of the realigned differential.

This misalignment arises from the fact that any revaluations of tangible and intangible assets recognised in assets, made in accordance with the relevant accounting standards in previous years, did not affect the corresponding values for tax purposes[33].

The realignment allows to obtain:

- the tax deductibility of IAS depreciation/amortisation for IRES and IRAP purposes (to the extent of 90%) of the exempted amount "related to buildings and intangible assets", that is to say,
- for assets, but also for non-depreciable land, the tax recognition of the higher value at the time of sale, unless the assets are sold during a "monitoring" period, during which it is necessary to monitor the possible exit of the asset from the production circuit of the company (e.g. sale)[34].

The 3% substitute tax must be paid either as a lump sum or in up to three equal annual instalments to be paid, without interest, by the deadline for the payment of the balance of income tax for 2020 (i.e. 30 June 2021) and the following two.

The regulation envisages that the amount corresponding to the higher values subject to realignment, net of the substitute tax, is allocated to a reserve on which tax is deferred for tax purposes.

Therefore, on the basis of the scope, the tax value was realigned for a total realignment amount of approximately EUR 58.4 million. The substitute tax due in respect of the above realignment, amounting to approximately EUR 1.7 million, was paid in accordance with law provisions.

Following the payment of the substitute tax, from an accounting point of view, higher taxes were recognised and, at the same time, an amount of approximately EUR 19 million of the provision previously recognised for deferred taxation on the higher carrying amounts recognised was released, given that the difference between the carrying amounts and tax values of the realigned assets is no longer present, with a net positive effect on the consolidated income statement of EUR 17.2 million.

In compliance with the regulation, a restriction was placed on a specific reserve in the individual shareholders' equity of the legal entities involved in the realignment transaction as at 31 December 2021, amounting to EUR 56.7 million corresponding to the realigned differentials (net of the related substitute tax)[35].

i) Audit of the accounts

These consolidated financial statements are subject to an audit by Deloitte & Touche S.p.A.

On 16 June 2021, the Shareholders' Meeting of Cassa Centrale Banca S.p.A. appointed Deloitte & Touche S.p.A. to audit the Parent Company's separate and consolidated financial statements for the nine-year period 2021-2029.

l) Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013

Government Grants Received

In this regard, it should be noted, also in accordance with the provisions of so-called Annual Market and Competition Law (Law no. 124/2017), that the Group received in the 2021 financial year contributions from Public Administrations amounting to approximately EUR 1 million and mainly referring to training activities. It should also be noted that, in compliance with the provisions envisaged for the compilation of the disclosure in question, transactions with Central Banks for financial stability purposes or transactions whose objective is to facilitate the monetary policy transmission mechanism are excluded.

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33 This results in the recognition of deferred tax liabilities when recognising revalued amounts.

34 In case of sale of a realigned asset before the beginning of the fourth year following (i.e. 2024) the year of realignment (i.e. monitoring period), the capital gains/losses are determined on the basis of the values existing before the exemption and the substitute tax paid in the meantime on the transferred assets is credited again as a tax credit.

35 In terms consistent with what has already been shown in Box RS of the 2020 tax return - SC2021 row RS 140 col. 2.

m) Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

In order to counter the negative economic effects of the spread of the Covid-19 pandemic, the Italian Government issued a series of measures in Law no. 77 of 17 July 2020, converting, with amendments, the 'Rilancio' Law Decree, which, among others, allow, under certain conditions, for a tax deduction for expenses incurred on certain cases.

The law also allows the taxpayer to opt, in place of the direct use of the deduction, to transfer the corresponding tax credit to other parties, including credit institutions and financial intermediaries who, in turn, may make subsequent transfers.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/Consob/Ivass Document no. 9 ("Accounting treatment of tax credits related to the "Cura Italia" and "Rilancio" Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In the case of the Cassa Centrale Group, the Hold To Collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- taking into account the special characteristics of these tax credits held with the aim of using them until they are completely offset,

within the time period allowed, with the payments of debts payable through F24, the reference business model, as mentioned above, was conventionally identified in the Hold to Collect (HTC). This consideration is always checked if the purchases of the transferee Bank are within the limits of the Group ceiling. If, according to the Bank, the individual ceiling has been exceeded, on the basis of the transfer orders collected from its customers, and in order to preserve the established commercial relationships, it is possible to transfer tax credits to selected counterparties within or outside the Group;

- SPPI Test: the mechanism of compensation in fifths ensures that the test is passed because each fifth offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these consolidated financial statements are shown below.

1 – Financial assets designated at fair value through profit or loss

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Group, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets measured at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "b) financial assets measured at fair value";
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are obligatorily measured at fair value. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "c) other financial assets obligatorily measured at fair value".

Therefore, the Group recognises the following in this item

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the income statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the income statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called Fair Value Option), are entered in the income statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the consolidated income statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss for instruments obligatorily measured at fair value and for instruments measured at fair value.

2 – Financial assets designated at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
  - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold to Collect and Sell business model);
  - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid;
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
  - shall be made at the time of initial recognition of the instrument;
  - must be carried out at the level of the individual financial instrument;
  - is irrevocable;
  - is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross carrying amount. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the re-payment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

With reference to the methods used to determine the fair value of financial assets, please refer to paragraph "A.4 - Information on fair value" of this Part A.

It should also be noted that financial assets measured at fair value through other comprehensive income, both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as financial assets measured at amortised cost. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the income statement on an accruals basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the income statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the income statement (recycling).

With reference to equity instruments, the only component that is recognised in the income statement is dividends. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the income statement even if they are realised (no recycling).

3 – Financial assets measured at amortised cost

Classification criteria

Assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (Hold to Collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Group recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Also included are loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included in the consolidated balance sheet item 10. Cash and cash equivalents;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the income statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases the financial asset is considered impaired upon initial recognition (so-called impaired financial assets acquired or originated), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered impaired financial assets acquired or originated on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. Distinguishments can be made between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They entail the recognition in the income statement of any differences between the carrying amount of the derecognised financial asset and the carrying amount of the newly recognised asset;

- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the income statement of the difference between the pre-amendment carrying amount and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under consolidated income statement item 10. Interest income and similar revenues and is recorded on an accrual basis, based on the effective interest rate, i.e. applying the latter to the gross carrying amount of the financial asset, except for:

- impaired financial assets acquired or originated. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not impaired financial assets acquired or originated but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in letter b) above, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross carrying amount.

It should be noted that the Group applies the criterion referred to in letter b) above only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. Profits and losses resulting from the sale of receivables are recorded in the consolidated income statement under item 100. Profit/loss from disposal/repurchase.

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the income statement items relating to interest.

Profit and loss relating to securities are recognised in the consolidated income statement under item 100. Profit/loss from disposal/repurchase at the time the assets are sold.

Any impairment of securities is recognised in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. If the reasons that led to the evidence of the decline in value are removed, the write-back is included with recognition in the income statement in the same item.

4 – Hedging transactions

With regard to hedging transactions (hedge accounting), the Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a balance sheet entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk associated to a highly probable present or future balance sheet entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non Euro country or currency.

Only instruments involving a counterparty outside the Cassa Centrale Group may be designated as hedging instruments.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the income statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the income statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the income statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet, respectively, in the consolidated financial statements item 60. Adjustment of the financial assets subject to macro-hedging or item 50. Adjustment of the financial liabilities subject to macro-hedging.

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and that which would have been its carrying amount if the hedge had never existed, is amortised in the income statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non interest bearing financial instruments, it is recorded immediately in the income statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the income statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the income statement when the flows relating to the risk originally hedged occur.

5 – Equity investments

Classification criteria

This item includes interests held in associates and jointly controlled companies.

The following definitions in particular apply:

- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Group, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investing company. Such influence is presumed (relative presumption) to exist for companies in which the Group owns at least

20.00% of the voting rights of the investee company;

- jointly controlled company (Joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Investments in associates and investments in jointly controlled companies are valued using the equity method. This means that, after initial recognition, the carrying amount is subsequently increased or decreased to record the Group's share of the profits and losses of the investee companies realised after the acquisition date, as a contra-entry to consolidated income statement item 250. Profit (loss) on equity investments.

If there is objective evidence of impairment, an estimate is made of the recoverable value of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable value of the asset is lower than its carrying amount, the impairment loss is recognised in the income statement under item 250. Profit (loss) on equity investments in the consolidated financial statements.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recorded under the consolidated balance sheet item 70. Dividend and similar income. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the Consolidated Financial Statements, dividends received are deducted from the carrying amount of the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item 250. Profit (loss) on equity investments in the consolidated financial statements.

6 – Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

Property for business use is defined as those tangible assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are recorded in the consolidated financial statements under 'Other Assets' and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the income statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the right of use model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the carrying amount compared to the recoverable value. The recoverable value of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the income statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the carrying amount of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the income statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the carrying amount of the asset; they are recorded in the income statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the income statement, in consolidated financial statements item 210. Net value adjustments/write-backs to tangible assets.

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the carrying amount might not be recoverable. These impairment losses are recognised in the income statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In the consolidated income statement item 280. Profit (loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

7 – Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the income statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a definite useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the amortisation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable value of the asset. The amount of the impairment, recorded in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable value.

Derecognition criteria

Intangible assets are eliminated from the balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the carrying amount of the asset and entered in the income statement.

Criteria for the recognition of the income components

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

In the consolidated income statement item 220. Net value adjustments/ write-backs to intangible assets, the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In the item 280. Profit (loss) from disposal of investments, in the consolidated income statement, the balance, positive or negative between the profits and losses on disposal of investments is recognised.

8 – Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose carrying amount will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups held for disposal and discontinued operations and related liabilities are shown under specific items of consolidated assets (120. Non-current assets and groups of assets held for disposal) and consolidated liabilities (70. Liabilities associated to assets held for disposal).

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the carrying amount and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their carrying amount and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable value at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profit/loss on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant consolidated income statement item 320. Profit (loss) after tax from discontinued operations.

9 – Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under ‘Current tax liabilities’ of the consolidated balance sheet.

In the event of overpayment, which gave rise to a recoverable receivable, this is accounted for among the ‘Current tax assets’ of the consolidated balance sheet.

In accordance with IAS 12, the Group compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the so-called balance sheet liability method, taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the balance sheet and its value recognised for tax purposes. These differences are distinguished between 'deductible temporary differences' and 'taxable temporary differences'.

Deferred tax assets

Deductible temporary differences indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

Deferred tax assets are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

Taxable temporary differences indicate a future increase in taxation and consequently generate deferred tax liabilities, since these differences give rise to taxable amounts in the following years to those when they are attributed to the statutory income statement, determining a deferment of the taxation compared to the economic-statutory accrual.

Deferred tax liabilities are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in consolidated balance sheet item 110. Tax assets, sub-item "b) deferred" and 60. Tax liabilities, sub-item "b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 – Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- provision for credit risk relative to commitments and financial guarantees issued: the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- provision for other commitments and guarantees issued: the value of the total provisions in respect of other commitments and other guarantees issued which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- provisions for retirement and similar obligations includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation as at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the income statement, in consolidated financial statements item 200. Net allocations to provisions for risks and charges.

The item includes the positive or negative balance between the allocations and any re-attributions to the income statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11 – Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than Financial liabilities held for trading and Financial liabilities measured at fair value.

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the income statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the income statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the income statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the income statement, under the consolidated financial statements item 100. Profit (loss) from disposal/repurchase of: c) Financial liabilities.

12 – Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, paragraph 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the balance sheet date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet; if the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the income statement under item 80. Net result from trading.

13 – Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities measured at fair value with valuation results entered in the income statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is measured at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities measured at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the income statement.

Measurement criteria

Liabilities are measured at fair value. The income components are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial liabilities measured at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the carrying amount of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the interest expense and similar charges of the consolidated income statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

14 – Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

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

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the income statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the equity, the exchange rate difference relating to this element is also recorded in the equity.

When a profit or loss is recorded in the income statement, the related exchange rate difference is also recorded in the income statement.

15 – Other information

15.1 Sales and repurchase contracts (repos)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 Provision for severance indemnity and seniority bonuses

Provision for severance indemnity (hereinafter also T.F.R.) is similar to a post-employment benefit of the defined benefit plan type the value of which IAS 19 requires to be determined using actuarial methodologies.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the T.F.R. accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee T.F.R. was carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity (TFR) accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the income statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the consolidated income statement sub-item 190. a) Personnel costs.

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among 'Other liabilities') for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "statement of comprehensive income".

The 'other long-term benefits' described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the balance sheet.

The allocation, as the reattribution to the income statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the income statement among the "Personnel costs"

15.3 Recognition of revenues and costs

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

- at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer or
- over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to point b) above, a performance obligation is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are:

- the obligation to pay;
- the legal title of the right to the consideration accrued;
- the physical possession of the asset;
- the transfer of risks and benefits related to ownership;
- the acceptance of the asset.

With regards to revenues realised over a period of time, the Group adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Group are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the income statement only at the time of its actual collection;
- the dividends are recorded in the income statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the commissions for revenues from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the income statement according to the accrual principle; the costs relating to the obtainment and fulfilment of the contracts with the customer are recognised in the income statement in the periods in which the associated revenues are recognised.

15.4 Improvements to third-party assets

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the 'Other assets' and are amortised for a period not exceeding the duration of the lease.

15.5 Methods of recognition of impairment losses

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at the end of each reporting period - to verify whether there are any indicators that these assets may be impaired (known as impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Group, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the Covid-19 pandemic, during the year the Cassa Centrale Group implemented several refinements to the IFRS 9 impairment model to reflect the guidelines and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to paragraph "d) Methods of application of international accounting standards in the context of the Covid-19 pandemic included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'Low Credit Risk';
- in stage 3, non-performing positions.

More specifically, the Group made provision for the allocation of the individual credit, cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;

- positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);

- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- rating class of less than or equal to 4.

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below::

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Group has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks have been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Group adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also PD and EAD) risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the first stage of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In the second stage, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Group to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- cash exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- cash exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- cash exposures classified as unlikely to pay that exceed the size threshold;
- cash exposures classified as non-performing that exceed the size

threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 200,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable value (valuation component), the Group adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counter-parties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- gone concern approach, which applies mandatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable value (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable. If there is any indication of this, the entity must estimate the asset's recoverable value that, therefore, is tested for impairment.

The presence of impairment indicators (for example, the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable value of the investment is lower than its carrying amount.

The recoverable value is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the carrying amount.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" in this Part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable value is higher than the carrying amount of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Consolidated Income Statement item 250. Profit (loss) on equity investments.

Should the recoverable value subsequently be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (known as impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at fair value (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property where Management is located (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable value (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative carrying amount.

If and only if the recoverable value of an asset or of the CGU is lower than its carrying amount, the latter must be reduced to the recoverable value, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Group is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress).

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements.

The recoverable value is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable value, which will be compared with their carrying amount in order to quantify any impairment. The recoverable value is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the carrying amount of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A CGU is written down when its carrying amount is higher than its recoverable value. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the carrying amount of the asset, or because the asset would be sold for less than its carrying amount.

15.6 Business combinations

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the Parent Company (acquiror) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 Accruals and deferrals

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 Own shares

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity. Similarly, shares issued by the Parent Company and subscribed by the Affiliated Banks as part of the sole consolidating entity are also deducted from Group's equity.

15.9 Payments based on shares

This case does not apply to the Group, as it does not have a so-called 'stock option plan' in place on Group-issued shares.

A.3 - Information on transfers between portfolios of financial assets

The Group has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.4 - Information on fair value

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The "Fair value policy" of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called "fair value hierarchy".

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Group has equipped itself with tools to identify and monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on valuation models.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Group has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:
  - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
  - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
  - UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.
- Level 2: fair value is determined on the basis of valuation techniques that envisage:
  - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
  - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Group refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
    - the prices of similar financial assets/liabilities;
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatility;
    - credit spread;
    - inputs corroborated by the market based on observable market data.

  The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

  - non-governmental bonds for which a price is available on a non-active market;
  - securities for which the valuation is provided by a third party provider using inputs observable on active markets;
  - securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
  - shares that are not listed on an active market;
  - OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.
- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on

the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:

- unlisted minority equity investments;
- insurance investment products;
- unlisted non-UCITS funds;
- junior securitisation securities;
- unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

Information of a qualitative nature

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

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal model is used to determine fair value.

The valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks or other cooperative credit banks, the rating class is determined on the basis of the creditworthiness of the Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used.

Given the predominant use of observable inputs, the fair value thus determined is classified at level 2.

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Group therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - minimum transfer amount (that is the difference between the

fair value of the contract and the value of the guarantee) under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Group, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);
- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Group verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Group uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the Fair Value Policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as 'AIFs') are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the net asset value (NAV) used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the carrying amount.

With regard to non-performing positions – except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used – the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 Processes and sensitivities of the valuations

The Group generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

That said, financial instruments under assets with a fair value level 3 represent a residual portion of approximately 5% of the total portfolio of financial assets at fair value. They consist mainly of unlisted minority equity investments and insurance investment products (typically life insurance policies).

With reference to the unlisted minority equity investments, the investment in Iccrea Banca S.p.A. (hereinafter also "Iccrea"), amounting to approximately EUR 95 million at the end of the reporting period is notable. This was not subject to sensitivity analysis considering that the fair value was determined on the basis of the price defined in the agreement signed in October 2019 between the Parent Company and Iccrea regarding the definition of reciprocal participation arrangements. Given that the value of the equity investment will be realised at the price already established in the agreement, which cannot therefore be subject to change, it was considered that the sensitivity analysis has no significant informative value.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euro swap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

With reference to the equity investment in Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia (hereinafter also referred to as "Carige"), in view of the valuation model adopted, it was not considered relevant to perform sensitivity analyses on significant unobservable inputs.

A.4.3 Fair value hierarchy

For a description of the fair value hierarchy levels envisaged by the Group, please refer to paragraph "A.4 - Information on fair value" above.

With reference to assets and liabilities measured at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 Other information

The Group does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Group, with reference to derivatives concluded with financial counterparties with which it stipulated framework offsetting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 Fair value hierarchy

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

	31/12/2021			31/12/2020		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets designated at fair value through profit or loss	207	18	368	212	20	375
a) financial assets held for trading	-	6	-	-	7	-
b) financial assets designated at fair value	-	-	1	-	-	2
c) other financial assets mandatorily measured at fair value	207	12	367	212	13	373
2. Financial assets designated at fair value through other comprehensive income	10,818	9	209	9,137	73	230
3. Hedging derivatives	-	6	-	-	2	-
4. Tangible assets	-	-	15	-	-	15
5. Intangible assets	-	-	-	-	-	-
Total	**11,025**	**33**	**592**	**9,349**	**95**	**620**
1. Financial liabilities held for trading	-	3	-	-	9	-
2. Financial liabilities designated at fair value	-	1	-	-	15	-
3. Hedging derivatives	-	29	-	-	57	-
Total	**-**	**33**	**-**	**-**	**81**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

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

	Financial assets designated at fair value through profit or loss				Financial assets designated 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 fair value				
1. OPENING BALANCES	**375**	**-**	**2**	**373**	**230**	**-**	**15**	**-**
2. INCREASES	**48**	**-**	**-**	**48**	**18**	**-**	**1**	**-**
2.1. Purchases	29	-	-	29	16	-	-	-
2.2. Profit attributed to:	18	-	-	18	2	-	-	-
2.2.1. Income Statement	18	-	-	18	-	-	-	-
- of which capital gains	13	-	-	13	-	-	-	-
2.2.2. Equity	-	X	X	X	2	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	1	-	-	1	-	-	1	-
3. DECREASES	**55**	**-**	**1**	**54**	**39**	**-**	**1**	**-**
3.1. Sales	9	-	-	9	11	-	1	-
3.2. Repayments	28	-	1	27	-	-	-	-
3.3. Losses attributed to:	16	-	-	16	26	-	-	-
3.3.1. Income Statement	16	-	-	16	-	-	-	-
- of which capital losses	13	-	-	13	-	-	-	-
3.3.2. Equity	-	X	X	X	26	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	2	-	-	2	2	-	-	-
4. CLOSING BALANCES	**368**	**-**	**1**	**367**	**209**	**-**	**15**	**-**

Item "3.3.2. Losses attributed to Equity", relating to Financial assets measured at fair value through other comprehensive income, is mainly attributable to the valuation of Banca Carige S.p.A. shares for approximately EUR 16 million. The item "Closing balances" also includes the residual value of the same securities still in the portfolio for an amount of approximately EUR 11.7 million as well as Iccrea Banca S.p.A. shares of approximately EUR 95 million.

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

At the end of the reporting period, the Group does not hold any liabilities measured at fair value on a recurring basis classified to level 3.

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

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2021				31/12/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	75,250	25,848	508	50,692	72,859	27,567	484	47,481
2. Tangible assets held for investment purposes	75	-	-	86	80	-	-	86
3. Non-current assets and groups of assets held for disposal	3	-	1	2	7	-	-	5
Total	**75,328**	**25,848**	**509**	**50,780**	**72,946**	**27,567**	**484**	**47,572**
1. Financial liabilities measured at amortised cost	81,734	-	1,201	80,535	77,873	-	2,112	75,760
2. Liabilities associated to assets held for disposal	-	-	-	-	-	-	-	-
Total	**81,734**	**-**	**1,201**	**80,535**	**77,873**	**-**	**2,112**	**75,760**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 - Information on 'day one profit/loss'

The Group did not carry out any transactions for which, at the moment of first-time recognition of a financial instrument, a difference emerges between the purchase value and the value of the instrument obtained using internal valuation techniques.

PART B - Information on the Consolidated Balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2021	Total 31/12/2020
a) Cash	592	533
b) Current accounts and deposits on demand with central banks	126	81
c) Current accounts and deposits on demand with banks	177	209
Total	**895**	**823**

The sub-item "Current accounts and deposits on demand with central banks" refers to transactions with the Bank of Italy.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 2 – Financial assets designated at fair value through profit or loss – Item 20

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	6	-	-	7	-
1.1 trading	-	6	-	-	7	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**6**	**-**	**-**	**7**	**-**
Total (A+B)	**-**	**6**	**-**	**-**	**7**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes derivative instruments classified in the trading book.

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2021	Total 31/12/2020
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	6	7
Total (B)	**6**	**7**
Total (A+B)	**6**	**7**

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. LOANS	**-**	**-**	**1**	**-**	**-**	**2**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	1	-	-	2
Total	**-**	**-**	**1**	**-**	**-**	**2**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

2.4 Financial assets designated at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2021	Total 31/12/2020
1. DEBT SECURITIES	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. LOANS	**1**	**2**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	1	2
Total	**1**	**2**

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

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**-**	**12**	**4**	**-**	**13**	**4**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	12	4	-	13	4
2. EQUITIES	**14**	**-**	**-**	**26**	**-**	**-**
3. UCITS UNITS	**193**	**-**	**80**	**186**	**-**	**83**
4. LOANS	**-**	**-**	**283**	**-**	**-**	**286**
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	283	-	-	286
Total	**207**	**12**	**367**	**212**	**13**	**373**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "1.2. Other debt securities" includes junior and mezzanine securities related to securitisation transactions for approximately EUR 4 million classified in fair value level 3.

Loans include approximately EUR 224 million in life insurance policies issued by insurance companies, linked to the return on a separate holding, and obligatorily measured at fair value following the failure of the SPPI test.

The item 'UCITS units' is composed of the following main categories of funds:

- bonds of approximately EUR 125 million, of which about EUR 21 million classified at fair value level 3;
- stocks for approximately EUR 53 million;
- balanced for approximately EUR 34 million;
- real estate of approximately EUR 31 million, of which about EUR 29 million classified at fair value level 3;
- NPL of approximately EUR 29 million classified at fair value level 3;
- private equity of approximately EUR 1 million classified at fair value level 3;

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2021	Total 31/12/2020
1. EQUITIES	**14**	**26**
of which: banks	1	1
of which: other financial companies	1	2
of which: non-financial companies	12	23
2. DEBT SECURITIES	**16**	**17**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	11	12
d) Other financial companies	5	5
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS UNITS	**273**	**269**
4. LOANS	**283**	**286**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	272	273
of which: insurance companies	225	229
e) Non-financial companies	7	8
f) Households	4	5
Total	**586**	**598**

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

3.1 Financial assets designated at fair value through other comprehensive income: breakdown by category

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**10,797**	**9**	**1**	**9,129**	**73**	**1**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10,797	9	1	9,129	73	1
2. EQUITIES	**21**	**-**	**208**	**8**	**-**	**229**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,818**	**9**	**209**	**9,137**	**73**	**230**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "2. Equities" includes residual Iccrea Banca S.p.A. securities held by Affiliated Banks for approximately EUR 95 million, representing an interest of approximately 6.6%. These securities are part of the sale agreement entered into in 2019 with Iccrea Banca S.p.A., which will allow the position to be completely eliminated by 2022.

This item also includes equities relating to Cassa Centrale Banca's investment in Carige for a value of approximately EUR 11.7 million (equal to 6.22% of the share capital).

3.2. Financial assets designated at fair value through other comprehensive income: breakdown by debtors/issuers

	Total 31/12/2021	Total 31/12/2020
1. DEBT SECURITIES	**10,807**	**9,203**
a) Central Banks	-	-
b) Public bodies	10,512	9,040
c) Banks	228	109
d) Other financial companies	39	30
of which: insurance companies	-	-
e) Non-financial companies	28	24
2. EQUITIES	**229**	**237**
a) Banks	155	169
b) Other issuers:	74	68
- other financial companies	13	11
of which: insurance companies	4	3
- non-financial companies	49	45
- other	12	12
3. LOANS	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**11,036**	**9,440**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	10,808	13	1	1	-	2	-	1	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**10,808**	**13**	**1**	**1**	**-**	**2**	**-**	**1**	**-**	**-**
Total 31/12/2020	**9,202**	**67**	**3**	**1**	**-**	**2**	**-**	**1**	**-**	**-**

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and part E - Information on risks and related hedging policies.

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

The table does not contain information and therefore was not filled in.

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

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021						Total 31/12/2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**3,273**	**-**	**-**	**-**	**-**	**3,273**	**2,089**	**-**	**-**	**-**	**-**	**2,090**
1. Time deposit	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	3,273	-	-	X	X	X	2,089	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. LOANS TO BANKS	**782**	**-**	**-**	**351**	**170**	**270**	**704**	**-**	**-**	**165**	**176**	**384**
1. Loans	**260**	**-**	**-**	**-**	**-**	**260**	**374**	**-**	**-**	**-**	**-**	**374**
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	75	-	-	X	X	X	186	-	-	X	X	X
1.3. Other loans:	185	-	-	X	X	X	188	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	185	-	-	X	X	X	188	-	-	X	X	X
2. Debt securities	**522**	**-**	**-**	**351**	**170**	**10**	**330**	**-**	**-**	**165**	**176**	**10**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	522	-	-	351	170	10	330	-	-	165	176	10
Total	**4,055**	**-**	**-**	**351**	**170**	**3,543**	**2,793**	**-**	**-**	**165**	**176**	**2,474**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The balance of the item "2.2 Other debt securities" includes the subscription, by the Cassa Centrale Group, of the subordinated bond issued by Carige at an annual rate of 8.25%. This subordinated loan was subscribed by Cassa Centrale Banca and its Affiliated Banks for a nominal value of EUR 100 million.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

4.2 Financial assets measured at amortised cost: breakdown by category of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021						Total 31/12/2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. LOANS	**45,075**	**758**	**-**	**-**	**224**	**46,808**	**42,144**	**1,201**	**-**	**-**	**184**	**44,676**
1.1. Current accounts	3,367	84	-	X	X	X	3,440	181	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	36,599	621	-	X	X	X	33,992	965	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	909	8	-	X	X	X	707	9	-	X	X	X
1.5. Financing for leases	675	15	-	X	X	X	605	18	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	3,525	30	-	X	X	X	3,400	28	-	X	X	X
2. DEBT SECURITIES	**25,362**	**-**	**-**	**25,497**	**114**	**341**	**26,721**	**-**	**-**	**27,402**	**124**	**331**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	25,362	-	-	25,497	114	341	26,721	-	-	27,402	124	331
Total	**70,437**	**758**	**-**	**25,497**	**338**	**47,149**	**68,865**	**1,201**	**-**	**27,402**	**308**	**45,007**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans to customers are shown net of value adjustments from write-downs. Impaired assets include the impaired loans, unlikely to pay and past due exposures according to Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates. Details of these exposures, the amounts and the breakdown of the value adjustments, are shown in Part E of the Explanatory Notes – Credit quality. The fair value of short-term or revocable receivables was conventionally assumed to be equal to the carrying amount.

For impaired positions, the fair value was deemed to be equal to the net book value on the basis of the considerations set out in Part A, section A.4 – Information on fair value, to which reference is made.

The item "2.2 Other debt securities" includes senior securities relating to securitisation transactions for approximately EUR 317 million classified at fair value level 3.

Loans to customers include loans from third-party funds under administration with risk borne by the Group amounting to approximately EUR 140 million.

Performing exposures to customers consisted mainly of mortgage loans, which amounted to EUR 36,599 million and accounted for approximately 81% of total loans to customers, current accounts receivable of EUR 3,367 million and other loans of EUR 3,525 million. The trend shows, on the one hand, a positive change in loans to maturity represented by mortgages and on the other hand a decrease in short-term loans. This change is related to the measures provided for in the government's economic support decrees issued in response to the Covid-19 health emergency and the consequent reshaping of on-demand exposures to government-guaranteed forms of financing.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021			Total 31/12/2020		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Stage 1 and 2	Stage 3	Purchased or originated credit impaired
1. DEBT SECURITIES	**25,362**	**-**	**-**	**26,721**	**-**	**-**
a) Public bodies	24,949	-	-	26,337	-	-
b) Other financial companies	372	-	-	352	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	41	-	-	32	-	-
2. LOANS TO:	**45,075**	**758**	**-**	**42,144**	**1,201**	**-**
a) Public bodies	239	-	-	192	-	-
b) Other financial companies	867	4	-	828	10	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	20,996	448	-	19,953	700	-
d) Households	22,973	306	-	21,171	491	-
Total	**70,437**	**758**	**-**	**68,865**	**1,201**	**-**

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	25,881	328	61	1	-	15	43	1	-	-
Loans	43,227	2	5,948	2,875	-	218	349	2,117	-	297
Total 31/12/2021	**69,108**	**330**	**6,009**	**2,876**	**-**	**233**	**392**	**2,118**	**-**	**297**
Total 31/12/2020	**66,467**	**353**	**5,686**	**3,337**	**-**	**152**	**343**	**2,136**	**-**	**302**

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

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

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. EBA-compliant moratoria loans	100	-	23	7	-	3	5	4	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	274	-	82	9	-	10	11	5	-	-
3. Other loans with COVID-19-related forbearance measures	-	-	24	19	-	-	3	12	-	-
4. Newly originated loans	4,725	-	602	67	-	14	19	28		-
Total 31/12/2021	**5,099**	**-**	**731**	**102**	**-**	**27**	**38**	**49**	**-**	**-**
Total 31/12/2020	**9,689**	**-**	**1,938**	**256**	**-**	**36**	**111**	**105**	**-**	**-**

* Value to be displayed for information purposes

The loans included in the first three items of the table refer for a total value of approximately EUR 538 million to loans subject to the Covid-19 Eba Compliant moratorium at the date of granting with a repayment schedule still suspended as at 31 December 2021.

This does not include moratorium loans amounting to EUR 82 million granted on a bank initiative that do not meet the requirements to be classified as Eba Compliant.

The new loans represented under item no. 3 constitute new liquidity granted through public guarantee mechanisms.

Section 5 – Hedging derivatives – Item 50

This item features the derivative contracts designated as effective hedging instruments, which at the reference date show a positive fair value.

With regard to hedging transactions, the Group made use of the right to continue to apply the existing requirements of IAS 39 for accounting purposes as required by IFRS 9 until the IASB has completed its project to define the accounting rules for hedging financial instruments.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

5.1 Hedging derivatives: breakdown by type of coverage and levels

	FV 31/12/2021			NV 31/12/2021	FV 31/12/2020			NV 31/12/2020
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES								
1. Fair value	-	6	-	312	-	2	-	49
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6**	**-**	**312**	**-**	**2**	**-**	**49**

KEY:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

TRANSACTIONS / TYPE OF HEDGE	Fair Value							Cash flows		Foreign Investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro	
	Debt securities and interest rates	Equities and stock market indices	Currencies and gold	Loans	Commodities	Other				
1. Financial assets designated at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	6	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Adjustment of the financial assets subject to macro-hedging – Item 60

This item includes the balance of changes in the value of assets subject to macro interest rate risk hedging, for the application of which the Group avails itself of the possibility, provided by IFRS 9, to continue to apply IAS 39 in the carve-out version.

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

VALUE ADJUSTMENT OF HEDGED ASSETS/VALUES	Total 31/12/2021	Total 31/12/2020
1. POSITIVE FAIR VALUE CHANGE	**21**	**45**
1.1 of specific portfolios:	1	10
a) financial assets measured at amortised cost	1	10
b) financial assets designated at fair value through other comprehensive income	-	-
1.2 total	20	35
2. NEGATIVE FAIR VALUE CHANGE	**4**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets designated at fair value through other comprehensive income	-	-
2.2 overall	4	-
Total	**17**	**45**

Section 7 – Equity investments – Item 70

This section includes the equity investments in companies under joint control or subject to a significant influence (IAS 28 and IFRS 11).

At the end of the reporting period, the value of the equity investments amounted to EUR 64 million, relating:

- to “significant” equity investments totalling EUR 39 million (as represented in the following table 7.2);
- to “non significant” equity investments totalling EUR 25 million (as represented, on the whole, in the following table 7.4).

The scope of ‘significant equity investments’ was determined by considering the materiality of the carrying amount of the investment and the share of the investee’s assets with respect to the homogeneous balances relating to the current financial statements.

7.1 Equity investments: information on type of relationship

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.48	8.48
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.19	7.19
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.53	6.53
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	4.08	4.08
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.26	3.26
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.15	3.15
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.96	2.96
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	5.86	5.86
					47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.96	6.96

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.80	5.80
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.10	5.10
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.71	3.71
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	7.89	7.89
					47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	CASSA RURALE ADAMELLO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	24.76	24.76
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
					30.37	30.37

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	19.5	19.5
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
					29.17	29.17
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	24.51	24.51
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of relationship.

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A – Accounting policies of these Explanatory notes.

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

NAME	Book value	Fair value	Dividends received
A. JOINTLY CONTROLLED COMPANIES			
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	17	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE			
CABEL HOLDING S.p.A.	9	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	7	-	-
ASSICURA S.r.l.	6	-	-
Total	**39**	**-**	**-**

7.3 Significant equity investments: accounting information

The table shows the data obtained from the last accounting position available.

NAME	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Value adjustments and write-backs on tangible and intangible assets	Profit (loss) before tax from current operating activities	Profit (loss) after tax from current operating activities	Profit (loss) after tax from discontinued operations	Profit (loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES														
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	-	64	-	30	-	-	-	-	2	2	-	2	-	2
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE														
CABEL HOLDING S.p.A.	X	12	20	-	2	1	X	X	(8)	(8)	-	(8)	-	(8)
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	X	11	4	-	14	-	X	X	-	-	-	-	-	-
ASSICURA S.r.l.	X	6	2	-	8	-	X	X	-	-	-	-	-	-

7.4 Non significant equity investments: accounting information

NAME	Book value of equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) after tax from current operating activities	Profit (loss) after tax from operating activities	Profit (loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES	-	27	27	-	-	-	-	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE	25	81	49	11	(5)	-	(5)	-	(5)

The table shows accounting information cumulatively by type of investment relationship, with reference to companies whose income statement and balance sheet aggregates are not considered significant. 'Total liabilities' does not include Equity.

In the column 'Total revenues' the total amount of the income components with a positive sign is shown, gross of their tax effect.

The values are expressed with reference to the percentage held by the Group, as required by IFRS 12.

7.5 Equity investments: annual changes

	Total 31/12/2021	Total 31/12/2020
A. OPENING BALANCES	**75**	**89**
B. INCREASES	**5**	**2**
B.1 Purchases	1	-
B.2 Write-backs	-	-
B.3 Revaluations	2	2
B.4 Other changes	2	-
C. DECREASES	**16**	**16**
C.1 Sales	-	13
C.2 Value adjustments	-	-
C.3 Write-downs	7	3
C.4 Other changes	9	-
D. CLOSING BALANCES	**64**	**75**
E. TOTAL REVALUATIONS	**3**	**3**
F. TOTAL ADJUSTMENTS	**-**	**-**

The main changes in equity investments during the current year are summarised below:

- item "C.1 Sales" has no significant amounts as at 31 December 2021, while the amount relating to 2020 is mainly attributable to the sale of the investment in BCC Sviluppo Territorio FVG held by some Affiliated Banks for a value of approximately EUR 10 million;
- item "B.3 Revaluations" contains positive value adjustments for a value of approximately EUR 2 million;
- item "B.4 Other changes" includes the consolidation of the companies Azienda Agricola Antoniana S.r.l. and Benaco Gestioni Immobiliari S.r.l., previously consolidated on a line-by-line basis, using the equity method due to materiality limits;
- item "C.3 Write-downs", amounting to approximately EUR 7 million, includes the results of the valuation of minority equity investments using the equity method;
- negative value adjustment, item "C.4 Other changes", for a value of approximately EUR 9 million, mainly due to the line-by-line consolidation of the subsidiary Prestipay S.p.A, previously consolidated using the equity methods due to materiality limits.

7.6 Significant valuations and assumptions to establish the existence of joint control or significant influence

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A – Accounting policies (IFRS 12 para. 7, letters b) and c)).

7.7 Commitments referring to equity investments in subsidiaries under joint control

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.8 Commitments referring to equity investments in companies subject to a significant influence

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.9 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

7.10 Other information

For most of the companies subject to joint control or significant influence, the timing of availability of the year-end financial statements is not compatible with the timing of the closing of the consolidated financial statements of the Cassa Centrale Group; in this regard, for the application of the equity method, reference is made to the latest available accounting reports, represented, in most cases, by the latest financial statements or half-yearly report available.

In any case, when the accounting records of the associate or joint venture used in applying the equity method refer to a date other than that of the consolidated financial statements, adjustments are made to take into account the effects of significant transactions or events that occurred between that date and the date of the Group's consolidated financial statements.

At the end of the reporting period, there are no impairment losses that impact the carrying amount, including goodwill, of equity investments in companies subject to joint control or significant influence. For the aforementioned equity investments, the book value of the net investment is substantially in line with the corresponding portion of equity held.

Section 8 – Reinsurers' share of technical provisions – Item 80

The tables of this section do not contain information and therefore were not filled in.

Section 9 – Tangible assets – Item 90

9.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2021	Total 31/12/2020
1. ASSETS OWNED	**961**	**964**
a) land	147	145
b) buildings	673	683
c) furniture	52	49
d) electronic systems	34	35
e) other	55	52
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**120**	**131**
a) land	-	-
b) buildings	116	127
c) furniture	-	-
d) electronic systems	3	2
e) other	1	2
Total	**1,081**	**1,095**
of which: obtained through the enforcement of guarantees received	5	7

For details of the rights of use acquired through lease, please refer to the information provided at the end of table "9.6 Tangible assets for business use: annual changes".

9.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2021				Total 31/12/2020			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. ASSETS OWNED	**75**	**-**	**-**	**86**	**80**	**-**	**-**	**86**
a) land	23	-	-	26	27	-	-	27
b) buildings	52	-	-	60	53	-	-	59
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**75**	**-**	**-**	**86**	**80**	**-**	**-**	**86**
of which: obtained through the enforcement of guarantees received	37	-	-	37	42	-	-	41

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.3 Tangible assets for business use: breakdown of the revalued assets

ASSETS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**3**	**-**	**-**	**3**
a) land	-	-	1	-	-	1
b) buildings	-	-	2	-	-	2
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**3**	**-**	**-**	**3**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.4 Tangible assets held for investment purposes: breakdown of the assets measured at fair value

ASSETS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**12**	**-**	**-**	**12**
a) land	-	-	2	-	-	1
b) buildings	-	-	10	-	-	11
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**12**	**-**	**-**	**12**
of which: obtained through the enforcement of guarantees received	-	-	1	-	-	2

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.5 Inventories of tangible assets disciplined by IAS 2: breakdown

ASSETS/VALUES	Total 31/12/2021	Total 31/12/2020
1. INVENTORIES OF ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED	**44**	**45**
a) land	28	29
b) buildings	16	16
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. OTHER INVENTORIES OF TANGIBLE ASSETS	**30**	**35**
Total	**74**	**80**
of which: measured at fair value net of costs to sell	-	-

Other inventories of tangible assets mainly include real estate that is not functional to banking activities.

9.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2021
A. GROSS OPENING BALANCES	**146**	**924**	**66**	**67**	**90**	**1,293**
A.1 Total net impairment	-	111	17	31	36	195
A.2 NET OPENING BALANCES	**146**	**813**	**49**	**36**	**54**	**1,098**
B. INCREASES:	**3**	**54**	**12**	**26**	**24**	**119**
B.1 Purchases	1	30	10	22	22	85
- of which business combinations	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	3	-	-	-	3
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	2	21	2	4	2	31
C. DECREASES:	**1**	**78**	**9**	**24**	**21**	**133**
C.1 Sales	-	4	-	3	1	8
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	52	8	21	19	100
C.3 Value adjustments for impairment charged to	-	2	-	-	-	2
a) equity	-	-	-	-	-	-
b) income statement	-	2	-	-	-	2
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	1	4	-	-	-	5
a) tangible assets held for investment purposes	1	3	X	X	X	4
b) non-current assets and groups of assets held for disposal	-	1	-	-	-	1
C.7 Other changes	-	16	1	-	1	18
D. NET CLOSING BALANCES	**148**	**789**	**52**	**38**	**57**	**1,084**
D.1 Total net impairment	-	165	25	52	55	297
D.2 GROSS CLOSING BALANCES	**148**	**954**	**77**	**90**	**112**	**1,381**
E. Valuation at cost	1	2	-	-	-	3

The item "E. Valuation at cost" shows, for information purposes, the cost of properties for business use measured at fair value.

Tangible fixed assets are depreciated, i.e. the depreciable value of the asset is charged to the income statement in portions reflecting its long-term use based on its estimated useful life.

With regard to the rights of use acquired through lease, the annual changes in this category are shown below:

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 31/12/2021
NET OPENING BALANCES	**83**	**1**	**-**	**-**	**43**	**1**	**2**	**1**	**-**	**131**
Of which:										
- Historical cost	123	2	-	-	48	1	5	2	-	**181**
- Depreciation fund	(40)	(1)	-	-	(5)	-	(3)	(1)	-	**(50)**
Increases	22	1	-	-	4	-	1	1	-	**29**
Decreases	(5)	-	-	-	(8)	-	-	-	-	**(13)**
Depreciation	(20)	(1)	-	-	(4)	-	(2)	-	-	**(27)**
Impairment	-	-	-	-	-	-	-	-	-	**-**
NET CLOSING BALANCES	**80**	**1**	**-**	**-**	**35**	**1**	**1**	**2**	**-**	**120**
Of which:										
- Historical cost	140	3	-	-	44	1	6	3	-	**197**
- Depreciation fund	(60)	(2)	-	-	(9)	-	(5)	(1)	-	**(77)**

The item "Equipment", amounting to EUR 1 million, mainly refers to ATMs and cash-in-cash-out machines.

The item "Other" mainly includes the rights of use deriving from the lease of locations for the installation of ATMs.

The item "Increases" includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under "Increases" and "Decreases".

At the end of the reporting period, there were no leaseback transactions.

9.7 Tangible assets held for investment purposes: annual changes

	Total 31/12/2021	
	Land	Buildings
A. OPENING BALANCES	**28**	**64**
B. INCREASES	**3**	**7**
B.1 Purchases	1	2
- of which business combinations	-	-
B.2 Expenditures for capitalised improvements	-	-
B.3 Positive fair value changes	-	-
B.4 Write-backs	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from properties for business use	1	3
B.7 Other changes	1	2
C. DECREASES	**6**	**9**
C.1 Sales	1	4
- of which business combinations	-	-
C.2 Depreciation	-	1
C.3 Negative fair value changes	-	-
C.4 Value adjustments for impairment	-	1
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	-	-
a) properties for business use	-	-
b) non-current assets and groups of assets held for disposal	-	-
C.7 Other changes	5	3
D. CLOSING BALANCES	**25**	**62**
E. Valuation at fair value	26	60

Tangible assets for investment purposes are recorded in the financial statements at purchase or construction cost.

The item “E. Valuation at fair value” shows for information purposes the fair value of properties held for investment purposes measures at cost.

9.8 Inventories of tangible assets disciplined by IAS 2: annual changes

	Inventories of tangible assets obtained through the enforcement of guarantees received					Other inventories of tangible assets	Total 31/12/2021
	Land	Buildings	Furniture	Electronic systems	Other		
A. OPENING BALANCES	**29**	**16**	**-**	**-**	**-**	**35**	**80**
B. INCREASES	**-**	**2**	**-**	**-**	**-**	**-**	**2**
B.1 Purchases	-	1	-	-	-	-	1
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange rate differences	-	-	-	-	-	-	-
B.4 Other changes	-	1	-	-	-	-	1
C. DECREASES	**1**	**2**	**-**	**-**	**-**	**5**	**8**
C.1 Sales	1	2	-	-	-	1	4
C.2 Value adjustments for impairment	-	-	-	-	-	-	-
C.3 Negative exchange rate differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	4	4
D. CLOSING BALANCES	**28**	**16**	**-**	**-**	**-**	**30**	**74**

9.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, at the end of the reporting period of these financial statements the contractual commitments for the purchase of tangible assets amounted to approximately EUR 15 million and related mainly to the completion or renovation of buildings for business use.

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2021		Total 31/12/2020	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 GOODWILL	**X**	**28**	**X**	**28**
A.1.1 pertaining to the Group	X	28	X	28
A.1.2 pertaining to minority interests	X	-	X	-
A.2 OTHER INTANGIBLE ASSETS	**55**	**-**	**54**	**-**
of which: software	26	-	23	-
A.2.1 Assets measured at cost:	55	-	54	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	55	-	54	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**55**	**28**	**54**	**28**

In compliance with the relevant accounting regulations:

- all the intangible assets are measured at cost;
- no amortisation has been calculated for intangible assets with an indefinite life.

No internally generated intangible assets were posted.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Information on the impairment test of goodwill

As required by IAS 36 Impairment of Assets, goodwill is tested for impairment at least once a year.

Consolidated goodwill, whose value before impairment testing was EUR 28 million, mainly relates to acquisitions of the company Nord Est Asset Management S.A. (hereinafter also "NEAM") and the Assicura Group in previous years.

The procedures relating to the impairment test of goodwill include the following steps:

- identification of the cash generating units (hereinafter also 'CGUs');
- determination of the carrying amount of the CGUs;
- determination of the recoverable amount of the CGUs, after identifying the most appropriate valuation models and parameters for determining the fair value (hereinafter also "FV") and value in use of the CGUs;
- comparison between the carrying amount and recoverable amount of the individual CGUs.

Sensitivity analyses were also carried out on the recoverable amount of the CGUs to changes in certain parameters relevant to the valuation.

Detailed information on the impairment test of consolidated goodwill as at 31 December 2021 is provided below.

Identification of Cash Generating Units (CGUs)

According to IAS 36, if, as in the case of goodwill, it is not possible to determine directly the recoverable amount of the specific asset recorded in the financial statements (because the asset itself does not produce autonomous cash flows), the recoverable amount of the cash generating unit (CGU) to which the asset belongs must be determined.

The CGU is defined by IAS 36 as "the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows from other assets, or groups of assets".

In order to identify the cash generating units to which to assign the assets to be tested for impairment, it is necessary that the identified CGUs generate cash inflows that are largely independent of those deriving from other identified units. In this sense, with a view to identifying the CGUs, the internal organisation and the management and control methods of the business are extremely important.

In relation to the above, the following CGUs have been identified for the purpose of impairment testing of the Cassa Centrale Group's consolidated goodwill:

- **Asset management**, which includes the asset management services currently provided by the Luxembourg-based company NEAM;
- **Insurance**, which includes the offer of insurance services to customers and corresponds to the sum of the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura").

The table below shows the values of goodwill as at 31 December 2021, subject to impairment test, allocated to the two CGUs in question.

(Figures in millions of euro)

CASH GENERATING UNIT (CGU)	Goodwill
- Asset management	21
- Insurance	5
Total	**26**

It should be noted that the goodwill item in the consolidated financial statements, amounting to EUR 28 million prior to the impairment test, includes residual goodwill of approximately EUR 2 million recorded in the separate financial statements of certain Affiliated Banks and mainly attributable to the merger by incorporation of other Affiliated Banks which took place before the launch of the Group and for which the impairment test in accordance with IAS 36, which did not give rise to value adjustments, was carried out independently by each of these Banks.

Determination of the carrying amount of the CGUs

The carrying amount of the two CGUs identified was determined by calculating their carrying amount in the Consolidated Financial Statements as at 31 December 2021. The above carrying amount, in substance, was determined considering the contribution to the consolidation of the CGUs in terms of equity, goodwill and intangible assets with a definite useful life net of the related deferred tax liabilities.

The carrying amounts as at 31 December 2021 are shown below.

(Figures in millions of euro)

CGU	Carrying amount in the consolidated financial statements
- Asset management	47
- Insurance	23

In relation to the table above, please note that:

- the consolidated carrying amount of the Asset Management CGU includes, in addition to goodwill of EUR 21 million (already 100%), intangible assets with a definite useful life of EUR 1.4 million net of tax effect;
- the consolidated carrying amount of the Insurance CGU includes, in addition to goodwill of EUR 5 million (already 100%), intangible assets with a definite useful life of EUR 1.6 million net of tax effect.

In relation to the above, it emerges that in addition to the consolidated goodwill, intangible assets with a definite useful life, as described above, have also been tested for recoverability.

Determination of the recoverable amount of the CGUs

The carrying amount of the identified CGUs was tested for impairment by comparing it with their recoverable amount. In accordance with IAS 36, para. 6, the recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The Cassa Centrale Group has estimated the recoverable amount of the two CGUs using the value in use method. In this regard, the value in use of the Asset Management and Insurance CGUs was higher than their carrying amount and therefore, in accordance with IAS 36 para. 19, no other amount would need to be estimated as fair value.

For further information, the methods used to determine the value in use of the various CGUs identified are described below, together with the relative balances that emerged.

Asset management CGU: analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income.

In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

In addition to the analytical income method, the "regression analysis" method, which estimates a fair value for the CGU (although this was not strictly necessary, according to paragraph 19 of IAS 36, as the value in use is already greater than the carrying amount), was used as additional evidence and control. This method estimates the economic capital of the company being valued on the basis of the correlation between the prospective return on capital and the related premium or discount expressed by stock market prices compared to equity for a sample of comparable listed companies.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The analytical income method was constructed from figures taken from the 2021-2024 business plan approved by the Board of Directors of Cassa Centrale Banca on 29 June 2021 and from figures taken from the 2022 budget proposal approved by the Board of Directors of NEAM on 14 December 2021.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 8.1%.
- The above rate (calculated before tax) was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$. An additional return due to the strong market volatility that characterises the current economic situation (Add-on) was added to the Ke thus determined.

  In detail, the Cost of Equity (as mentioned, equal to 8.1%) was determined on the basis of the following parameters:

  - risk-free rate (Rf), equal to 0.8%, corresponding to the six-month average of the gross average rate of return on 10-year Treasury Bonds issued by the Italian State with respect to the date of updating of the parameters;
  - beta coefficient (β), equal to 1.1, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the relevant market;
  - additional return (Add-on), equal to 1.0%, due to the strong volatility of the markets that characterizes the current economic situation, deriving from the Covid-19 pandemic currently underway.

- Long-term growth rate (g) and Terminal Value (TV).
  The income method was developed on the basis of the adjusted net profit in order to exclude the profitability deriving from the asset management invested in NEAM by Cassa Centrale Banca and prudently excludes the profitability deriving from the assets managed on behalf of banks belonging

to the ICCREA Banking Group. The normal net income expected for the definition of the Terminal Value also takes into account the considerations outlined above. A growth rate "g" of 1.4% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate.

With reference to the "Regression Analysis", this was set up by relating the P/AuM multiple to the RoAuM from a sample of comparable listed companies operating in the Asset Management sector and led to a higher value than the carrying amount of the CGU.

Based on the analytical income method described above, this results in a recoverable amount for the Asset Management CGU of EUR 77.9 million, which fully supports the carrying amount of the CGU in the consolidated financial statements of EUR 47 million. For further details, please refer to the following paragraph "Comparison between the carrying amount and recoverable amount of the CGU: results of the impairment test".

CGU Insurance: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income. In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The calculation of cash flows is based on the present value of the company's future net income and was constructed from figures taken from the 2021-2024 business plan approved by the Board of Directors of Cassa Centrale Banca on 29 June 2021 and from figures taken from the 2022 budget proposal approved by the Board of Directors of Assicura on 17 December 2021.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 6.5%.
  The above rate (calculated before tax) was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$. An additional return due to the strong market volatility that characterises the current economic situation (Add-on) was added to the Ke thus determined.

  In detail, the Cost of Equity (as mentioned, equal to 6.5%) was determined on the basis of the following parameters:

  - risk-free rate (Rf), equal to 0.8%, corresponding to the six-month average of the gross average rate of return on 10-year Treasury Bonds issued by the Italian State with respect to the date of updating of the parameters;
  - beta coefficient (β), equal to 0.8, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the relevant market;
  - additional return (Add-on), equal to 1.0%, due to the strong volatility of the markets that characterizes the current economic situation, deriving from the Covid-19 pandemic currently underway.

- Long-term growth rate (g) and Terminal Value (TV)
  The normal net income expected for the definition of the Terminal Value has been identified on the basis of the net income realised by Assicura in the last year of the analytical forecast.

  A long-term growth rate "g" of 1.4% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate.

Based on the method described above, this results in a recoverable amount for the Insurance CGU of EUR 124.7 million, which fully supports the carrying amount of the CGU in the consolidated financial statements of EUR 23 million. For further details, please refer to the following paragraph "Comparison between the carrying amount and recoverable value of the CGU: results of the impairment test".

Comparison between the carrying amount and recoverable amount of the CGU: results of the impairment test

Following the comparison between the carrying amount and the recoverable amount (value in use) of the individual CGUs, the impairment test as at 31 December 2021 showed the following results:

CGU (Figures in millions of euro)	**Book value (a)**	**Recoverable amount (value in use) (b)**	**Difference (c)=(b)-(a)**	**Impairment attributable to the Group (d)**
Asset management	47	78	31	-
Insurance	23	125	102	-
Total				**-**

As shown in the table above, no impairment loss on goodwill was recognised in respect of the Asset Management and Insurance CGUs as their recoverable amount is higher than their carrying amount at the consolidated financial statements reporting date.

As a result of the checks described above, residual consolidated goodwill as at 31 December 2021 amounted to EUR 28 million and therefore remained unchanged compared to 31 December 2020.

Sensitivity analysis

Finally, sensitivity analyses were carried out on the value in use of the CGUs identified with respect to the market parameters used ("Ke" and "g"). The analyses carried out show a variation:

- in the recoverable amount of the Asset Management CGU as a result of changes in the parameters considered:
  - equal to EUR -2.8 million in correspondence with an increase in "Ke" of +25 bps;

  - equal to EUR +3.0 million in correspondence with a decrease in “Ke” of -25 bps;
  - equal to EUR +2.7 million in correspondence with an increase in “g” of +25 bps;
  - equal to EUR -2.5 million in correspondence with a decrease in “g” of -25 bps.

- in the recoverable value of the Insurance CGU as a result of changes in the parameters considered:
  - equal to EUR -5.9 million in correspondence with an increase in “Ke” of +25 bps;
  - equal to EUR +6.5 million in correspondence with a decrease in “Ke” of -25 bps;
  - equal to EUR +5.9 million in correspondence with an increase in “g” of +25 bps;
  - equal to EUR -5.4 million in correspondence with a decrease in “g” of -25 bps.

Therefore, even in the worst-case scenarios estimated through the sensitivity analyses detailed above, the value in use would be higher than the carrying amount of the CGUs in the consolidated financial statements, confirming the recoverable amount of the latter.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2021
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**28**	**-**	**-**	**81**	**-**	**109**
A.1 Total net impairment	-	-	-	27	-	27
A.2 NET OPENING BALANCES	**28**	**-**	**-**	**54**	**-**	**82**
B. INCREASES	**-**	**-**	**-**	**20**	**-**	**20**
B.1 Purchases	-	-	-	16	-	16
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes		-	-	-	-	-
- to Equity	X	-	-	-	-	-
- to Income Statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	4	-	4
C. DECREASES	**-**	**-**	**-**	**19**	**-**	**19**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	17	-	17
- Amortisation	X	-	-	17	-	17
- Write-downs	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative fair value changes:		-	-	-	-	-
- to Equity	X	-	-	-	-	-
- to Income Statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	2	-	2
D. NET CLOSING BALANCES	**28**	**-**	**-**	**55**	**-**	**83**
D.1 Total net value adjustments	-	-	-	44	-	44
E. GROSS CLOSING BALANCES	**28**	**-**	**-**	**99**	**-**	**127**
F. VALUATION AT COST	**-**	**-**	**-**	**-**	**-**	**-**

KEY:

DEF = with definite duration

INDEF = with indefinite duration

The intangible assets described were entirely acquired externally and measured at cost.

The sub-item “F. Valuation at cost” is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

10.3 Intangible assets: other information

Based on the requirements of IAS 38 paragraphs 122 and 124, it should be noted that the amount of the contractual commitments for the purchase of intangible assets amounts to approximately EUR 1 million relating to the acquisition of software licences.

It should also be noted that the Group has not:

- provided intangible assets as guarantee for its debts;
- acquired intangible assets via operating or financial lease agreements;
- acquired intangible assets via government concession;
- recorded intangible assets revalued at fair value.

Section 11 – Tax assets and tax liabilities – Item 110 of assets and item 60 of liabilities

11.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2021		
	IRES	IRAP	Total
Loans	428	59	487
Tangible fixed assets	10	1	11
Provisions for risks and charges	70	9	79
Tax losses	7	-	7
Administrative expenses	-	-	-
Other items	13	2	15
Total	**528**	**71**	**599**

THROUGH EQUITY	31/12/2021		
	IRES	IRAP	Total
Negative reserves for HTCS financial assets	7	4	11
Severance indemnity (TFR)	2	-	2
Other items	-	-	-
Total	**9**	**4**	**13**

The item “Loans” in the table above shows Deferred Tax Assets (or “DTA”) mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (so-called “Qualified DTAs”) for EUR 460 million;
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 27 million (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to customers.

“Other items” in the table above include:

- deferred tax assets relating to goodwill that can be converted into tax credits, regardless of the future profitability of the company, both in the case of statutory loss and IRES tax loss or IRAP negative value of production pursuant to Law no. 214 of 22 December 2011 for EUR 0.03 million;
- deferred tax assets arising from misalignments between statutory and tax items arising from IFRS 3 business combinations for EUR 8 million.

It should be noted that, with specific reference to the aforementioned qualified DTAs on write-downs and losses on loans to customers and goodwill, the maintenance of their convertibility into tax credits is subject to the payment of the fee, where due, pursuant to Law Decree no. 59 of 3 May 2016, amended and converted into law by Law no. 15 of 17 February 2017.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans, goodwill and intangible assets into tax credits, in giving “certainty” to the recovery of qualified DTAs, affect the “probability test” provided for by IAS 12, making it automatically satisfied for this particular type.

With reference to the details of the probability test carried out on deferred tax assets, please refer to paragraph 11.8 “Other information” below.

11.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2021		
	IRES	IRAP	Total
Tangible fixed assets	1	-	1
Capital gains by instalments	-	-	-
Other items	9	-	9
Total	**10**	**-**	**10**

THROUGH EQUITY	31/12/2021		
	IRES	IRAP	Total
Positive reserves for HTCS financial assets	30	9	39
Other items	-	-	-
Total	**30**	**9**	**39**

Deferred tax liabilities as a contra-entry to the income statement mainly relate to:

- revaluations of tangible fixed assets made during the transition to international accounting standards;
- misalignments between statutory and tax items arising from the application of business combinations pursuant to IFRS 3 carried out in previous years.

Deferred taxes refer mainly to revaluations of Financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

The decrease in deferred tax liabilities recognized in the income statement compared to EUR 30 million as at 31 December 2020 is essentially attributable to the release of DTL following the tax realignment of the real estate assets as described in Part A, in Section 5 - Other aspects, under point h).

11.3 Changes in advance taxes (through the income statement)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**678**	**721**
2. INCREASES	**65**	**67**
2.1 Advance taxes recorded in the year	65	66
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	65	66
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1
3. DECREASES	**144**	**110**
3.1 Advance taxes cancelled in the year	105	94
a) reversals	103	92
b) write-downs for uncollectable amounts	2	-
c) changed accounting criteria	-	-
d) other	-	2
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	39	16
a) transformation into tax credits under Law no. 214/2011	39	14
b) other	-	2
4. CLOSING AMOUNT	**599**	**678**

The portion of deferred tax assets arising from tax losses carried forward to subsequent years amounts to EUR 7 million.

11.4 Changes in advance taxes according to Law no. 214/2011

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**531**	**574**
2. INCREASES	**46**	**8**
3. DECREASES	**117**	**51**
3.1 Reversals	78	35
3.2 Transformation into tax credits	39	14
a) deriving from losses for the year	1	14
b) deriving from tax losses	38	-
3.3 Other decreases	-	2
4. CLOSING AMOUNT	**460**	**531**

Table 11.4 shows changes in advance taxes recognised on value adjustments to loans to customers and goodwill pursuant to Law no. 214/2011.

The transformations referred to in points 3.2. a) and 3.2 b) were carried out in light of the provisions of Law Decree no. 225/2010, converted with amendments to Law no. 10/2011.

Article 2, paragraphs 55 to 56 provides that, in the event of a loss for the year, the deferred tax assets recorded in the financial statements relating to value adjustments to loans and those relating to the value of goodwill and other intangible assets are converted into tax credits.

The transformation starts from the date of approval of the financial statements and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTAs and equity before the loss for the year. As from the tax period of the conversion, the negative components corresponding to the DTAs converted into a tax credit are not deductible.

Article 2, paragraphs 56bis to 56bis1 of the decree provides that, in the event of an IRES tax loss and/or a negative value of production for IRAP, the deferred tax assets recognised in the financial statements relating to value adjustments to loans that contributed to the aforementioned values are transformed into a tax credit. The transformation starts from the date of filing of the tax return in which the tax loss is recognised or from the date of filing of the IRAP return in which the negative net production value is realised, respectively.

11.5 Changes in deferred taxes (through the income statement)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**30**	**34**
2. INCREASES	**-**	**-**
2.1 Deferred taxes recorded in the year	-	-
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**20**	**4**
3.1 Deferred taxes cancelled in the year	19	4
a) reversals	19	4
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	1	-
4. CLOSING AMOUNT	**10**	**30**

11.6 Changes in advance taxes (through Equity)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**6**	**11**
2. INCREASES	**8**	**1**
2.1 Advance taxes recorded in the year	8	1
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	8	1
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**1**	**6**
3.1 Advance taxes cancelled in the year	1	6
a) reversals	1	6
b) write-downs for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**13**	**6**

Advance taxes refer mainly to write-downs of financial assets measured at fair value through other comprehensive income.

These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

11.7 Changes in deferred taxes (through Equity)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**43**	**23**
2. INCREASES	**8**	**26**
2.1 Deferred taxes recorded in the year	8	25
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	8	25
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	-	-
3. DECREASES	**12**	**6**
3.1 Deferred taxes cancelled in the year	12	6
a) reversals	12	6
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**39**	**43**

Deferred taxes refer mainly to revaluations of Financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

11.8 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	OTHER	Total 31/12/2021
Current tax liabilities	(18)	(19)	(3)	(40)
Advances paid/tax credits	99	26	2	127
Withholding taxes incurred	5	-	-	5
Other tax credits	-	3	-	3
Tax credits under Law no. 214/2011	27	1	18	46
Debt balance of item 60 a) of liabilities	**(1)**	**(5)**	**(3)**	**(9)**
Credit balance of item 110 a) of assets	**114**	**16**	**20**	**150**
Tax credits that cannot be offset: capital portion	10	2	2	14
Tax credits that cannot be offset: interest portion	2	-	-	2
Credit balance of item 110 a) of assets	**126**	**18**	**22**	**166**

As a result of the extension to Article 55 of Law Decree no. 18 of 2020 (known as Cura Italia), envisaged by Art. 19 of Law Decree no. 73 of 2021 (known as "Sostegni-bis"), the facility that allows companies that have disposed of impaired commercial or financial receivables by 31 December 2021, to transform deferred tax assets (DTAs) into tax credits, even if not recognised in the financial statements was confirmed also for 2021, relating to:

- tax losses not yet set off against taxable income at the date of transfer;
- ACE surpluses that have not yet been used or deducted from taxable income at the date of the transfer of loans.

For the purposes of converting DTAs, losses and ACE surpluses can be assumed up to 20% of the nominal value of the transferred loans, with a cap also set for 2021 at EUR 2 billion (referring to the total transfers of all group companies).

For the Cassa Centrale Group, the impact on the consolidated income statement deriving from this facilitating regulation amounted to EUR 12.1 million, mainly attributable to the Buonconsiglio 4 securitisation transaction.

Information on the deferred tax assets probability test

According to paragraph 5 of IAS 12, deferred tax assets are defined as the amount of income taxes for the year that may be recovered in future years with regard to the following scenarios:

- deductible temporary differences;
- carry-over of unused tax losses (and also of ACE);
- carry-over of unused tax credits.

With particular reference to "temporary differences", these are defined as differences that are formed transiently between the carrying amount of assets (liabilities) and their tax value. These are defined as "deductible" when they generate amounts that can be deducted in determining future taxable income in connection with the realisation of assets (settlement of liabilities).

In the presence of a deductible temporary difference, paragraph 24 of IAS 12 provides for the recognition in the financial statements of a deferred tax asset - equal to the product of the deductible temporary difference and the expected tax rate in the year in which it will be paid - only if and to the extent that it is probable that there will be future taxable income against which the deductible temporary differences can be used (known as probability test). In fact, the economic benefit of reducing future tax payments is only achievable if the taxable income is a large amount (IAS 12, para. 27).

Having said this, the Group has deferred tax assets (DTA) of EUR 612 million in its Balance sheet. Of these, EUR 460 million fall within the scope of Law no. 214/2011 and, therefore, for that already described, are considered "qualified" DTA (and therefore of certain recoverability).

With regard to the remaining portion of DTAs (those that cannot be converted into tax credits) amounting to EUR 152 million, there are no critical elements based on the evidence resulting from the probability test.

Section 12 – Non-current assets and groups of assets held for disposal and associated liabilities – Item 120 of assets and item 70 of liabilities

12.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

	Total 31/12/2021	Total 31/12/2020
A. ASSETS HELD FOR SALE		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	3	7
of which: obtained through the enforcement of guarantees received	1	1
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**3**	**7**
of which measured at cost	-	2
of which measured at fair value level 1	-	-
of which measured at fair value level 2	1	-
of which measured at fair value level 3	2	5
B. DISCONTINUED OPERATIONS		
B.1 Financial assets designated at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets designated at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**

	Total 31/12/2021	Total 31/12/2020
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

12.2 Other information

At the end of the reporting period there is no significant additional information.

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Tax receivables from tax authorities and other tax bodies	624	255
Cheques to be settled at the Clearing House or with Associates	5	5
Transit accounts	15	10
Accounts to be processed	178	168
Adjustments for illiquid items in the portfolio	32	41
Other debtors for security transactions	-	-
Customers and revenues to be collected	82	52
Prepayments and accrued income not capitalised	39	43
Improvement and enhancement expenses on non-separable third-party assets	23	22
Advances to suppliers	18	9
Intrinsic value of securities transactions and exchanges to be settled	-	-
Other lenders	164	133
Total	**1,180**	**738**

At the end of the reporting period, the Group did not present any significant amounts in relation to activities deriving from contracts with customers in accordance with IFRS 15 para. 116, letter a).

The item "Tax receivables from tax authorities and other tax bodies" as at 31 December 2021 includes tax credits, recorded pursuant to Law no. 77 of 17 July 2020 "Tax Bonus", for a value of approximately EUR 450 million.

Liabilities

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

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**15,948**	**X**	**X**	**X**	**16,617**	**X**	**X**	**X**
2. DUE TO BANKS	**663**	**X**	**X**	**X**	**821**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	467	X	X	X	490	X	X	X
2.2 Fixed-term deposits	83	X	X	X	43	X	X	X
2.3 Loans	92	X	X	X	272	X	X	X
2.3.1 Repos payables	10	X	X	X	10	X	X	X
2.3.2 Others	82	X	X	X	262	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	7	X	X	X	-	X	X	X
2.5 Payables for leases	12	X	X	X	12	X	X	X
2.6 Other payables	2	X	X	X	4	X	X	X
Total	**16,611**	**-**	**-**	**16,611**	**17,438**	**-**	**-**	**17,438**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

Item "1. DUE TO CENTRAL BANKS" mainly consists of funding transactions at negative rates with the ECB. For detailed information on TLTRO III loan transactions, please refer to Part A, Section 5 - Other Aspects of these Explanatory Notes.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	58,289	X	X	X	51,602	X	X	X
2. Fixed-term deposits	2,070	X	X	X	2,582	X	X	X
3. Loans	271	X	X	X	506	X	X	X
3.1 Repos payables	92	X	X	X	337	X	X	X
3.2 Other	179	X	X	X	169	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	105	X	X	X	114	X	X	X
6. Other payables	653	X	X	X	643	X	X	X
Total	**61,388**	**-**	**-**	**61,388**	**55,447**	**-**	**-**	**55,447**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item “6. Other payables” mainly includes credit card and cheque debts.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	1,165	-	1,161	6	1,952	-	1,945	6
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,165	-	1,161	6	1,952	-	1,945	6
2. other securities	2,570	-	40	2,530	3,036	-	167	2,869
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	2,570	-	40	2,530	3,036	-	167	2,869
Total	**3,735**	**-**	**1,201**	**2,536**	**4,988**	**-**	**2,112**	**2,875**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes issued securities measured at amortised cost. Securities that at the end of the reporting period are expired but still not repaid are included. The portion of own issue debt securities not yet placed with third parties is excluded.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The sub-item "A.2.2 Securities - other" mainly comprises certificates of deposit.

The reduction in sub-item "A.1.2 Bonds - other" is mainly due to fixed-rate bonds repaid on maturity.

1.4 Details of subordinated debts/securities

	31/12/2021	31/12/2020
a. Due to banks	-	-
b. Due to customers	-	-
c. Debt securities in issue	16	45
Total	**16**	**45**

A subordinated nature characterises the payables/securities whose right to reimbursement, in the event of liquidation of the issuing entity or if it is subject to other bankruptcy proceedings, can be exercised by the creditor only after other creditors who are not equally subordinated. Equity instruments which, according to international accounting standards, have equity characteristics, are excluded.

At the end of the reporting period, there are subordinated relationships with customers of approximately EUR 16 million, which are included in regulatory capital as Tier 2 instruments (Tier 2 capital - T2).

1.5 Details of structured debts

At the end of the reporting period, there are no structured debts.

1.6 Payables for leases

Financial lease liabilities

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 31/12/2021
OPENING BALANCES	**101**	**1**	**-**	**-**	**19**	**1**	**5**	**4**	**-**	**131**
New contracts	22	1	-	-	4	-	1	-	-	28
Repayments	(21)	(1)	-	-	(3)	(1)	(3)	-	-	(29)
Other non-monetary movements*	1	-	-	-	-	-	-	-	-	1
Terminated contracts for modification/revaluation	(12)	-	-	-	(2)	-	-	-	-	(14)
CLOSING BALANCES	**91**	**1**	**-**	**-**	**18**	**-**	**3**	**4**	**-**	**117**

*includes increments for indexing

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 31/12/2021
Within 12 months	20	-	-	-	2	-	2	1	-	**25**
Between 1-5 years	56	1	-	-	7	-	1	2	-	**67**
Beyond 5 years	15	-	-	-	9	-	-	1	-	**25**
TOTAL LEASE LIABILITIES	**91**	**1**	**-**	**-**	**18**	**-**	**3**	**4**	**-**	**117**

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021					Total 31/12/2020				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	3	-	X	X	-	9	-	X
1.1 Trading	X	-	3	-	X	X	-	9	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**3**	**-**	**X**	**X**	**-**	**9**	**-**	**X**
Total (A+B)	**X**	**-**	**3**	**-**	**X**	**X**	**-**	**9**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

2.2 Details of 'Financial liabilities held for trading': subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of 'Financial liabilities held for trading': structured debts

At the end of the reporting period, there are no financial liabilities held for trading related to structured debts.

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

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021					Total 31/12/2020				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	1	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**1**	**-**	**1**	**-**	**1**	**15**	**-**	**15**	**-**	**15**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	1	-	1	-	X	15	-	15	-	X
Total	**1**	**-**	**1**	**-**	**1**	**16**	**-**	**15**	**-**	**15**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

This item includes the financial liabilities for which the so-called Fair Value Option has been exercised. In this regard, it should be noted that the aforementioned Fair Value Option was exercised mainly in relation to debt instruments containing an implicit derivative for which it was considered that the fair value measurement of the entire instrument was less costly than the separate measurement and presentation in the financial statements of the main instrument and derivative.

The illustration of the criteria to determine the fair value is reported in Part A - Accounting policies.

3.2 Details of 'Financial liabilities designated at fair value': subordinated liabilities

At the end of the reporting period, there are no subordinated liabilities measured at fair value.

Section 4 – Hedging derivatives – Item 40

This item features the derivative contracts designated as effective hedging instruments, which at the end of the reporting period have a negative fair value.

With regard to hedging transactions, the Group made use of the right to continue to apply the existing requirements of IAS 39 for accounting purposes as required by IFRS 9 until the IASB has completed its project to define the accounting rules for hedging financial instruments.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy levels

	Fair Value 31/12/2021			NV 31/12/2021	Fair Value 31/12/2020			NV 31/12/2020
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES	**-**	**29**	**-**	**486**	**-**	**57**	**-**	**582**
1) Fair value	-	29	-	486	-	57	-	582
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**29**	**-**	**486**	**-**	**57**	**-**	**582**

KEY:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

HEDGING TRANSACTIONS/ TYPE	Fair Value							Cash flows		Foreign Investments
	Specific						Macro	Specific	Macro	
	debt securities and interest rates	equities and stock market indices	currencies and gold	loans	commodities	other				
1. Financial assets designated at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	27	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	1	X	1	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**27**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Exposure to derivatives mainly refers to interest rate risk hedges.

Section 5 – Adjustment of the financial liabilities subject to macro-hedging – Item 50

5.1 Value adjustment of hedged financial liabilities

At the end of the reporting period, there are no financial liabilities subject to macro-hedging.

Section 6 – Tax liabilities – Item 60

For information on tax liabilities reference is made to Section 11 of the Assets.

Section 7 – Liabilities associated to assets held for disposal – Item 70

For information on liabilities associated with assets held for disposal, reference is made to Section 12 of the Assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Due to tax authorities and other indirect taxes	255	210
Temporary items Centralised Treasury management	4	1
Wire transfers to be settled	1	1
Housing contributions - Public bodies	1	2
Due to suppliers and expenses to be settled	159	131
Collection on behalf of third parties and amounts available to customers or third parties	84	77
Payables for guarantees given and commitments	-	-
Due to employees	74	59
Due to social security institutions and external pension funds	46	42
Other accounts to be processed	292	290
Accrued expenses and deferred income not attributable to own items	19	18
Intrinsic value of securities transactions and exchanges to be settled	-	1
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	819	618
Debit transit accounts	1	1
Advances received from third parties for property disposals to be completed	-	1
Payables for educational, cultural, charitable and social purposes	-	1
Sundry creditors - other	121	118
Total	**1,876**	**1,571**

At the end of the reporting period, the Group did not present any significant amounts in relation to liabilities arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128.

Section 9 – Provision for severance indemnity – Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2021	Total 31/12/2020
A. OPENING BALANCES	**130**	**137**
B. INCREASES	**4**	**5**
B.1 Provisions in the year	4	4
B.2 Other increases	-	1
C. DECREASES	**16**	**12**
C.1 Severance payments	13	10
C.2 Other decreases	3	2
D. CLOSING BALANCES	**118**	**130**
Total	**118**	**130**

At the end of the reporting period, the Group recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation – DBO).

The amount of the "Interest Cost" is included in the income statement in table "10.1 Personnel costs".

The actuarial loss was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that under Law no. 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary pension funds referred to in Legislative Decree no. 252/2005 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Provision for severance indemnity: other information

ITEMS	Total 31/12/2021	Total 31/12/2020
CHANGES IN THE YEAR	**(13)**	**(7)**
- Service cost related to current employment benefits	1	2
- Interest expense on the defined benefit obligation	-	1
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	-	-
- Transfers	(1)	(1)
- Decreases	(13)	(9)
ACTUARIAL (PROFITS) LOSSES RECOGNISED IN VALUATION RESERVES (OCI)	**1**	**1**
Description of the main assumptions		
- Discount rate	0.98%	0.34%
- Expected inflation rate	1.75%	0.80%

Description of the main actuarial assumptions for the valuation of severance indemnity
The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of para. 83 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 0.98%;
- annual rate of increase in provision for severance indemnity: 2.81%;
- annual inflation rate: 1.75%;
- annual rate of real salary increase determined on the basis of the actual data observed in relation to Group employees.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon attainment of the AGO requirements as per Law Decree no. 4/2019.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	Total 31/12/2021	Total 31/12/2020
1. Provision for credit risk relative to commitments and financial guarantees given	**137**	121
2. Provision for other commitments and guarantees given	**-**	-
3. Post-employment benefits	**-**	-
4. Other provisions for risks and charges	**218**	218
4.1 Legal and tax disputes	39	43
4.2 Personnel expenses	59	60
4.3 other	120	115
Total	**355**	**339**

Item "1. Provision for credit risk relative to commitments and financial guarantees given" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

For details concerning the item "4. Other provisions for risks and charges", please refer to table "10.6 Provisions for risks and charges - other provisions".

10.2 Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees given	Post-employment benefits	Other provisions for risks and charges	Total
A. OPENING BALANCES	**-**	**-**	**218**	**218**
B. INCREASES	**-**	**-**	**117**	**117**
B.1 Allocation for the year	-	-	104	104
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	13	13
C. DECREASES	**-**	**-**	**117**	**117**
C.1 Use for the year	-	-	85	85
C.2 Changes due to modifications in the discount rate	-	-	-	-
C.3 Other changes	-	-	32	32
D. CLOSING BALANCES	**-**	**-**	**218**	**218**

It should be noted that the table above shows the annual changes in the provisions for risks and charges with the exception of those in the item "provision for credit risk relative to commitments and financial guarantees given", which are shown in Table A.1.4 in Part E.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
Commitments to disburse funds	51	27	23	-	101
Financial guarantees given	2	1	33	-	36
Total	**53**	**28**	**56**	**-**	**137**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9, including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees given

The Cassa Centrale Group has no provision for other commitments and guarantees given.

10.5 Defined benefit company pension funds

The Cassa Centrale Group does not have defined benefit pension funds.

10.6 Provisions for risks and charges - other provisions

ITEMS	Total 31/12/2021	Total 31/12/2020
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	1	-
2. Provision for charity	35	27
3. Personnel risks and expenses	59	60
4. Legal and tax disputes	39	43
5. Other provisions for risks and charges	84	88
Total	**218**	**218**

Other provisions are divided into:

- legal and tax disputes: the provision is essentially set up to deal with expected outlays on lawsuits, bankruptcy revocations and tax disputes, in accordance with IAS 37;
- personnel expenses: the provision includes charges for employee seniority bonuses, determined on the basis of actuarial valuations, provisions for bonuses and others.

Development of significant legal disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also “Malacalza Investimenti”) brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the shareholders of Banca Carige in the Shareholders’ Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti’s shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders’ meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) was based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three proceedings were jointed in one case and settled by a judgement published on 26 November 2021.

The Court of Genoa rejected the claims for damages brought by Malacalza Investimenti S.r.l., Malacalza Vittorio and the other 42 shareholders and ascertained the validity of the resolution because (i) there was no violation of the principle of accounting parity; (ii) the exclusion of the shareholders' option right took place in the presence of a significant corporate interest; (iii) the issue price of the new shares was determined in accordance with the criteria set out in the company's regulations.

The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

The three rehearings have not yet been joined in one case and the first hearings are scheduled for 13 April 2022 (Malacalza Vittorio) and 20 April 2022 (Malacalza Investimenti S.r.l. and 5 other shareholders). The time limits for Cassa Centrale Banca's appeal are pending.

Cassa Centrale Banca, due to the assessments carried out with the support of its lawyers, considering the risk of losing the case as possible, decided, in accordance with the provisions of IAS 37, not to make provisions for risks and charges.

Section 11 – Technical provisions – Item 110

The Section does not contain information and therefore was not filled in.

Section 12 – Repayable shares – Item 130

12.1 Repayable shares: breakdown

The Group does not present any such cases.

Section 13 – Group equity – Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Capital" and "Own shares": breakdown

As described in Part A - Accounting Policies, Section 3 - Scope and methods of consolidation, in application of Law no. 145 of 30 December 2018 (so-called Budget Law 2019) the Parent Company Cassa Centrale Banca and the Affiliated Banks under the Cohesion Contract constitute a single consolidating entity.

In the composition of the Group's equity, the share capital is consequently made up of the Parent Company's share capital and the share capital of the Affiliated Banks.

The share capital of the Parent Company, equal to EUR 952,031,808, comprises 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

At the end of the reporting period, the capital of the Affiliated Banks belonging to the Cassa Centrale Group amounted to approximately EUR 320 million. The share capital of the Affiliated Banks is, according to their Articles of Association, variable, and consists of shares that can be issued, in principle, without limit.

As at 31 December 2021, the own shares in circulation amounted to approximately EUR 866 million and are mainly attributable to the shares of Cassa Centrale Banca held by the Affiliated Banks belonging to the Group.

13.2 Capital - Number of Parent Company shares: annual changes

ITEMS/TYPES	Ordinary	Other
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. OUTSTANDING SHARES: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

13.3 Capital: other information

For information on capital, please refer to point 13.1 "Capital" and "Own shares": breakdown.

13.4 Profit reserves: other information

Group reserves amount to EUR 6,114 million and include the legal reserve, the statutory reserve, the FTA reserves and other reserves. The valuation reserves, amounting to EUR 43 million, refer mainly to:

- valuation reserves of assets measured at fair value through other comprehensive income;
- reserves for cash flow hedging that include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains/losses relate to the valuation of severance indemnity.

The legal reserve includes the portion relating to the tax realignment pursuant to art. 110 of Law Decree no. 104/2020, to which specific reference is made in Part A, amounting to EUR 60 million.

13.5 Equity instruments: breakdown and annual changes

At the end of the reporting period, equity instruments amounted to EUR 6 million. There were no upward or downward movements in equity instruments during the year.

13.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Section 14 – Minority interests – Item 190

14.1 Details on item 210 'Minority interests'

As at 31 December 2021, minority interests amounted to approximately EUR 1 million.

14.2 Equity instruments: breakdown and annual changes

The Section does not contain information and therefore was not filled in.

Other information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO DISBURSE FUNDS	**12,355**	**657**	**121**	**-**	**13,133**	**12,596**
a) Central Banks	-	-	-	-	-	-
b) Public bodies	293	6	-	-	299	290
c) Banks	809	-	-	-	809	796
d) Other financial companies	130	20	-	-	150	250
e) Non-financial companies	9,081	535	103	-	9,719	9,257
f) Households	2,042	96	18	-	2,156	2,003
2. FINANCIAL GUARANTEES GIVEN	**1,266**	**116**	**48**	**-**	**1,430**	**1,484**
a) Central Banks	-	-	-	-	-	-
b) Public bodies	6	-	-	-	6	4
c) Banks	42	-	-	-	42	60
d) Other financial companies	30	1	-	-	31	35
e) Non-financial companies	860	102	43	-	1,005	1,021
f) Households	328	13	5	-	346	364

This table shows the commitments to disburse funds and the financial guarantees given which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees given that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees given that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

2. Other commitments and guarantees given

	Nominal value	Nominal value
	Total 31/12/2021	Total 31/12/2020
1. Other guarantees given	**232**	**225**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	232	225
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**-**	**2**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	1
e) Non-financial companies	-	1
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees given which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2021	Amount 31/12/2020
1. Financial assets designated at fair value through profit or loss	8	27
2. Financial assets designated at fair value through other comprehensive income	2,069	2,439
3. Financial assets measured at amortised cost	15,280	14,816
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

4. Breakdown of investments relating to unit-linked and index-linked policies

The Group did not make any investments relating to unit-linked and index-linked policies.

5. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	
a) purchases	62
1. settled	62
2. not settled	-
b) sales	60
1. settled	60
2. not settled	-
2. PORTFOLIO MANAGEMENT	
a) individual	9,895
b) collective	6,736
3. CUSTODY AND ADMINISTRATION OF SECURITIES	
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	57,056
1. securities issued by consolidated companies	1,166
2. other securities	55,890
c) third-party securities deposited with third parties	57,046
d) own securities deposited with third parties	37,799
4. OTHER TRANSACTIONS	**13,777**

6. Financial assets which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2021	Net amount 31/12/2020
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	10	-	10	1	15	6	(1)
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2021	**10**	**-**	**10**	**1**	**15**	**6**	**X**
Total 31/12/2020	**38**	**-**	**38**	**2**	**35**	**X**	**(1)**

7. Financial liabilities which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2021	Net amount 31/12/2020
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	29	-	29	-	38	(9)	9
2. Repos	10	-	10	10	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 31/12/2021	**39**	**-**	**39**	**10**	**38**	**(9)**	**X**
Total 31/12/2020	**81**	**-**	**81**	**10**	**62**	**X**	**9**

8. Securities lending transactions

The Group has not carried out securities lending transactions.

9. Information on joint operations

For the Group this scenario was not relevant.

PART C - Information on the Consolidated Income Statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2021	Total 31/12/2020
1. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**4**	**-**	**4**	**4**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	4	-	4	4
2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**41**	**-**	**X**	**41**	**35**
3. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**257**	**1,066**	**X**	**1,323**	**1,322**
3.1 Loans to banks	12	3	X	15	20
3.2 Loans to customers	245	1,063	X	1,308	1,302
4. HEDGING DERIVATIVES	**X**	**X**	**-**	**-**	**-**
5. OTHER ASSETS	**X**	**X**	**1**	**1**	**-**
6. FINANCIAL LIABILITIES	**X**	**X**	**X**	**165**	**84**
Total	**298**	**1,070**	**1**	**1,534**	**1,445**
of which: interest income from impaired financial assets	-	48	-	48	59
of which: interest income from finance lease	X	16	X	16	15

Item "6. Financial liabilities" comprises interest income accrued on funding transactions at negative rates. For detailed information on TLTRO III loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects of these Explanatory Notes.

The line "of which: interest income from impaired financial assets" shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates exclusively to loans to customers. Interest income also includes interest from securities used in repo transactions.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets in foreign currency

ITEMS	Total 31/12/2021	Total 31/12/2020
Interest income from financial assets in foreign currency	1	2

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Debts	Securities	Other transactions	Total 31/12/2021	Total 31/12/2020
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**(77)**	**(44)**	**X**	**(121)**	**(182)**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(3)	X	X	(3)	(5)
1.3 Due to customers	(74)	X	X	(74)	(114)
1.4 Debt securities in issue	X	(44)	X	(44)	(63)
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**(1)**
4. OTHER LIABILITIES AND PROVISIONS	**X**	**X**	**-**	**-**	**-**
5. HEDGING DERIVATIVES	**X**	**X**	**(7)**	**(7)**	**(7)**
6. FINANCIAL ASSETS	**X**	**X**	**X**	**(21)**	**(10)**
Total	**(77)**	**(44)**	**(7)**	**(149)**	**(200)**
of which: interest expense on payables for leases	-	X	X	-	-

Items "1.2 Due to banks" and "1.3 Due to customers" also include interest on repos, even if carried out against securities recorded as assets.

1.4 Interest expenses and similar charges paid: other information

1.4.1 Interest expenses from liabilities in foreign currency

This table does not contain information deemed material and therefore was not filled in.

1.5 Differentials relative to hedging transactions

ITEMS	Total 31/12/2021	Total 31/12/2020
A. Positive differentials relating to hedging transactions	-	-
B. Negative differentials relating to hedging transactions	(7)	(7)
C. Balance (A-B)	**(7)**	**(7)**

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	127	109
1. Placement of securities	-	-
1.1 With direct underwriting and/or on a firm commitment basis	-	-
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	15	16
2.1 Order receipt and transmission of one or more financial instruments	15	15
2.2. Execution of orders on behalf of customers	-	1
3. Other commissions connected with activities related to financial instruments	112	93
of which: dealing for own account	-	-
of which: individual portfolio management	72	55
b) Corporate Finance	1	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	1	-

TYPE OF SERVICES/VALUES	Total 31/12/2021	Total 31/12/2020
c) Investment advisory activities	1	-
d) Offsetting and settlement	-	-
e) Collective portfolio management	59	45
f) Custody and administration	5	4
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	5	4
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	-
i) Payment services	351	350
1. Current accounts	132	132
2. Credit cards	20	16
3. Debit and other payment cards	60	68
4. Bank transfers and other payment orders	42	40
5. Other commissions related to payment services	97	94
j) Distribution of third party services	97	76
1. Collective portfolio management	-	1
2. Insurance products	87	65
3. Other products	10	10
of which: individual portfolio management	1	-
k) Structured finance	1	1
l) Servicing activities for securitisation operations	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	16	15
of which: credit derivatives	-	-
o) Financing transactions	117	110
of which: for factoring operations	-	-
p) Foreign currency trading	1	1
q) Goods	-	-
r) Other fees and commissions income	42	33
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**818**	**744**

At the end of the reporting period, the Group does not have significant amounts of commission income (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss in accordance with IFRS 7, paragraph 20, letter c(i).

It should also be noted that the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15, paragraph 116 b)).

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

2.1bis Fees and commissions income: type and timing of recognition

TYPE OF SERVICES	31/12/2021			31/12/2020		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) Financial instruments	116	11	**127**	100	9	**109**
b) Corporate Finance	1	-	**1**	-	-	**-**
c) Investment advisory activities	1	-	**1**	-	-	**-**
d) Offsetting and settlement	-	-	**-**	-	-	**-**
e) Collective portfolio management	59	-	**59**	45	-	**45**
f) Custody and administration	4	1	**5**	3	1	**4**
g) Central administrative services for collective portfolio management	-	-	**-**	-	-	**-**
h) Trust business	-	-	**-**	-	-	**-**
i) Payment services	287	64	**351**	281	69	**350**
l) Distribution of third party services	60	37	**97**	42	34	**76**
m) Structured finance	1	-	**1**	1	-	**1**
n) Servicing activities for securitisation operations	-	-	**-**	-	-	**-**
o) Commitments to disburse funds	-	-	**-**	-	-	**-**
p) Financial guarantees given	8	8	**16**	8	7	**15**
q) Financing transactions	67	50	**117**	63	47	**110**
r) Foreign currency trading	1	-	**1**	1	-	**1**
s) Commodities	-	-	**-**	-	-	**-**
t) Other fees and commissions income	27	15	**42**	23	10	**33**
Total	**632**	**186**	**818**	**567**	**177**	**744**

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

2.2 Fees and commissions expense: breakdown

SERVICES/VALUES	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	(13)	(13)
of which: trading of financial instruments	(2)	(2)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(11)	(11)
- Own	(11)	(11)
- Delegated to third parties	-	-
b) Offsetting and settlement	-	(4)
c) Management of collective portfolios	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(15)	(12)
e) Collection and payment services	(53)	(40)
of which: credit cards, debit cards and other payment cards	(8)	(3)
f) Servicing activities for securitisation operations	(1)	(1)
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Out-of-branch offer of financial instruments, products and services	(9)	(9)
j) Foreign currency trading	-	-
k) Other fees and commissions expenses	(10)	(8)
Total	**(101)**	**(87)**

At the end of the reporting period, the Group does not have significant amounts of commission expense (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value through profit or loss (IFRS 7, paragraph 20, letter c (i)).

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 3 – Dividend and similar income – Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2021		Total 31/12/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	1	-	1
C. Financial assets designated at fair value through other comprehensive income	2	-	1	-
D. Equity investments	-	-	-	-
Total	**2**	**1**	**1**	**1**

Section 4 – Net result from trading – Item 80

4.1 Net profit (loss) on trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
4. DERIVATIVE INSTRUMENTS	**23**	**5**	**(22)**	**(5)**	**10**
4.1 Financial derivatives:	23	5	(22)	(5)	10
- On debt securities and interest rates	23	5	(22)	(5)	1
- On equity securities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	9
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**23**	**5**	**(22)**	**(5)**	**10**

Section 5 – Net result from hedging – Item 90

5.1 Net profit (loss) on hedge accounting: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2021	Total 31/12/2020
A. INCOME RELATED TO:		
A.1 Fair value hedging derivatives	29	2
A.2 Hedged financial assets (fair value)	4	20
A.3 Hedged financial liabilities (fair value)	1	1
A.4 Cash flow hedge derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging (A)	**34**	**23**
B. CHARGES RELATED TO:		
B.1 Fair value hedging derivatives	(1)	(17)
B.2 Hedged financial assets (fair value)	(34)	(6)
B.3 Hedged financial liabilities (fair value)	-	(1)
B.4 Cash flow hedge derivatives	2	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging (B)	**(33)**	**(24)**
C. NET RESULT FROM HEDGING (A - B)	**1**	**(1)**
of which: result of net positions hedging	-	-

The Group avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge. As a consequence, in the table above, the row "of which: result of net positions hedging" provided for those who apply IFRS 9 also for hedging, is not valued.

Section 6 – Profit (loss) from disposal/repurchase – Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTSI	Total 31/12/2021			Total 31/12/2020		
	Profit	Loss	Net result	Profit	Loss	Net result
FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	214	(52)	162	361	(56)	305
1.1 Loans to banks	-	-	-	1	-	1
1.2 Loans to customers	214	(52)	162	360	(56)	304
2. Financial assets designated at fair value through other comprehensive income	41	(1)	40	56	(4)	52
2.1 Debt securities	41	(1)	40	56	(4)	52
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**255**	**(53)**	**202**	**417**	**(60)**	**357**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**-**	**-**	**-**	**-**	**-**	**-**
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Net result of other financial assets and liabilities measured at fair value through profit or loss – Item 110

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

The table does not contain information and therefore was not filled in.

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)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**23**	**13**	**(18)**	**(1)**	**17**
1.1 Debt securities	-	-	(1)	-	(1)
1.2 Equities	2	4	-	(1)	5
1.3 UCITS units	7	9	(3)	-	13
1.4 Loans	14	-	(14)	-	-
2. FINANCIAL ASSETS: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**23**	**13**	**(18)**	**(1)**	**17**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

Section 8 – Net value adjustments/write-backs due to credit risk – Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. LOANS TO BANKS	**(6)**	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**(1)**	**(2)**
- Loans	(5)	-	-	-	-	-	5	-	-	-	-	-
- Debt securities	(1)	-	-	-	-	-	-	-	-	-	(1)	(2)
B. LOANS TO CUSTOMERS	**(148)**	**(207)**	**(21)**	**(978)**	**-**	**-**	**77**	**179**	**574**	**-**	**(524)**	**(607)**
- Loans	(146)	(205)	(21)	(978)	-	-	74	179	574	-	(523)	(608)
- Debt securities	(2)	(2)	-	-	-	-	3	-	-	-	(1)	1
Total	**(154)**	**(207)**	**(21)**	**(978)**	**-**	**-**	**82**	**179**	**574**	**-**	**(525)**	**(609)**

Value adjustments, reported under the column "Third stage - Other", relate to analytical write-downs of loans, while those reported under the column "Third stage - Write offs" arise from redemption events. In fact, due to the continuation of the economic crisis and as requested by the Bank of Italy, the Group carried out overall value adjustments to financial assets that are consistent with the current and forecast developments of risk in loan portfolios. In addition, the presence of guarantees collected by the Affiliated Banks - as a guarantee of exposure - allows for additional guarantees for the recoverability of receivables. The write-backs, in the column 'First and second stage', correspond to the adjustments to performing positions.

Net value adjustments relating to loans to customers, as at 31 December 2021, amounted to EUR 524 million (compared to EUR 607 million in December 2020). The amount of the adjustments, although significant, is lower than in 2020, which was strongly affected by the high level of uncertainty and prudence related to the pandemic. The uncertainty related to the evolution of the Covid-19 health emergency has been accompanied, throughout 2021, by the maintenance of prudent levels of provisions to support the potential impairment of credit exposures and, in particular, of positions under moratorium.

For more detailed information pertaining to movements in net adjustments to loans, refer to Part E of these Explanatory Notes.

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Net value adjustments						Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
			Write-offs	Other	Write-offs	Other		
1. EBA-compliant moratoria loans	(3)	-	-	(3)	-	-	(6)	(85)
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	(9)	(8)	-	(4)	-	-	(21)	-
3. Other loans with Covid-19-related forbearance measures	-	(1)	-	(4)	-	-	(5)	(29)
4. Newly originated loans	(10)	(11)	-	(23)	-	-	(44)	(13)
Total 31/12/2021	**(22)**	**(20)**	**-**	**(34)**	**-**	**-**	**(76)**	**X**
Total 31/12/2020	**(33)**	**(15)**	**-**	**(79)**	**-**	**-**	**X**	**(127)**

8.2 Net value adjustments due to credit risk relative to financial assets designated at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. DEBT SECURITIES	(1)	-	-	-	-	-	1	-	-	-	-	(2)
B. LOANS	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(1)	-	-	-	-	-	1	-	-	-	-	(2)

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

This table does not contain information deemed material and therefore was not filled in.

Section 9 – Profit/loss from contractual changes without derecognitions – Item 140

9.1 Profit (loss) from contractual changes: breakdown

As at 31 December 2021, losses from contractual amendments without derecognitions of approximately EUR 1 million were recognised under this item.

The same item, as at 31 December 2020, amounted to approximately EUR 5 million.

Section 10 – Net premiums – Item 160

This section has not been filled in given that there are no insurance companies in the Group at the end of the reporting period.

Section 11 – Balance of other income and expenses of insurance management – Item 170

This section has not been filled in given that there are no insurance companies in the Group at the end of the reporting period.

Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2021	Total 31/12/2020
1) Employees	**(863)**	**(834)**
a) salaries and wages	(573)	(567)
b) social charges	(145)	(141)
c) severance indemnity	(31)	(29)
d) social security expenses	(3)	(3)
e) provision for severance indemnity	(4)	(4)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary pension funds:	(28)	(29)
- with defined contribution	(28)	(29)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(79)	(61)
2) Other operating personnel	**(8)**	**(6)**
3) Directors and Auditors	**(30)**	**(30)**
4) Retired personnel	**-**	**-**
Total	**(901)**	**(870)**

12.2 Average number of employees by category

	Total 31/12/2021	Total 31/12/2020
EMPLOYEES (A+B+C)	**11,018**	**10,936**
a) executives	195	204
b) middle managers	2,893	2,898
c) remaining employees	7,930	7,834
OTHER PERSONNEL	**189**	**174**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies. In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

12.3 Defined benefit company pension funds: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Balance sheet, Section 9, paragraph "9.2 Provision for severance indemnity: other information".

12.4 Other benefits in favour of employees

ITEMS	Total 31/12/2021	Total 31/12/2020
PERSONNEL COSTS		
1. allocation of loyalty bonus	(1)	(1)
2. insurance companies	(9)	(8)
3. staff leaving incentives	(46)	(26)
4. meal vouchers	(14)	(13)
5. training courses	(3)	(3)
6. other benefits	(6)	(10)
Other benefits in favour of employees	**(79)**	**(61)**

12.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
ICT expenses	**(66)**	**(72)**
Outsourced ICT expenses	(22)	(18)
ICT expenses other than outsourced ICT expenses	(44)	(54)
Taxes and levies (other)	**(150)**	**(144)**
Expenses for professional and consulting services	**(93)**	**(96)**
Advertising and entertainment expenses	**(16)**	**(17)**
Expenses related to debt collection	**(19)**	**(19)**
Litigation expenses not covered by allocations	**-**	**(1)**
Expenses for real estate	**(23)**	**(34)**
Lease fees	**-**	**-**
Other administrative expenses - Other	**(239)**	**(186)**
of which: cash contributions to resolution funds and deposit guarantee systems	(54)	(27)
Total administrative expenses	**(606)**	**(569)**

Other administrative expenses amounted to EUR 606 million in December 2021, an increase of approximately EUR 37 million compared to December 2020, mainly due to higher contributions paid of approximately EUR 27 million, the DGS (Deposit Guarantee Schemes), SRF (Single Resolution Fund) funds and for the supervision of the European Central Bank.

The sub-item "Lease fees" includes short-term rentals (contracts with a residual useful life of less than 12 months) and rentals relating to leases of modest value (less than EUR 5 thousand) for an insignificant amount.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 13 – Net allocations to provisions for risks and charges – Item 200

13.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees given: breakdown

ITEMS	31/12/2021			31/12/2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(16)	(6)	(32)	(19)	(8)	(20)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(3)	(2)	(18)	(1)	(1)	(9)
Total allocations (-)	**(19)**	**(8)**	**(50)**	**(20)**	**(9)**	**(29)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	11	4	26	7	4	17
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	2	2	13	2	1	9
Total reallocations (+)	**13**	**6**	**39**	**9**	**5**	**26**
	Net allocation			Net allocation		
Total	**(6)**	**(2)**	**(11)**	**(11)**	**(4)**	**(3)**

13.2 Net allocations relative to other commitments and guarantees given: breakdown

PROVISION FOR OTHER COMMITMENTS AND GUARANTEES GIVEN	31/12/2021	31/12/2020
Allocations for other commitments to disburse funds	-	(2)
Allocations for other financial guarantees given	-	-
Total allocations	**-**	**(2)**
Reallocations for other commitments to disburse funds	-	-
Reallocations for other financial guarantees given	-	-
Total Reallocations	**-**	**-**
Net allocation	**-**	**(2)**

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

ITEMS	31/12/2021			31/12/2020		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
ALLOCATIONS AND REALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES						
1. for risks on revocatory actions	-	-	-	(1)	-	(1)
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	1	1	(2)	1	(1)
4. for legal and tax disputes	(8)	11	3	(13)	7	(6)
5. for other risks and charges	(24)	5	(19)	(29)	1	(28)
Total	**(32)**	**17**	**(15)**	**(45)**	**9**	**(36)**

The decrease compared to 31 December 2020 is mainly attributable to the item "5. for other risks and charges" that, in the previous financial year, includes provisions for contributions pertaining to the year not collected by the Depositors' Guarantee Fund of approximately EUR 18 million.

Section 14 – Net value adjustments/write-backs to tangible assets – Item 210

14.1 Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. TANGIBLE ASSETS				
1. For business use	**(100)**	**(1)**	**-**	**(101)**
- Owned	(73)	(1)	-	(74)
- Rights of use acquired through lease	(27)	-	-	(27)
2. Held for investment purposes	**(1)**	**(2)**	**-**	**(3)**
- Owned	(1)	(2)	-	(3)
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
Total	**(101)**	**(3)**	**-**	**(104)**

During the year, tangible assets classified as “assets held for sale” in accordance with IFRS 5 were measured. The result of this measurement is not significant.

Section 15 – Net value adjustments/write-backs to intangible assets – Item 220

15.1 Net value adjustments to intangible assets: breakdown

ASSET/INCOME COMPONENTS	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. INTANGIBLE ASSETS				
of which: software	(13)	-	-	(13)
A.1 Owned	**(17)**	**-**	**-**	**(17)**
- Generated internally by the company	-	-	-	-
- Other	(17)	-	-	(17)
A.2 Rights of use acquired through lease	**-**	**-**	**-**	**-**
B. ASSETS HELD FOR SALE	**X**	**-**	**-**	**-**
Total	**(17)**	**-**	**-**	**(17)**

Section 16 – Other operating income/expenses – Item 230

16.1 Other operating expenses: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Amortisation of improvements to non-separable third-party assets	(5)	(5)
Expenses for treasury contracts with public bodies	-	-
Expenses for transactions and indemnities	(2)	(1)
Non-existent items and contingencies not ascribable to own items	(5)	(6)
Bonuses and rounding down	-	-
Other operating expenses - other	(8)	(10)
Total other operating expenses	**(20)**	**(22)**

16.2 Other operating income: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Recovery of taxes	135	130
Charges to third parties for costs on deposits and current accounts	3	5
Recovery of insurance premiums	2	2
Receivable rents and payments	2	1
Recovery of other expenses	15	16
Non-existent items and contingencies not ascribable to own items	11	9
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	78	94
Total other operating income	**246**	**257**

At the end of the reporting period, the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15 para. 116 b)) and revenues recognised during the year arising from obligations fulfilled in previous years (IFRS 15 para. 116 c)).

It should be noted that the following are not of significance for the Group

- income from sublease of assets consisting of the right of use (IFRS 16, para. 53, letter f));
- income related to variable finance lease payments not included in the measurement of the net investment in the lease (IFRS 16, para. 90, letter a), iii));
- operating lease income arising from variable payments that are not dependent on an index or rate (IFRS 16, para. 90, letter b)).

Section 17 – Profits (losses) on equity investments – Item 250

17.1 Profits (losses) on equity investments: breakdown

INCOME COMPONENT/SECTORS	Total 31/12/2021	Total 31/12/2020
1) JOINTLY-CONTROLLED COMPANIES		
A. INCOME	**1**	**1**
1. Revaluations	1	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. CHARGES	**-**	**-**
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other charges	-	-
Net result	**1**	**1**
2) COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE		
A. INCOME	**1**	**1**
1. Revaluations	1	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. CHARGES	**(7)**	**(3)**
1. Write-downs	(7)	(3)
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other charges	-	-
Net result	**(6)**	**(2)**
Total	**(5)**	**(1)**

Section 18 – Net result of fair value measurement of tangible and intangible assets – Item 260

As at 31 December 2021, valuation losses of approximately EUR 1 million were recognised under this item.

The same item as at 31 December 2020 had not recorded significant results.

Section 19 – Value adjustments to goodwill – Item 270

19.1 Value adjustments to goodwill: breakdown

This table does not contain information deemed material and therefore was not filled in.

For a description of the methods used to perform impairment tests on goodwill, see Part B Assets - Section 10 - Intangible assets.

Section 20 – Profit (loss) from disposal of investments – Item 280

20.1 Profit (loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2021	Total 31/12/2020
A. REAL ESTATE PROPERTIES	**-**	**2**
- Gains from disposal	1	2
- Losses from disposal	(1)	-
B. OTHER ASSETS	**-**	**(1)**
- Gains from disposal	-	-
- Losses from disposal	-	(1)
Net result	**-**	**1**

Section 21 – Income taxes for the year on current operating activities – Item 300

21.1 Income taxes for the year on current operating activities: breakdown

INCOME COMPONENT/SECTORS		Total 31/12/2021	Total 31/12/2020
1.	Current taxes (-)	(35)	(36)
2.	Changes in current taxes of previous years (+/-)	5	6
3.	Decrease in current taxes of the year (+)	17	22
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	34	20
4.	Change in advance taxes (+/-)	(77)	(42)
5.	Change in deferred taxes (+/-)	20	5
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(36)**	**(25)**

21.2 Reconciliation between the theoretical fiscal charge and the effective fiscal charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (Item 290 of the Income Statement)	367
IRES income taxes - theoretical fiscal charge:	(101)
Effects of decreases in taxable income on IRES	127
Effects of increases in taxable income on IRES	(42)
A. EFFECTIVE FISCAL CHARGE – CURRENT IRES TAX	**(16)**
Increases in deferred tax assets	4
Decreases in deferred tax assets	(72)
Increases in deferred tax liabilities	(2)
Decreases in deferred tax liabilities	19
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(51)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**52**
D. TOTAL ACCRUED IRES (A+B+C)	**(15)**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(48)
Effect of decreases in value of production	40
Effect of increases in value of production	(9)
Changes in current taxes of previous years	4
E. EFFECTIVE FISCAL CHARGE – CURRENT IRAP TAX	**(13)**
Increases in deferred tax assets	2
Decreases in deferred tax assets	(11)
Increases in deferred tax liabilities -	-
Decreases in deferred tax liabilities -	3
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(6)**
G. TOTAL ACCRUED IRAP (E+F)	**(19)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**(2)**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**21**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(36)**

Section 22 – Profit (loss) after tax from discontinued operations – Item 320

This Section does not contain information and therefore was not filled in.

Section 23 – Profit (loss) for the year of minority interests – Item 340

23.1 Details of item 340 “Profit (loss) for the year of minority interests”

The item “Profit attributable to minority interests” as at 31 December 2021 showed a negative result of approximately EUR 2 million.

The same item as at 31 December 2020 had no significant results.

Section 24 – Other information

There is no further information other than that already provided.

Section 25 – Earnings per share

25.1 Average number of ordinary shares with diluted capital

The information relating to this section is not reported in view of the particular characteristics of the Cassa Centrale Group.

25.2 Other information

There is no further information to be presented in relation to the above.

PART D - Comprehensive income

Analytic statement of consolidated comprehensive income

	ITEMS	31/12/2021	31/12/2020
10.	**Profit (loss) for the year**	**331**	**245**
	Other income components without reversal to the Income Statement	**(5)**	**(37)**
20.	Equities measured at fair value through other comprehensive income:	(5)	(38)
	a) fair value change	(15)	(36)
	b) transfers to other components of equity	10	(2)
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating):	-	-
	a) fair value change	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
50.	Tangible assets	-	(2)
60.	Intangible assets	-	-
70.	Defined benefit plans	(1)	-
80	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the Income Statement	1	3
	Other income components reversed to the Income Statement	**(24)**	**60**
110.	Hedging of foreign investments:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-

	ITEMS	31/12/2021	31/12/2020
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	(35)	87
	a) fair value changes	10	112
	b) reversal to income statement	(46)	(26)
	- adjustments for credit risk	-	4
	- profit/loss on sale	(46)	(30)
	c) other changes	1	1
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quota of valuation reserves relative to shareholdings measured with the equity method:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	- impairment adjustments	-	-
	- profit/loss on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	11	(27)
190.	**Total other income components**	**(29)**	**23**
200.	**Comprehensive income (Item 10+190)**	**302**	**268**
210.	Consolidated comprehensive income pertaining to minority interests	(2)	-
220.	**Consolidated comprehensive income pertaining to the Parent Company**	**304**	**268**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Group pays particular attention to risk management and governance in ensuring the constant evolution of its organisational/procedural controls and methodological solutions. These functions are carried out with tools to support effective and efficient governance of risk controls, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at the Parent Company by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of the Parent Company to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks, considering both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of the Parent Company, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by the Parent Company and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP-ILAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP-ILAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the Group's risk-taking strategy are set out below:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the banking Group's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a holistic representation of the risk profiles to which the Group is exposed.

The definition of the RAF is based on an articulated and complex process, coordinated by the Parent Company. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

Specific policies and regulations common to the Group issued by the Parent Company have been adopted to strengthen the overall risk management and governance system.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Group is exposed, is part of the broader framework of the company's internal control system, which is addressed by the Parent Company as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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In line with the provisions issued by the Bank of Italy, the model adopted by the Group outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP-ILAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the Group's organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP-ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer for the Parent Company, who takes part in the meetings of the Board of Directors, or of the General Management within the Cooperative Credit Banks. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer/General Management, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer/General Management, in the delegated areas;
- decisions of the Chief Executive Officer/General Management and the structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer/General Management is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Group is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banking groups must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Group intends to achieve. The process is directed by the Parent Company, in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Group's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Risk management, consequently, is configured as a set of limits, delegations, rules, procedures, resources and controls – at line, second and third level – as well as operational activities through which risk management policies are implemented.

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The supervisory regulations require banking groups to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

Section 1 – Risks of the consolidated accounts

In this section, information is provided with reference to the companies included in the consolidated accounts.

Information of a quantitative nature

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

PORTFOLIOS/QUALITY	Bad loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	125	598	35	383	74,109	**75,250**
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	10,807	**10,807**
3. Financial assets designated at fair value	-	-	-	-	1	**1**
4. Other financial assets mandatorily measured at fair value	-	-	-	4	295	**299**
5. Financial assets held for disposal	-	-	-	-	-	**-**
Total 31/12/2021	**125**	**598**	**35**	**387**	**85,212**	**86,357**
Total 31/12/2020	**322**	**842**	**37**	**493**	**80,673**	**82,367**

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

With regard to forborne exposures, reference should be made to Section 2, Table A.1.5.

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

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	2,876	2,118	758	297	75,117	625	74,492	75,250
2. Financial assets designated at fair value through other comprehensive income	1	1	-	-	10,809	2	10,807	10,807
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	1	1	-	-	X	X	299	299
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2021	**2,878**	**2,120**	**758**	**297**	**85,926**	**627**	**85,599**	**86,357**
Total 31/12/2020	**3,339**	**2,138**	**1,201**	**302**	**81,358**	**497**	**81,166**	**82,367**

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	6
2. Hedging derivatives	-	-	6
Total 31/12/2021	**-**	**-**	**12**
Total 31/12/2020	**-**	**-**	**9**

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

B. Disclosure on structured entities (different from securitisation special purpose vehicles)

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

B.1 Consolidated structured entities

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

B.2 Structured entities not consolidated from an accounting viewpoint

B.2.1. Prudentially consolidated structured entities

Information of a qualitative nature

There are no prudentially consolidated structured entities different from those already consolidated for accounting purposes.

B.2.2. Other structured entities

Information of a qualitative nature

Exposures to non-consolidated structured entities are attributable solely to collective investment undertakings (hereinafter also referred to as "UCITS"). For detailed information on exposures to UCITS, please refer to Part B - Information on the balance sheet, assets, section 2, table 2.5.

TYPE OF STRUCTURED ENTITY	Interest	Commissions	Dividends	Other Income	Total
UCITS	-	-	1	13	14
Special purpose vehicle	-	-	-	-	-

Section 2 – Risks of prudential consolidation

In this section, transactions with other companies, which are excluded from the prudential scope but included in the consolidation period, are not eliminated. These figures conventionally include, in proportion to the interest held, the assets and liabilities of the banking, financial and instrumental companies jointly controlled and consolidated proportionally for supervisory purposes.

1.1 CREDIT RISK

Information of a qualitative nature

1. GENERAL ASPECTS

The objectives and strategies of the Group's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Group's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, the Group is subject to the guidance and coordination role of the Parent Company Cassa Centrale Banca, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Group's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with families, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Group in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Group, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Group's particular focus on the household sector.

The micro and small businesses and the craft segment is another sector of particular importance for the Group. In this context, the Group's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Group's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Group operates.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis" published by the EBA (EBA/GL/2020/07).

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organisational factors

In carrying out its activities, the Group is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Group to credit risk (e.g. subscription of non-speculative OTC derivative contracts).

The organisational model adopted by the Group complies with the Group Credit Regulation approved by the Parent Company on 30 January 2019. In this document, also in compliance with the regulatory provisions on Internal Controls, a precise division of roles and responsibilities between the Credit Department, the NPL Services and the Control Functions, including the Risk Management Department, has been defined.

The geographical distribution of the Group as at 31 December 2021 is characterised by the presence of 10 territorial branches of the Parent Company and 71 Affiliated Banks with approximately 1,483 branches located throughout Italy.

The Credit Department is the central body delegated to govern the entire performing credit process (granting and auditing; management and monitoring), as well as the coordination and development of credit transactions and loans in the territory.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Service is the central body with the following functions:

- management of the Group's non-performing loan portfolio by defining, implementing and monitoring the Group's NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to prevent the deterioration of credit quality and ensure the correct classification of customers between performing and non-performing loans.

In light of the provisions on the internal control system (contained in Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the framework addressed by the Parent Company.

In addition to line controls, as first level activities, the functions outsourced to the Parent Company in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operational risks) is carried out by the risk control function (Risk Management Department) - outsourced to the Parent Company, which makes operational use of its internal contacts at Group banks.

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Group with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Unit ensure the supervision and coordination of the operational phases of the lending process, making decisions within the scope of their powers and carrying out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Credit Regulations, the Group Regulations for the management of impaired loans and the Group Policy for the classification and valuation of loans, which define criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with associated parties, the Group has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating to the granting of loans. From this perspective, the Group is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of associated parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group credit regulation, the Group Regulation for the management of impaired loans and the Group's credit classification and assessment Policy, specific procedures were put in place for the investigation/deliberation, credit line revision and credit risk monitoring phases, classification of loans and definition of recovery strategies for impaired loans. Qualitative-quantitative methodologies for assessing the creditworthiness of the counterparty are used in all the above mentioned phases, based or supported by IT procedures that are periodically checked and maintained.

The investigation/deliberation and revision of the credit lines are regulated by a deliberative process in which the various competent bodies, belonging to both the central structures and the network, intervene, in accordance with the levels of delegation provided for. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on technical data, as well as - as is usually the case - on personal knowledge and in-depth analysis of the specific economic and financial situation of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with formalities reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Group, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the activities carried out by the Credit Department is ensured by the Risk Management Department, which is established at the Parent Company.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements; Central Credit Register; Relationship Performance; Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory. Therefore, this system responds to the need to give greater effectiveness and efficiency to the credit management process, especially through a more objective selection of customers and a more structured position monitoring process.

The use of the advanced system for assessing the creditworthiness and control of clients entrusted and to be entrusted has significant organisational implications that must be carefully examined and addressed as part of an overall review of the internal control system and the related organisational and regulatory structures.

For the purposes of determining the minimum capital requirement for credit risk, the Group adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers[36];
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).

Moreover, with reference to the internal capital adequacy assessment process (ICAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Group has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established by the Parent Company.

With reference to credit risk, stress tests are carried out as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;

[36] The rating models developed are subject to annual review by the Parent Company. During the year, under the supervision of the Risk Management Department of the Parent Company, credit risk models were refined and updated. For more details see paragraph 2.3.

- fair value of the HTCS securities portfolio.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Finance Departments of the Group's banks carry out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[37] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR) or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions[38].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

[37] The application segments are ordinary customers, interbank segment and securities portfolio.

[38] Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

- stage 1, expected loss must be calculated on a time horizon of 12 months[39];
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 200,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Group's strategy for the management of impaired receivables.

Specific risk parameters (PD, LGD and EAD) were defined from an IFRS 9 perspective to be used for impairment calculations (stage allocation and ECL); to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[40]. It should be underlined that the Group calculates the ECL based on the allocation stage, per individual position, with reference to cash and off-balance sheet credit exposures.

It should be noted that for the purposes of calculating the expected loss on loans to customers, as was done in the previous year, the Cassa Centrale Group incorporated in its IFRS 9 impairment model the macroeconomic scenarios integrating the effects of the Covid-19 health emergency, as indicated by the European Central Bank in the letter of 1 April 2020 and subsequent letter dated 4 December 2020. For further details, please refer to these Explanatory Notes, Part A "Accounting policies" section 5 "Other aspects" - d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic.

Ordinary customer segment

The steps common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the creditworthiness (in terms of the customer's rating);
- the inclusion of forward-looking scenarios occurs through the application of outputs defined by appropriate "Satellite Models" to the PD Point in Time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The steps common to all the approaches identified for the construction of the LGD to be used, concern:

[39] The calculation of the Expected Loss for the purposes of calculating collective write-downs for these exposures takes place on a 12-month Point In Time basis.

[40] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

- a Group model, appropriately segmented according to the type of counterparty, the geographical area in which the Group operates, and the type of guarantee, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter (an expression of the probability of "curing" a position to default as well as possible increases in exposure in the migration to worse credit states) is estimated from a set of administrative state transition matrices with an annual observation horizon. These matrices were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal LGS parameter (complement to one of the recoveries obtained in respect of the exposure of a position classified as non-performing) is calculated as the arithmetic mean of the nominal LGS, segmented by type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs according to the type of technical macro-form and the type of counterparty. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

With reference to stage allocation, the Group made provision for the allocation of the individual cash and off-balance sheet positions, in one of the 3 stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
  - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, greater than a certain threshold differentiated according to specific drivers such as risk segment, ageing and residual maturity of the position and geographic area. A backstop of 300% is applied to this threshold in line with the guidelines issued by the ECB in the "dear ceo letter";
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. that have the following characteristics at the valuation date: rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment)[41];
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

[41] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

Interbank segment

For transactions in the interbank segment, the PD parameter is provided by an external provider that is differentiated on the basis of a rating that defines the creditworthiness of the counterparty; these default probabilities are extrapolated from listed credit spreads or listed bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Group has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD Point in Time less than 0.3%. Stage 2 is defined on the basis of changes in PD between origination and reporting equal to 200% (as a back-stop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Group has allocated the individual tranches for the purchase of securities in 3 stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the second stage, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of expected loss, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that Cassa Centrale Banca has adhered to the option introduced by Regulation (EU) no. 2395/2017 and partially supplemented by Regulation (EU) no. 873/2020, by which amendments were made to Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024:

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard ("dynamic old" A4, SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%
- 2019 – 85%
- 2020 – 70%
- 2021 – 50%
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%
- 2021 – 100%
- 2022 – 75%
- 2023 – 50%
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the Covid-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, paragraph 1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, some consolidation interventions are also planned, based, inter alia, on the implementation of automated and proactive processes as well as the refinement of early warning and trigger tools that have been introduced by the Group in order to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures. It should be noted that, in relation to the introduction of the new definition of default as well as to some primary contextual elements (i.e. the growing sophistication of the Banking Group, elements deriving from the Covid-19 health emergency, etc.), the Group has launched a project to estimate again all the credit models of the accounting framework (i.e. IFRS 9 and macro-economic models) as well as management such as monitoring and acceptance (i.e. rating systems) with expected release by the end of 2022.

The Group has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated gradual use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

With regard to the impacts of Covid-19 on the assessment of the significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Group would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Group is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

In order to limit the risks of non-existence or termination of protection, specific safeguards are provided, such as: the reinstatement of the pledge in the presence of a decrease in the initial value of the property or, for mortgage guarantees, the obligation of insurance coverage against fire damage, as well as the presence of adequate monitoring of the value of the property.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to retail customers (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also "CRM") techniques.

The Group has decided to use the following CRM tools:

- financial collateral involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection such as deposits in cash with third parties;
- personal guarantees represented by sureties, warranty bonds, guarantees – within the realm of authorised guarantors – from monitored intermediaries or other subjects.

Collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Group complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- compliance with the maximum ratio between the required loan and the value of the property pledged as collateral (loan to value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Group bank's own funds) the valuation is in any case reviewed by an independent expert at least every 3 years.

For impaired exposures, the Policy adopted by the Group provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Group, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Group has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

With reference to personal guarantees, the main types of guarantors are represented by entrepreneurs and corporate partners related to the debtor as well as, in the case of loans granted in favour of sole proprietorships and/or natural persons (consumers or not), also by relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies belonging to the same economic group as the debtor), or provided by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (craft workers, traders, etc.) the Group acquires specific guarantees (on first demand or subsidiary) provided by the credit consortia to which it belongs.

An exception is made for personal guarantees which meet all the requirements, provided by credit consortia registered on the special list pursuant to Article 106 of the TUB.

Where a financing proposal provides for personal guarantees from third parties, the investigation shall also extend to the latter. In particular, in relation to the type of loan guaranteed and the amount, the following is subject to verification and analysis:

- the guarantor's balance sheet and income statement, including by consulting the appropriate databases;
- exposure to the banking system;
- the information present in the Group's information system;
- potential membership of a group and the related overall exposure.

If necessary, at the discretion of the instructor in relation to the amount of the guarantee, the investigation will be extended to the Central Credit Register.

If the guarantor is represented by a company, and in any case when deemed necessary in view of the risk and the amount of the loan, in addition to the information produced by the network in the form reserved for the guarantor, the creditworthiness of the guarantor shall be developed in the same way as for the applicant.

Offsetting agreements

The Group adopts bilateral offsetting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company which, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Group has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral offsetting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Group complies with the specific requirements set out in the regulations.

In this respect, the Group adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Group has entered into margining agreements that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to affiliates, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

The Group is organised with regulatory/IT structures and procedures for the management, classification and control of loans. Consistent with IAS/IFRS regulations, at each reporting date the presence of objective elements of impairment on each instrument or group of financial instruments is verified.

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three categories:

- non-performing loans: credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;
- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out by means of classification workflows automatically triggered by the Early Warning System procedure, on the occurrence of certain early warnings and/or triggers defined in the Group Policy for the classification and valuation of loans or on the proposal of the structures owning the commercial relationship or of the central specialist functions responsible for the control and management of loans.

The return to performing status of exposures classified as impaired takes place through classification workflows, activated automatically or manually by the structures responsible for the management of impaired loans, in compliance with the deadlines set by the reference regulations in terms of “monitoring period” and “cure period”.

The impaired loan portfolio is managed through the guidance and coordination activities carried out by the Parent Company by:

- preparing and implementing the Group’s NPE Strategy and related operational plan;
- defining and updating regulations and processes related to the monitoring and classification of loans;
- defining and updating the regulations and processes related to the management and recovery of impaired loans.

However, each Affiliated Bank is responsible for managing its own loans, in accordance with the regulations and processes defined by the Parent Company, and carries out, through its own structures:

- the monitoring and classification of loans;
- the development and implementation its own individual NPE Strategy and related operational plan in compliance with the objectives defined by the Parent Company;
- the definition of the most appropriate management and/or recovery strategies for the individual positions;
- the activities of determining the provisions on the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the Group policy for the classification and valuation of loans.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS9.

3.2 Write-off

The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the total value adjustments, as a contra-entry to the gross value of the impaired exposure;
- for any portion exceeding the amount of the total value adjustments, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

3.3 Impaired financial assets acquired or originated

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Group’s typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of ‘forborne non-performing exposures’ does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes cash exposures and commitments to disburse funds that are forborne (‘forborne exposures’), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of ‘credit deterioration’ (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Group agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of “credit impairment” are instead classified in the category of "Other forborne performing exposures" and are included among the "Other performing exposures", or among the "Performing past due exposures" if they meet the requirements for this classification.

As provided for in the Group Regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- *forborne performing if both of the following conditions occur:*
  - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
  - the debtor was not reclassified as an impaired counterparty as a result of the forbearance granted;
- *forborne non-performing if at least one of the following conditions occurs:*
  - the debtor was classified as impaired prior to the granting of the forbearance;
  - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (so-called cure period):
  - granting of the forbearance measure on impaired credit exposures;
  - classification as impaired of the counterparty;
  - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Group;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
  - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
  - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the

funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 24 months have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the respective Group bank at the end of the probation period.

Information of a quantitative nature

A. CREDIT QUALITY

A.1. Impaired and performing credit exposures: amounts, adjustments, trend and economic distribution

A.1.1 Prudential consolidation - Distribution of financial assets by maturity bands (carrying amounts)

PORTFOLIOS/ RISK STAGES	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	158	1	-	157	56	11	40	37	236	-	-	-
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**158**	**1**	**-**	**157**	**56**	**11**	**40**	**37**	**236**	**-**	**-**	**-**
Total 31/12/2020	**197**	**1**	**1**	**171**	**83**	**39**	**40**	**49**	**529**	**-**	**-**	**-**

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

REASONS/ STAGES OF RISK	Writedowns											
	Stage 1 assets						Stage 2 assets					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**152**	**2**	**-**	**9**	**145**	**-**	**343**	**-**	**-**	**38**	**305**
Increases from financial assets acquired or originated	-	3	-	-	-	3	-	-	-	-	-	-
Derecognitions other than write-offs	-	(4)	-	-	-	(4)	-	(11)	-	-	(3)	(8)
Net value adjustments/write-backs due to credit risk	-	82	-	-	1	81	-	61	-	-	-	61
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(1)	1	-	(1)	-	-	(7)	6
FINAL TOTAL ADJUSTMENTS	**-**	**233**	**2**	**-**	**9**	**226**	**-**	**392**	**-**	**-**	**28**	**364**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

REASONS/ STAGES OF RISK	Writedowns										
	Stage 3 assets						Impaired financial assets acquired or originated				
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**2,136**	**1**	**-**	**2,016**	**121**	**-**	**-**	**-**	**-**	**-**
Increases from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(275)	-	-	(254)	(21)	-	-	-	-	-
Net value adjustments/ write-backs due to credit risk	-	464	-	-	434	30	-	-	-	-	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(164)	-	-	(154)	(10)	-	-	-	-	-
Other changes	-	(43)	-	-	(75)	32	-	-	-	-	-
FINAL TOTAL ADJUSTMENTS	**-**	**2,118**	**1**	**-**	**1,967**	**152**	**-**	**-**	**-**	**-**	**-**
Collection recoveries in relation to financial assets subject to write-offs	-	1	-	-	1	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	(5)	-	-	(5)	-	-	-	-	-	-

REASONS/STAGES OF RISK	Total allocation for commitments to disburse funds and financial guarantees given				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given purchased or originated credit impaired	
INITIAL TOTAL ADJUSTMENTS	**51**	**20**	**44**	**-**	**2,749**
Increases from financial assets acquired or originated	1	-	-	-	4
Derecognitions other than write-offs	-	-	-	-	(290)
Net value adjustments/write-backs due to credit risk (+/-)	4	2	18	-	631
Contractual changes without derecognitions	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	(164)
Other changes	(3)	6	(6)	-	(47)
FINAL TOTAL ADJUSTMENTS	**53**	**28**	**56**	**-**	**2,883**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	1
Write-offs recognised directly in the income statement	**-**	**-**	**-**	**-**	**(5)**

The initial adjustments have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Group does not use the simplified method, as required by IFRS 9, para. 5.5.15, for the valuation to cover losses.

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

PORTFOLIOS/RISK STAGES	Gross exposure/Nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	3,036	1,855	344	96	219	4
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	442	230	22	10	30	1
Total 31/12/2021	**3,478**	**2,085**	**366**	**106**	**249**	**5**
Total 31/12/2020	**1,758**	**3,613**	**345**	**108**	**123**	**4**

A.1.3a Loans subject to Covid-19 support measures: transfers between different stages of credit risk (gross values)

PORTFOLIOS/RISK STAGES	Gross value/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**438**	**305**	**42**	**1**	**33**	**-**
A.1 EBA-compliant moratoria loans	9	3	2	1	1	-
A.2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-
A.3 Other loans with Covid-19-related forbearance measures	48	2	19	-	5	-
A.4 Newly originated loans	381	300	21	-	27	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
B.1 EBA-compliant moratoria loans	-	-	-	-	-	-
B.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-
B.3 Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-
B.4 Newly originated loans	-	-	-	-	-	-
Total 31/12/2021	**438**	**305**	**42**	**1**	**33**	**-**
Total 31/12/2020	**535**	**907**	**98**	**19**	**36**	**1**

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

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**303**	**303**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**303**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	303	303	-	X	-	-	-	-	X	-	303	-
A.2 OTHER	**4,308**	**4,292**	**4**	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**4,296**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	4,308	4,292	4	X	-	12	12	-	X	-	4,296	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**4,611**	**4,595**	**4**	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**4,599**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,092	1,081	-	X	-	1	1	-	X	-	1,091	-
TOTAL (B)	**1,092**	**1,081**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**1,091**	**-**
TOTAL (A+B)	**5,703**	**5,676**	**4**	**-**	**-**	**13**	**13**	**-**	**-**	**-**	**5,690**	**-**

*Value to be displayed for information purposes

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

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
a) Bad loans	977	X	-	976	-	852	X	-	851	-	125	297
- of which: forborne exposures	251	X	-	251	-	214	X	-	214	-	37	54
b) Unlikely to pay	1,851	X	-	1,851	-	1,253	X	-	1,253	-	598	-
- of which: forborne exposures	1,139	X	-	1,139	-	789	X	-	789	-	350	-
c) Impaired past due exposures	50	X	-	50	-	15	X	-	15	-	35	-
- of which: forborne exposures	5	X	-	5	-	2	X	-	2	-	3	-
d) Performing past due exposures	414	161	249	X	-	27	2	25	X	-	387	-
- of which: forborne exposures	49	-	49	X	-	8	-	8	X	-	41	-
e) Other performing exposures	81,489	75,461	5,758	X	-	588	221	367	X	-	80,901	-
- of which: forborne exposures	1,096	-	1,096	X	-	104	-	104	X	-	992	-
TOTAL (A)	**84,781**	**75,622**	**6,007**	**2,877**	**-**	**2,735**	**223**	**392**	**2,119**	**-**	**82,046**	**297**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	170	X	-	170	-	56	X	-	56	-	114	-
b) Performing	13,547	12,775	771	X	-	80	53	27	X	-	13,467	-
TOTAL (B)	**13,717**	**12,775**	**771**	**170**	**-**	**136**	**53**	**27**	**56**	**-**	**13,581**	**-**
TOTAL (A+B)	**98,498**	**88,397**	**6,778**	**3,047**	**-**	**2,871**	**276**	**419**	**2,175**	**-**	**95,627**	**297**

*Value to be displayed for information purposes

A.1.5a Loans subject to Covid-19 support measures: gross and net values

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. NON-PERFORMING LOANS	**5**	**-**	**-**	**5**	**-**	**3**	**-**	**-**	**3**	**-**	**2**	**-**
a) EBA-compliant moratoria loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	5	-	-	5	-	3	-	-	3	-	2	-
B. UNLIKELY TO PAY	**93**	**-**	**-**	**93**	**-**	**45**	**-**	**-**	**45**	**-**	**48**	**-**
a) EBA-compliant moratoria loans	7			7		4			4		3	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	9			9		5			5		4	-
c) Other loans with Covid-19-related forbearance measures	19			19		12			12		7	-
d) Newly originated loans	58			58		24			24		34	-
C. IMPAIRED PAST DUE LOANS	**4**	**-**	**-**	**4**	**-**	**1**	**-**	**-**	**1**	**-**	**3**	**-**
a) EBA-compliant moratoria loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	4	-	-	4	-	1	-	-	1	-	3	-

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
D. OTHER PERFORMING PAST DUE LOANS	**23**	**10**	**13**	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**22**	**-**
a) EBA-compliant moratoria loans	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	3	2	1	-	-	-	-	-	-	-	3	-
c) Other loans with Covid-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	20	8	12	-	-	1	-	1	-	-	19	-
E. OTHER PERFORMING LOANS	**5,807**	**5,089**	**718**	**-**	**-**	**64**	**27**	**37**	**-**	**-**	**5,743**	**-**
a) EBA-compliant moratoria loans	123	100	23			8	3	5			115	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	353	272	81			21	10	11			332	-
c) Other loans with Covid-19-related forbearance measures	24	-	24			3	-	3			21	-
d) Newly originated loans	5,307	4,717	590			32	14	18			5,275	-
TOTAL (A+B+C+D+E)	**5,932**	**5,099**	**731**	**102**	**-**	**114**	**27**	**38**	**49**	**-**	**5,818**	**-**

* Value to be displayed for information purposes

The "Overall partial write-offs" column has no significant values.

A.1.6 Prudential consolidation - On-balance-sheet credit exposures to banks: trend in gross impaired exposures

As at the reporting date, there were no impaired on-balance-sheet credit exposures to banks.

A.1.6bis Prudential consolidation - On-balance-sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

As at the reporting date, there were no impaired on-balance-sheet credit exposures to banks.

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

DESCRIPTIONS/CATEGORIES	Bad loans	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**1,367**	**1,925**	**47**
- of which: exposures transferred but not derecognised	58	98	1
B. INCREASES	**212**	**643**	**54**
B.1 transfers from performing exposures	12	468	48
B.2 transfers from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other categories of impaired exposures	151	23	3
B.4 contractual changes without derecognitions	-	-	-
B.5 other increases	49	152	3
C. DECREASES	**602**	**717**	**51**
C.1 transfers to performing exposures	-	100	6
C.2 write-offs	152	17	-
C.3 collections	174	348	11
C.4 gains from disposal	71	25	1
C.5 losses from disposal	28	7	-
C.6 transfers to other categories of impaired exposures	2	147	28
C.7 contractual changes without derecognitions	-	-	-
C.8 other decreases	175	73	5
D. GROSS FINAL EXPOSURE	**977**	**1,851**	**50**
- of which: exposures transferred but not derecognised	31	63	3

The item "C.8 other decreases" includes the gross amount of the exposure sold exceeding the sum of the realisable value in the context of transactions for the sale of impaired loans to third parties during the year, mainly attributable to the "Buonconsiglio 4" non-performing loan sale transaction.

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

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**1,506**	**927**
- of which: exposures transferred but not derecognised	82	44
B. INCREASES	**378**	**650**
B.1 transfers from non-forborne performing exposures	105	434
B.2 transfers from forborne performing exposures	92	X
B.3 transfers from forborne impaired exposures	X	75
B.4 transfers from non-forborne impaired exposures	93	-
B.5 other increases	88	141
C. DECREASES	**489**	**432**
C.1 transfers to non-forborne performing exposures	X	175
C.2 transfers to forborne performing exposures	75	X
C.3 transfers to forborne impaired exposures	X	92
C.4 write-offs	46	-
C.5 collections	230	146
C.6 gains from disposal	33	4
C.7 losses from disposal	6	-
C.8 other decreases	99	15
D. GROSS FINAL EXPOSURE	**1,395**	**1,145**
- of which: exposures transferred but not derecognised	77	79

A.1.8 Prudential consolidation - Impaired on-balance-sheet credit exposures to banks: trend in writedowns

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.9 Prudential consolidation - Impaired on-balance-sheet credit exposures to customers: trend in writedowns

DESCRIPTIONS/CATEGORIES	Bad loans		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**1,045**	**255**	**1,083**	**646**	**10**	**-**
- of which: exposures transferred but not derecognised	11	2	16	9	-	-
B. INCREASES	**366**	**102**	**650**	**354**	**18**	**3**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	224	62	586	314	14	1
B.3 losses from disposal	28	4	7	2	-	-
B.4 transfers from other categories of impaired exposures	96	33	3	-	1	1
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	18	3	54	38	3	1
C. DECREASES	**559**	**143**	**480**	**211**	**13**	**1**
C.1 value write-backs from valuations	39	10	46	26	1	1
C.2 value write-backs due to collection	124	34	119	40	1	-
C.3 gains from disposal	19	4	9	5	-	-
C.4 write-offs	152	37	17	9	-	-
C.5 transfers to other categories of impaired exposures	-	-	95	34	5	-
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	225	58	194	97	6	-
D. FINAL TOTAL ADJUSTMENTS	**852**	**214**	**1,253**	**789**	**15**	**2**
- of which: exposures transferred but not derecognised	24	7	34	18	1	-

Item “C.7 Other decreases” mainly includes value adjustments related to transactions subject to derecognition during the year, mainly attributable to the “Buonconsiglio 4” sale of non-performing loans.

A.2 Classification of exposures on the basis of external and internal ratings

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

EXPOSURES	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**2,345**	**192**	**15,970**	**475**	**20**	**1,015**	**57,976**	**77,993**
- Stage 1	2,345	192	15,970	475	20	1,015	49,091	69,108
- Stage 2	-	-	-	-	-	-	6,009	6,009
- Stage 3	-	-	-	-	-	-	2,876	2,876
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**958**	**130**	**6,601**	**70**	**15**	**399**	**2,637**	**10,810**
- Stage 1	958	130	6,601	70	15	399	2,635	10,808
- Stage 2	-	-	-	-	-	-	1	1
- Stage 3	-	-	-	-	-	-	1	1
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**3,303**	**322**	**22,571**	**545**	**35**	**1,414**	**60,613**	**88,803**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN	**-**	**-**	**1**	**1**	**-**	**-**	**14,561**	**14,563**
- Stage 1	-	-	1	1	-	-	13,619	13,621
- Stage 2	-	-	-	-	-	-	773	773
- Stage 3	-	-	-	-	-	-	169	169
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**1**	**1**	**-**	**-**	**14,561**	**14,563**
Total (A+B+C+D)	**3,303**	**322**	**22,572**	**546**	**35**	**1,414**	**75,174**	**103,366**

The Group adopts the assessments of the Moody's rating agency on the reported portfolios.

Moody's	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

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

At the end of the reporting period, the Group does not use internal ratings in the calculation of capital requirements.

A.3 Distribution of secured credit exposures by type of guarantee

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

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	Total (1)+(2)
1. SECURED ON-BALANCE CREDIT EXPOSURES:	**175**	**175**	**-**	**-**	**173**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**174**
1.1 totally secured	175	175	-	-	173	-	-	-	-	-	-	-	-	-	1	**174**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED "OFF-BALANCE-SHEET" CREDIT EXPOSURES:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Prudential consolidation - On-balance and off-balance-sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	Total (1)+(2)
1. SECURED ON-BALANCE CREDIT EXPOSURES:	**43,668**	**41,189**	**26,242**	**365**	**155**	**702**	**-**	**-**	**-**	**-**	**-**	**6,947**	**161**	**319**	**5,222**	**40,113**
1.1 totally secured	38,525	36,235	25,798	365	117	600	-	-	-	-	-	3,883	122	244	5,033	**36,162**
- of which impaired	2,503	677	545	13	1	6	-	-	-	-	-	47	2	6	54	**674**
1.2 partially secured	5,143	4,954	444	-	38	102	-	-	-	-	-	3,064	39	75	189	**3,951**
- of which impaired	197	56	20	-	-	2	-	-	-	-	-	22	1	2	4	**51**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**5,272**	**5,229**	**5**	**-**	**20**	**99**	**-**	**-**	**-**	**-**	**-**	**349**	**12**	**51**	**4,397**	**4,933**
2.1 totally secured	2,050	2,030	5	-	14	65	-	-	-	-	-	96	1	23	1,818	**2,022**
- of which impaired	60	42	-	-	-	2	-	-	-	-	-	1	-	1	37	**41**
2.2 partially secured	3,222	3,199	-	-	6	34	-	-	-	-	-	253	11	28	2,579	**2,911**
- of which impaired	43	31	-	-	-	-	-	-	-	-	-	2	-	1	26	**29**

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

	Credit exposure derecognised	Gross value	Writedowns	Carrying amount	
					of which obtained during the year
A. TANGIBLE ASSETS	**83**	**90**	**12**	**78**	**4**
A.1 For business use	7	7	2	5	-
A.2 For investment purposes	35	46	10	36	4
A.3 Inventories	41	37	-	37	-
B. EQUITIES AND DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**
C. OTHER ASSETS	**-**	**-**	**-**	**-**	**-**
D. NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR DISPOSAL	**1**	**1**	**-**	**1**	**-**
D.1 Tangible assets	1	1	-	1	-
D.2 Other assets	-	-	-	-	-
Total 31/12/2021	**84**	**91**	**12**	**79**	**4**
Total 31/12/2020	**94**	**104**	**10**	**94**	**6**

At the end of the reporting period, the Group does not have any assets that are not readily convertible into cash that are deemed to be significant (see IFRS 7 para. 38 letter b)).

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

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

EXPOSURES/COUNTERPARTIES	Public bodies		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns
A. ON-BALANCE CREDIT EXPOSURES										
A.1 Bad loans	-	-	1	4	-	-	84	561	40	287
- of which: forborne exposures	-	-	-	-	-	-	25	146	12	68
A.2 Unlikely to pay	-	-	2	12	-	-	354	810	242	431
- of which: forborne exposures	-	-	1	3	-	-	208	520	141	266
A.3 Impaired past due exposures	-	-	-	-	-	-	10	4	25	11
- of which: forborne exposures	-	-	-	-	-	-	1	1	2	1
A.4 Performing exposures	35,703	6	1,521	56	5	-	21,087	373	22,977	180
- of which: forborne exposures	-	-	3	1	-	-	496	69	534	42
Total (A)	**35,703**	**6**	**1,524**	**72**	**5**	**-**	**21,535**	**1,748**	**23,284**	**909**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	-	-	-	97	49	17	7
B.2 Performing exposures	305	-	133	48	-	-	10,559	23	2,470	9
Total (B)	**305**	**-**	**133**	**48**	**-**	**-**	**10,656**	**72**	**2,487**	**16**
Total (A+B) 31/12/2021	**36,008**	**6**	**1,657**	**120**	**5**	**-**	**32,191**	**1,820**	**25,771**	**925**
Total (A+B) 31/12/2020	**35,863**	**9**	**1,712**	**105**	**32**	**-**	**30,957**	**1,792**	**24,039**	**836**

B.2 Prudential consolidation - Distribution by territory of on-balance and off-balance-sheet credit exposures to customers

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns
A. ON-BALANCE CREDIT EXPOSURES								
A.1 Bad loans	37	184	39	454	23	104	25	110
A.2 Unlikely to pay	115	198	296	838	87	94	99	121
A.3 Impaired past due exposures	6	4	12	5	7	3	10	3
A.4 Performing exposures	10,335	131	25,676	308	36,144	111	4,576	63
Total (A)	**10,493**	**517**	**26,023**	**1,605**	**36,261**	**312**	**4,710**	**297**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	20	8	71	40	8	4	14	4
B.2 Performing exposures	3,468	9	7,798	20	1,078	48	1,105	3
Total (B)	**3,488**	**17**	**7,869**	**60**	**1,086**	**52**	**1,119**	**7**
Total (A+B) 31/12/2021	**13,981**	**534**	**33,892**	**1,665**	**37,347**	**364**	**5,829**	**304**
Total (A+B) 31/12/2020	**13,394**	**560**	**32,146**	**1,525**	**37,631**	**365**	**5,572**	**287**

B.3 Prudential consolidation - Distribution by territory of on-balance and off-balance-sheet credit exposures to banks

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposures	Writedowns	Net exposures	Writedowns	Net exposures	Writedowns	Net exposures	Writedowns
A. ON-BALANCE CREDIT EXPOSURES								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	349	11	3,684	1	184	-	1	-
Total (A)	**349**	**11**	**3,684**	**1**	**184**	**-**	**1**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	360	-	364	-	350	-	1	-
Total (B)	**360**	**-**	**364**	**-**	**350**	**-**	**1**	**-**
Total (A+B) 31/12/2021	**709**	**11**	**4,048**	**1**	**534**	**-**	**2**	**-**
Total (A+B) 31/12/2020	**722**	**10**	**2,693**	**-**	**474**	**-**	**78**	**-**

B.4 Large exposures

ITEMS	Total 31/12/2021	Total 31/12/2020
A) AMOUNT OF LARGE EXPOSURES		
a1) carrying amount	46,574	39,717
a2) weighted value amount	810	607
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**4**	**4**

C. SECURITISATION TRANSACTIONS

Securitisation transactions are not recognised, in which banks in the same prudential consolidation are the originator and the total liabilities issued (e.g. ABS securities, loans in the warehousing phase) by the special purpose vehicles are subscribed at the time of issue by one or more companies in the same prudential consolidation.

Information of a qualitative nature

1. “Own” securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Group’s loans and is part of the expectations of supporting the development of the local economy, in line with the company’s strategic guidelines.

Below is information on own securitisations carried out during 2021.

“Buonconsiglio 4” securitisation

During 2021, the Bank participated in a securitisation of multi-originator loans pursuant to Law no. 130/199, involving non-performing loans arising from contracts with customers resident in Italy (known as “Buonconsiglio 4”). The transaction envisages the acquisition of GACS or the guarantee of the State on the sale of bad loans.

More specifically, the transaction involved the assignment without recourse of portfolios of non-performing loans (secured and/or unsecured) granted by the Bank and 37 other banks (28 belonging to the Cassa Centrale Group) to customers, for a total Gross Book Value of EUR 578,719,097.

The arrangers of the transaction were Intesa San Paolo and Centrale Credit Solutions S.r.l. (a company of the Cassa Centrale Group), the latter also acted as advisor to the banks of the Cassa Centrale Group. The transaction involved the creation of a special purpose vehicle set up pursuant to Law no. 130/99, called Buonconsiglio 4, in which the Bank does not hold interests, nor do its employees hold corporate roles. The Master Servicer of the securitisation vehicle is Prelios Credit Servicing S.p.A., while Prelios Credit Solutions S.p.A. acts as Special Servicer.

The transaction was carried out mainly with the aim of improving the quality of the assets, as non-performing assets will be derecognised from the Originators’ financial statements. Following a specific technical analysis, it emerged that the transaction described meets the criteria for the derecognition of assets from the Bank’s financial statements in accordance with IFRS 9.

The transaction was carried out by means of several related contracts, the outline of which is shown below:

- assignment without recourse, by the “Originator” banks, of a portfolio of non-performing loans identified en bloc;

- acquisition of receivables by the transferee/issuer - the vehicle company Buonconsiglio 4 S.r.l. - and issue by the latter of securities (ABS - Asset Based Securities) characterised by a different degree of repayability in order to raise financial means;
- full subscription of senior securities by the "Originator" banks;
- subscription of Mezzanine and Junior securities by the Banks and subsequent sale of 95% of the securities to a third institutional investor (Buckthorn Financing DAC whose Asset Manager is Investment Management L.P.). The residual part (5%) remains in the portfolio of the individual "Originators" for the purpose of fulfilling the "Retention Rule".

In order to build up the initial reserves necessary to start up the securitisation vehicle (Buonconsiglio 4 S.r.l.), the originator banks have decided on a credit line (a limited-recourse loan) whose repayment is envisaged with a seniority slightly higher than that of the class A (Senior) securities. At the end of the reporting period, the Group's total exposure relating to this credit line amounted to EUR 3.2 million.

As indicated, the special purpose vehicle financed the purchase of loans by issuing bonds divided into classes. The senior securities are rated (BBB) by three agencies (ARC, DBRS and Scope). The characteristics of the three types of securities issued are as follows:

- Class A securities (Senior securities): Bonds at a variable Euribor 6-month rate plus a spread of 0.40% per annum, for a total value of EUR 117.7 million and maturing in January 2042.
- Class B securities (Mezzanine securities): Bonds at a variable Euribor 6-month rate plus a spread of 10.0% per annum, for a total value of EUR 16.5 million and maturing in January 2042.
- Class J notes (Junior notes): Floating rate 6-month Euribor bonds, plus a spread of 15.00% per annum plus a variable yield (residual after paying the senior items) for a total value of EUR 5,893 million and maturing in January 2042.

On 14 December 2021, the aforementioned Senior, Mezzanine and Junior securities were subscribed for on a pro rata basis by the "Originator" banks in proportion to the price received from each, and on 15 December 2021 (accounting settlement date 17 December 2021) 95% of the Mezzanine and Junior securities were sold to Buckthorn Financing DAC whose Asset Manager is Investment Management L.P. a third-party institutional investor.

The different types of securities have been given a different degree of subordination in the definition of payment priorities, both for principal and interest.

The securities will be redeemed in pass through mode. At each payment date, the principal shares for the redemption of the assets are allocated primarily to the redemption of Senior securities. The second tranche of securities (Mezzanine) is subordinated in its redemption to the previous one and the third tranche of securities (junior) is subordinated in its redemption to the first two.

The reimbursement of the principal of Class J securities is therefore last in the hierarchy of payments, both in the event of early repayment and in the event of natural redemption of the securities.

2. Third party securitisation transactions

At the end of the reporting period, the Group held about EUR 95 million in securities arising from the third party securitisation transactions described below.

The securitisation transactions reported in the following table "C.2 Prudential consolidation - Exposures arising from the main "third-party" securitisation transactions broken down by type of securitised assets and by exposure type" include approximately EUR 80 million arising from multi-originator transactions, reported in the previous section on "own" securitisations, including Buonconsiglio 4, for the portion referring to the underlying assets sold by other credit institutions not belonging to the Group.

Third-party exposures other than those mentioned above consist mainly of unrated securities issued by the special purpose vehicle Lucrezia Securitisation S.r.l. as part of the Institutional Guarantee Fund interventions, broken down as follows:

- the securities "EUR 211,368,000 Asset-Backed Notes due October 2026", with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of non-performing loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 78,388,000 Asset-Backed Notes due January 2027" with ISIN code IT0005240749, were issued by the special purpose vehicle on 27 January 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 32,461,000 Asset-Backed Notes due October 2027" with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included under item 40 of the Group consolidated balance sheet. Financial assets measured at amortised cost, sub-item "b) Loans to customers".

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%.

It should be noted that in relation to the above securitisation transactions, the Group does not play any role as servicer and does not hold any interest in the special purpose vehicle.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the Group must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the Group, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the Investor Group, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the Group is exposed or would be exposed.

In particular, the Group has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);

- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the Group has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;
- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the servicer, to be made available to Group banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be “constantly aware of the composition of the portfolio of securitised exposures” pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all Group banks and supplement the Investor Report produced by the special purpose vehicle.

Information of a quantitative nature

C.1 Prudential consolidation - Exposures deriving from primary “own” securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/ EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Write-downs/ write-backs	Carrying amount	Write-downs/ write-backs	Carrying amount	Write-downs/ write-backs
A. Subject of full derecognition from the financial statements	**223**	**-**	**-**	**-**	**3**	**-**
IMPAIRED ASSETS	**223**	**-**	**-**	**-**	**3**	**-**
- Bad loans	223	-	-	-	3	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Bad loans	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Bad loans	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

Off-balance-sheet

As at 31 December 2021, the scenario was not present.

C.2 Prudential consolidation - Exposures deriving from primary "third party" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/ EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Write-downs/ write-backs	Carrying amount	Write-downs/ write-backs	Carrying amount	Write-downs/ write-backs
IMPAIRED ASSETS	**94**	**(3)**	**-**	**-**	**1**	**-**
- Bad loans	94	(3)			1	
- Unlikely to pay						
- Past due						
PERFORMING ASSETS						

Off-balance-sheet

As at 31 December 2021, the scenario was not present.

C.3 Prudential consolidation - Securitisation special purpose vehicles

SECURITISATION NAME/ SPV NAME	Registered office	Consolidation	ASSETS			LIABILITIES		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Buonconsiglio I - Marmarole SPV S.r.l.	Trento	Not consolidated	112			65		49
Buonconsiglio II - Nepal S.r.l.	Milan	Not consolidated	105			93		55
Buonconsiglio 3 S.r.l.	Milan	Not consolidated	154			145	21	5
Buonconsiglio 4 S.r.l.	Conegliano (TV)	Not consolidated	129			118	16	6
Lucrezia Securitisation S.r.l. - Padovana/Irpina	Rome	Not consolidated	20			115		
Lucrezia Securitisation S.r.l. - Crediveneto	Rome	Not consolidated	13			43		
Lucrezia Securitisation S.r.l. - Castiglione	Rome	Not consolidated	4			32		

C.4 Prudential consolidation - Unconsolidated securitisation special purpose vehicles

SECURITISATION NAME/SPV NAME	Amounts at						Difference between exposure to risk of loss and carrying amount (E=D-C)
	Accounting portfolios of assets	Total assets (A)	Accounting portfolios of liabilities	Total liabilities (B)	Net carrying amount (C=A-B)	Maximum exposure to risk of loss (D)	
Buonconsiglio I - Marmarole SPV S.r.l.	NPLs	112	Senior and junior notes	114	(2)		2
Buonconsiglio II - Nepal S.r.l.	NPLs	105	Senior and junior notes	148	(43)		43
Buonconsiglio 3 S.r.l.	NPLs	154	Senior, Mezzanine and junior notes	171	(17)		17
Buonconsiglio 4 S.r.l.	NPLs	129	Senior, Mezzanine and junior notes	140	(11)		11
Lucrezia Securitisation S.r.l. - Padovana/Irpina	NPLs	20	Senior Notes	115	(95)		95
Lucrezia Securitisation S.r.l. - Crediveneto	NPLs	13	Senior Notes	43	(30)		30
Lucrezia Securitisation S.r.l. - Castiglione	NPLs	4	Senior Notes	32	(28)		28

C.5 Prudential consolidation - Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

As at 31 December 2021, there are no outstanding transactions.

C.6 Prudential consolidation– Consolidated securitisation special purpose vehicles

As at 31 December 2021, the scenario was not present.

D. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS SOLD AND NOT FULLY DERECOGNISED

Information of a qualitative nature

With regard to the qualitative nature of these assets and related liabilities, reference should be made to the contents of table D.1. Prudential consolidation - Financial assets sold and recognised in full and associated financial liabilities: carrying amounts.

Information of a quantitative nature

D.1 Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**18**	**-**	**18**	**-**	**18**	**-**	**18**
1. Debt securities	18	-	18	-	18	-	18
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**83**	**-**	**82**	**-**	**85**	**-**	**84**
1. Debt securities	82	-	82	-	84	-	84
2. Loans	1	-	-	-	1	-	-
Total 31/12/2021	**101**	**-**	**100**	**-**	**103**	**-**	**102**
Total 31/12/2020	**393**	**-**	**327**	**2**	**348**	**-**	**346**

The transactions shown above are mainly related to repos.

D.2 Prudential consolidation - Financial assets sold and partially recognised and associated financial liabilities: book value

At the end of the reporting period, the Group did not hold financial assets attributable to this scenario.

D.3 Prudential consolidation - Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Fully recognised	Partially recognised	Total	
			31/12/2021	31/12/2020
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**18**	**-**	**18**	**52**
1. Debt securities	18	-	18	52
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**83**	**-**	**83**	**348**
1. Debt securities	82	-	82	282
2. Loans	1	-	1	66
Total financial assets	**101**	**-**	**101**	**400**
Total associated financial liabilities	**103**	**-**	**X**	**X**
Net value 31/12/2021	**(2)**	**-**	**101**	**X**
Net value 31/12/2020	**52**	**-**	**X**	**400**

D.4 Prudential consolidation - Covered bond transactions

At the end of the reporting period, the Group had no covered bond transactions.

B. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED WITH RECOGNITION OF CONTINUING INVOLVEMENT

At the end of the reporting period, the Group had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED

Information of a qualitative nature

Transfer transactions to mutual investment funds with allocation of the relevant units to the assignor

During the year, no sales to mutual investment funds were carried out.

Non-performing loans assigned without recourse

During the year, the Group assigned without recourse non-performing loans for a gross value of EUR 93 million, of which EUR 69 million related to non-performing loans. The overall coverage of assigned loans is 67.4% (69.2% for non-performing loans only).

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

At the end of the reporting period, the Group does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to paragraph "2.2 Management, measurement and control systems" (Section 2 - Risks of prudential consolidation).

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Information of a qualitative nature

A. General aspects

The Finance and Treasury Committee of the Parent Company defines the investment choices relating to the trading book within the periodic strategy documents for the management of the proprietary portfolio approved by the Board of Directors of the Parent Company.

During the year, the proprietary portfolio management strategy established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option).

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book, related to the securities component, is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR, Value at Risk). This is calculated with the applications and with the historical method via Riskmetrics, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Boards of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or limits in the internal regulations are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated with the applications and with the historical method via RiskMetrics, over a ten-day period, and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the regulatory trading book during the course of 2021 is reported below:

(Amounts in Euro units)

Value at Risk 31/12/2021	Value at Risk average	Value at Risk minimum	Value at Risk minimum
-	-	-	-

As at 31 December 2021 there were no securities in the trading book, according to the strategic guidelines established by the Parent Company.

Information of a quantitative nature

1. Regulatory trading book: distribution by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	2	5	3	4	46	20	12	-
+ Short positions	3	5	3	3	46	20	12	-
- Other derivatives								
+ Long positions	20	368	14	(6)	110	(141)	(219)	-
+ Short positions	7	(172)	33	14	(49)	165	234	-

Currencies other than the Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	94	19	5	-	-	-	-
+ Short positions	-	20	7	3	1	-	-	-

2. Regulatory trading book: distribution of exposures in equities and stock market indices for the main countries of the listed market

At the end of the reporting period, the Group did not hold financial assets attributable to this scenario.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the banking book is supported by reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications and parametric methodology, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

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

Interest rate risk - Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Group is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans, securities portfolio and the various forms of funding from customers.

In particular, "fair value" interest rate risk (understood as impact on Economic Value) is derived from fixed-rate items while interest rate risk from "cash flows" (understood as impact on marginality) is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Group has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are applied within the framework of corporate regulations aimed at setting up monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Group, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Group has identified the Finance Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Group has decided to use the calculation framework provided by the EBA guidelines (GL-2018-02) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows the quantification of the difference in fair value of financial statement items calculated according to the Discounted Cash Flow method using first a base curve (without shock) and then a shocked curve. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows behavioural models to be taken into account in the analyses (both value and margin); normally the one for “items on demand” is used.

The Group determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying an instantaneous and parallel rate shock of +/- 200 basis points.

Additional stress scenarios, as indicated in the relevant legislation, are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAS (Risk Appetite Framework) by the ratio between the internal capital thus calculated and the value of CET1. At consolidated level, the Parent Company monitors the positioning of the Group compared with the threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAS, the appropriate recovery initiatives are activated.

Price risk - Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2021 is reported below:

(Amounts in Euro units)

VaR 31/12/2021	Average VaR	Minimum VaR	Maximum VaR
371,100,039	410,081,057	288,314,402	749,219,645

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. The use of the historical method was introduced in 2021, starting in April[42]; as of that date, at consolidated portfolio level, the new model did not show significant overruns.

The year 2021 saw a continuation, with respect to VaR, of the quantification of issuer risk for government securities and therefore country risk, understood as VaR relating only to the risk factor "Credit Spread", expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also introduced, calculated only on the Italian Government bonds segment.

[42] The use of the historical method was introduced in the first half of the year, starting from April. The average, minimum and maximum VaR data refer to the period 1 April 2021 - 30 June 2021.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2021 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

(Amounts in Euro units)

Theoretical value at 31/12/21	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
37,190,600,070	+319,842,433	-308,862,046	+658,358,563	-

Information of a quantitative nature

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

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**6,820**	**31,647**	**15,539**	**3,091**	**14,936**	**7,355**	**7,060**	**-**
1.1 Debt securities	-	5,860	13,396	1,208	8,714	3,880	3,599	-
- with option of advance reimbursement	-	191	11	4	42	74	6	-
- other	-	5,669	13,385	1,204	8,672	3,806	3,593	-
1.2 Loans to banks	177	3,297	14	94	124	-	2	-
1.3 Loans to customers	6,643	22,490	2,129	1,789	6,098	3,475	3,459	-
- current accounts	3,176	47	64	85	72	8	5	-
- other loans	3,467	22,443	2,065	1,704	6,026	3,467	3,454	-
- with option of advance reimbursement	1,045	9,525	859	753	2,947	1,509	1,642	-
- other	2,422	12,918	1,206	951	3,079	1,958	1,812	-
2. CASH LIABILITIES	**59,662**	**1,096**	**767**	**1,503**	**18,318**	**118**	**152**	**-**
2.1 Due to customers	58,910	449	344	575	736	116	148	-
- current accounts	54,882	52	36	86	83	52	20	-
- other payables	4,028	397	308	489	653	64	128	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	4,028	397	308	489	653	64	128	-
2.2 Due to banks	533	93	-	342	15,633	-	1	-
- current accounts	448	-	-	-	-	-	-	-
- other payables	85	93	-	342	15,633	-	1	-
2.3 Debt securities	219	554	423	586	1,949	2	3	-
- with option of advance reimbursement	1	284	211	330	1,289	-	-	-
- other	218	270	212	256	660	2	3	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	9	389	397	765	1,468	512	293	-
+ Short positions	107	3,326	171	45	72	86	26	-
- Other derivatives								
+ Long positions	19	567	18	-	200	-	-	-
+ Short positions	10	22	39	31	186	239	277	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	154	66	9	12	6	4	24	-
+ Short positions	250	1	1	6	17	-	-	-

Currencies other than the Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**4**	**13**	**5**	**-**	**7**	**45**	**-**	**-**
1.1 Debt securities	-	-	-	-	6	45	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	6	45	-	-
1.2 Loans to banks	2	1	-	-	1	-	-	-
1.3 Loans to customers	2	12	5	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	2	12	5	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	2	12	5	-	-	-	-	-
2. CASH LIABILITIES	**143**	**2**	**1**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	135	-	1	-	-	-	-	-
- current accounts	127	-	-	-	-	-	-	-
- other payables	8	-	1	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	8	-	1	-	-	-	-	-
2.2 Due to banks	8	2	-	-	-	-	-	-
- current accounts	8	-	-	-	-	-	-	-
- other payables	-	2	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

For management purposes, the Group quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 31 December 2021, assuming a change in interest rates of +/-100 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of Own Funds at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario).

(Amounts in Euro units)

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-1,582,294,213	863,570,442
Banking book: securities	-1,323,458,711	748,461,009
Other assets	-21,043,106	-3,704,847
Liabilities	2,750,532,143	-1,656,254,372
Total	-176,263,888	-47,927,769
Own Funds	7,283,202,977	7,283,202,977
% Impact on own funds	-2.42%	-0.66%

(Amounts in Euro units)

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	248,174,866	-89,584,324
Banking book: securities	95,351,356	-31,709,242
Other assets	13,994,899	-6,675,682
Liabilities	-323,832,899	145,086,746
Total	33,688,221	17,117,498
Prospective interest margin	1,489,078,571	1,489,078,571
% Impact on prospective interest margin	2.26%	1.15%

1.2.3 EXCHANGE RATE RISK

Information of a qualitative nature

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

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2021 the Group carried out transactions to hedge the exchange rate risk using outright derivatives.

Information of a quantitative nature

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	GBP	JPY	CAD	CHF	OTHER CURRENCIES
A. FINANCIAL ASSETS	**71**	**-**	**1**	**-**	**8**	**1**
A.1 Debt securities	50	-	-	-	-	-
A.2 Equities	1	-	-	-	-	-
A.3 Loans to banks	7	-	-	-	1	1
A.4 Loans to customers	13	-	1	-	7	-
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**20**	**5**	**3**	**1**	**7**	**5**
C. FINANCIAL LIABILITIES	**120**	**6**	**-**	**1**	**13**	**3**
C.1 Due to banks	8	-	-	-	-	-
C.2 Due to customers	112	6	-	1	13	3
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**1**	**-**	**-**	**-**	**-**	**-**
E. FINANCIAL DERIVATIVES						
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ Long positions	110	4	-	1	1	2
+ Short positions	25	2	2	1	-	2
Total assets	**201**	**9**	**4**	**2**	**16**	**8**
Total liabilities	**146**	**8**	**2**	**2**	**13**	**5**
Imbalance (+/-)	**55**	**1**	**2**	**-**	**3**	**3**

2. Internal models and other methodologies for sensitivity analysis

The Group's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

1.3 Derivatives and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**427**	**49**	**-**	**-**	**302**	**48**	**-**
a) Options	-	57	-	-	-	95	-	-
b) Swaps	-	370	49	-	-	207	48	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**610**	**-**
a) Options	-	-	-	-	-	-	610	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**110**	**16**	**-**	**-**	**115**	**13**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	110	16	-	-	115	13	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**537**	**65**	**-**	**-**	**417**	**671**	**-**

The item “Equities and stock market indices” as at 31 December 2020 refers to the call option agreement, under which the Interbank Deposit Protection Fund and the Voluntary Intervention Scheme grant Cassa Centrale Banca an irrevocable option to purchase the ordinary shares of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia for a nominal value of EUR 610.2 million, held by the latter following the execution of the share capital increase. On 22 July 2021, Cassa Centrale Banca informed FITD/SVI and Consob that it had formally and definitively waived the option rights relating to the Carige shares held by FITD/SVI pursuant to the option agreement dated 9 August 2019.

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	3	-	-	-	6	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**5**	**-**	**-**	**-**	**6**	**-**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	3	-	-	-	7	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	3	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**3**	**-**	**-**	**-**	**10**	**-**	**-**

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

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	1	-	49
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	16
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	427	-	-
- positive fair value	-	3	-	-
- negative fair value	-	3	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	107	-	3
- positive fair value	-	2	-	-
- negative fair value	-	-	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	122	354	**476**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	125	1	-	**126**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2021	**125**	**123**	**354**	**602**
Total 31/12/2020	**827**	**60**	**200**	**1,087**

B. Credit hedging derivatives

At the end of the reporting period, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

C. Non-derivative hedging instruments

At the end of the reporting period, the Group had not carried out any transactions attributable to this scenario. This section shall therefore not be filled in.

1.3.2 Accounting hedges

Information of a qualitative nature

A. Fair value hedging

The purpose of fair value hedging is to immunise changes in the fair value of funding and loans caused by movements in the interest rate curve. The main types of derivatives used are interest rate swaps. The assets and liabilities covered, identified in detail (specific hedges), are mainly loans to customers.

The Group also has management hedging transactions against changes in fair value, for the accounting representation of which it uses the provisions of the so-called Fair Value Option. The main types of derivatives used are interest rate swaps. The assets and liabilities covered are mainly loans to customers.

The Group has adopted organisational and instrumental controls in accordance with the regulations governing the fair value option.

The Group has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

B. Cash flow hedging

The Group does not engage in cash flow hedging transactions, i.e. hedges of the exposure to variability in cash flows associated with variable-rate financial instruments.

C. Hedging of foreign investments

During 2021, the Group did not carry out any foreign investment hedging transactions.

D. Hedging instruments

The Group does not hold financial instruments attributable to this scenario.

E. Covered elements

The Group does not hold financial instruments attributable to this scenario.

Information of a quantitative nature

A. Financial hedging derivatives

A.1 Financial hedging derivatives: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**788**	**11**	**-**	**-**	**485**	**146**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	788	11	-	-	485	146	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**788**	**11**	**-**	**-**	**485**	**146**	**-**

A.2 Financial hedging derivatives: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Positive and negative fair value								Change in the value used to detect the ineffectiveness of the hedging	
	Total 31/12/2021				Total 31/12/2020					
	Over the counter			Organised markets	Over the counter			Organised markets	Total 31/12/2021	Total 31/12/2020
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
POSITIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	4	2	-	-	1	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**4**	**2**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
NEGATIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	26	3	-	-	43	14	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**26**	**3**	**-**	**-**	**43**	**14**	**-**	**-**	**-**

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

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	11	-	-
- positive fair value	X	2	-	-
- negative fair value	X	3	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	788	-	-
- positive fair value	-	4	-	-
- negative fair value	-	26	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	80	203	516	799
A.2 Financial derivatives on equities and stock market indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2021	**80**	**203**	**516**	**799**
Total 31/12/2020	**88**	**209**	**334**	**631**

B. Credit hedging derivatives

At the end of the reporting period, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

C. Non-derivative hedging instruments

At the end of the reporting period, the Group had not carried out any transactions attributable to this scenario. This section shall therefore not be filled in.

D. Hedged instruments

D.1 Fair value hedging

The Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 with regard to both specific hedges and macro hedges. This section shall therefore not be filled in.

D.2 Hedging of cash flows and foreign investments

At the end of the reporting period, the Group had not carried out any transactions attributable to this scenario. This section shall therefore not be filled in.

E. Effects of equity hedging transactions

E.1 Reconciliation of equity components

At the end of the reporting period there were no cash flow hedge valuation reserves deemed significant.

1.3.3 Other information on derivatives (trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparties

	Central counterparties	Banks	Other financial companies	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	1,226	-	49
- positive net fair value	-	9	-	-
- negative net fair value	-	32	-	-
2) Equities and stock market indices				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	107	-	19
- positive net fair value	-	2	-	-
- negative net fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

1.4 LIQUIDITY RISK

Information of a qualitative nature

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

Liquidity risk is defined as the possibility that the Group may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (Funding Liquidity Risk), or that it may be forced to incur very high costs to meet these commitments (Market Liquidity Risk). Funding Liquidity Risk, in turn, can be distinguished between: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario. The DR-LCR entered into force on 1 October 2015 and, after a phasing-in from 1 January 2018, a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Group. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Group (e.g. deterioration of the Group's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Group (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);

    - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);
- the analysis of the level of seniority of financial instruments.

The processes in which the Group's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the supervisory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Group adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic supervisory body, the Board of Directors of the Parent Company and of each Affiliated Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Group's liquidity is managed by the Finance Department of the Parent Company and the Affiliated Banks in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department of the Parent Company, which makes use of its representative at the Affiliated Banks to check the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between average maturities of lending and funding in the medium/long term.

The Group intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Group's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Group has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Group uses the analysis reports available monthly prepared by the Parent Company.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Group's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and non-financial companies) on the Group's total funding from customers is 0.7%.

The Group's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Group operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Group uses the analysis reports available monthly prepared by the Parent Company.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the EU Regulation no. 2019/876 (CRR2) as of 30 June 2021.

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Group calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted according to a qualitative approach based on the company's experience and the indications provided by the regulations and supervisory guidelines, cover two scenarios of liquidity, market/systemic and Group-specific crises. In particular, the Group performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

During 2020, an additional scenario linked to the pandemic crisis was also introduced, which envisages the reduction of the inflow components compared to the standard ones to take into account the effect of the moratoria. The Group has also proved resilient in the face of this new scenario.

The results of the analyses carried out are periodically documented to the Board of Directors.

On the basis of the guidelines defined by the Parent Company, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (CFP), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Group has had a significant amount of liquid resources due to both the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem, and the adoption of funding policies aimed at favouring direct retail funding.

At the end of the reporting period, the total amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 24.8 billion.

The recourse to refinancing from the ECB amounted to EUR 16 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO).

Information of a quantitative nature

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

Euro

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**3,682**	**178**	**302**	**3,928**	**2,123**	**3,204**	**5,908**	**40,045**	**27,992**	**-**
A.1 Government securities	3	26	64	123	314	1,320	2,434	22,521	7,713	-
A.2 Other debt securities	5	1	1	1	40	12	41	352	1,038	-
A.3 UCITS units	267	-	-	-	-	-	-	-	-	-
A.4 Loans	3,407	151	237	3,804	1,769	1,872	3,433	17,172	19,241	-
- Banks	297	2	10	3,279	5	15	95	124	2	-
- Customers	3,110	149	227	525	1,764	1,857	3,338	17,048	19,239	-
B. CASH LIABILITIES	**59,268**	**95**	**202**	**179**	**550**	**721**	**1,578**	**18,741**	**261**	**-**
B.1 Deposits and current accounts	58,716	28	76	84	254	339	596	671	56	-
- Banks	462	-	35	-	46	-	-	-	-	-
- Customers	58,254	28	41	84	208	339	596	671	56	-
B.2 Debt securities	43	67	69	77	274	375	630	2,215	7	-
B.3 Other liabilities	509	-	57	18	22	7	352	15,855	198	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	94	14	1	5	8	9	6	16	12	-
- Short positions	94	35	19	39	29	20	6	3	4	-
C.2 Financial derivatives without exchange of capital										
- Long positions	31	2	2	7	12	19	40	70	22	-
- Short positions	42	23	46	77	12	11	5	-	1	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	40	-	-	2	25	17	22	31	137	-
- Short positions	251	-	-	-	-	1	5	17	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	1	6	25	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currencies other than the Euro

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**8**	**-**	**1**	**3**	**8**	**5**	**1**	**8**	**45**	**-**
A.1 Government securities	-	-	-	-	-	-	-	1	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	5	44	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8	-	1	3	8	5	-	2	1	-
- Banks	6	-	-	-	-	-	-	1	-	-
- Customers	2	-	1	3	8	5	-	1	1	-
B. CASH LIABILITIES	**143**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	141	-	-	-	-	-	-	-	-	-
- Banks	8	-	-	-	-	-	-	-	-	-
- Customers	133	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2	-	-	-	-	1	-	-	-	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	27	17	26	24	19	5	-	-	-
- Short positions	-	8	-	6	7	7	3	1	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Self-securitisation transactions

BCC SME Finance 1 Transaction

With the aim of increasing the amount of financial assets eligible for refinancing transactions with the Eurosystem and, therefore, to strengthen their liquidity position, 28 banks including the Group's current Affiliated Banks implemented a multi-originator securitisation transaction with the support of Cassa Centrale Banca S.p.A. in 2012.

The transaction, called BCC SME Finance 1, involved the issue of senior securities in a single tranche by the special purpose vehicle BCC SME Finance 1 S.r.l., for a total amount of EUR 1.533 billion.

The transaction also provided for the simultaneous repurchase by the originator banks of all the liabilities issued by the special purpose vehicle. The Group has therefore subscribed 56% of these liabilities, amounting to EUR 866 million for senior securities and EUR 371 million for junior securities, corresponding to its share of liabilities issued by the vehicle for all of the assets sold.

By the Payment Date of November 2017, 18 Originator BCCs had already fully repaid their share of the senior bond as issuers. Since the transaction still had a residual portfolio of around EUR 700 million and the Arrangers had raised the possibility of making a new senior bond issue relatively quickly, the BCC Originators unanimously decided to restructure the transaction.

This complex restructuring operation was finalised with the issue, on 6 December 2017, of a new Senior Security A2 for a total amount of EUR 449,875,000, the partial reduction of the value of the junior securities and the repayment of all the Limited-recourse mortgages granted to the SPV at the time. It is assumed that the planned repayment schedule will be completed during 2022.

The class A2 securities were repurchased in full on a pro rata basis by the originator banks.

1.5 OPERATIONAL RISKS

Information of a qualitative nature

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

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operational risk are internal fraud, external fraud, employment relationships and workplace safety, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the failure of IT systems.

The following subcategories of risk are significant in terms of operational risks, as set out in the same supervisory instructions:

- IT risk, i.e. the risk of incurring economic losses, reputation and market share losses in relation to the use of Information and Communication Technology (ICT);
- outsourcing risk, i.e. the risk associated with the choice to outsource the performance of one or more business activities to third-party suppliers.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, outsourced to the Parent Company, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment,** which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- ***reporting***, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the financial year, the Group, under the coordination of the Parent Company, has implemented a procedure for the recognition of operational loss events and the related economic effects.

Finally, there are the third level controls carried out by the Internal Audit Department of the Parent Company, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Group mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Group in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Group internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operational risks, the Group, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

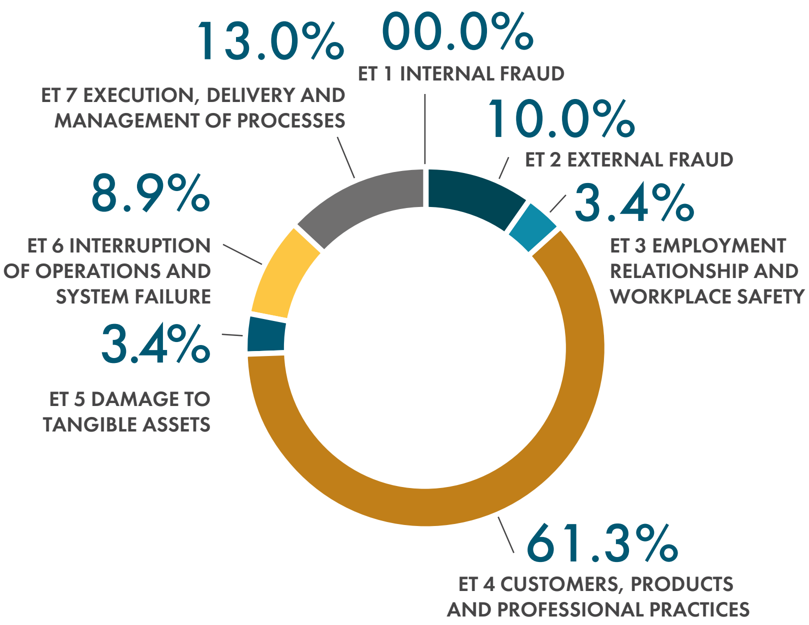
The adoption of a Business Continuity and Emergency Plan to protect the Group against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

YEAR	Amount
Year T	2,355
Year T-1	2,148
Year T-2	2,096
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**2,200**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**330**

Information of a quantitative nature

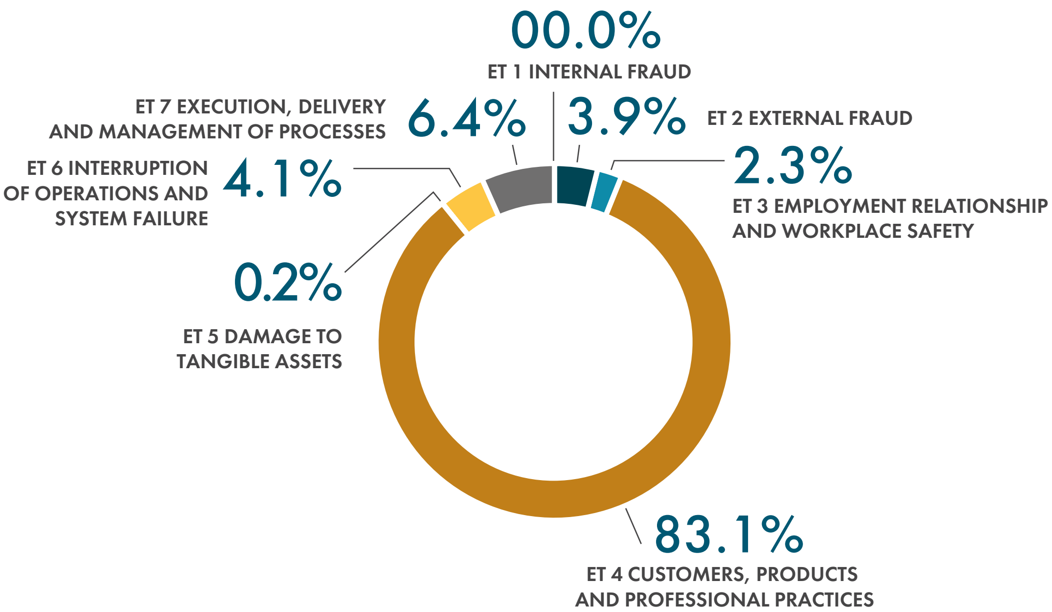
With reference to the quantitative information, in continuation of the activity already started last year, in relation to the structured process of Loss Data Collection at the Group[43], the distribution by Event Type is reported.

Number of operational loss events with effects recorded in 2021



[43] As at 31 December 2021, the process of recording Operational Risk events in the Loss Data Collection company tool was active for the Affiliated Banks, Allitude (limited to the Covid-19 event) and Claris Leasing.

Net operating losses recognised in 2021



Operational losses were mainly concentrated in the event type "ET 4 Customers, products and professional practices" (61.3% of frequencies and 83.1% of total impacts detected), followed by "7 Execution, delivery and management of processes" (13% of frequencies and 6.5% of total impacts detected) and "ET 2 External fraud" (10% of frequencies and 3.9% of total impacts detected).

The Covid-19 pandemic event accounted for 3.8% of total operating losses, excluding the costs incurred in 2021 budgeted for the full year. The losses concerned primarily the purchase of masks, gloves, protection and sanitation devices, sanitation and extraordinary cleaning of the work areas. Among the effects generated by the Covid-19 pandemic, we note:

- paid leave (non-contractual): recognition of paid leave, in addition to that envisaged by the CCNL;
- other costs, included in the 2021 budget, not considered operational losses but expenses necessary to allow business continuity.

Legal risk

In carrying out their activities, the Group companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Group. For more detailed information, please refer to Part B, Section 10 – Provisions for risks and charges.

Section 3 – Risks of insurance companies

The section is not applicable and therefore was not filled in.

Section 4 – Risks of other companies

No other significant risks were noted for the remaining companies included in the scope of consolidation, given they do not belong to the Group nor insurance companies.

PART F - Information on equity

Section 1 – Consolidated equity

A. Information of a qualitative nature

Equity is the main safeguard against corporate risks associated with the Group's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Group's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the international and local supervisory bodies have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Group refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital – (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Affiliated Banks;
- prudent management of investments, which takes into account the risk of counterparties;
- the capital strengthening plans promoted by the Parent Company through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Group operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Group companies.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total capital ratio).

The Capital Conservation Buffer of 2.5% was added to these minimum regulatory requirements.

Any failure by the Supervised Entity to comply with all these requirements (the Combined Requirement) will result in limitations on dividend distributions, variable remuneration and other elements of regulatory capital beyond pre-established limits, and as a result, Supervised Entities will be required to take appropriate action to restore the required level of capital.

Moreover, as of 1 January 2016, the Banks are required to hold a Countercyclical Capital Buffer. Starting from 1 January 2019, this reserve, consisting of Common Equity Tier 1, may not exceed 2.5% of the total amount of risk-weighted exposures.

Considering that, as per Bank of Italy notice of 26 March 2021, for the second quarter of 2021, the countercyclical buffer ratio for exposures to counterparties resident in Italy has been set at 0%, that countercyclical capital ratios have generally been set at 0%, and that the Group has mainly exposures to domestic entities, the Group-specific countercyclical ratio is close to zero.

Lastly, the Group must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 et seq. of EU Directive no. 36/2013 (CRD IV). Through this process, the Competent Authority reviews and evaluates the process of determining capital adequacy conducted internally by the Group, analyses its risk profiles both individually and in the aggregate — including under stress conditions – assesses its contribution to systemic risk, the corporate governance system, and verifies compliance with the set of prudential rules.

At the end of the reporting period, the Group shows:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 22.59%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 22.61%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 22.63%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

B. Information of a quantitative nature

B.1 Consolidated accounting capital: breakdown by type of company

ITEMS OF EQUITY	Prudential consolidation	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Capital	1,272	-	-	-	**1,272**
2. Share premium	73	-	-	-	**73**
3. Reserves	6,117	-	83	(83)	**6,117**
4. Equity instruments	6	-	-	-	**6**
5. (Own shares)	(866)	-	-	-	**(866)**
6. Valuation reserves:	43	-	3	(3)	**43**
- Equities measured at fair value through other comprehensive income	(36)	-	-	-	**(36)**
- Hedging of equities measured at fair value through other comprehensive income	-	-	-	-	**-**
- Financial assets (other than equities) measured at fair value through other comprehensive income	64	-	3	(3)	**64**
- Tangible assets	4	-	-	-	**4**
- Intangible assets	-	-	-	-	**-**
- Hedging of foreign investments	-	-	-	-	**-**
- Cash flow hedging	-	-	-	-	**-**
- Hedging instruments [non designated elements]	-	-	-	-	**-**
- Exchange rate differences	-	-	-	-	**-**
- Non-current assets and groups of assets held for disposal	-	-	-	-	**-**
- Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-	-	-	**-**
- Actuarial gains (losses) from defined benefit plans	(25)	-	-	-	**(25)**
- Quotas of valuation reserves relative to shareholdings measured with the equity method	2	-	-	-	**2**
- Special revaluation laws	34	-	-	-	**34**
7. Profit (Loss) for the year (+/-) of the group and pertaining to minority interests	331	-	32	(32)	**331**
Total	**6,976**	**-**	**118**	**(118)**	**6,976**

B.2 Valuation reserves for financial assets designated at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/2021				
	Prudential consolidation		Insurance companies		Other companies
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve
1. Debt securities	79	(15)	-	-	-
2. Equities	6	(42)	-	-	1
3. Loans	-	-	-	-	-
Total 31/12/2021	**85**	**(57)**	**-**	**-**	**1**
Total 31/12/2020	**93**	**(37)**	**-**	**-**	**-**

ASSETS/VALUES	Total 31/12/2021				
	Other companies	Eliminations and consolidation adjustments		Total	
	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	79	(15)
2. Equities	-	(1)	-	6	(42)
3. Loans	-	-	-	-	-
Total 31/12/2021	**-**	**(1)**	**-**	**85**	**(57)**
Total 31/12/2020	**-**	**(3)**	**-**	**57**	**(25)**

B.3 Valuation reserves for financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**88**	**(32)**	**-**
2. POSITIVE CHANGES	**140**	**26**	**-**
2.1 Fair value increases	91	6	-
2.2 Value adjustments for credit risk	1	X	-
2.3 Reversals of negative reserves to the income statement: from sale	1	X	-
2.4 Transfers to other components of equity (equities)	-	6	-
2.5 Other changes	47	14	-
3. NEGATIVE CHANGES	**164**	**30**	**-**
3.1 Fair value decreases	81	21	-
3.2 Write-backs for credit risk	1	-	-
3.3 Reversals of positive reserves to the income statement: from sale	47	X	-
3.4 Transfers to other components of equity (equities)	-	-	-
3.5 Other changes	35	9	-
4. CLOSING BALANCES	**64**	**(36)**	**-**

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

ITEMS	Total 31/12/2021
1. OPENING BALANCES	**(23)**
2. POSITIVE CHANGES	**4**
2.1 Actuarial gains from defined benefit plans	1
2.2 Other changes	3
2.3 Business combinations	-
3. NEGATIVE CHANGES	**6**
3.1 Actuarial losses from defined benefit plans	1
3.2 Other changes	5
3.3 Business combinations	-
4. CLOSING BALANCES	**(25)**

Section 2 – Own funds and adequacy ratios

With regard to the contents of this section, reference should be made to the information on own funds and capital adequacy contained in the disclosure to the public (so-called Third Pillar), prepared in accordance with Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 – Transactions implemented during the year

1.1 Business combinations

On 28 July 2021, the acquisition of 10% of the shares in Centrale Trading S.r.l. by Cassa Centrale Banca was finalised at a price of EUR 40,846, thus increasing its interest from 32.5% to 42.5%. As a result of this transaction and taking into account that Allitude (a subsidiary of the Group) holds a 10% interest, the Cassa Centrale Group acquired control of Centrale Trading S.r.l. This investment is consolidated at equity for materiality limits, as reported in the paragraph “Section 3 - Scope and methods of consolidation” of Part A.

Considering the immateriality of the financial statement aggregates of Centrale Trading S.r.l., the Group considered the effects of applying IFRS 3 as immaterial.

Mergers between Cooperative Credit Banks belonging to the Group

During the year, a number of business combinations between Cooperative Credit Banks belonging to the Group were carried out, which did not, however, have any effect on the consolidated financial statements (as they are outside the scope of application of IFRS 3).

Such transactions pursue objectives of stability, efficiency and competitiveness. During 2021, the number of Affiliated Banks reached 71. Details of the business combinations during the year are shown below:

- Banca di Credito Cooperativo di Turriaco - Cooperative Company, merger by incorporation into Cassa Rurale ed Artigiana del Friuli Venezia Giulia – Cooperative Company: effective 1 January 2021, Friuli Venezia Giulia region;
- Cassa Rurale ed Artigiana di Vestenanova, merger by incorporation into Banca Alto Vicentino Credito Cooperativo di Schio, Pedemonte e Roana Cooperative Company: effective 1 January 2021, Veneto region;
- Banca di Credito Cooperativo del Velino, merger by incorporation into Banca di Credito Cooperativo di Spello and Bettona: effective 1 January 2021, Lazio and Umbria regions;
- Banca del Gran Sasso d’Italia - Banca di Credito Cooperativo - Cooperative Company, merger by incorporation into Banco Marchigiano Credito Cooperativo - Cooperative Company: effective 1 January 2021, Abruzzo and Marche regions;
- Banca di Credito Cooperativo di Monopoli - Cooperative Company, merger by incorporation into Banca di Credito Cooperativo di Alberobello and Sammichele di Bari - Cooperative Company: effective 1 July 2021, Apulia region;

- Cassa Rurale di Rovereto - Banca di Credito Cooperativo - Cooperative Company, merger by incorporation into Cassa Rurale Alto Garda - Banca di Credito Cooperativo - Cooperative Company: effective 1 July 2021, Trentino-Alto Adige region.

From an accounting point of view, since these are business combinations between entities under common control, the above transactions are excluded from the scope of IFRS 3 (see IFRS 3.2(c) and IFRS 3 B1-B4). In fact, for this type of transaction, in the absence of an accounting standard of reference, the "ASSIREVI Preliminary Guidelines on IFRS" (so-called OPI) No. 1 and No. 2 are applied to this type of transaction, as is the established practice in the banking sector.

The documents already mentioned, for business combinations that have the nature of a reorganisation and which, therefore, do not have a significant influence on the future cash flows of the net assets transferred, provide for the application, in the financial statements of the acquiring entity, of the principle of "continuity of values".

This principle implies the recognition in the balance sheet of values equal to those that would have resulted if the companies involved in the combination had always been combined. The net assets of the acquired and the acquiring entity shall therefore be recognised at the carrying amounts they had in their respective accounts before the transaction. The income statement shall be the sum of the income statements of the two integrated entities from the effective date of the transaction.

Section 2 – Transactions implemented after the close of the year

After the end of the financial year and up to the date of approval of the draft Consolidated Financial Statements by the Board of Directors of the Parent Company, no transactions relating to mergers between cooperative credit banks belonging to the Cassa Centrale Group were carried out.

Section 3 – Retrospective adjustments

No adjustments relating to business combinations were recorded during the year.

PART H - Transactions with related parties

The Cassa Centrale Group, in compliance with the procedures provided for by sector regulations, has adopted the Group Regulation for the management of transactions with associated parties.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Associated Parties carried out by the Group, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Associated Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For more strictly accounting purposes, the provisions of IAS 24 - Related party disclosures also apply; under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors, Standing Auditors and General Management members) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - children (even if not living together) and the spouse (even if legally separated) or common-law spouse of that person;
        - the children of the spouse or common-law spouse of that person (provided they are living together);
        - the dependants of that person or the dependants of that person's spouse or common-law spouse for tax purposes;
        - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person.
- person who has significant influence over the entity preparing the financial statements.

Legal entity:

- entity controlled (direct, indirect or joint control) by one of the persons referred to in the previous point (natural persons);
- entity who has significant influence over the entity preparing the financial statements;
- entity that has control (joint control or otherwise) over the entity preparing the financial statements;
- BCC-CR-RAIKA belonging to the Cassa Centrale Group;
- the companies belonging to the Cassa Centrale Group (direct, indirect or joint control) as well as their subsidiaries;
- entity who has significant influence over a Group company and its joint ventures;
- associates and joint ventures and their subsidiaries;
- post-employment benefit plans for employees of the Group or a related entity.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

The table below shows, in compliance with the requirements of IAS 24, paragraph 17, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other Executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AS AT 31/12/2021	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	20	19	8	7	39	39	67	65
Post-employment benefits (social security, insurance, etc.)	1	1	-	-	7	6	8	7
Other long-term benefits	-	-	-	-	-	-	-	-
Compensation for termination of employment	-	-	-	-	1	-	1	-
Payments in shares	-	-	-	-	-	-	-	-
Total	**21**	**20**	**8**	**7**	**47**	**45**	**76**	**72**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period. It should be noted that transactions with related parties consolidated on a line-by-line basis are not included in this disclosure, as they are eliminated at consolidated level.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Associates	79	7	15	13	6	2
Directors and Executives	34	82	5	88	1	5
Other related parties	244	376	48	486	10	2
Total	**357**	**465**	**68**	**587**	**17**	**9**

It should be noted that “Other related parties” include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties do not have a significant incidence on the financial situation, economic result and cash flows of the Group.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Group has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

Since the Group is not listed nor is an issuer of widely distributed securities, it is not required to complete the segment reporting pursuant to IFRS 8.

PART M - Information on leasing

Section 1 – Lessee

Qualitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically

- information on rights of use acquired through lease is provided in Part B - Information on the Consolidated Balance sheet, Assets, Section 9 - Tangible assets and Section 10 - Intangible assets;
- information on payables for leases is provided in Part B - Information on the consolidated balance sheet, Liabilities, Section 1 - Financial liabilities measured at amortised cost;
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in Part C - Information on the consolidated income statement, in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

As at 31 December 2021, there were no commitments formally undertaken by the Group on lease contracts not yet entered into, considered significant.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to Part C - Information on the Income Statement.

Section 2 – Lessor

Qualitative information

The leasing activities carried out within the Group are mainly provided by Claris Leasing S.p.A.; the latter, as lessor, carries out leasing activities exclusively of a financial nature.

The credit risk to which the company is exposed in the granting of finance lease transactions is, due to the nature of the transaction carried out, mitigated by the presence of the asset of which the lessor retains ownership until the final purchase option is exercised.

However, for greater protection and in correlation with the economic, equity and financial structure of the customer, guarantees ancillary to the main obligation are frequently required, both of a real nature (in this case the pledge) and of a personal nature (in this case the surety); atypical guarantees are also collected, such as a commitment to take over or a commitment to repurchase.

Quantitative information

1. BALANCE SHEET AND INCOME STATEMENT INFORMATION

For information on the balance sheet and income statement on financing for leases, please refer to the sections of the Explanatory Notes in the previous section.

2. FINANCE LEASES

2.1 Classification by time brackets of payments to be received and reconciliation with financing for leases recorded under assets

The following table shows the breakdown of payments to be received for leases by time brackets.

TIME BRACKETS	Total 31/12/2021	Total 31/12/2020
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	125	126
Between 1 and 2 years	109	91
Between 2 and 3 years	96	79
Between 3 and 4 years	78	70
Between 4 and 5 years	55	61
Over 5 years	184	264
Total payments to be received for leases	**647**	**691**
RECONCILIATION WITH LOANS		
Financial income not accrued (-)	35	68
Residual value not guaranteed (-)	(69)	-
Financing for leases	**681**	**623**

2.2 Other information

There is no further information to be provided in this section.

3. OPERATING LEASE

At the end of the reporting period, there were no such circumstances. This subsection does not contain any evaluation and is therefore omitted.

Annexes to the financial statements of the Cassa Centrale Group

Annex A) Audit and non-audit fees

TYPE OF SERVICES	Fees (EUR million)
Auditing	0.7
Certification services	0.1
Other services	0.0
Total	**0.8**

It should be noted that the fees indicated do not include VAT and out-of-pocket expenses, while they include any balance of audit expenses relating to the 2021 financial statements.

Cassa Centrale Banca Report and Financial Statements

Cassa Centrale Banca Report on Operations

2021 Financial Year

Operating performance of Cassa Centrale Banca

Performance indicators

The main performance and risk indicators for the year ended 31 December 2021 are shown below.

RATIOS	31/12/2021	31/12/2020	% change
STRUCTURAL RATIOS			
Loans to customers*/Total assets	**6.3%**	5.9%	7.8%
Direct funding/Total assets	**6.1%**	6.2%	(0.8%)
Equity/Total assets	**4.4%**	4.7%	(6.7%)
Net loans/Direct funding	**103.1%**	94.8%	8.7%
Loans to banks/Total Assets	**75.0%**	74.1%	1.2%
Financial assets/Total assets	**15.3%**	16.7%	(8.7%)
PROFITABILITY RATIOS			
Net profit/Equity (ROE)	**4.0%**	3.2%	27.4%
Net profit/Total assets (ROA)	**0.2%**	0.2%	18.8%
Cost/Income**	**61.5%**	65.5%	(6.2%)
Interest margin/Net interest and other banking income	**17.8%**	24.2%	(26.4%)
Net commissions/Net interest and other banking income	**44.9%**	47.2%	(4.8%)
Net interest and other banking income/Total assets	**0.8%**	0.7%	9.6%

* Loans to customers include loans and advances to customers at amortised cost and fair value, thus differing from the exposures to customers shown in the financial statements.

** Indicator calculated as the ratio of operating costs to net interest and other banking income.

Loans to banks account for 75% of Cassa Centrale Banca's assets. The high proportion of total assets reflects the Parent Company's typical business, which turns to the interbank market through treasury operations in order to carry out brokerage activities on behalf of the Affiliated Banks; the index increased slightly compared to 2020 as loans to banks increased more than proportionally compared to other loans, especially loans to Central banks.

The incidence of financial assets on total assets was 15.3%, down compared to 2020; this decrease was due on the one hand to the reduction in loans to financial assets, and on the other hand to the growth in interbank loans and loans to customers. Loans to customers amount to 6.3%, highlighting the particular role played by Cassa Centrale Banca, which operates mainly with Affiliated Banks.

The ratio of net loans to direct funding from customers at the end of 2021 stood at 103.1%, up from the previous year: net loans increased more than proportionally compared to direct funding, where the growth resulting from the increase in current accounts dedicated to asset management (as part of the "PIP Cash" initiative) was offset by the reduction in funding from the Cassa di Compensazione e Garanzia.

The ratio of Equity to total assets fell slightly, from 4.7% to 4.4%; however, Equity remained stable at EUR 1.1 billion, guaranteeing a high level of capitalisation for the Bank.

Looking at the profitability indicators, ROE stood at 4%, up compared to 2020 (3.2%) as a result of the growth in the profit for the year. The ROA[44] , calculated as the ratio of net profit to total assets, was 0.2%, in line with the previous year.

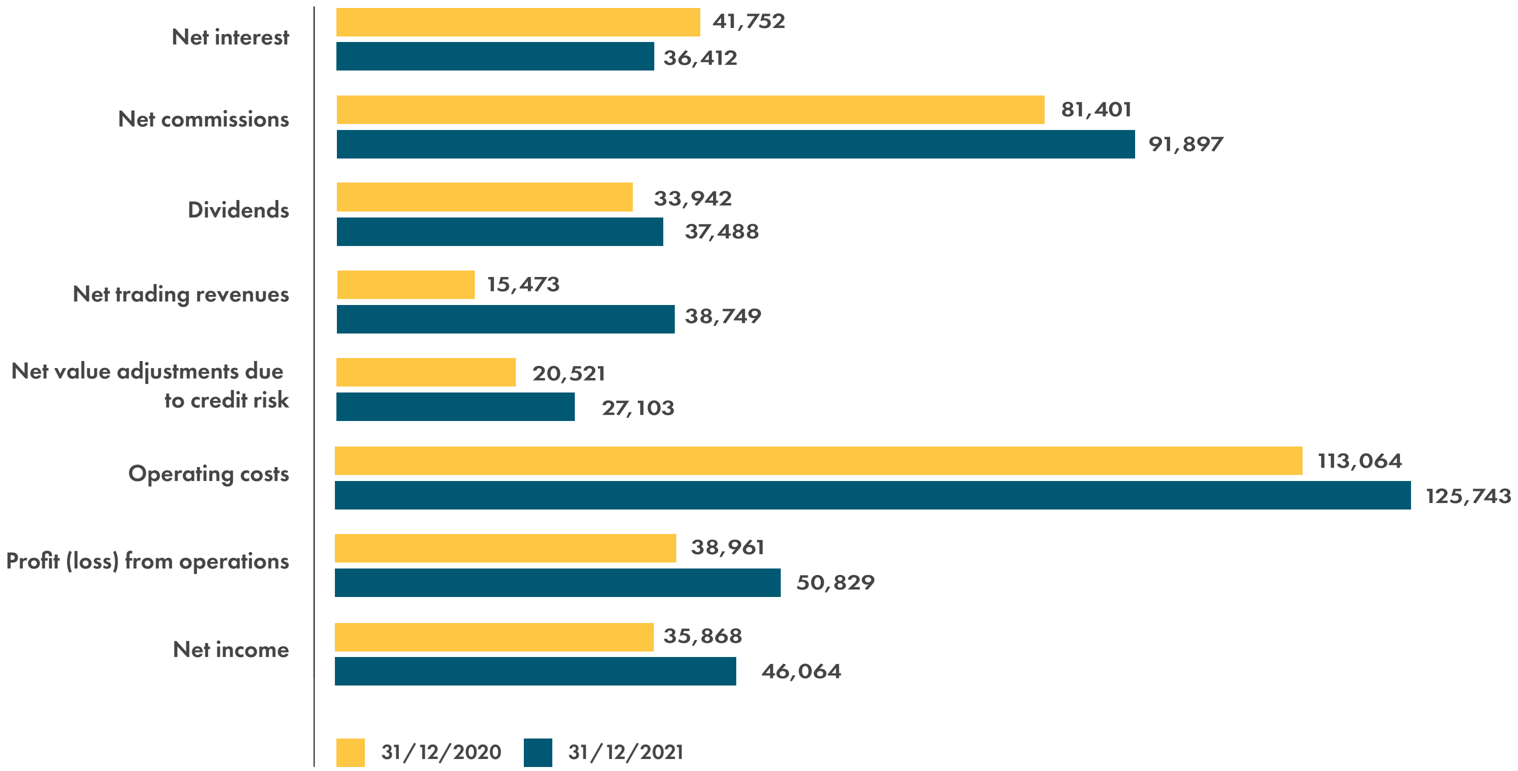
The ratio of net commissions to net interest and other banking income, 44.9%, was lower than in the previous year, as the incidence on net interest and other banking income of net trading revenues increased more than proportionally. The significant contribution of net fees and commissions to net interest and other banking income confirms that these represent an important source of revenue for Cassa Centrale Banca. On the other hand, the percentage contribution of the interest margin to net interest and other banking income decreased, as a result of the reduction in net interest compared to the previous year. Finally, the growth in the ratio of net interest and other banking income to total assets is exclusively related to the trend in net interest and other banking income.

[44] ROA is calculated in accordance with Directive (EU) no. 36/2013 (the so-called CRD IV).

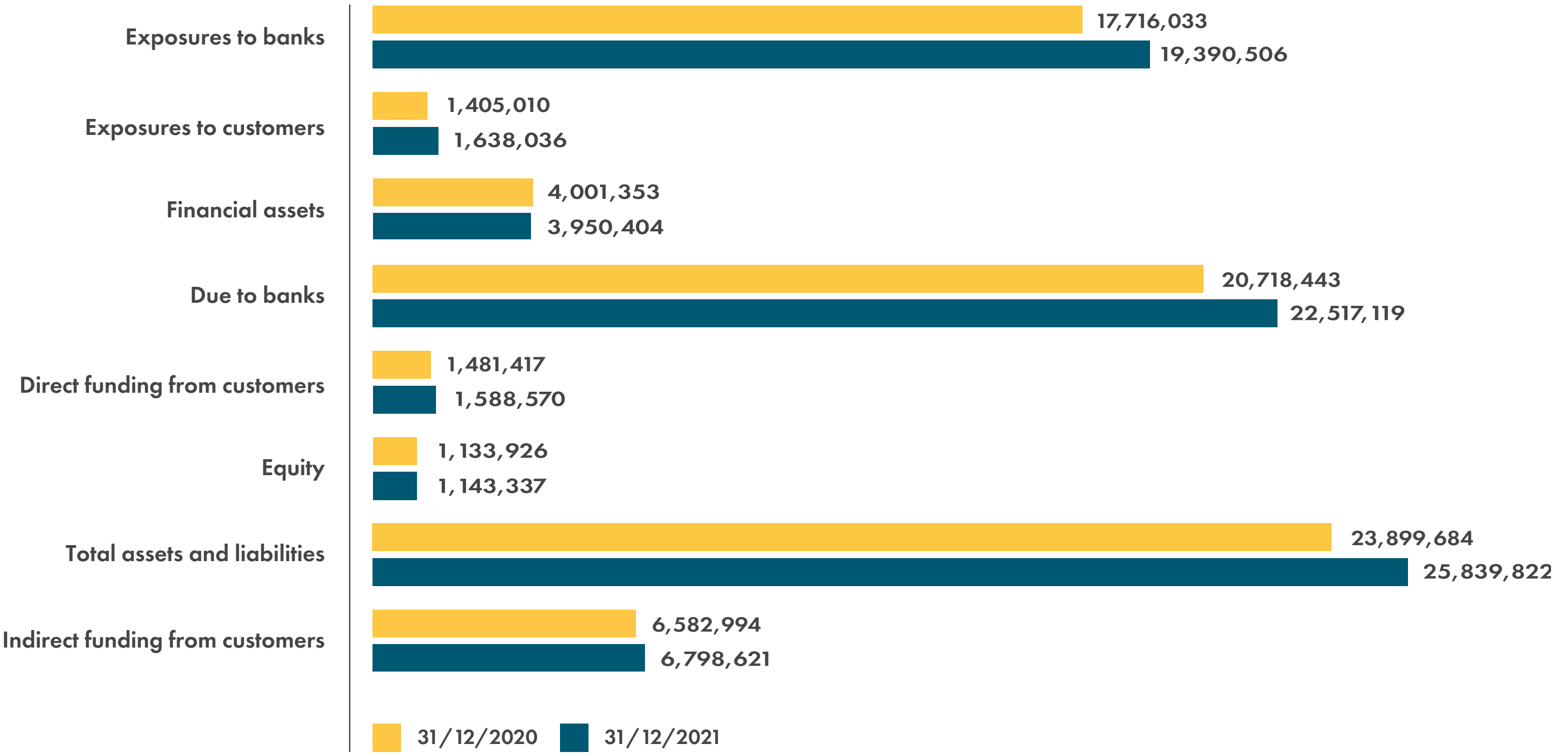
Summary of results

A graphic representation of the results of the main items in the income statement and balance sheet is provided below. Please refer to the specific sections for details of individual items.

Income statement data (thousands of euro)



Statement of financial position data (thousands of euro)



Economic results

Reclassified income statement[45]

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Interest margin	**36,412**	**41,752**	**(5,340)**	**(12.8%)**
Net commissions	91,897	81,401	10,496	12.9%
Dividends	37,488	33,942	3,546	10.5%
Net trading revenues	38,749	15,473	23,276	n.s.
Net interest and other banking income	**204,546**	**172,568**	**31,978**	**18.5%**
Net value adjustments/write-backs	(27,103)	(20,521)	(6,583)	32.1%
Income from financial activities	**177,442**	**152,047**	**25,395**	**16.7%**
Operating charges*	(162,138)	(147,421)	(14,717)	10.0%
Loan loss provisions	(2,341)	1,421	(3,762)	n.s.
Other income (charges)	38,736	32,936	5,800	17.6%
Profit (loss) from disposal of investments and equity investments	(870)	(22)	(848)	n.s.
Gross current result	**50,829**	**38,961**	**11,868**	**30.5%**
Income tax	(4,765)	(3,093)	(1,672)	54.0%
Net income	**46,064**	**35,868**	**10,196**	**28.4%**

* This item includes personnel costs, other administrative expenses and operating amortisation/depreciation.

The 2021 net interest and other banking income of Cassa Centrale Banca amounted to EUR 204.5 million, up by EUR 32 million compared to 2020; the growth was due to an increase in trading revenues of EUR 23.3 million. With regard to primary revenues, interest margin fell by EUR 5.3 million, which was more than offset by the growth in net commissions.

The growth in net interest and other banking income was greater than the higher net value adjustments (27.1 million), related to a prudent policy of hedging loans in the portfolio.

Operating expenses increased compared to the previous year by EUR 14.7 million, reflecting the continuous process of adaptation to the role of Parent Company assumed by Cassa Centrale Banca aimed at increasing the services offered to the Group Banks and to their customers.

Net allocations to provisions for risks and charges amounted to EUR 2.3 million, up by EUR 3.8 million compared to the previous year; the amount consisted of EUR 0.8 million in higher allocations for commitments and margins, against higher coverage of off-balance sheet exposures, and EUR 1.5 million in allocations to provisions for risks.

[45] In order to provide a better management representation of the results, the reclassified income statement figures differ from the layouts of the Bank of Italy.

Other income amounted to EUR 38.7 million, an increase of EUR 5.8 million compared to the previous year, mainly due to the recovery of indirect taxes.

The Gross current result amounted to EUR 50.8 million, an increase of EUR 11.9 million compared to the previous year, with taxes also increasing by EUR 1.7 million. Net profit stood at EUR 46.1 million, up EUR 10.2 million from the previous year.

Interest margin

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Financial assets measured at amortised cost not comprising loans	11,542	10,395	1,147	11.0%
Other financial assets and liabilities measured at FVTPL	1,259	319	939	n.s.
Other financial assets measured at FVOCI	514	2,418	(1,905)	(78.8%)
Financial instruments	**13,314**	**13,132**	**181**	**1.4%**
Net interest to customers (loans)	8,616	11,983	(3,367)	(28.1%)
Debt securities in issue	(212)	(301)	88	(29.4%)
Customer relations	**8,404**	**11,682**	**(3,278)**	**(28.1%)**
Net interest to banks	**3,948**	**1,791**	**2,157**	**120.4%**
Other net interest	**10,746**	**15,146**	**(4,400)**	**(29.1%)**
Total interest margin	**36,412**	**41,752**	**(5,340)**	**(12.8%)**

The interest margin for 2021 amounted to EUR 36.4 million, down by approximately EUR 5.3 million compared to the previous year, with a contribution to net interest and other banking income of 17.8%.

The aggregate interest margin for Cassa Centrale Banca represents a significant revenue item attributable to income flows related to the financial instruments in portfolio of EUR 13.3 million, slightly up compared to EUR 13.1 million in 2020, and net interest from intermediation activities with customers of EUR 8.6 million; the decrease in the latter compared to the previous year was largely due to higher interest expenses deriving from customer funding made as part of the “PIP Cash” investment programme related to asset management, only partly offset by higher interest on mortgage loans.

The other net interest item in 2021 amounted to EUR 10.7 million, down EUR 4.4 million compared to 2020, and includes the management reclassification of net interest relating to the Parent Company’s relations with Cassa di Compensazione e Garanzia; the decrease in other net interest mainly derives from the decrease in the repo trading with CC&G and interest from the use of extra liquidity on deposits with Central Banks, the latter of which was negatively remunerated. There was also net interest from banks of EUR 3.9 million, up by EUR 2.2 million compared to 2020.

Net commissions

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Fees and commissions income	**188,254**	**157,477**	**30,778**	**19.5%**
Financial instruments	82,923	66,017	16,906	25.6%
Custody and administration	4,280	3,804	477	12.5%
Payment services	73,685	59,513	14,172	23.8%
Other fees and commissions income	27,366	28,142	(777)	(2.8%)
Fees and commissions expenses	**(96,358)**	**(76,076)**	**(20,282)**	**26.7%**
Financial instruments	(53,024)	(41,619)	(11,405)	27.4%
Custody and administration	(1,343)	(1,501)	158	(10.5%)
Collection and payment services	(38,306)	(30,279)	(8,027)	26.5%
Other fees and commissions expenses	(3,685)	(2,677)	(1,008)	37.6%
Total net commissions	**91,897**	**81,401**	**10,496**	**12.9%**

In December 2021, net commissions represent the main revenue item for Cassa Centrale Banca, contributing 44.9% to net interest and other banking income, confirming the Parent Company's operations focused on the provision of services to support its Affiliated Banks and other customer banks. Net commissions amounted to approximately EUR 91.9 million, an increase of EUR 10.5 million compared to the previous year.

In particular, commission income, amounting to EUR 188.3 million, consisted of 44% of commissions relating to financial instruments (EUR 82.9 million) and 39% of commissions related to payment services (EUR 73.7 million); these items represent the components that have contributed most to annual growth.

Commissions related to financial instruments increased by EUR 16.9 million compared to the previous year, mainly as a result of the increase in managed funding intermediated by Cassa Centrale Banca, while payment services commissions increased by EUR 14.2 million, driven by commissions related to e-money, which had dropped significantly in the previous year due to the Covid-19 health emergency and related restrictions.

Total commission expense amounted to EUR 96.4 million, an annual increase of EUR 20.3 million, following the increase in asset-side commissions. The increase is mainly due to higher commission expenses from financial instruments (from EUR 41.6 million in 2020 to EUR 53.0 million in 2021) and higher commission expenses from collection and payment services (from EUR 30.3 million in 2020 to EUR 38.3 million in 2021).

Net income from financial operations

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Financial assets and liabilities held for trading	5,878	(1,316)	7,194	n.s.
- Debt securities	*2*	*(14)*	*16*	*(115.4%)*
- UCITS units	*(0)*	*-*	*(0)*	*-*
- Derivative instruments	*9,420*	*(4,506)*	*13,925*	*n.s.*
- Other	*(3,544)*	*3,204*	*(6,748)*	*n.s.*
Net income from the sale of financial assets and liabilities	30,040	16,477	13,563	82.3%
Dividends and similar income	37,488	33,942	3,546	10.5%
Net change in value of other financial assets and liabilities	2,831	312	2,519	n.s.
Total result from financial operations	**76,237**	**49,415**	**26,822**	**54.3%**

During 2021, the result of financial operations amounted to EUR 76.2 million, with an annual increase of 54% or EUR 26.8 million, and represents an important revenue dynamic for Cassa Centrale Banca contributing 37% to net interest and other banking income. The main components are dividends received from Subsidiaries, which amounted to approximately EUR 37.5 million (up by EUR 3.5 million on the previous year), and the result from the sale of financial assets and liabilities, up by EUR 13.6 million year-on-year.

The result of trading in financial assets and liabilities also has a positive effect on the total result of financial operations compared to the previous year of approximately EUR 7.2 million.

Operating costs

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Administrative expenses	(158,020)	(143,651)	(14,369)	10.0%
- personnel costs	*(57,407)*	*(49,519)*	*(7,888)*	*15.9%*
- other administrative expenses	*(100,614)*	*(94,132)*	*(6,481)*	*6.9%*
Operating amortisation/depreciation	(4,117)	(3,770)	(348)	9.2%
Other net provisions (excluding credit risk adjustments)	(2,341)	1,421	(3,762)	n.s.
- of which on commitments and guarantees	*(858)*	*878*	*(1,737)*	*n.s.*
Other operating charges/income	38,736	32,936	5,800	17.6%
Total operating costs	**(125,743)**	**(113,064)**	**(12,679)**	**11.2%**

Operating costs amounted to EUR 125.7 million and increased by approximately EUR 12.7 million compared to the previous year. The increase mainly reflects the strengthening trends of the Bank's structures in its role as Parent Company and is mainly due to the increase in personnel costs and other administrative expenses.

Personnel costs, amounting to EUR 57.4 million, increased by EUR 7.9 million and are mainly related to the growth in the number of employees from 563 at the end of 2020 to 609 at the end of 2021.

Other administrative expenses amounted to EUR 100.6 million and increased year-on-year by EUR 6.5 million. These expenses are mainly related to IT consultancy and development costs aimed at strengthening the controls of Cassa Centrale Banca as Parent Company of the Banking Group. The increase in costs compared to the previous year is mainly due to an increase in IT costs, an increase in regulatory contributions and an increase in indirect taxes.

As at 31 December 2021, operating amortisation/depreciation amounted to EUR 4.1 million, an increase of approximately EUR 0.3 million compared to 2020. On the other hand, net allocations amounted to EUR 2.3 million, an increase of EUR 3.8 million compared to the previous year; this increase is due to adjustments made to provisions for commitments and margins (following the application of more prudent coverage) and other allocations to provisions for risks made in anticipation of expenses that will occur in future years, the amount of which cannot be quantified with certainty at present.

Other operating income and charges, amounting to EUR 38.7 million, mainly include recoveries of indirect taxes and of costs for the outsourcing of control functions by the Affiliated Banks to the Parent Company, as well as the increase in regulatory contributions for Supervisory expenses.

As at 31 December 2021, the cost-income ratio of Cassa Centrale Banca, calculated as the ratio of operating costs to net interest and other banking income, stood at 61.47%, down from 65.52% in the previous year; the increase in costs was in fact more than offset by the increase in revenues.

Value adjustments

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Loans to customers	(26,781)	(14,364)	(12,417)	86.5%
- of which write-offs	*(9)*	*(49)*	*41*	*(82.6%)*
Loans to banks	(287)	(5,510)	5,222	(94.8%)
OCI debt securities	(37)	(639)	603	(94.2%)
Contractual changes without derecognitions	2	(7)	10	(131.9%)
(Net value adjustments)/write-backs	**(27,103)**	**(20,521)**	**(6,583)**	**32.1%**

During 2021, net value adjustments of Cassa Centrale Banca amounted to EUR 27.1 million, recording an increase of EUR 6.6 million compared to the previous year.

The figure reflects the increased coverage on the business portfolio and on positions under moratorium, resulting in additional net allocations on loans to customers of approximately EUR 26.8 million. With regard to loans to banks, there was a decrease in adjustments of approximately EUR 5.2 million; 2020 was characterised by an increase in interbank exposures, which required additional allocations; in 2021, the growth of exposures to banks was significantly lower.

Financial position aggregates

Reclassified balance sheet[46]

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
ASSETS				
Cash and cash equivalents	288,864	244,716	44,147	18.0%
Exposures to banks	19,390,506	17,716,033	1,674,473	9.5%
Exposures to customers	1,638,036	1,405,010	233,026	16.6%
of which at fair value	*27,889*	*23,356*	*4,532*	*19.4%*
Financial assets	3,950,404	4,001,353	(50,949)	(1.3%)
Equity investments	255,104	248,002	7,102	2.9%
Tangible and intangible assets	23,887	24,201	(314)	(1.3%)
Tax assets	25,475	28,143	(2,668)	(9.5%)
Other asset items	267,546	232,226	35,320	15.2%
Total assets	**25,839,822**	**23,899,684**	**1,940,137**	**8.1%**
LIABILITIES				
Due to banks	22,517,119	20,718,443	1,798,675	8.7%
Direct funding	1,588,570	1,481,417	107,152	7.2%
- Due to customers	*1,588,570*	*1,471,330*	*117,240*	*8.0%*
- Debt securities in issue	-	*10,088*	*(10,088)*	*(100.0%)*
Other financial liabilities	194,334	199,903	(5,570)	(2.8%)
Provisions (Risks, charges and personnel)	26,210	22,482	3,728	16.6%
Tax liabilities	3,875	3,262	613	18.8%
Other liability items	366,378	340,251	26,127	7.7%
Total liabilities	**24,696,484**	**22,765,758**	**1,930,726**	**8.5%**
Equity	1,143,337	1,133,926	9,412	0.8%
Total liabilities and equity	**25,839,822**	**23,899,684**	**1,940,137**	**8.1%**

As at 31 December 2021, the total assets of Cassa Centrale Banca amounted to EUR 25.8 billion, an increase of EUR 1.9 billion compared to the previous year. The total amount is mainly made up of exposures to banks (EUR 19.4 billion), which explain most of the annual change, marking an increase of EUR 1.7 billion compared to the end of 2020; the increase is mainly linked to the treasury activity that the Bank carries out on behalf of the other Banks in the Group,

[46] In order to provide a better management representation of the results, the reclassified balance sheet figures differ from the layouts of the Bank of Italy.

and is mainly due to the increase in liquidity deposited by them with Cassa Centrale Banca and the consequent investment in central bodies.

Exposures to customers amounted to EUR 1.6 billion, an increase of EUR 233 million compared to 2020.

Liabilities, on the other hand, consist mainly of amounts due to banks of EUR 22.5 billion, up by approximately EUR 1.8 billion compared to 2020, and direct funding of EUR 1.6 billion, up by EUR 107 million compared to 2020. As in the case of assets, liabilities are also strongly influenced by the growth in liquidity in circulation, which has prompted the Group banks to deposit it in the current accounts of Cassa Centrale Banca, bringing total amounts due to banks to 91% of total liabilities.

Equity, including profit for the period, amounts to EUR 1.1 billion.

Total customer funding

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Current accounts and sight deposits	1,031,860	658,917	372,943	56.6%
Fixed-term deposits	40,888	38,627	2,261	5.9%
Repos and securities lending	58,273	298,142	(239,869)	(80.5%)
Bonds	-	10,088	(10,088)	(100.0%)
Other funding	457,548	475,643	(18,095)	(3.8%)
Direct funding	**1,588,570**	**1,481,417**	**107,152**	**7.2%**

The total amount of direct funding from customers at the end of the year was EUR 1.6 billion, up compared to the previous year by approximately EUR 107 million. The increase was due to the growth in current accounts (specifically, current accounts dedicated to asset management, as part of the "PIP Cash" asset management initiative). This growth is partly offset by the decrease in repurchase agreements with Cassa di Compensazione e Garanzia, for which loans amounted to EUR 58 million at the end of 2021 compared to EUR 298 million at the end of 2020.

(Figures in millions of euro)	31/12/2021	31/12/2020	Change	% change
Assets under management	**2,576,090**	**2,418,109**	**157,981**	**6.5%**
Mutual funds and SICAVs	20,678	17,402	3,275	18.8%
Asset management	2,546,996	2,392,809	154,187	6.4%
Banking-insurance products	8,417	7,898	519	6.6%
Assets under administration	**4,222,531**	**4,164,885**	**57,646**	**1.4%**
Bonds	3,264,850	2,855,034	409,816	14.4%
Shares	957,681	1,309,851	(352,170)	(26.9%)
Indirect funding*	**6,798,621**	**6,582,994**	**215,628**	**3.3%**

* Indirect funding is expressed at market values.

Indirect funding of Cassa Centrale Banca[47] amounted to approximately EUR 6.8 billion at the end of 2021, 38% of which was represented by assets under management, amounting to approximately EUR 2.6 billion. Assets under administration amounted to EUR 4.2 billion and represent 62% of volumes.

Total funding from Cassa Centrale Banca customers amounted to approximately EUR 8.4 billion, an increase of 4% compared to EUR 8.1 billion in 2020, of which 18.9% was composed of direct funding and 81.1% of indirect funding.

% COMPOSITION OF CUSTOMER FUNDING	31/12/2021	31/12/2020	% change
Direct funding	18.9%	18.4%	2.7%
Indirect funding	81.1%	81.6%	(0.6%)

[47] The indirect funding represented refers to the component placed by Cassa Centrale Banca directly with customers and does not include the component placed through banks.

Net loans to customers

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Loans at amortised cost	**1,610,147**	**1,381,654**	**228,494**	**16.5%**
Mortgage loans	965,000	772,020	192,980	25.0%
Current accounts	528,061	488,779	39,282	8.0%
Other loans	113,643	111,729	1,914	1.7%
Impaired assets	3,444	9,126	(5,682)	(62.3%)
Loans at fair value	**27,889**	**23,356**	**4,532**	**19.4%**
Total net loans to customers	**1,638,036**	**1,405,010**	**233,026**	**16.6%**

Net loans to customers at the end of the year totalled EUR 1.6 billion, comprising mortgages of EUR 965 million and current accounts of approximately EUR 528 million. Other loans include exposure to Cassa di Compensazione e Garanzia.

The growth in net loans to customers was mainly due to the development of mortgage loans, which rose by EUR 193 million; this growth is attributable for EUR 115 million to the disbursement of loans to the newly established subsidiary Prestipay, aimed at supporting the development of its loans. On the other hand, the increase in current accounts is related to the growth in exposure to Claris Leasing.

Credit quality

Cassa Centrale Banca adopts an extremely rigorous policy in the valuation of impaired loans. Loans granted to customers are the main sources of credit risk and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided below.

Customer loans

(Figures in thousands of euro)	31/12/2021			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	34,737	(31,293)	3,444	90.1%
- Non-performing	*10,996*	*(10,893)*	*102*	*99.1%*
- Unlikely to pay	*23,729*	*(20,399)*	*3,330*	*86.0%*
- Overdue/past due	*13*	*(1)*	*12*	*5.0%*
Performing exposures at amortised cost	1,648,907	(42,203)	1,606,704	2.6%
Total customer loans at amortised cost	**1,683,644**	**(73,496)**	**1,610,147**	**4.4%**
Impaired exposures at fair value	-	-	-	
Performing exposures at fair value	27,889	-	27,889	0.0%
Total customer loans at fair value	**27,889**	**-**	**27,889**	**0.0%**
Total customer loans	**1,711,532**	**(73,496)**	**1,638,036**	**4.3%**

(Figures in thousands of euro)	31/12/2020			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	44,003	(34,878)	9,126	79.3%
- Non-performing	*13,255*	*(13,160)*	*95*	*99.3%*
- Unlikely to pay	*30,748*	*(21,717)*	*9,031*	*70.6%*
- Overdue/past due	-	-	-	
Performing exposures at amortised cost	1,387,843	(15,315)	1,372,528	1.1%
Total customer loans at amortised cost	**1,431,846**	**(50,193)**	**1,381,654**	**3.5%**
Impaired exposures at fair value	169	-	169	0.0%
Performing exposures at fair value	23,188	-	23,188	0.0%
Total customer loans at fair value	**23,356**	**-**	**23,356**	**0.0%**
Total customer loans	**1,455,203**	**(50,193)**	**1,405,010**	**3.5%**

As at 31 December 2021, Cassa Centrale Banca's net performing exposures amounted to approximately EUR 1.6 billion, an increase of approximately EUR 261 million compared to the previous year. They account for over 99% of Cassa Centrale Banca's net cash assets to customers at amortised cost.

Total net impaired loans amounted to approximately EUR 3.4 million, down compared to the previous year by EUR 5.7 million; non-performing loans amounted to approximately EUR 0.1 million and had a coverage level of 99%, while unlikely to pay, net of value adjustments, amounted to EUR 3.3 million.

The table below shows the main risk management indicators[48].

RISK MANAGEMENT RATIOS	31/12/2021	31/12/2020
NPL ratio	2.0%	3.0%
NPL coverage	90.1%	79.0%

With regard to asset quality, as at 31 December 2021, Cassa Centrale Banca's NPL ratio was 2%, placing it at an absolutely virtuous level, also in light of the positive trend.

The overall level of coverage of impaired loans stood at 90.1%, significantly higher than the value for 2020, which had already stood out as being among the highest in the Italian banking market (79%).

Composition of financial instruments

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	242,161	241,859	302	0.1%
Trading book liabilities (FVTPL)	-	-	-	
Financial liabilities	-	-	-	
Banking book assets (FVOCI)	1,059,654	919,868	139,786	15.2%
Financial fixed assets excluding loans (AC)	2,623,850	2,804,162	(180,312)	(6.4%)
Total securities portfolio	**3,925,665**	**3,965,890**	**(40,225)**	**(1.0%)**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	24,738	35,463	(10,724)	(30.2%)
Trading liabilities (FVTPL)	(21,230)	(36,077)	14,847	(41.2%)
Total derivatives portfolio	**3,509**	**(614)**	**4,123**	**n.s.**
TOTAL FINANCIAL INSTRUMENTS	**3,929,174**	**3,965,276**	**(36,102)**	**(0.9%)**

As at 31 December 2021, total financial instruments amounted to EUR 3.9 billion (broadly in line with 2020). The portfolio consists of 67% of assets classified under CA, 27% under FVOCI and 6% under FVTPL. Compared to the previous year, the value as at 31 December 2021 increased the exposure to FVOCI by 15%, while exposure to CA decreased by 6%.

[48] The NPL ratio is calculated as the ratio of gross impaired loans to total gross loans to customers (given the importance of the loans to banks component for Cassa Centrale Banca, it was considered appropriate to exclude this item from the calculation of the index), while the NPL coverage is calculated on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated October 2021). In calculating the NPL ratio on the basis of the EBA data model, the value of the index for 2021 would be 0.16% and for 2020, 0.23%.

The OTC derivatives activity is mainly aimed at hedging the interest rate risk of the Group's banking book. As a result, the almost symmetrical increase in trading assets and liabilities in the derivatives portfolio is representative of market trading in hedging transactions carried out by Cassa Centrale Banca for its Affiliated Banks and, to a lesser extent, in favour of other client banks.

Financial assets

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Debt securities	**3,824,306**	**3,824,782**	**(476)**	**(0.0%)**
- Obligatorily measured at fair value (FVTPL)	44	43	1	1.9%
- Measured at fair value (FVTPL)	180,958	166,851	14,107	8.5%
- Measured at fair value through other comprehensive income (FVOCI)	1,019,454	853,726	165,728	19.4%
- Measured at amortised cost (AC)	2,623,850	2,804,162	(180,312)	(6.4%)
Equities	**40,200**	**66,142**	**(25,942)**	**(39.2%)**
- Measured at fair value through other comprehensive income (FVOCI)	40,200	66,142	(25,942)	(39.2%)
UCITS units	**61,159**	**74,966**	**(13,806)**	**(18.4%)**
- Obligatorily measured at fair value (FVTPL)	61,159	74,966	(13,806)	(18.4%)
Total financial assets	**3,925,665**	**3,965,890**	**(40,225)**	**(1.0%)**

At the end of December 2021, financial assets amounted to EUR 3.9 billion, down by EUR 40 million compared to the same period in 2020, and consisted mainly of debt securities (97%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Loans to central banks	3,273,465	2,089,457	1,184,008	56.7%
Loans to other banks	16,117,041	15,626,576	490,465	3.1%
- Current accounts and deposits on demand	*-*	*-*	*-*	
- Fixed-term deposits	*221,439*	*372,679*	*(151,240)*	*(40.6%)*
- Repos	*-*	*-*	*-*	
- Other financing	*15,895,602*	*15,253,897*	*641,705*	*4.2%*
Total loans (A)	**19,390,506**	**17,716,033**	**1,674,473**	**9.5%**
Due to central banks	(15,066,641)	(15,317,837)	251,196	(1.6%)
Due to other banks	(7,450,478)	(5,400,607)	(2,049,871)	38.0%
- Current accounts and deposits on demand	*(5,784,487)*	*(4,252,616)*	*(1,531,872)*	*36.0%*
- Fixed-term deposits	*(1,655,460)*	*(1,136,428)*	*(519,033)*	*45.7%*
- Repos	*(9,595)*	*(9,595)*	*-*	*0.0%*
- Other financing	*(936)*	*(1,969)*	*1,033*	*(52.5%)*
Total payables (B)	**(22,517,119)**	**(20,718,443)**	**(1,798,675)**	**8.7%**
NET FINANCIAL POSITION (A-B)	**(3,126,613)**	**(3,002,411)**	**(124,203)**	**4.1%**

As at 31 December 2021, total loans to banks amounted to EUR 19.4 billion (an increase of approximately EUR 1.7 billion compared to the end of 2020) and were influenced, as reported above, by the increase in liquidity that led to the growth in deposits with central banks. This increase corresponds, in terms of due to other banks, to an increase in current accounts and deposits on demand.

The main component (other loans) of loans to banks is made up of exposures related to brokerage activities in ECB auctions with Group banks amounting to approximately EUR 14.8 billion and EUR 1.1 billion of exposures in the Collateral Account. This exposure is mainly financed by funding from Central banks, which is stable at EUR 15.1 billion.

Non-current assets

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Equity investments	255,104	248,002	7,102	2.9%
Tangible	22,891	22,555	336	1.5%
Intangible	996	1,647	(651)	(39.5%)
Total non-current assets	**278,991**	**272,203**	**6,788**	**2.5%**

Non-current assets as at 31 December 2021 amounted to EUR 279 million, an increase of approximately EUR 6.8 million compared to 2020, and consisted mainly of equity investments of EUR 255 million, up by 3% compared to EUR 248 million in 2020 (Cassa Centrale Banca's investments in the Group's instrumental companies with a view to consolidation), and tangible assets, totalling EUR 22.9 million, which include properties for functional use. Intangible assets refer mainly to user licenses and software.

Equity

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Share capital	952,032	952,032	-	0.0%
Share premium	19,029	19,029	-	0.0%
Reserves	158,979	147,205	11,774	8.0%
Valuation reserves	(32,767)	(20,208)	(12,559)	62.2%
Profit (loss) for the year	46,064	35,868	10,196	28.4%
Total equity	**1,143,337**	**1,133,926**	**9,412**	**0.8%**

Equity as at 31 December 2021 amounted to EUR 1.1 billion and is essentially in line with the previous year. The decrease related to the negative effect of valuation reserves (-EUR 12.6 million) was fully offset by an increase in retained earnings of EUR 11.8 million, attributable mainly to the portion of unallocated profit of the prior year, and by the increase in net earnings compared to 2020 for EUR 10.2 million.

Own funds and capital adequacy

Own funds and capital ratios

(Figures in thousands of euro)	31/12/2021	31/12/2020
Common Equity Tier 1 capital - CET 1	1,153,969	1,125,384
Tier 1 capital - TIER 1	1,153,969	1,125,384
Total own funds - Total capital	1,153,969	1,125,809
Total risk-weighted assets	1,953,575	1,914,178
CET1 capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	59.07%	58.79%
Tier 1 capital ratio (Tier 1 capital/Total risk-weighted assets)	59.07%	58.79%
Total capital ratio (Total own funds/Total risk-weighted assets)	59.07%	58.81%

Risk Weighted Assets

(Figures in thousands of euro)	31/12/2021	31/12/2020	Change	% change
Credit and counterparty risk	1,427,473	1,500,112	(72,638)	(4.8%)
Credit valuation adjustment risk	68,334	20,410	47,924	n.s.
Market risk	109,521	104,138	5,383	5.2%
Operational risk	348,246	289,519	58,727	20.3%
Total RWA	**1,953,575**	**1,914,178**	**39,396**	**2.1%**

Own funds for prudential purposes are calculated on the basis of the capital and economic result determined in accordance with IAS/IFRS and the accounting policies adopted, and taking into account the prudential rules in force at the time.

In accordance with the above provisions, own funds derive from the sum of positive and negative components, based on their capital quality; the positive components are fully available to the Bank allowing them to be used in full to cover the overall regulatory capital requirements pertaining to risks.

The total own funds as at 31 December 2021, amount to EUR 1.2 billion and consist entirely of Tier 1 capital. Total risk-weighted assets as at 31 December 2021 amounted to EUR 2 billion.

At the end of December 2021, Common Equity Tier 1 (CET1), Tier 1 capital and Total capital amounted to EUR 1.2 billion. CET1 capital ratio, Tier1 capital ratio and Total capital ratio amounted to 59.07%.

The quantification of these balance sheet aggregates also took into account the effects of the current "transitory regime", mostly attributable to the prudential rules introduced by Regulation (EU) no. 2017/2395 and partially supplemented by Regulation no. 2020/873, whose impact on the Bank's Common Equity Tier 1 capital amounted to EUR 36.7 million. This regulation, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) envisaged by IFRS 9, allows to dilute until the end of 2024:

- the incremental impact after tax of the write-down on performing and impaired exposures, following the application of the new valuation model introduced by IFRS 9, recognised at the transition date ("static" A2SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 1 January 2020 with respect to the impact measured at the date of transition to the new standard ("old dynamic" A4SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 1 January 2020 ("dynamic" A4SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%
- 2019 – 85%
- 2020 – 70%
- 2021 – 50%
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%
- 2021 – 100%
- 2022 – 75%
- 2023 – 50%
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the Covid-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, paragraph 1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

In 2021, the additional provisions not already introduced by the package of amendments published in 2020 and the application of some provisions envisaged by Regulation (EU) no. 876/2019 - known as CRR II - (e.g. the application of the new SME supporting factor and infrastructure factor) envisaged by the aforementioned Regulation became fully applicable, as well as the first application of the regulation on Calendar Provisioning - NPL Backstop, which introduced a specific deduction from Own funds in the case of insufficient coverage referring to impaired exposures (Regulation (EU) no. 2019/630).

The main objectives of the new regulatory framework are to:

- reduce the excessive leverage of the banking system;
- better control long-term financing risk;
- better control market risks;
- better control the risks underlying collective investments.

In particular, the above-mentioned changes concerned:

- new way of calculating Leverage and introduction of the minimum 3% Leverage ratio requirement under Pillar 1 as an additional measure to the risk-based capital requirements;
- introduction of the minimum Net Stable Funding Ratio (NSFR), to be met on a quarterly basis, of 100%. Moreover, weighting factors were introduced for the calculation of the requirement;
- introduction (Regulation (EU) no. 2021/453) of new specific reporting requirements - Fundamental Review of the Trading Book (FRTB) - related to Market Risk;
- the application of new methods of calculation for determining capital requirements for counterparty risk, such as the Standardised Approach (SA-CCR), the Simplified SA-CCR and the Original Exposure Method (OEM), whose calibration better reflects the presence of a high level of market volatility and adequately recognises the benefits of offsetting;
- a new way of dealing with UCITS units as part of credit risk, which involves the application of three different approaches (Look Through Approach - LTA, Mandate Based Approach - MBA, Fall Back Approach - FBA), depending on the level of detail of the information underlying the UCITS. The new regulatory framework requires that the weightings applied to investments in UCITS be subject to a more detailed calculation process in order to favour investments where the entity is aware of the underlying assets in which the fund invests rather than penalising investments in "opaque" structures or where there is no awareness of the underlying investments;
- first application in Pillar I of the Calendar Provisioning regulation, also known as NPL Backstop, with impact in all related areas, already envisaged in "Addendum BCE" and Pillar II;

- the regulation of large exposures. In particular, the reference aggregate for determining "large exposures" and related limits was changed (the definition of "eligible capital" was repealed and replaced with "Tier 1 capital"). Moreover, the CRM techniques used in the area of credit risk and Large Exposures were standardised and the rules relating to the application of exemptions applied in the area were amended.

The bank's leverage requirement as at 31 December 2021 is 19.53% - or 19.03% with fully adopted definition of Tier 1 - and thus higher than the expected regulatory minimum of 3%.

Other information

Pursuant to Articles 37-bis of the Testo Unico Bancario (Consolidated Banking Act - TUB) and 2497 et seq. of the Italian Civil Code, Cassa Centrale Banca exercises management and coordination activities with regard to its direct and indirect subsidiaries, in application of Articles 23 of the TUB and 2359 of the Italian Civil Code, including companies that, under current prudential regulations, are not part of the Banking Group. It is also specified that the management and coordination activities of the Affiliated Banks are carried out following the signing of the Cohesion Contract between Cassa Centrale Banca, as the Parent Company, and the Affiliated Banks themselves; in particular, the Cohesion Contract defines the powers and duties of the Parent Company and the tasks and duties of the Affiliated Banks.

This Report on Operations includes only comments on the results of operations of the Parent Company Cassa Centrale Banca. For all other information required by law and specific regulations, please refer to the Explanatory Notes to these separate financial statements, the Directors' Report on the Consolidated Operations and the Explanatory Notes to the consolidated financial statements.

In particular, reference should be made to the Explanatory Notes to these separate financial statements for the following information:

- information relating to the Bank's operations and transactions with related parties (Part H - Transactions with related parties);
- the list of wholly-owned subsidiaries, jointly controlled and subject to significant influence (Part B, Assets, Section 7 - Equity investments);
- information on the ownership of own shares (Part B, Liabilities, Section 12 - Equity);
- information on events after the end of the financial year (Part A - Accounting policies);
- other information on assets (Part F - Information on equity);
- extraordinary transactions (Part G – Business combinations regarding companies or branches).

Reference should be made to the Directors' Report on Consolidated Operations of the Cassa Centrale Group for information on the following:

- economic context;
- significant events during the year;
- information on the Group's main strategic business areas;
- risk management;
- business continuity;
- research and development;
- other information;
- business outlook.

Proposed appropriation of the result for the year

Dear Shareholders,

We bring to your attention the financial statements for the year ended 31 December 2021 consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the explanatory notes, and the Report on Operations.

In accordance with the provisions of the Law and the Articles of Association, we propose to allocate the profit of EUR 46,064,270 as set out below:

DESTINATION ITEM	Figures in Euro
1. to legal reserve	2,303,214
2. to extraordinary reserve	19,276,361
3. to dividends in favour of shareholders	23,839,795
4. allocation to the Board of Directors	644,900

Trento, 30 May 2022

The Board of Directors

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report to the Shareholders' Meeting pursuant to Article 2429 of the Italian Civil Code

Dear Shareholders,

With this report, drawn up in accordance with Article 2429 of the Italian Civil Code, the Board of Statutory Auditors reports to the Shareholders' Meeting of Cassa Centrale - Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale" or "Bank") on the supervisory activities carried out in the financial year ended 31 December 2021, in accordance with the relevant regulations, the Articles of Association and in compliance with the provisions issued by the National (Bank of Italy and Consob) and European (European Central Bank) Supervisory Authorities and also taking into account the Rules of Conduct of the Board of Statutory Auditors recommended by the National Board of Chartered Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili - CNDCEC).With the submission of the separate financial statements for the year ended 31 December 2021 to the Shareholders' Meeting for approval, the mandate of the Board of Statutory Auditors expires.
Cassa Centrale Banca is subject to *significant* supervision pursuant to Article 6, paragraph 4 of Regulation (EU) no. 1024/2013 of the Council of the European Union. In accordance with Regulation no. 468/2014 (ECB/2014/17), each entity that is part of the supervised Cooperative Banking Group must be considered a significant supervised entity. For these reasons, the Parent Company and all entities that form part of the supervised Group are included in the ECB list of supervised entities.
During the year, the Board of Statutory Auditors met 54 times; as part of its supervisory activities, it participated in all meetings of the Board of Directors and the Executive Committee; it also participated, in accordance with the Regulations, through at least one member, in all the meetings of the Independent Directors' Committee, the Risk Committee, the Appointments Committee, the Remuneration Committee and the Sustainability and Identity Steering Committee. Moreover, it attended, with at least one of its members, the Regional Shareholders' Meetings of the North-West, North-East, Centre and South and the Islands, held in April 2021 at the call of the Parent Company with the aim of sharing the strategic projects of relevance for the entire Group and the development guidelines in the implementation of which the Affiliates are active protagonists.

In 2021, the third year since the launch of the Cassa Centrale Group, the governance and the management and coordination activities of the Group's entities continued to be refined, the body of internal regulations, the set of policies and procedures designed to consolidate the overall internal control and risk management system continued to be integrated and updated. Specifically, the Board believes that the standardisation of processes and procedures at Group level is essential for the development of IT projects capable of supporting the business units, back office and Control Functions.
In particular, the path taken to date reflects the gradual maturing of a Group culture that, although aware of the efforts still to be made, materialised thanks to the daily commitment of the structures of the Parent Company, Affiliated Banks and Subsidiaries, in a period characterised almost entirely by the Covid-19 pandemic.

The Parent Company's Operations Department and its subsidiary Allitude, IT service provider, were busy completing the migration plan for the last 13 Affiliated Banks, which led to the adoption of SIB2000 by all the Group's banking entities. To this is added the commitment required by the many projects included in the 2021 Information, Communication & Technology (ICT) Operational Plan, or arising from further needs expressed by the business structures, and finally the necessary

adaptations related to regulatory developments. The Demand and Change Management processes were strengthened by updating the relevant regulations and policies issued during the year; the Operations Department gradually enhanced and intensified reporting on the progress of projects included in the ICT Operational and Strategic Plans to the corporate bodies.
The IT system, as the main factor enabling the Group's operations and its continuity in safe conditions, received special attention by the Board, which monitored the progress of projects and the underlying reasons for rescheduling cases, with a special reference to those concerning the tools supporting the Control Functions; it also analysed in detail the results of the IT Internal Audit Function carried out on Cassa Centrale and Allitude by monitoring the implementation of the relevant remedial actions.

With regard to Loans, the refinement of the IFRS 9 impairment model continued through a better explanation of the rationale for determining the weights for weighting the Expected Credit Loss (ECL) and the staging allocation rules, and, in December 2021, the Group Regulation for the management of impaired loans was approved.

The Board dedicated considerable efforts to the monitoring of certain Affiliated Banks subject to findings resulting from ordinary or targeted audits by the Control Functions as a result of critical issues arising within the governance and control system. These supervisory activities took the form of in-depth meetings with the Control Functions and Boards of Statutory Auditors of the Affiliates or, again, through the exchange of communications with them.

The Control Functions continued to refine their methodological approach based on an integrated view of the risks in the planning and execution phases of the respective activities and in the reporting of the same so as to allow the company bodies to promptly assess any anomalous phenomena and direct their supervision and guidance more effectively at Group level.

As part of the supervisory activities carried out during the financial year ended 31 December 2021, the Board of Statutory Auditors:

- expressed its positive opinion on the proposal to appoint the Chief AML Officer on 30 March 2021, following the decision of the previous Manager to access the Solidarity Fund for early retirement with effect from 1 July 2021;
- in its capacity as Internal Control and Audit Committee, in accordance with Art. 19, paragraph 2, let. a) of Legislative Decree no. 39/2010, supervised the tender process for the selection of the independent auditors coordinated by the Planning Department. Upon its conclusion, on 30 March 2021, it validated the Entity's report on this process, expressing its reasoned opinion on the appointment of Cassa Centrale's independent auditors for the period from 2021 to 2029;
- commented on the Internal Audit function's report on the essential or important functions outsourced on 24 April 2021;
- issued the report on the ICAAP and ILAAP reports submitted to the Board of Directors on 27 April 2021;
- expressed opinions where required by law and/or the Bank's Regulations; in particular, on 12 January 2021, it expressed its binding opinion on the Model for the definition of the optimal qualitative and quantitative composition of the corporate bodies and management of the Affiliated Banks, on the Regulation related to the procedure for consulting the corporate officers and on the Regulation for checking the requirements of their officers; on 19 October and 3 November 2021 respectively, issued its opinion on the updates to the Group Regulations of the Compliance Function and the Risk Management Function; on 1 December 2021, issued a binding opinion on the update of the Group Regulation for the management of transactions with related parties. Finally, on 15

December 2021, it issued a binding opinion on the update of the Group Model for the qualitative and quantitative composition of the corporate bodies and management of the Affiliated Banks;
- at the request of the European Supervisory Authority, provided its assessment on the reports that the Authority itself requested from the Compliance Function of the Parent Company, the Board of Directors and the Board of Statutory Auditors of an Affiliated Bank concerning alleged unlawful conduct of its officers.

In addition, from 1 January 2022 to date, the Board of Statutory Auditors:

- approved the model for the qualitative and quantitative composition of the Parent Company's control body;
- approved the resolution to co-opt the Deputy General Manager taken by the Board of Directors of Cassa Centrale pursuant to Article 2386 of the Italian Civil Code;
- commented on the Internal Audit function's report on the essential or important functions outsourced on 26 April 2022;
- issued the report on the ICAAP and ILAAP reports submitted to the Board of Directors on 28 April 2022.

During the year, the Board of Statutory Auditors:
- monitored compliance with laws, regulations and articles of association;
- monitored compliance with the principles of correct administration and the adequacy of the organisational structure;
- monitored the adequacy, effectiveness and functionality of the overall internal control and risk management system;
- monitored the adequacy of the accounting information system and the financial reporting process.

In addition, the Board of Statutory Auditors has taken steps to:
- monitor, in its capacity as Supervisory Body, the effectiveness of the Organisation, Management and Control model pursuant to Legislative Decree no. 231/2001 and its adjustments in accordance with regulatory developments;
- coordinate with the Boards of Statutory Auditors of Affiliated Banks and Subsidiaries;
- monitor transactions with associated parties/related parties;
- monitor the independence of the company entrusted with the external audit of the accounts of Cassa Centrale and the Group and the external audit pursuant to Articles 16 and 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016 transposing Directive 2014/56/EU.

It participated in all the training sessions organised by Cassa Centrale for the corporate bodies.

The Board of Statutory Auditors, in the course of its activities and on the basis of the information obtained, has not found any irregularities, censurable acts or facts or circumstances such as to require reporting to the Supervisory Authorities; moreover, it has not been alerted pursuant to Article 2408 of the Italian Civil Code.

1. Monitoring of compliance with legal, regulatory and statutory provisions

The Board of Statutory Auditors has acquired information on the management activities and the most significant transactions from an economic and financial point of view and/or from an organisational point of view, of Cassa Centrale, the Affiliated Banks and the Subsidiaries through its

participation in board meetings, the work of internal committees and meetings with Top Management.
Based on the information obtained, the Board of Statutory Auditors can reasonably assert that these transactions are not in violation of the law and the Articles of Association, are not manifestly risky and do not compromise the integrity of corporate assets.
Among the most significant transactions and events during the year - of which the directors have provided information in the Report on Operations to the Group's consolidated financial statements - which the Board of Statutory Auditors deems appropriate to note for their consistency with the strategic guidelines and the objectives of corporate rationalisation and strengthening of the quality of assets, as well as their significance, the following are worth mentioning:

Business combinations between Affiliated Banks
During the 2021 financial year, the action to increase the efficiency and rationalise the Group's territorial presence continued in accordance with the 2021-2024 Strategic Plan, through the implementation of six mergers between the following Affiliated Banks:

- Cassa Rurale Alto Garda and Cassa Rurale di Rovereto with effect from 1 July 2021;
- Banca Alto Vicentino and C.R.A. di Vestenanova with effect from 1 July 2021;
- Cassa Rurale FVG and BCC di Turriaco with effect from 1 July 2021;
- BCC di Alberobello e Sammichele di Bari and BCC di Monopoli with effect from 1 July 2021;
- Banco Marchigiano and Banca del Gran Sasso d'Italia with effect from 1 October 2021;
- BCC di Spello e Bettona and BCC del Velino with effect from 1 October 2021.

Following the aforementioned mergers, the number of Affiliates as at 31 December 2021 decreased to 71.
A further three aggregative processes were also launched, for which the authorisation process by the competent Authorities is in progress and will be completed with the approval by the extraordinary shareholders' meetings of the Affiliates concerned.
The aforementioned transactions are illustrated in the section "Significant Operating Events during the Year" of the Report on Operations and in Part G "Business combinations regarding companies or branches" of the Explanatory Notes to the Group's consolidated financial statements.

2021-2024 Strategic Plan
The Board of Directors of 29 June 2021 approved the new 2021-2024 Strategic Plan according to a process that involved all Affiliated Banks in accordance with the cohesion contract. The main objectives of the plan refer to commercial development through the implementation of the Group's target distribution model, the streamlining of the business model also through the development of the monitoring of regions, a careful management of capital and credit risks and the reduction of financial risks.
The derisking manoeuvre started in the first half of 2021 on the securities portfolio in order to reduce exposure to interest rate risk, which resulted in a decrease in the incidence of securities classified in the Hold-to-Collect business model, now equal to 70% of the entire owned portfolio and relative duration.

Impaired Asset Management and Group NPE Strategy
On 31 March 2021, the Board of Directors of Cassa Centrale approved the new NPE Strategy and the related Group NPE Operational Plan with a 2021-2023 time horizon.
The strategy defined also incorporating the impacts of the ongoing health emergency followed a prudent approach by envisaging, for the financial years 2021 and 2022, a substantial stability of the gross NPL ratio (6.8%) and, for the financial year 2023, a reduction with an estimated value of 6.3%.

However, the final figures for 2021, also as a result of the sustained economic recovery that took place during the year, showed better results thanks to default rates that were significantly lower than estimated and to recovery performances on impaired loans that were higher than expected.
During the year, as envisaged in the Group's NPE strategy, the Buonconsiglio 4 securitisation transaction was also carried out, in which 29 Group banks participated, with gross loans sold amounting to EUR 243 million.
The effect of these trends on impaired loans combined with the growth in performing loans resulted in a gross NPL ratio of 5.5%, approximately 120 Bp lower than the figure assumed in the strategy for the end of 2021, and a net NPL ratio of 1.5% against an estimate of 2.8%.

Carige S.p.A. Cassa di Risparmio di Genova e Imperia
Following the resolution of the Board of Directors of 15 March 2021, Cassa Centrale informed FITD and SVI of its negative forecast regarding the exercise of the irrevocable option under the terms originally agreed.
On 22 July 2021, Cassa Centrale informed FITD/SVI and Consob that it had formally and definitively waived the option rights relating to the Carige shares held by FITD/SVI pursuant to the option agreement dated 9 August 2019.
After the waiver of the option to purchase the shares held by FITD/SVI, and with the re-classification of the security to trading, Cassa Centrale - no longer considering the investment to be strategic - carried out a partial sale of the shares held on the regulated market. As at 31 December 2021, the equity investment in Cassa Centrale Banca in Carige was 6.22%.

Disputes
The validity of the share capital increase resolution approved by the shareholders of Carige at the shareholders' meeting of 20 September 2019, which took place with the exclusion of option right and which resulted in Cassa Centrale Banca acquiring an 8.34% shareholding, was challenged by the financial holding company Malacalza Investimenti S.r.l. through a civil action brought in January 2020 against Carige, the FITD, the SVI and Cassa Centrale Banca, with a claim for damages of over EUR 480 million, later increased to approximately EUR 539 million.
The disputed invalidity of the shareholders' resolution, which can no longer be cancelled since it has already been carried out, is based on the alleged illegitimate exclusion of option rights, failure to comply with the principle of accounting parity and a determination of the issue price of the new shares that does not comply with the criteria set out in the company's regulations.
In the joined proceedings before the Court of Genoa, Cassa Centrale Banca appeared, like the other defendants, filing a statement of appearance and response seeking a declaration of Cassa Centrale Banca's lack of legal standing and the rejection of all claims made against it by the plaintiffs.
The proceedings ended with a judgement of 15 November 2021, by which the Court of Genoa, in acceptance of the claims of the defendants, ascertained the validity of the capital increase resolution adopted by Carige and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs.
The judgement was appealed against by Malacalza Investimenti, Vittorio Malacalza and 5 of the 42 shareholders, and the deadline for Cassa Centrale to file an appeal is currently pending.
As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and charges.

Comprehensive Assessment
In the first months of 2021, the Comprehensive Assessment (hereinafter also referred to as "CA"), which had been suspended in 2020 due to the health emergency, was concluded. The CA represents an assessment carried out by the ECB to ensure that banks are adequately capitalised and can withstand macroeconomic and financial shocks. It consists of two main areas: an Asset

Quality Review (hereinafter also referred to as "AQR") and a stress test to check the resilience of the Group's assets over the three-year period from 2020 to 2022 under ordinary and adverse scenarios. The findings of the AQR were integrated (Join-up) into the stress test, thus projecting the timely assessment of the AQR over the time horizon of the stress test itself.
The results of the CA confirmed the Group's high capital strength and resilience to the "catastrophic" Covid-19 scenarios defined in the stress test.
Compared to a starting figure of 19.72% (value as at 31 December 2019), the CET1 ratio was significantly higher than the threshold value applied to identify the capital shortfalls in the AQR and in the baseline scenario (equal to 8%) as well as with respect to the threshold value for the adverse scenario (equal to 5.5%).
The overall results for the year, posted on the ECB website, on 9 July 2021 are as follows:

- CET1 ratio of 17.14% in the base scenario compared to the starting value of 19.72% in December 2019, significantly higher than the warning threshold of 8% set by the ECB;
- CET1 ratio of 10.59%, in the adverse scenario, compared to the minimum threshold defined by the ECB of 5.5%.

<u>MREL requirement (Minimum Requirement of Eligible Liabilities)</u>
In March 2021, the Minimum Requirement of Own Funds and Eligible Liabilities (MREL), formulated in accordance with Article 12 bis, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE), was communicated by the Single Resolution Board (SRB).
The MREL requirement, expressed in the two metrics above, was determined on a consolidated basis in consideration of the single-point-of-entry (SPE) Resolution Strategy defined by the Supervisory Authority for the Group, according to which resolution tools and powers would be applied exclusively to the Parent Company.
Given the general-hybrid approach adopted by the Single Resolution Committee, own funds on a consolidated basis shall be considered suitable to meet the consolidated MREL requirement, while the only eligible liabilities will be those issued directly by the Parent Company Cassa Centrale (as the "central entity" of the Resolution Group) and that will comply with the eligibility conditions set out in Regulation no. 877/2019 ("SRMR2").
The minimum requirement for own funds and eligible liabilities on a consolidated basis (with which the Parent Company complies) is 21.36% of TREA and 5.91% of LRE. The Parent Company is required to meet the above requirements by 1 January 2024. From 1 January 2022, the Group is required to meet an interim requirement of 18.19% of TREA and 5.91% of LRE.
There are no subordination requirements to meet the above targets.

<u>Significant events occurring after the end of the financial year</u>
In the directors' report on operations accompanying the consolidated financial statements, the directors state that after the end of the financial year, until the date of its approval by the Board of Directors (31 March 2022), no events have occurred that are likely to have a material impact on the financial position and results of operations for the year ended 31 December 2021.
In the Report on Operations to the Group's consolidated financial statements, in the paragraph "Significant events occurred after the end of the year", the directors have provided information on significant events occurring after 31 December 2021, including the following:

<u>Launch of the Climate Risk Stress Test ("2022 SSM climate risk stress test")</u>
After carrying out an ECB economy-wide climate stress test in 2021, the ECB itself envisaged the launch of a specific climate stress test ("*2022 SSM climate risk stress test*"), to be carried out starting in March 2022 and ending in July 2022. This stress test will require financial institutions to report on a common set of climate risk metrics, including the volume of greenhouse gas emissions they finance. Moreover, it will be required to assess their short-term exposure to physical and transition risk, and their exposure to transition scenarios over the next 30 years.

The exercise aims to identify vulnerabilities, best practices in the sector and challenges faced by European banks. The results will be integrated into the Supervisory Review and Evaluation Process (SREP) using a qualitative approach.

Inspection by the Bank of Italy on anti-money laundering and transparency
In the first half of 2021, the Banking Group was subject to an inspection by the Bank of Italy aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services.
The results of the inspection were communicated by means of an inspection report dated 12 January 2022.
The Supervisory Authority found that two and a half years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's anti-money laundering and transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks.

ECB inspection on credit and counterparty risk
In a letter dated 17 December 2021, the ECB informed the Cassa Centrale Group of the start of an inspection of credit and counterparty risk from March 2022, focusing on exposures to "Commercial/Real Estate".

New SREP Decision
On 2 February 2022, the Banking Supervisory Board informed Cassa Centrale Banca of the outcome of the ECB decision following the Supervisory Review and Evaluation Process (SREP) carried out in 2021, setting out the new requirements on own funds, liquidity and quality.
As a result of this decision, the Group is required to meet, on a consolidated basis, effective 1 March 2022, a total SREP capital requirement (TSCR) of 10.50%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%, to be held as a minimum in the form of Common Equity Tier 1 (CET1) capital of 56.25% and in the form of Tier 1 capital of 75%).

Sale of Iccrea S.p.A. shares - Tranche III
In January 2022, the third tranche of the sale of shares in Iccrea Banca S.p.A. was finalised, amounting to 897,000 shares for a value of EUR 47,361,600.
Following this transaction, the Group holds a total of 3.31% of Iccrea Banca S.p.A., of which 0.49% is held directly by Cassa Centrale Banca. This equity investment will be divested by 31 December 2022.

Definition of the partnership with Assimoco Group in the bancassurance sector
On 10 March 2022, the Board of Directors of Cassa Centrale, at the end of a selection process involving leading Italian and European insurance groups, resolved to continue exclusive negotiations with the Assimoco Group in order to define a five-year collaboration for the distribution of a complete range of life and non-life insurance products through the Affiliated Banks of the Cassa Centrale Group and through its subsidiary Assicura Agenzia.

Update on cyber risk management in the light of the Russian-Ukrainian conflict
Following the Russian-Ukrainian conflict, although no impacts due to cyber threats were encountered, specific actions were examined to strengthen the Group's security monitoring, with a focus on cyber risk management in the following areas:

- prevention technologies;
- threat analysis, collection and enhancement of IoC shared by Cyber Threat Intelligence sources;

- critical supplier risk management;
- awareness and communication;
- business continuity.

The Board of Statutory Auditors has acquired all the necessary information on events after the end of the financial year, in the course of its supervisory activities, through participation in the meetings of the internal board committees, the Board of Directors and meetings with Top Management.

2. Monitoring of the principles of correct administration and the adequacy of the organisational structure

During the year and up to today's date, Cassa Centrale continued its efforts to complete and update the body of internal rules consisting of regulations, policies and procedures to regulate the conduct of business operations in compliance with the law and supervisory regulations and to achieve the necessary harmonisation of processes and line controls at Group level, which are essential conditions for strengthening the control system.
The production and integration of regulations and policies by the Operations Department, particularly intense during 2021, reflects the commitment to ensure a governance of IT processes that, in compliance with Supervisory regulations and aligned to best practice, is suitable to support the Group's ordinary and extraordinary operations, as well as its outlook, under conditions of security and continuity.
From an organisational point of view, the process of adapting the structure to the increased operational complexity and the role of Parent Company of Cassa Centrale. In this regard, a new Service called "Information Security Service", previously located within the "ICT Governance and Security Service", was set up within the Operations Department. The Organisation Area was also established with the creation at the same time of two new Services: "Internal Regulations, Processes and Business Continuity Service" and "Organisational Development, Demand and PPM Service" headed by two new managers. This service comprises five new offices: (i) Demand and PPM, (ii) Credit, Counterparties and AML Project Organisation Development, (iii) Finance and Treasury Project Organisation Development, (iv) Payments and Omnichannel Project Organisation Development and (v) Governance and Control Project Organisation Development.
Still in the area of information systems, the reporting by the Operations Department to the corporate bodies on the progress of the projects included in the ICT Operational Plan was intensified in terms of frequency, currently quarterly, and enhanced in contents, also thanks to the stimulus of the Supervisory Authority and the impetus of the control body. With regard to projects in transparency and the fight against money laundering and terrorist financing, following the outcome of the Bank of Italy's inspection report in this area, the frequency of reporting is monthly in order to allow for close monitoring with a view to resolving the weaknesses identified by the Authority in the relevant control units. This reporting, launched with the approval of the "considerations to the inspection findings" and the "action plan" by the Board of Directors on 23 March 2022, is given special attention by the Board.
In August 2021, the Group Transparency Function monitoring Group processes and procedures, located in the "Internal Regulations, Processes and Business Continuity" Service was established. The Function, which currently has 2 resources, is to be expanded in order to ensure the coordination of priority organisational and operational activities for the removal of shortcomings found in the Inspection Report.
The Board of Statutory Auditors acquired knowledge on and supervised the adequacy of the organisational structure through the information obtained during meetings with the heads of the relevant corporate functions. It monitored the implementation of regulations and policies by the Affiliated Banks and Subsidiaries with the assistance of the Compliance Function; it supervised the directives provided by the Parent Company to the Affiliated Banks and Subsidiaries through direct

observation of the circulars issued; it obtained information on specific instructions given to individual Group entities through its participation in board meetings and in the work of the internal board committees.
With regard to the principles of proper administration, the Board of Statutory Auditors, through meetings with Top Management, the Heads of the business areas, the Administration and Financial Statements Manager, the Heads of the Control Functions and the Independent Auditors, as well as through observation of the information flows to the Board of Directors, can reasonably affirm that the transactions carried out during the year are based on principles of sound and prudent administration and have been approved after obtaining adequate information flows that have enabled the strategic supervisory body to appreciate the related risk profiles.

On the basis of the information received in the course of its supervisory activities, the Board of Statutory Auditors did not find any anomalous and/or unusual transactions with third parties, related parties or within the group.
The Board acknowledges that Part H, Paragraph 2 of the Explanatory Notes to the separate financial statements and to the Group's consolidated financial statements explains intra-group and related-party transactions.

3. Corporate governance

Three years after the Group’s launch, in December 2021, the Board of Directors decided to revise the Bank’s articles of association, which resulted in the new version. The main changes refer to the power (and no longer the obligation) to appoint a chief executive officer; there is also a strengthened quorum on the decisions of the shareholders' meeting concerning extraordinary transactions such as mergers, demergers and transformations, as well as on decisions concerning any transfer of the registered office, administrative office and general management of Cassa Centrale. Finally, the establishment of the Executive Committee with a more extensive list of the matters delegated to it is compulsory, leaving the Board of Directors with the power to define the contents of the powers and limits as well as the possibility of extending these powers to other matters that the law or the Articles of Association do not reserve to its competence.
The authorisation process was started with the submission of the application to the ECB on 9 December 2021 aimed at obtaining the assessment measure pursuant to Article 56 of the Consolidated Banking Law and ended with the decision of the European Supervisory Authority on 7 March 2022 to confirm that the amendments to Cassa Centrale's Articles of Association do not conflict with its sound and prudent management; the decision was conditional on the approval of the amendments by the Bank's Extraordinary Shareholders' Meeting on 25 March 2022.

The Bank of Italy's inspection report noted the need for greater incisiveness in the exercise of the powers of management and coordination of Cassa Centrale, in its capacity as Parent Company, as part of customer protection and in the fight against money laundering and terrorist financing, a necessary condition for supervising compliance with the regulations and ensuring adequate monitoring. The action plan prepared to accompany the considerations to the inspection findings and the related schedule acknowledges this finding.

In compliance with the Regulatory Provisions and the guidelines expressed at European level on the composition and appointment of corporate bodies with regard to the requirements of experience, integrity, conflicts of interest and independence of judgement, availability of time and overall suitability, in March 2021 the Board of Directors carried out its self-assessment on the functioning and qualitative and quantitative composition of the body, as well as of the Internal Board Committees. The outcome of the same was submitted to the Board of Directors for approval on 14 April 2021 and made available to shareholders at the Shareholders' Meeting of 16 June 2021.

The Board, in compliance with the Regulatory Provisions and the aforementioned European guidelines, and in line with the Rules of Conduct of the Board of Statutory Auditors issued by the CNDCEC, carried out its own self-assessment on the functioning and qualitative and quantitative composition of the control body. The results of the process led to a positive opinion on the collective suitability, the qualitative and quantitative composition and the functioning of the control body. The related report, as collectively approved by the control body, was brought to the attention of the Board of Directors on 14 April 2021 and made available to the shareholders at the Shareholders' Meeting of 16 June 2021.

4. Monitoring of the adequacy, effectiveness and functionality of the overall internal control and risk management system

The Corporate Control Functions for the affiliated cooperative credit banks are outsourced by the Parent Company in accordance with the Supervisory Provisions for Banks in the Cooperative Banking Group issued by the Bank of Italy.
The organisational model of Cassa Centrale provides for the figure of the "Internal contact representative" at the individual user companies who reports functionally to the heads of the Parent Company's Control Functions and, in the case of the Compliance and Anti-Money Laundering Functions, carries out centrally planned verification activities under the direct supervision of the respective Functional Departments. For the Luxembourg subsidiary NEAM, reports and annual reports have been acquired and the status of implementation of remedial actions is monitored in response to the findings.
The Board of Statutory Auditors oversaw the adequacy of the internal control and risk management systems through:

- the acquisition of information from Top Management and the Heads of Business Departments and support to the Department;
- the analysis of the annual plans and annual reports prepared in accordance with the regulations in force of the Control Functions - Compliance, AML, Risk Management and Internal Audit - (hereinafter referred to as the Control Functions) and periodic meetings with them;
- the analysis and discussions of the reports prepared by the Control Functions as a result of the verification and monitoring activities carried out;
- participation in the meetings of the internal board committees and the Board of Directors during which the aforementioned reports and annual reports were presented and examined;
- the monitoring of the implementation and effectiveness of the remedial actions in the areas subject to verification in light of the findings emerging from the reports of the Control Functions, through direct intervention or examination of the periodic reports on the relevant progress prepared by the same Functions,
- the checks carried out in accordance with the action plan defined and reformulated during the year;
- the periodic meetings with the Independent Auditors in order to acquire evidence from the checks on the proper keeping of accounts and the correct recognition of management events in the accounting records and the results of the procedures checking the reliability of the administrative and accounting control system that oversees the production of financial information;
- the exchange of information and the meetings with the control bodies of the Group entities.

In the model of Control Functions centralised at the Parent Company, the Representatives play a key role in the implementation of an effective internal control and risk management system. The

Board appreciated the consolidation of the methods of coordination of the Representatives and assessment of their work by the Control Functions; however, it noted the need for the considerations on the risk profile of the Affiliated Banks to be integrated with the assessment of the Representatives according to a methodological approach that more systematically and objectively adapts their contribution in terms of quality, experience in the role, competence and autonomy of judgement and adequacy of time commitment with the tasks assigned to them. In this regard, the Functions intensified the monitoring of the activities assigned to the AML, Compliance and Risk Management Representatives in order to promptly identify possible gaps in the carrying-out of controls. During the year, situations in which the FTEs declared by the Representatives were below the minimum thresholds assumed at the time on the basis of size clusters were almost entirely remedied; similarly, cases of partial incompatibility due to the overlapping of operating activities with those of control in the hands of the Representatives of some Banks are being resolved.
The refinement of the assessment of the Representatives through the inclusion of parameters such as time dedicated, years of experience in the role, level of training, is currently underway in order to better circumscribe their contribution to the "governance" and thus to the Bank's risk profile.
Also as a result of the findings of the Bank of Italy's inspection report concerning transparency and AML, the respective Functions intensified training sessions and continue to regularly monitor the quality of the Representatives' contribution.

During 2021, the supervisory activity of the Board continued, also through participation in the work of the Risk Committee, on the implementation of the action plan approved by the Board of Directors in October 2020. This plan had been drawn up following the assessment of the overall internal control system at Group level carried out by the Internal Audit Function, at the request of the European Supervisory Authority, in order to check the adequacy, among other things, of the size of the Control Functions.
The Functions periodically reported to the corporate bodies the progress relating to the target size, which, however, has not yet been achieved also due to the difficulties encountered during the pandemic period; the new recruits were also partially offset by resignations.

Internal Audit Function
The Board examined and discussed the 2021 Audit Plan with the Function, which was subsequently approved at the Board of Directors' meeting of 31 March 2021; it also took note of the annual report of the Internal Audit Function prepared in accordance with the provisions of Bank of Italy Circular no. 285/2013, in which, in order to better represent to the corporate bodies the risk areas on which its action was focused, it reports the activity carried out according to a breakdown that reflects the four macro areas of the prudential audit and assessment process: business model, governance and risk management, capital risk, liquidity risk and funding.
The activities carried out by the Function in 2021 in accordance with the approved and subsequently adjusted Plan were affected by a certain number of requests for extraordinary checks by the Supervisory Authorities; therefore, taking into account the available resources, it was necessary to reschedule several audits provided for in the approved Plan, according to a risk-based approach.
In consideration of the results of the activities carried out and of the initiatives currently underway, the Internal Audit Function "*although underlining the presence of certain control units that require important strengthening, points out how, on the whole, the consolidation of the Group's Internal Control System is continuing*". The strengthening mainly concerns the credit risk controls for which all initiatives to overcome the findings of the Function, and the data governance and data quality processes have not yet been completed.
Finally, the Board acknowledged the projects in progress in terms of supporting IT tools, which are crucial to increasing the effectiveness of the Function: the new version of the application - known as Tracking App. - thanks to automatic alerts, allows a more efficient tracking and monitoring of corrective actions undertaken in response to audit findings; to date, the application has already

been made available to a certain number of business and support Departments, thus encouraging their active involvement. To this is added the project in progress for the design of a system of remote indicators through indices of potential anomaly for the various areas of operation of the Bank and the Group, which provides for alert and warning thresholds in order to make audit checks even more risk-based.

<u>Head of Internal Reporting Systems</u>

In accordance with the reference regulations, on 31 March 2021, the Board of Directors of Cassa Centrale approved the Group Whistle-blowing Regulation.

The Regulation aims to provide guidelines for reporting facts that may constitute a violation of internal and external rules governing banking, financial and insurance activities, the violation of the principles of the Code of Ethics, the violation of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, as well as for reporting unlawful or fraudulent behaviour by employees or company representatives and violations of anti-money laundering rules when carrying out their professional duties. At the same time, it appointed the Head of Internal Audit as Head of the Bank's Internal Reporting Systems.

The Regulation was also approved by the Boards of Directors of the Group's Affiliated Banks and Subsidiaries, which appointed their own Head of Internal Reporting Systems and communicated his/her name to the Parent Company.

In order to manage reports in compliance with the rights to data privacy of the whistle-blower, to the confidentiality of the information received and anonymity, Cassa Centrale has a web application developed by Allitude S.p.A., which can be accessed via the company intranet.

The Board of Statutory Auditors acknowledged the annual report prepared by the Head, which shows that no reports were received concerning Cassa Centrale during 2021.

The report also shows that, with reference to the Affiliated Banks and Subsidiaries, there were no significant reports that gave rise to investigations, in-depth investigations, sanctions and/or serious disciplinary measures.

The report was approved by the Board of Directors and the Board of Statutory Auditors at their meeting on 28 April 2022.

<u>Compliance Function</u>

The Board examined the annual activity plan approved by the Board of Directors on 31 March 2021 and the subsequent update approved on 23 September 2021.

It acknowledged the Compliance Function's annual report, in compliance with Bank of Italy Circular no. 285/2013, which, while noting a gradual improvement in control units with respect to the Group's start-up in various areas, shows the need to implement the Action Plan resolved by the Parent Company following the Bank of Italy's inspection on Transparency and the continuation of certain projects and corrective actions that the Function has identified.

Among the improvements made and identified by the Board, it is worth mentioning: the updating of the Regulation for the management of transactions with related parties and the implementation of the applications to support the Consolidated Register 285, as well as the creation of the interface for connection with the IVALUA platform for the management of the purchasing cycle for transactions with related parties other than credit, which is essential to capture the entire universe of transactions with them; the management of internal regulations through the release of the relevant Regulation on 14 April 2021; the release of the Regulations on supervisory reporting and on the management of outsourcing.

However, there is still a need to issue detailed procedures that better define roles, tasks, controls and relevant timing.

With regard to projects still in progress, these concern the IT applications for MiFID II/IDD compliance, the completion of the Group Model for the provision of investment services, both expected by the end of this year, and the full compliance with Product Oversight Governance (POG) on retail banking products, expected by 30 June 2023, as well as the target market monitoring on financial instruments and insurance products currently being defined.

The Compliance Function dedicated considerable resources and commitment to the analysis of inspection findings in transparency, supporting Top Management and corporate bodies in defining the action plan and maintaining constant coordination with the Affiliated Banks in order to share remedial actions, with a special focus on restitutive measures, raise the level of awareness of Internal Contact Representatives and provide guidelines for a more accurate implementation of first-level controls in this area.
The inspection report was carefully examined at the Risk Committee meetings held on 31 January, 18 February and 7 March 2022 and at the Board of Directors' meetings held on 3, 24 February and 10 March 2022, which were attended by the heads of the Compliance, AML Functions and Operations Departments for aspects under their control, and which were always fully attended by the Board.
Finally, the Board examined Cassa Centrale's response to the findings of the Bank of Italy's inspection report in a dedicated meeting, following the work of the aforementioned Risk Committee and Board, in which it acknowledged its positive assessment of the action plan in Transparency and AML and the provision of a periodic reporting to the corporate bodies on the progress of remedial actions by the Owner Functions; however, it recommended that the frequency of reporting be defined in line with the time period in which the remedial actions are planned.
In compliance with supervisory obligations, the Board represented its commitment to monitor the progress of corrective actions, including the continuation of scouting activities for the recruitment of resources to fill the existing gap with respect to the optimal size of the Compliance and AML Functions, and the update of the already mentioned assessment carried out in 2020 with reference to the Internal Audit Function.

The Board acknowledged the report of the Compliance Function prepared pursuant to Article 22, par 2, let. c) of Regulation (EU) 2017/565 and in accordance with Guideline 3 of the ESMA Guidelines pointing out the update of the Group's regulations on personnel knowledge and skills and market abuse; the body of internal regulations on personal transactions of relevant parties, the management of inside information and insider dealing still need to be completed.
The report emphasises the projects currently in progress on the model for the provision of investment advice and adequacy assessment services, which envisage the implementation of specific controls, including IT, in relation to areas of intervention identified by the Function: ESG (Environmental, Social, Governance) preferences, insurance requirements for IBIPs (Insurance-Based Investment Products), periodic information to customers, concentration risk, consistency of opportunistic profiling and re-profiling.
With regard to the effectiveness of control units, there are still some inconsistencies in customer profiling, as shown by the analysis of deviations in risk profiles at some Affiliated Banks compared to the average values of the Group; these deviations were monitored by the Compliance Function through the request of ad hoc action plans from the Affiliates and the periodic reporting of these indicators, also following request from the Board.
The Compliance Function monitors the progress of these measures and the Board of Statutory Auditors is committed to monitoring their thorough implementation and effectiveness.

As in the case of the Internal Audit Function, the parallel development of IT tools to support Compliance continued: in November 2021, the development of the "Tracking App Target" application for monitoring the adoption of mitigation actions in response to findings made by the Function was released; other developments are also in progress, namely: the " Periodic Checks App" for monitoring completed remedial actions being checked and other functions to support Internal Contact Representatives, the release of which is expected by the end of the first half of 2022, and the "Control Program Target App" aimed at streamlining the management of findings, the release of which is expected by the end of 2022; the putting into production by the end of the year of an IT solution for the management of information flows from the Compliance Function to the Affiliated Banks and the Parent Company's Departments, which also includes regulatory alerts, is also planned. Finally, the 2022 ICT Operational Plan includes the Data Governance Compliance project with a release date by the end of 2023, which envisages the possibility for the Compliance to autonomously extract useful data for the construction of indicators for remote checks. In the meantime, the extractions used in the area of Transparency during the Bank of Italy inspection have already been made available to the Function.

Risk Management Function

The Board examined the 2021 Annual Plan and the Activity Report of the Risk Management Department approved by the Board of Directors on 31 March 2021 and 31 March 2022, respectively. Also with reference to risk management, the enhancement of the internal regulatory body continued, especially within the Validation Service with regard to the methodological manuals for the validation of the IFRS 9 impairment model, the models for estimating market risk, interest rate risk of the owned portfolio (IRRBB) and operating risk.

More recently, at the same time as the first liquidity management in resolution, the Regulation for the resolution framework, which sets the basis for formalising internal resolution processes, and the validation manual for the stress testing framework were approved; the internal validation and model lifecycle management policies were also updated.

The reporting to the Affiliated Banks was characterised by the introduction of a monthly Integrated Risk Assessment (IRR) report that allows banks to have visibility on their own positioning and a quarterly report on checking regulatory limits.

During 2021, second-level credit risk monitoring was carried out on the basis of tactical solutions adopted by the Function due to delays in the implementation of the necessary applications by the Group's IT provider; the use of these solutions limited the efficiency of these controls, as also shown in the checks carried out by Internal Audit in this area.

The rescheduling of several IT projects necessary to automate second-level controls also in other areas of the Function's operations resulted in extensive data reconciliation activities. In this regard, the use of greater external leverage by the IT provider, which is shown in the recently approved 2022 ICT Operational Plan, together with the identification of more innovative external solutions and more stringent monitoring of the plan's progress, are the basis for strengthening second-level controls.

With regard to Internal Contact Representatives, the Risk Management Department issued operational procedures also in order to define the elements for their assessment in terms of hierarchical positioning, compliance with the principle of separation between operating and control functions, dedicated FTEs, qualifications and specialisations. The results of the assessment showed areas for improvement and limited cases of incompatibility that the Function has undertaken to remove, also through coordination with the other Control Functions.

Anti-Money Laundering Function

The Board acknowledged the 2021 activity plan and the training plans of the AML Function approved at the meeting of the Board of Directors on 28 April 2021.

It also acknowledged the 2021 Group self-assessment and consolidated report and the report of Cassa Centrale approved by the Board of Directors on 28 April 2022.

The 2021 financial year was characterised by a strong commitment of the Function in the progressive harmonisation of procedures, processes and related controls at Group level, among which the following are worth mentioning:

- the restructuring of the due diligence process supported by new procedural tools characterised by the contribution of a working group made up of AML Representatives from a sample of Affiliated Banks in accordance with the Group's practice. The project started in January 2021 and ended with the presentation of the new due diligence process to the Affiliated Banks on 2 March 2022 together with the application developments and scheduled release dates. The projects envisaged gradual releases with completion expected by the end of the first quarter of 2023;

- a new functional requirement whereby a KYC is to be generated at the time of requesting the loan, the completion of which is closely related to the origination of the loan. This requirement envisages that a check on the presence of positively verified KYCs must be carried out within the Electronic Credit Line Application (PEF, Pratica Elettronica di Fido) prior to the resolution. It is scheduled to be released by 28 February 2023;
- the review of the model for the assignment of the AML rating class for each Group bank, the release of which is planned by 30 June 2022.

Also as part of AML, the need to improve data quality, both for the purposes of keeping the documentation available to the Supervisory Authority and for the effectiveness of controls, resulted in specific requests for the design, development and implementation of Enterprise Data Quality controls to the Group's provider, which are currently being implemented.
Some of the changes referred to in terms of processes, procedures and controls were planned or refined following the approval of the action plan resulting from the findings of the already mentioned Bank of Italy inspection; therefore, the considerations already expressed for the Compliance function apply with reference to the reporting to the corporate bodies in order to allow timely monitoring of the progress of remedial actions and the adjustment of the assessment on the target size of the Function.

During the year, the Board of Statutory Auditors interacted with the Control Functions on an ongoing basis; it acquired the reports produced by them in a timely manner and discussed their outcomes and planned remedial actions in dedicated meetings. Special efforts were made in the monitoring of some Affiliated Banks that pointed out critical issues in terms of governance and anti-money laundering, as identified by the reports produced by the same Functions, some of which were not included in the plan. In this regard, it also coordinated with the corresponding control bodies of the Affiliates, obtaining the required feedback on which to base its assessment.
Finally, the supervisory activity carried out and the contribution of the Bank of Italy's inspection report in directing the action to strengthen the transparency and anti-money laundering controls lead to the conclusion that the need to standardise processes, procedures and controls at the Group level cannot be postponed in order to facilitate the consolidation of the overall control and risk management system.

The Board of Statutory Auditors also monitored the compliance of the remuneration policies of the Control Functions with supervisory regulations by attending all the meetings of the Remuneration Committee.

The Board of Statutory Auditors, on the basis of the activities carried out and the opinion of the Group Internal Audit Function, considers that although there are areas that require a strengthening of controls, the timely actions undertaken by the Parent Company and monitored reasonably allow us to conclude there are no critical elements such as to affect the overall internal controls and risk management system.

5. Monitoring of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors, in its role as Internal Control and Audit Committee, audited the effectiveness of the internal control and risk management system relating to financial reporting and

monitored the related process, pursuant to Article 19, paragraph 1, letter c) of Legislative Decree no. 39/2010.
The Administration and Financial Statements Manager oversees the process of preparing the separate and consolidated financial statements in accordance with an articulated process on which centralised controls are in place at the Affiliates and Subsidiaries that provide reasonable assurance of the reliability of financial reporting. The consolidation process is organised according to a programme of activities that provides for the sending of specific half-yearly and annual instructions to Group entities.
Due to the Coronavirus emergency, the European Supervisory Authorities (ECB, EBA and ESMA) addressed several communications to credit institutions during 2020, providing recommendations to ensure that the valuation of loans to customers correctly reflected the impacts of the pandemic while avoiding the incorporation of excessively pro-cyclical assumptions in the models for determining expected losses; they had also detailed the criteria that had to be met by loan moratoria in order for them not to result in the classification of forbearance. In the interests of transparency, recommendations were also made to ensure that, as far as possible, operators reflected in their financial reporting the qualitative and quantitative impacts of the pandemic on their financial and economic situations; lastly, they recommended assessing whether the pandemic was likely to generate a decline in value on intangible assets recorded in the financial statements.
On 29 January 2021, the EBA updated its report on the implementation of the prudential regulatory framework defined in relation to the Covid-19 pandemic ("*EBA Report on the implementation of selected COVID-19 policies, EBA/Rep/2021/02*"), clarifying that, in the event that a bank enters into a second moratorium on the same credit facility, any suspension of payments scheduled to occur as from 1 April 2021 must be treated as an individual moratorium measure, with the consequent application of the general rules regarding the definition of default, forbearance and distressed restructuring apply.
The Board of Statutory Auditors monitored, including by participating in the work of the Risk Committee, meetings with the heads of the Functions concerned and with the Independent auditors, the Bank's implementation of the above-mentioned recommendations in the process of preparing the financial reporting.
Cassa Centrale has provided the relevant information in Part A.1. "General Part", Section 5. point d) "Methods of application of international accounting standards in the context of the Covid-19 pandemic" of the Explanatory Notes to the consolidated financial statements.

The Heads of the appointed independent auditors did not report any shortcomings in the administrative-accounting internal control system during their periodic meetings with the Board of Statutory Auditors and in the additional report issued pursuant to Article 11 of Regulation (EU) No. 537/2014.

On the basis of the evidence gathered as shown above, no gaps have emerged that could affect the reliability of the internal control system that oversees the process of preparing financial reports and the suitability of the administrative-accounting system to correctly detect and represent operations.

6. Supervisory Body

The supervisory task pursuant to Legislative Decree 231/2001 was entrusted to the Board of Statutory Auditors by resolution of the Board of Directors on 2 October 2019.
In 2021, the Supervisory Body (hereinafter also referred to as "SB") carried out its supervisory activity in relation to the Organisation, Management and Control Model of Cassa Centrale in force.

As part of the information flows envisaged by the "Guidelines on the administrative liability of entities within the Group", the Body received communications from the counterparts of certain Affiliated Banks in respect of which it acquired periodic updates and assessed any organisational critical issues that might have facilitated the commission of the alleged offences or, in any case, the occurrence of potentially significant events. The above-mentioned communications concern facts and procedures that have not yet been concluded and which, therefore, will also be monitored periodically below.
On the contrary, there is no evidence or notice of the existence of procedures pursuant to Legislative Decree no. 231/2001 directly involving the Parent Company.

Following the enactment of Legislative Decree no. 75/2020, which extended the catalogue of predicate offences, the Body reported the need to adjust the model to Cassa Centrale, which carried out an analysis of the impact on the Model adopted, integrating the mapping of activities that pose a risk of committing offences and identifying the relevant controls and the necessary information flows. On completion of the activities, the Organisation, Management and Control Model, in its updated version, was adopted by the Board of Directors by resolution of 31 March 2021.
The SB also informed the Bank of the need to further adapt the Model as a result of the following regulatory changes:

- Legislative Decree no. 184 of 8 November 2021 on "Implementation of Directive (EU) no. 2019/713 of the European Parliament and of the Council of 17 April 2019 on combating fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision no. 2001/413/JHA", which introduced Article 25-octies.1 (crimes relating to non-cash payment instruments) into Legislative Decree No. 231/2001, extending the administrative liability of entities to the offences of:
    - Art. 493ter of the Penal Code: misuse and counterfeiting of non-cash payment instruments;
    - Art. 493quater of the Penal Code: possession and dissemination of computer equipment, devices or programmes intended to commit offences involving non-cash payment instruments;
    - Art. 640ter of the Penal Code: computer fraud aggravated by the transfer of money, monetary value or virtual currency.

  This rule entered into force on 14 December 2021;
- Legislative Decree no. 195 of 8 November 2021 "Implementation of Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by means of criminal law", which made changes to the offences of receipt of stolen goods, money laundering and use of money, goods or benefits of unlawful origin as well as self laundering. These are offences that are already predicate to the administrative liability of entities;
- Law no. 238 of 23 December 2021 (known as European Law), which introduced a number of amendments to the catalogue of 231 predicate offences, in relation to computer crimes, in particular (Article 24bis of Legislative Decree 231/01), certain crimes against individuals (Article 25quinquies of Legislative Decree 231/01), and market abuse offences (Article 25sexies of Legislative Decree 231/01);
- Law Decree no. 13 of 25 February 2022, which amended Articles 316bis of the Penal Code (embezzlement of public funds), 316ter of the Penal Code (misappropriation of public funds) and Article 640bis of the Penal Code (aggravated fraud for obtaining public funds);
- Law no. 22 of 9 March 2022, on “Provisions on offences against the cultural heritage”, entered into force on 23 March 2022, which added arts. 25septiesdecies (crimes against the cultural heritage) and 25duodevicies (laundering of cultural

assets and devastation and looting of cultural and landscape assets) in Legislative Decree no. 231/01, extending the administrative liability of entities to crimes against the cultural heritage, now envisaged by the Penal Code as introduced therein by this law.

The Bank acknowledged the Supervisory Board's recommendations and further updated the model, which was approved by the Board of Directors on 12 May 2022.

Based on the activities carried out during the year, the Body found no evidence to suggest that Model 231 did not operate effectively during the reporting period. The report of the Supervisory Body was submitted to the Board of Directors on 12 May 2022.

During the period under review, the Supervisory Body received no reports of unlawful conduct or violations of the model.

7. Coordination with the Boards of Statutory Auditors of Affiliated Banks and Subsidiaries

During the year, the Board of Statutory Auditors exchanged information and news, both orally and in writing, with the Boards of Statutory Auditors of the Affiliated Banks and Subsidiaries, carrying out the in-depth analyses deemed necessary with reference to aspects of internal control and risk governance.

Moreover, for the purpose of preparing the annual report on the financial statements, as in previous years, the Board sent a request for information to the supervisory bodies of a sample of 37 Affiliated Banks selected according to a risk-based approach combined with a rotation criterion. After receiving feedback from all recipients, the Board then held targeted meetings and/or formulated further written requests in order to further investigate the reported issues, where necessary.

The Board of Statutory Auditors has taken into account the information acquired through coordination with the control bodies of the Affiliated Banks and Subsidiaries in the exercise of its supervisory duties and has been able to ascertain the constructive spirit and cooperation of the Representatives of the control bodies of the aforementioned entities.

8. Monitoring of transactions with associated parties/related parties

On 2 December 2021, the update to the Group Regulation for the management of transactions with related parties, which acknowledged the regulatory changes that had occurred by defining the roles and responsibilities of the Functions involved and the Representatives of the Affiliated Banks and Subsidiaries, was approved. Some of the IT developments supporting operating processes and control activities are nearing completion. The audit activity of the Board carried out so far shows that the existing control units have been strengthened, although there are areas for improvement relating to the need to formalise detailed operating procedures and to integrate the Register of Subsidiaries into the application that manages the Group's Consolidated Register.

In relation to the issue of conflicts of interest with associated and related parties, the Board of Statutory Auditors monitored the overall suitability of internal procedures to comply with the rules set out in Bank of Italy Circular no. 285/2013, through direct feedback, attending all meetings of the Independent Directors' Committee and analysing periodic information on the transactions carried out.

The Board of Statutory Auditors has no transactions with related parties in conflict with the interest of Cassa Centrale.

In part H of the Explanatory Notes to the separate and consolidated financial statements, the directors provided adequate information on transactions with related parties.

9. Supervisory activities in relation to the statutory audit pursuant to Articles 16 and 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 transposing Directive (EU) 2014/56

The separate and consolidated financial statements are externally audited by the independent auditors Deloitte & Touche S.p.A.

The audit assignment also includes verifying that the company's accounts are properly kept and the operations are correctly recorded in the accounting records, the limited audit of the consolidated financial statements prepared for the determination of the half-yearly result for the purpose of calculating Common Equity Tier 1 capital as provided for in Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and the checks connected with the signing of tax returns and the verification procedures for the issue of the certification for the National Guarantee Fund provided for by Article 62, paragraph 1 of Legislative Decree no. 415 of 23 July 1996.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, monitored the external audit of the separate and consolidated financial statements of the Cassa Centrale Group through constant dialogue and periodic meetings with the Persons responsible for auditing during the year and until the date of completion of the audit, during which it examined and discussed:

- the planning and progress of the limited audit of the consolidated financial statements at 30 June 2021, the main accounting issues relating to the aforementioned financial reporting and any difficulties encountered;
- the strategy and planning for the external audit of the separate and consolidated financial statements as at 31 December 2021 with an indication of the subsidiaries included in the scope of consolidation and audited by other independent auditors;
- the status of the preliminary intervention of the audit activity and in particular the analysis of the internal control system that oversees the preparation of financial information for the purposes of assessing audit risk; the audit approach to the potential risk of fraud;
- key aspects of the audit, namely the classification and measurement of loans to customers for loans measured at amortised cost;
- the outcome of checks on the proper keeping of accounts and the correct recording of management events on accounting records;
- planning and carrying out the limited review of the Consolidated Non-Financial Statement;
- the acquisition of the audit and the confirmation of the key aspects identified in the planning that the auditor considers to be most relevant to the presentation of his/her audit opinion;
- analysis of the contents of the additional report.

In the course of the meetings held, the Board of Statutory Auditors updated the Persons responsible for auditing in relation to the supervisory activities carried out and the relevant outcomes and significant events of Cassa Centrale.

In its reports on the audit of the separate and consolidated financial statements issued on 22 April 2022, the Independent Auditors expressed an opinion stating that:

- the separate and consolidated financial statements provide a true and fair view of the equity and financial position of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. and of the Cassa Centrale Cooperative Banking Group as at 31 December 2021, as well as the results of operations and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures issued in implementation of Article 43 of Legislative Decree no. 136/15;
- the reports on operations, which are the responsibility of the directors, are consistent with the separate and consolidated financial statements of Cassa Centrale Banca - Credito

Cooperativo Italiano S.p.A. and the Cassa Centrale Cooperative Banking Group as at 31 December 2021 and are prepared in accordance with the law.

In its reports on the audit of the separate and consolidated financial statements, the Independent Auditors also certified:

- to have nothing to report, based on the knowledge and understanding of the company and of the related context acquired during the audit activity, with reference to the declaration referred to in Article 14, paragraph 2, letter e) of Legislative Decree no. 39/10 on significant errors in the reports on operations accompanying the financial statements;
- that it has verified the Directors' approval of the Non-Financial Statement.

On 22 April 2022, the Independent Auditors also submitted to the Board of Statutory Auditors the Additional report required by Article 11 of Regulation (EU) no. 537/2014, which does not reveal any weaknesses in the internal control system inherent in the financial reporting process, nor any circumstances to be reported as a result of the checks carried out on the regular keeping of the Company's accounts and the correct recording of operations in the accounting records. Attached to the Report is the annual confirmation of independence referred to in Article 6, paragraph 2, letter a) of the same Regulation in which the Independent Auditors stated that, on the basis of the information obtained and the checks carried out in the period from 1 January 2021 until the report is issued, no situations were found that compromised its independence pursuant to Articles 10 and 17 of Legislative Decree no. 39/2010 and Articles 4 and 5 of Regulation (EU) no. 537/2014.

Cassa Centrale has adopted a "Group Policy for conferring tasks upon the person responsible for the external audit and/or other companies belonging to the reference network." In accordance with the Group Policy, additional engagements with respect to the statutory audit activity pursuant to Article 14 of Legislative Decree No. 39/2010, where allowed insofar as they are not incompatible, are subject to prior authorisation by the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, in accordance with the provisions of Article 5, paragraph 4 of Regulation (EU) No. 537/2014, in order to supervise and monitor the independence of the auditor.

During the course of the year, the Board of Statutory Auditors complied with the provisions of current legislation and the Group Policy in relation to the approval of services other than the statutory audit conferred upon the Independent Auditors or other entities belonging to its network.

The costs for non-audit services charged to the Group's consolidated Income Statement - Annex A to the consolidated Explanatory Notes - amount to approximately EUR 100 thousand and concerned exclusively certification services.

Certification services are conferred on the Statutory Auditor by law or regulation or in accordance with Authority measures on the grounds that, by their nature, they are similar to an extension of audit activity and, as such, do not compromise the Statutory Auditor's independence and are not counted for the purpose of determining the ceiling under the fee cap rule referred to in Article 4, par. 2, of the aforementioned European Regulation.

The Board of Statutory Auditors has also acquired the Transparency report for the year ended 31 May 2021, available on the Deloitte & Touche S.p.A. website which contains the information required by Article 13, paragraph 2, letters d), g) and h) of European Regulation no. 537/2014 relating to the year ended 31 May 2021 on the internal control and quality system, compliance with independence requirements and continuous training of the Independent Auditors.

10. Consolidated Non-Financial Statement

Cassa Centrale is required to draw up the Consolidated Non-Financial Statement (NFS) in compliance with Article 2 of Legislative Decree no. 254/2016 and the Consob Regulation implementing the Decree adopted with Resolution no. 20267 of 18 January 2018.

The Consolidated Non-Financial Statement, approved by the Board of Directors of Cassa Centrale on 31 March 2022, was presented as a separate document in relation to the Report on Operations to the consolidated financial statements as at 31 December 2021.
Pursuant to Article 3, paragraph 10, of Legislative Decree no. 254/2016, the task of carrying out the limited examination of the Consolidated Non-Financial Statement was assigned to the Statutory Auditor who, on 22 April 2022, certified that no evidence has come to his/her attention that the Consolidated Non-Financial Statement of the Cassa Centrale Group, relating to the financial year ended 31 December 2021, has not been drafted, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards-GRI".

In the performance of its duties, the Board of Statutory Auditors has monitored compliance with the provisions of Legislative Decree no. 254/2016, with reference to the drafting process, the procedures and controls established and the contents of the Consolidated Non-Financial Statement through meetings with the Head of the function and the dedicated structure, highlighting areas for improvement as regards the formalisation of processes and related controls. During these meetings, the Board was able to learn about the process underlying the updating of the materiality matrix, an essential element for the drafting of the NFS, which identifies the relevant issues and indicators for measuring the Group's economic, social and environmental impacts capable of influencing stakeholders' decisions and therefore to be included in the relevant disclosures. The materiality matrix was approved by the Board of Directors on 27 January 2022.

11. Conclusions

Dear Shareholders,

The separate financial statements of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. as at 31 December 2021 closed with a net profit for the year of EUR 46,064,270 and equity of EUR 1,143,337,447.
In addition to the approval of the separate financial statements of Cassa Centrale as at 31 December 2021, the Ordinary Shareholders' Meeting also includes the following items on the agenda:

- presentation of the consolidated financial statements as at 31 December 2021;
- presentation of the Consolidated Non-Financial Statement as at 31 December 2021;
- report to the Shareholders' Meeting on the implementation of the 2021 Remuneration and Incentive Policies;
- approval of the 2022 Remuneration and Incentive Policies, including the criteria for determining remuneration in the event of early termination of the employment relationship or early termination of office;
- information on the adoption of the Group Regulation for the management of transactions with related parties;
- appointment of the members of the Board of Directors, the Chairman and the Acting Deputy Chairperson of the Board of Directors for the three-year period 2022 - 2024;
- appointment of the Chairman and other members of the Board of Statutory Auditors for the three-year period 2022 - 2024;
- determining the fees and expense reimbursement to the Directors and the Board of Statutory Auditors;
- insurance policies of the Corporate Bodies: related and consequent resolutions.

The Board of Statutory Auditors, considering the supervisory activities carried out and the opinions expressed in the audit reports by the Independent Auditors, did not observe, for matters within its competence, any reasons impeding the approval of the draft separate financial statements as at 31 December 2021 accompanied by the Report on Operations and the approval of the proposal for the allocation of the net profit for the year.

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With the approval of the financial statements as at 31 December 2021, the mandate of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 28 May 2019 expires. Consequently, the Shareholders' Meeting of 30 May 2022 is called to appoint the new Board of Statutory Auditors for the three-year period 2022 - 2024.
On this occasion, the Board would like to thank the Shareholders for the trust placed in it and all the structures of Cassa Centrale for their constant cooperation during these years of mandate.

Milan, 12 May 2022

Elisabetta Caldirola — Chairperson of the Board of Statutory Auditors

Mariella Rutigliano — Standing Auditor

Claudio Stefenelli — Standing Auditor

Independent auditors' report on the financial statements of Cassa Centrale Banca

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and valuation of loans to customers for financing measured at amortised cost

Description of the key audit matter	As indicated in the Explanatory Notes “Part B - Information on the Balance Sheet – Section 4 of Assets” and in the Report on Operations – paragraph “Credit Quality”, the gross amount of loans to customers for financing measured at amortised cost as at December 31, 2021 is equal to Euro 1,683.6 milion (of which Euro 34.7 milion of non-performing loans) reduced by adjustment provisions of Euro 73.5 milion (of which Euro 31.3 milion related to non-performing loans), resulting in a net amount of Euro 1,610.1 milion (of which Euro 3.4 milion of non-performing loans). Furthermore, the Report on Operations shows that the coverage ratio of loans to customers for financing measured at amortised cost as at December 31, 2021 is equal to 4.4%. More specifically, in accordance with the allocation required by IFRS 9 “Financial Instruments”, the coverage ratio of performing exposures, classified in “First Stage” and “Second Stage”, is equal to 2.6%, while the coverage ratio of non-performing exposures, classified in “Third Stage”, is equal to 90.1%. The Explanatory Notes “Part A – Accounting Policies” and “Part E – Information on Risks and Related Hedging Policies” describe: • the processes and the classification criteria of credit exposures adopted by the Bank in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards; • the measurement criteria of loans to customers measured at amortised cost as well as the estimate methods of the expected credit losses and for determining the loan loss provisions based on the allocation of credit exposures among the three reference stages. Moreover, as part of its policies for managing loans to customers, the Bank has adopted credit monitoring processes and controls with particular reference, among other things, to positions that benefited from Covid-19 moratorium also through a more structured segmentation into homogeneous risk clusters.

In fact, during 2021, the general macroeconomic and sector framework was still affected by significant uncertainty due to the evolution of the Covid-19 pandemic and the related containment measures, continuing to require banks to manage the related impacts on credit risk and on the related accounting estimates. In addition, the context has continued to be characterized by initiatives and concessions introduced by the government and monetary authorities, whose impacts on the Bank's economic and financial situation are described in the Explanatory Notes – Parts B, C and E, which include, also for the fiscal year 2021, specific disclosures concerning the effects of the Covid-19 pandemic, and of the measures to support the economy, on the Bank's strategy, objectives and risk management policies, as well as on the Bank's economic and financial situation.

In addition, the Bank implemented further refinements to the IFRS 9 impairment model to reflect the guidelines and recommendations provided by the regulatory and european supervisory bodies, by identifying, among other things, some areas of intervention considered worthy of further incisive actions and controls to increase coverage levels in accordance with the guidelines of the regulators and with the Bank's policies.

Considering the significance of the amount of loans to customers for financing measured at amortised cost recorded in the financial statements, the increased complexity of the monitoring process of the credit quality and of the estimation processes of the expected credit losses adopted by the Bank, also taking into account the prolonged effects of the Covid-19 pandemic, and the relevance of the discretionary components inherent in such processes, we considered the classification and valuation of loans to customers for financing measured at amortised cost as a key audit matter of the financial statements of the Bank as at December 31, 2021.

Audit procedures performed

The main audit procedures performed, also supported by specialists of the Deloitte Network, were as follows:

- analysis of the lending process with particular reference to the recognition and understanding of the organizational and procedural controls set up by the Bank to ensure the monitoring of credit quality and the correct classification and measurement of the credit exposures in accordance with the regulatory framework, the internal policies and applicable accounting standards;

- check the implementation and operating effectiveness of the relevant controls identified in relation to the classification and valuation processes of loans to customers for financing measured at amortised cost;

- analysis and understanding of the main valuation models adopted by the Bank for the determination of the additional loan loss provisions relating to performing loans, and the related refinements, as well as check of the reasonableness of the parameters subject to estimation;

- check, on a sample basis, the classification of performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Bank's internal policies and applicable accounting standards, with focused analysis on high-risk performing loans (known as "bonis sotto osservazione");

- check, on a sample basis, of the classification and measurement of non-performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Bank's internal policies and applicable accounting standards;

- comparative and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortised cost and of related loan loss provisions, also through examination of the monitoring reports provided by the Bank and discussion of the related results with the functions involved;

- analysis of subsequent events occurring after the reference date of the financial statements;

- check the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Other Matters

The financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as of December 31, 2020 have been audited by other auditors that on April 15, 2021 expressed an unmodified opinion on those financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has appointed us on June 16, 2021 as auditors of the Bank for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the report on operations of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2021, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2021 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
April 22, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Separate Financial Statements of Cassa Centrale Banca

FINANCIAL STATEMENTS

Financial statements

Balance sheet - assets

	ASSETS	31/12/2021	31/12/2020
10.	Cash and cash equivalents	288,863,891	244,716,450
20.	Financial assets designated at fair value through profit or loss	294,788,117	300,678,467
	a) financial assets held for trading	24,738,151	35,462,576
	b) financial assets designated at fair value	180,957,899	166,850,799
	c) other financial assets mandatorily measured at fair value	89,092,067	98,365,092
30.	Financial assets designated at fair value through other comprehensive income	1,059,654,012	919,868,263
40.	Financial assets measured at amortised cost	23,624,503,582	21,901,848,929
	a) loans to banks	19,771,581,998	17,964,925,181
	b) loans to customers	3,852,921,584	3,936,923,748
50.	Hedging derivatives	-	-
60.	Adjustment of the financial assets subject to macro-hedging (+/-)	-	-
70.	Equity investments	255,103,974	248,001,902
80.	Tangible assets	22,890,703	22,554,655
90.	Intangible assets	995,974	1,646,499
	of which:		
	- goodwill	-	-
100.	Tax assets	25,475,346	28,143,014
	a) current	25,124	1,015,955
	b) deferred	25,450,222	27,127,059
110.	Non-current assets and groups of assets held for disposal	610,000	-
120.	Other assets	266,935,940	232,225,924
	Total assets	**25,839,821,538**	**23,899,684,102**

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Balance sheet - liabilities

	LIABILITIES AND EQUITY	31/12/2021	31/12/2020
10.	Financial liabilities measured at amortised cost	24,105,688,821	22,199,860,928
	a) due to banks	22,517,118,886	20,718,443,472
	b) due to customers	1,588,569,935	1,471,329,611
	c) debt securities in issue	-	10,087,845
20.	Financial liabilities held for trading	21,229,587	36,076,552
30.	Financial liabilities designated at fair value	173,103,919	163,826,675
40.	Hedging derivatives	-	-
50.	Adjustment of the financial liabilities subject to macro-hedging (+/-)	-	-
60.	Tax liabilities	3,874,571	3,261,600
	a) current	2,748,357	539,321
	b) deferred	1,126,214	2,722,279
70.	Liabilities associated to assets held for disposal	-	-
80.	Other liabilities	366,377,585	340,250,890
90.	Provision for severance indemnity	1,554,327	1,951,183
100.	Provisions for risks and charges	24,655,280	20,530,577
	a) commitments and guarantees given	4,980,400	4,159,862
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	19,674,880	16,370,715
110.	Valuation reserves	(32,766,857)	(20,207,957)
120.	Repayable shares	-	-
130.	Equity instruments	-	-
140.	Reserves	158,979,192	147,205,024
150.	Share premium	19,029,034	19,029,034
160.	Share capital	952,031,808	952,031,808
170.	Own shares (-)	-	-
180.	Profit (loss) for the year (+/-)	46,064,270	35,867,789
	Total liabilities and equity	**25,839,821,538**	**23,899,684,102**

Income Statement

	ITEMS	31/12/2021	31/12/2020
10.	Interest income and similar revenues	197,020,128	109,294,373
	of which: interest income calculated with the effective interest method	195,761,443	108,799,792
20.	Interest expenses and similar charges	(160,608,364)	(67,542,490)
30.	**Interest margin**	**36,411,764**	**41,751,883**
40.	Fees and commissions income	188,254,492	157,476,682
50.	Fees and commissions expenses	(96,357,532)	(76,075,765)
60.	**Net commissions**	**91,896,960**	**81,400,917**
70.	Dividend and similar income	37,487,767	33,941,644
80.	Net result from trading	5,877,871	(1,316,048)
90.	Net result from hedging	-	-
100.	Profit (loss) from disposal/repurchase of:	30,039,777	16,476,945
	a) financial assets measured at amortised cost	26,429,501	10,513,089
	b) financial assets designated at fair value through other comprehensive income	3,610,276	5,963,856
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	2,831,373	312,352
	a) financial assets and liabilities measured at fair value	(960,103)	(96,763)
	b) other financial assets mandatorily measured at fair value	3,791,476	409,115
120.	**Net interest and other banking income**	**204,545,512**	**172,567,693**
130.	Net value adjustments/write-backs due to credit risk relative to:	(27,105,730)	(20,513,286)
	a) financial assets measured at amortised cost	(27,068,842)	(19,873,849)
	b) financial assets designated at fair value through other comprehensive income	(36,888)	(639,437)
140.	Profit/loss from contractual changes without derecognitions	2,334	(7,328)
150.	**Net income from financial activities**	**177,442,117**	**152,047,079**
160.	Administrative expenses:	(158,020,483)	(143,651,353)
	a) personnel costs	(57,406,697)	(49,518,987)
	b) other administrative expenses	(100,613,786)	(94,132,367)

	ITEMS	31/12/2021	31/12/2020
170.	Net allocations to provisions for risks and charges	(2,341,454)	1,420,786
	a) commitments and guarantees given	(858,131)	878,472
	b) other net allocations	(1,483,323)	542,314
180.	Net value adjustments/write-backs to tangible assets	(3,255,565)	(2,841,913)
190.	Net value adjustments/write-backs to intangible assets	(861,859)	(927,716)
200.	Other operating charges/income	38,736,224	32,936,270
210.	**Operating costs**	**(125,743,137)**	**(113,063,926)**
220.	Profit (loss) on equity investments	(921,021)	(26,194)
230.	Net result of fair value measurement of tangible and intangible assets	-	-
240.	Value adjustments to goodwill	-	-
250.	Profit (loss) from disposal of investments	51,104	4,110
260.	**Profit (loss) before tax from current operating activities**	**50,829,063**	**38,961,069**
270.	Income taxes for the year on current operating activities	(4,764,793)	(3,093,281)
280.	**Profit (loss) after tax from current operating activities**	**46,064,270**	**35,867,789**
290.	Profit (loss) after tax from discontinued operations	-	-
300.	**Profit (loss) for the year**	**46,064,270**	**35,867,789**

Statement of Comprehensive Income

	ITEMS	31/12/2021	31/12/2020
10.	**Profit (loss) for the year**	**46,064,270**	**35,867,789**
	Other post-tax components of income without reversal to the income statement	**(9,080,843)**	**(25,477,080)**
20.	Equities measured at fair value through other comprehensive income	(9,072,028)	(25,487,724)
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(8,815)	10,644
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**(3,478,057)**	**4,339,260**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non designated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	(3,478,057)	4,339,260
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
170.	**Total other post-tax components of income**	**(12,558,900)**	**(21,137,820)**
180.	**Comprehensive income (Item 10+170)**	**33,505,370**	**14,729,969**

Statement of changes in equity as at 31/12/2021

	Balance as at 31/12/2020	Adjustment to opening balances	Balance as at 31/12/2021	Allocation of result from previous year		Changes during the year								Equity as at 31/12/2021
						Changes to reserves	Equity transactions						Comprehensive income for 2021	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options		
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) of profit	147,186,740	-	147,186,740	16,293,390	X	(4,519,221)	-	-	-	X	X	X	X	158,960,909
b) other	18,284	-	18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	(20,207,958)	-	(20,207,958)	X	X	-	X	X	X	X	X	X	(12,558,901)	(32,766,858)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	35,867,789	-	35,867,789	(16,293,390)	(19,574,399)	X	X	X	X	X	X	X	46,064,270	46,064,270
Equity	**1,133,925,697**	**-**	**1,133,925,697**	**-**	**(19,574,399)**	**(4,519,221)**	**-**	**-**					**33,505,370**	**1,143,337,447**

Statement of changes in equity as at 31/12/2020

				Allocation of result from previous year		Changes during the year								
							Equity transactions							
	Balance as at 31/12/2019	Adjustment to opening balances	Balance as at 31/12/2020	Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2020	Equity as at 31/12/2020
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) of profit	131,275,114	-	131,275,114	16,294,844	X	(383,218)	-	-	-	X	X	X	X	147,186,740
b) other	18,284	-	18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	929,861	-	929,861	X	X	-	X	X	X	X	X	X	(21,137,819)	(20,207,958)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	30,896,867	-	30,896,867	(16,294,844)	(14,602,023)	X	X	X	X	X	X	X	35,867,789	35,867,789
Equity	**1,134,180,968**	**-**	**1,134,180,968**	**-**	**(14,602,023)**	**(383,218)**	**-**	**-**	**-**	**-**	**-**	**-**	**14,729,970**	**1,133,925,697**

Cash Flow Statement

Indirect method

	Amount	
	31/12/2021	31/12/2020
A. OPERATING ACTIVITIES		
1. Operations	**83,403,649**	**61,310,447**
- income for the year (+/-)	46,064,270	35,867,789
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	(1,061,098)	(538,943)
- gains/losses on hedging activities (-/+)	-	-
- net value adjustments/write-backs due to credit risk (+/-)	27,105,730	20,513,286
- net value adjustments/write-backs to tangible and intangible assets (+/-)	4,117,421	3,769,627
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	2,341,454	(1,420,786)
- taxes, duties and tax credits not settled (+/-)	4,764,793	3,093,281
- net value adjustments/write-backs from discontinued operations net of tax (+/-)	-	-
- other adjustments (+/-)	71,079	26,193
2. Cash flows generated/used by the financial assets	**(1,934,004,278)**	**(15,288,328,543)**
- financial assets held for trading	10,057,200	(10,426,237)
- financial assets designated at fair value	(13,281,010)	(163,663,698)
- other assets obligatorily measured at fair value	7,919,259	(17,645,838)
- financial assets designated at fair value through other comprehensive income	(154,705,737)	60,257,281
- financial assets measured at amortised cost	(1,749,283,975)	(15,154,271,760)
- other assets	(34,710,015)	(2,578,292)
3. Cash flows generated/used by the financial liabilities	**1,926,219,243**	**15,278,427,877**
- financial liabilities measured at amortised cost	1,905,827,893	15,139,077,244
- financial liabilities held for trading	(14,846,965)	11,913,351
- financial liabilities designated at fair value	9,277,244	160,540,443
- other liabilities	25,961,071	(33,103,161)
Net cash flow generated/used by operating activities	**75,618,614**	**51,409,781**

	Amount	
	31/12/2021	31/12/2020
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**2,356,201**	**1,665,078**
- sales of equity investments	548,115	267,821
- dividends collected on equity investments	-	-
- sales of tangible assets	1,808,086	1,397,257
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(14,252,975)**	**(12,955,703)**
- equity investment acquisitions	(8,023,093)	(7,531,095)
- tangible asset acquisitions	(6,018,547)	(4,778,894)
- intangible asset acquisitions	(211,335)	(645,714)
- purchases of business units	-	-
Net cash flow generated/used by investment activities	**(11,896,774)**	**(11,290,625)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(19,574,399)	(14,602,023)
Net cash flow generated/used by funding activities	**(19,574,399)**	**(14,602,023)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**44,147,441**	**25,517,133**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	244,716,450	219,199,317
Total net cash flows generated/used during the year	44,147,441	25,517,133
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	288,863,891	244,716,450

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Separate Financial Statements of Cassa Centrale Banca

EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General Part

Section 1 – Statement of compliance with international accounting standards

These Financial Statements were prepared in compliance with the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission according to the procedure per Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC).

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The seventh update, issued on 29 October 2021 and supplemented by the communication of 21 December 2021, called "Update of the additions to the provisions of Circular 262. Bank financial statements: layouts and rules of preparation" concerning the impacts of Covid-19 and measures to support the economy.

In interpreting and applying the new international accounting standards, reference was also made to the Framework for the Preparation and Presentation of Financial Statements, i.e. the Systematic Framework for the preparation and presentation of financial statements (known as Conceptual Framework or the Framework), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Bank uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the Financial statements give a true and fair view of the Bank's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Section 2 – General preparation criteria

The Financial Statements include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes, together with the Director's report on operations and the situation of the Bank.

In addition, IAS 1 "Presentation of financial statements", requires the representation of a "statement of comprehensive income" also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Bank chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive income.

In compliance with the provisions of art. 5 of Legislative Decree no.

38/2005, the Financial Statements are drafted using the Euro as the accounting currency. The layouts of these financial statements are drawn up in Euro.

The accounts of the balance sheet and the income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the income statement, revenues are recorded without sign, while the costs are indicated in brackets. In the statement of comprehensive income the negative amounts are stated in brackets.

The Financial Statements as at 31 December 2021 have been prepared with clarity and give a true and fair view of the financial position, economic result for the year and changes in equity of Cassa Centrale Banca.

The Financial Statements are subject to an audit by Deloitte & Touche S.p.A.

It should be noted that the 7th update of the Bank of Italy Circular no. 262 of 2005 introduced some changes to the financial statement information, with a special reference to the items of the balance sheet assets "Cash and cash equivalents" and "Financial assets measured at amortised cost". Therefore, where necessary, the comparison period was restated in order to improve the comparison of the items in the accounts.

The Financial Statements as at 31 December 2021 are prepared on the basis of the going concern assumption of Cassa Centrale Banca, as the directors reasonably expect that the Bank will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Bank and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Bank may be subject in the flow of its operations, also considering both the effects of the Covid-19 pandemic and those related to the developments of the Russia-Ukraine crisis, are not significant and are therefore such as to cast doubt on the company's ability to continue as a going concern.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the carrying amount of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the carrying amount of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on active markets;
- the assessment of congruity in the value of goodwill and other intangible assets;
- the valuation of minority equity investments classified under item 30 "Financial assets measured at fair value through other comprehensive income";
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

Moreover, income taxes are recognised on the basis of the best estimate of the weighted average tax rate expected for the entire year.

The information provided on the accounting policies applied for the main aggregate values of the Financial Statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the Financial Statements. The processes adopted support the carrying amounts on the date of preparing these Financial Statements. The measurement process turned out to be particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by the considerable volatility of the financial parameters determined for the measurement as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors, not under the Group's control, which may undergo rapid and unforeseeable changes.

The Financial Statements also make reference to the general preparation criteria listed below, where applicable:

- principle of truth and fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Note that the 2021 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the Financial Statements as at 31 December 2020 except for what is shown in the section "Other Aspects" in points d) and e) in relation to the measurement of loans to customers in the context of the Covid-19 pandemic.

The evaluation impact resulting from this update is reflected in item 130 of the income statement.

Section 3 – Subsequent events

In relation to the provisions of IAS 10, in the period between the reference date of this document and its approval by the Board of Directors, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 31 December 2021 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Given the above, a description of the main events occurred after the end of the year is provided below.

Iccrea S.p.A. - plan for the disposal of an equity interest

With regard to the equity investment in Iccrea Banca S.p.A., note that the third tranche of the sale of its shares, equal to 897,000 shares for a value of EUR 47,361,600, originally scheduled for 31 December 2021 and included in the "shareholding structure" Transaction Agreement of 14 October 2019, was finalised - subject to agreement between the Parties - on 19 January 2022. Following this transaction, the Group holds a total of 3.31% of Iccrea Banca S.p.A., of which 0.49% is held directly by Cassa Centrale Banca.

This equity investment will be divested by 31 December 2022.

Inspection by the Bank of Italy on Anti-Money Laundering and Transparency

In the first half of 2021, the Banking Group was subject to an inspection by the Bank of Italy aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services. The results of the inspection were communicated by means of an inspection report dated 12 January 2022.

The Supervisory Authority found that two and a half years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's anti-money laundering and transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks. The areas of intervention are currently being analysed, also in order to prepare a detailed implementation schedule to be submitted to the Bank of Italy.

In 2021, the Group has already implemented restitutory actions concerning the cases deemed to be ascertained, and allocated provisions deemed to be adequate for the cases subject to further investigation.

Russia - Ukraine crisis

Following the start of the military crisis in Ukraine, the Bank, through the competent structures of the Parent Company, acted promptly in order to intercept the possible impacts of the conflict and measure its effects on the Group, also with respect to the most exposed customers.

In this context, despite the considerable uncertainties of this phase, the reference macroeconomic scenarios are of particular relevance: their continuously evolving updates show a significant increase in energy and raw material procurement costs, which may be mitigated by possible government support measures currently under discussion.

The very duration of the conflict is now an unpredictable variable, but at the same time fundamental in determining the repercussions on the Italian and world economies. Consequently, a clearer quantification of the impacts will only be possible in 2022.

Section 4 – Other aspects

a) Accounting standards newly applied as of 1 January 2021

In 2021, the following new accounting standards and interpretation or changes to existing standards and interpretations have entered into effect:

- amendments to IFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9 (Regulation (EU) 2020/2097);
- Interest Rate Benchmark Reform - Phase 2 - which has amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Regulation (EU) 2021/25);
- amendments to IFRS 16: amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS16)" extending by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of facilities granted, due to Covid-19, to lessees.

The above amendments did not have an impact on the Bank's financial position and economic results as at 31 December 2021.

b) Approved accounting standards that will enter into force after 31 December 2021

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 31 December 2021 are shown below:

- amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements Cycle (Regulation (EU) no. 2021/1080), applicable to reporting with effect on or after 1 January 2022;
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases;
- *IFRS 17* – Insurance Contracts: intended to replace IFRS 4 – Insurance Contracts. The standard is effective beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers are also applied.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (January 2020).

Moreover, in 2021, the IASB has published the following amendments, not yet endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2: Disclosure of Accounting Policies;
- amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- amendments to IAS 12 Income Taxes: Deferred Tax related to Assets

and Liabilities arising from a Single Transaction;

- amendments to IFRS 17 Insurance Contracts: related to comparative information on financial assets presented at the date of initial application of IFRS 17.

d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic

The European regulatory and supervisory bodies, as well as the standard setters, have published a series of guidelines aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the current context of the Covid-19 pandemic. The aforementioned interventions published during 2020 were extensively described in the Annual Financial Report as at 31 December 2020, to which reference should be made.

During 2021 (29 January 2021) the EBA updated its report on the implementation of the prudential regulatory framework defined in relation to the Covid-19 pandemic ("EBA Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02"), clarifying that, in the event that a bank enters into a second moratorium on the same credit facility, any suspension of payments scheduled to occur on or after 1 April 2021 is treated as an individual moratorium measure. Therefore, in such cases, the general rules regarding the definition of default, forbearance and distressed restructuring apply.

Regarding the use of macroeconomic projections, the ECB recommended using as an anchor point the projections formulated by its staff on 12 March 2020, in the subsequent quarters of 2020 and 2021.

The December 2020 projections showed, with reference to the baseline scenario, a drastic reduction in Eurozone GDP in 2020, in the order of 7.3% (however, an improvement over the previous June 2020 estimate of 8.7%) and a subsequent rebound of +3.9%, +4.2% and +2.1% for the three-year period 2021-2023, respectively (with lower intensity than the June 2020 forecast of +5.2% and +3.3% in 2021 and 2022, respectively). The European Central Bank published subsequently new three-year forecasts in 2021, showing a smaller decrease in the Eurozone GDP in 2020 of around -6.8% compared to the previous forecasts. As in previous estimates, an upward economic trend is shown for the three-year period 2022-2024 of +4.2%, +2.9% and +1.6%, respectively (published in December 2021 - with an expected figure for 2021 of +5.1%).

On 5 June 2020, the Bank of Italy released the baseline forecasts included in the already mentioned projections issued by the ECB on 4 June 2020, highlighting a more pronounced reduction in Italian GDP, in the order of 9.2% in 2020 and a subsequent rebound of 4.8% and 2.5% in 2021 and 2022, respectively. On 11 December 2020, the Bank of Italy updated its macroeconomic forecasts, showing a reduction in Italian GDP by 9.0% and a subsequent rebound of 3.5%, 3.8% and 2.3% over the three-year period 2021-2023, respectively. Finally, in December 2021, the Bank of Italy published its latest outlook of economic projections for the three-year period 2022-2024, which shows a substantially stronger expected rebound of +4.0%, +2.5% and 1.7%, respectively (with an expected 2021 figure of +6.2%).

Finally, with its communication of 21 December 2021, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the seventh update of Circular no. 262 "Bank financial statements: layouts and rules of preparation", in order to provide the market with detailed information on the effects that Covid-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

Despite the improvement in the pandemic context during 2021, aspects of uncertainty persist due to the continuation of the Covid-19 health emergency, requiring Cassa Centrale Banca to continue to adopt strengthened control units and processes, as it did during 2020. In terms of preparing the financial statement disclosures as at 31 December 2021, the Bank continued to adopt the guidelines and recommendations from the European regulatory and supervisory bodies, as well as from the standard setters; at the same time, it took into account the assessments of the significant business activities and the support measures put in place by the Government in favour of households and businesses.

Lastly, the management of the Cassa Centrale Banca placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the persistence of the Covid-19 pandemic, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, income taxes, goodwill and intangible assets.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by the Cassa Centrale Banca as at 31 December 2021 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

For the purpose of calculating the expected loss as at 31 December 2021, the Bank incorporated in its IFRS 9 impairment model the macroeconomic scenarios integrating the effects of the Covid-19 health emergency, as indicated by the European Central Bank in the letter of 1 April 2020 and subsequent letter dated 4 December 2020.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2021, conservative criteria were adopted, as the socio-economic effects resulting from the pandemic crisis were taken into account, which, albeit to a lesser extent, continue to manifest themselves in 2021. However, given the difficulty in estimating the duration and development of the pandemic, the Bank considered reflecting in the measurement of loans with more emphasis than in the past the prospective impacts of the pandemic, which suggest a possible increase in insolvencies. The support measures introduced by the State, such as those relating to the granting of state guarantees on loans and, in more incisive terms for our sector, the moratorium measures required, from an operational point of view, a high degree of attention in the management and monitoring mechanisms undertaken by the bank for the possible effects of deterioration of counterparties that, against the suspension of payments, may not be punctually and promptly intercepted. The possible effects of an interruption of the moratorium system not adequately managed or not supported by further institutional measures could in fact significantly increase the default rate.

This resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage levels, with the intention of continuing to adopt substantial and objective credit classification policies in line with the strict requirements envisaged by the Group policies and with the recommendations of the Regulators.

In particular, the first area of intervention concerned provisions on performing exposures that were still under moratorium during the second half of 2021, envisaging the application of minimum coverage levels (known as floors), identified within ranges defined by the Parent Company, and differentiated on the basis of the staging of the positions in terms of IFRS 9.

The second area of intervention concerned on-balance performing exposures to the business segment in order to take into account, in the calculation of the expected loss, the characteristics of the Parent Company's loan portfolio, characterised by a single name concentration that tends to be higher than that of the Cooperative Banking Group.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic".

In particular, for the purposes of the valuation of loans to customers as at 31 December 2021, those indicated in the growth prospects of the Eurozone countries, prepared and published by the ECB in the third quarter of 2021 together with the individual Central Banks, including the Bank of Italy, were used as the "anchor point" of internal macroeconomic forecasts. Therefore, these scenarios were updated with respect to those used in the valuation of loans to customers as at 30 June 2021, as they are considered more consistent with the economic and health conditions in place as at 31 December 2021.

For the purposes of calculating the expected loss as at 31 December 2021, the Bank has used the three scenarios ("mild", "baseline", "adverse"), appropriately averaging their contributions, in accordance with the assessment of a context still of high future variability and potential uncertainty linked to the continuation and possible evolution of the health emergency, and increasing the weight of the most severe scenario.

The gradual improvement of some macro-economic variables, which incorporate the robust growth expectations forecast for the three-year period 2022-2024, has had a significant positive impact on the medium-long term forecasts compared to the projections obtained from the 2020 scenarios: in order to adopt a conservative approach, the Bank has adopted a variable weighting mechanism between the short-term and medium-long term forecast components.

In this context, the adopted variable weighting system made it possible to mitigate the reductions in collective write-downs of the performing loans to customers portfolio, which would have been more than 20% without this variable weighting.

Moreover, in 2021, the Bank implemented several changes to the models for quantifying flat-rate analytical impairment provisions related to credit risk in response to the effects of the Covid-19 health emergency and in compliance with the requirements of IFRS 9. These actions were carried out to incorporate the guidance resulting from ECB (SSM-2020-0154 and SSM-2020-0744) and EBA GL (EBA-GL-2020-02) publications as well as any directions provided by other Standard Setters. The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, have made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk, while ensuring, at the same time, the reduction of elements of potential distortion in estimates.

In order to reflect, from a forward-looking perspective, the greater riskiness developed during the previous year, as well as the uncertainty on the prospective dynamics of certain sectors of the economy and in line with ECB provisions, the PD curves were differentiated from a sectoral perspective (a component refined in the last quarter of 2021 through the use of the Bank's internal figures instead of Prometeia decay rates), with effects both on staging and on the calculation of expected losses, refining the previous approach of penalisations (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic.

The evolution of geo-sectoral treatment, through the use of specific curves for some economic sectors, has contributed to maintaining conservative assessments of the sectors most affected by the pandemic, as well as improving the degree of identification of exposures to which more stable and robust criteria should be adopted. This treatment allowed, other things being equal, to prudentially increase the collective write-downs of the performing portfolio in a range estimated between 7% and 10% of the total collective provision.

Moreover, with regard to the calculation of expected losses, the Bank's Loss Given Default (LGD) parameter was further developed by increasing the segmentation of the non-performing LGD component of the model to include the effects of recoveries on open and forborne positions; in this context, the point-in-time concept (anchoring of parameters for the most recent ECL projections) was standardised for two main modules of the risk parameter (i.e. cure rate and non-performing LGD). The aforementioned measures led to an increase in the collective write-downs of the performing portfolio, quantifiable in approximately 15% of the total provisions relating to loans to customers in the commercial sector.

Moreover, access to support measures was treated with a particularly conservative approach, as shown below:

- for positions under moratorium, in line with GL ECB SSM 2020 0744, potential credit improvement of counterparties with an operational moratorium at the end of the reporting period or in the preceding three months have been eliminated; this action results in the sterilisation of any credit improvement in the rating of the counterparty during the moratorium period and until a situation is restored that demonstrates the start of and compliance with the repayment schedule for the identified positions;
- for government guarantees issued in favour of new lending or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the guarantees.

With reference to the stage classification process of the performing portfolio, during the fourth quarter of 2021, the prudential backstop of 300% of the SICR (in addition to the current transfer threshold definition model) was introduced as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

Note that the current calibration of the IFRS 9 model includes the effects of the new definition of default as from March 2021 and based on the time series over the 2015-2020 time interval. With regard to updating the time series underlying the estimate of the relevant parameters of the IFRS 9 model as at 31 December 2021, it was decided not to include the last nine months of the year 2021 in the reference period. Given the ongoing uncertainty surrounding the resurgence of the health emergency, updating the time series to include the last 9 months of 2021 would have resulted in a significant reduction in one of the main calibration factors for the PD and LGD parameters and, consequently, a reduction in average coverage levels. This conservative approach makes it possible to mitigate the positive impact of introducing, in the same time series, the benefit of the credit support measures introduced by the legislator on moratoria and new disbursements.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the Covid-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Bank has set up an enhanced monitoring system aimed at verifying punctually the positions that have benefited from a Covid-19 moratorium in order to promptly intercept positions to be downgraded to non-performing. This activity was carried out in 2021 through the segmentation of customers benefiting from the Covid-19 moratorium into homogeneous risk clusters, identified on the basis of early warning-triggers detected through the monitoring tools introduced following the establishment of the Cassa Centrale Group. Thanks to this activity, customers who benefited from Covid's moratoria and in particular those who requested moratoria expiring in the second half of 2021 were subject to specific analyses, prioritised according to the importance of the exposures and the intrinsic risk of the individual counterparty. These analyses led to the classification of some counterparties in stage 2 and others, deemed in default, in stage 3 reducing the potential cliff-effect that could occur at the end of the moratorium period. Therefore, the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of Covid-19 moratoria

The Bank has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the debtor has been found to be in financial difficulty (known as forborne) lead to a change in the carrying amount of the financial asset, resulting in the need to recognise a gain or loss in item 140. "Profits/losses from contractual changes without derecognition" of the income statement (so-called Modification accounting).

On the basis of the indications provided by the European Banking Authority in the document "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers ex lege (mainly Law Decree no. 18 of 17 March 2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all renegotiations implemented by 30 September 2020. Therefore, these positions were not classified as forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01 October 2020, the banks made a specific assessment of whether or not the requirements for the assignment of the forborne attribute were met, given that with the communication of 21 September 2020, EBA declared the interruption of the exemptions previously recognised for the moratoria granted as a result of the health emergency as at 30 September 2020. However, the subsequent resurgence of the pandemic led the EBA to change its stance, as per the Amendment of 02 December 2020, date from which the continuation of moratoria, already granted before 30 September 2020 and based on national law or agreements, has made it possible to further benefit from the exemption from the requirement to assess the state of distress of the counterparty.

On the basis of the various guidelines issued by the European Banking Authority in 2020 and in 2021, the conduct adopted by the Bank in granting moratoria can be outlined as follows:

- from 17 March 2020 to 30 September 2020, there was an almost complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 01 October 2020 to 01 December 2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the "Group Policy for the classification and valuation of loans";
- from 02 December 2020, the presumption of absence of the conditions for the forbearance of the Covid-19 moratoria granted in the first instance between 17 March 2020 and 30 September 2020, for which a possible extension did not result in the total of 9 months of suspension being exceeded was applied, while for new requests for moratorium the individual assessment system for each position as described above was maintained;
- finally, from 01 April 2021, following the publication by the EBA of the "Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02", all the suspensions granted starting from 1 April 2021 are no longer considered "EBA Compliant". Therefore, starting from that date, it is necessary to assess the individual position, so as to define whether it is to be reclassified as a forborne

exposure or in default.

In relation to the above, therefore, all moratoria granted to customers in the first and third points, to which the forborne attribute has not been assigned, have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by the Bank on the basis of own initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned "Group Policy for the classification and measurement of loans".

As part of the monitoring, in 2021, the Bank carried out an intervention concerning the verification of internal controls on the identification of the status of financial difficulty of the counterparty when granting the (legislative or contractual) measures to support customers affected by the recession induced by the pandemic; this activity took the form of an analysis in terms of risk profile, regulatory framework and compliance and functionality of information systems. The audits were carried out in order to assess the effectiveness of the controls in relation to the identification of conditions of financial difficulty of the customers benefiting from the support measures (moratoria and/or new liquidity), also taking account of the risk profile that characterises the sector at the Bank and also resorting to sample controls. The "reclassification" results are also expected with effect on the accounting date of 31 December 2021.

Measurement of securities at fair value

The Bank's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, were measured as at 31 December 2021. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to normalise the impacts of significant short-term fluctuations in stock market prices due to the context of high market volatility, in the application of market methods (stock market multiples and regression analysis), it was considered appropriate to extend the time period of the stock market capitalisations of the comparable companies used as a reference for the valuations to at least 6 months.

e) Updating of the IFRS 9 impairment model to reflect the new definition of default

On 1 January 2021, the new definition of default under the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of EU Reg. no. 575/2013) came into force. In this context, the IFRS 9 Impairment models of the Bank were appropriately revised, to take into account the effects of the application of the new regulations.

f) Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO III)

At the end of the reporting period, the Bank had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a book value of about EUR 15 billion as at 31 December 2021. The return on loans was calculated taking into account the "special interest rate" for the period, in that the Bank considered that the performance targets for loan disbursements required during 2021 were achieved with reasonable certainty thanks to the monitoring of net disbursements on all the member banks in the TLTRO Group led by Cassa Centrale Banca.

The Bank has assessed that the operations of the TLTRO-III programme cannot be assimilated to loans at a below-market interest rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the date of preparation of the financial statements, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained in the first monitoring window was also confirmed by the Bank of Italy.

Consequently, in addition to the achievement of the performance targets for loan disbursements, over the time window of the "special reference period", the method used to apply the interest rate to the outstanding TLTRO-III operations included the following cases:

- achievement of performance targets for loan disbursements over the time window of the "special reference period";
- stability of the reference rates of the European Central Bank until the maturity of the operations;
- maintenance of transactions until natural maturity.

g) Interest Rate Benchmark Reform: disclosure required according to IFRS 7

The hedging derivatives of the Bank's fixed-rate loans (fair value hedges) are entirely at Euribor, whose calculation method was revised in 2019 in order to continue to use this parameter even after 1 January 2022, for both existing and new contracts.

To make the Euribor compliant with the EU benchmark regulation (Benchmarks Regulation, BMR - Regulation no. 2016/1011/EU), the EMMI – European Money Markets Institute – has transitioned to a new "hybrid" calculation method. The current calculation system – whose activities were completed at the end of November 2019 – does not change the economic variable measured by the index: the Euribor expresses the actual cost of funding for contributing European banks and is always available for consultation. Therefore, the Bank does not believe that there is any uncertainty about the timing or amount of Euribor cash flows and does not consider Euribor-linked fair value hedges to be impacted by the reform as at 31 December 2021.

Therefore, as at 31 December 2021, there were no derivatives indexed to benchmarks impacted by the reform, in particular at EONIA and LIBOR.

At the same date, there were no cash flow hedging derivatives.

In the broader context of the complex process of reform of the indices, the Bank has launched a project to adjust to the European Regulation no. 1011/2016 ("BMR Regulation"), which provides for areas of adjustment both in customer relations and in its own organisational and operational structures. However, it should be noted that the assets and liabilities indexed to rates other than the EURIBOR are negligible for the Bank; therefore, no significant impact is expected from rate substitution.

h) Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

In order to counter the negative economic effects of the spread of the Covid-19 pandemic, the Italian Government issued a series of measures in Law no. 77 of 17 July 2020, converting, with amendments, the 'Rilancio' Law Decree, which, among others, allow, under certain conditions, for a tax deduction for expenses incurred on certain cases.

The law also allows the taxpayer to opt, in place of the direct use of the deduction, to transfer the corresponding tax credit to other parties, including credit institutions and financial intermediaries who, in turn, may make subsequent transfers.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in

question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with special reference to the application of the accounting standard IFRS 9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/Consob/Ivass Document no. 9 ("Accounting treatment of tax credits related to the "Cura Italia" and "Rilancio" Law Decrees acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In the case of Cassa Centrale Banca, the Hold To Collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- taking into account the special characteristics of these tax credits held with the aim of using them until they are completely offset, within the time period allowed, with the payments of debts payable through F24, the reference business model, as mentioned above, was conventionally identified in the Hold to Collect (HTC). This consideration is always checked if the purchases of the transferee Bank are within the limits of the Group ceiling. If, according to the Bank, the individual ceiling has been exceeded, on the basis of the transfer orders collected from its customers, and in order to preserve the established commercial relationships, it is possible to transfer tax credits to selected counterparties within or outside the Group;
- SPPI Test: The mechanism of compensation in fifths ensures that the test is passed because each fifth offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified.

l) Audit of the accounts

The financial statements are audited by Deloitte & Touche S.p.A., pursuant to the resolution of the Shareholders' Meeting of 16 June 2021, which appointed Deloitte & Touche S.p.A. to audit the financial statements for the period 2021-2029, since the two-year extension granted to KPMG S.p.A. by CONSOB at the request of Cassa Centrale Banca expired with the approval of the financial statements for the year ended 31 December 2020.

Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013

m) Government Grants Received

In this regard, note that, also in accordance with the provisions of the "Annual market and competition law" (Law no. 124/2017), that, in 2021, the Bank did not receive the grants from the public administrations tied to the exposure.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these Separate financial statements are shown below.

1 – Financial assets designated at fair value through profit or loss

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Bank, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets measured at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item b) financial assets measured at fair value;
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are obligatorily measured at fair value. These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item c) other financial assets obligatorily measured at fair value.

Therefore, the Bank recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the Income Statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid or by the amount disbursed for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the Income Statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called Fair Value Option), are entered in the Income Statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the Income Statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss for instruments obligatorily measured at fair value and for instruments measured at fair value.

2 – Financial assets designated at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
    - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold to Collect and Sell business model);
    - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid;
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
    - shall be made at the time of initial recognition of the instrument;
    - must be carried out at the level of the individual financial instrument;
    - is irrevocable;
    - is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross carrying amount. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the re-payment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve is booked to the Income Statement (known as recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

With reference to the methods used to determine the fair value of financial assets, please refer to paragraph "A.4 - Information on fair value" of this Part A.

It should also be noted that "Financial assets measured at fair value through other comprehensive income", both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as "Financial assets measured at amortised cost". Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the Income Statement on an accrual basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the Income Statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve is reversed, wholly or partly to the Income Statement (recycling).

With reference to equity instruments, the only component that is recognised in the Income Statement is dividends. The latter are recognised in the Income Statement only when (para. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be transferred subsequently to the Income Statement even if they are realised ("no recycling").

3 – Financial assets measured at amortised cost

Classification criteria

Assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to the financial asset aims at collecting the cash flows envisaged contractually ("Hold to Collect" business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Bank recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included under item "10. Cash and cash equivalents" are also included;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the Income Statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g.

discounting future cash flows at an appropriate market rate).

In some cases the financial asset is considered impaired upon initial recognition (so-called impaired financial assets acquired or originated), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the Income Statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered impaired financial assets acquired or originated on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. Distinguishments can be made between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They result in the recognition in the Income Statement of any differences between the carrying amount of the derecognised financial asset and the carrying amount of the new asset;

- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment carrying amount and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under item "10. Interest income and similar revenues" and is recorded on an accruals basis, based on the effective interest rate, i.e. applying the latter to the gross carrying amount of the financial asset, except for:

- impaired financial assets acquired or originated. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not impaired financial assets acquired or originated but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in letter b) above, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross carrying amount.

It should be noted that the Bank applies the criterion referred to in letter b) above only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at the end of each reporting period in the Income Statement under item "130. Net value adjustments/write-backs due to credit risk". Gains and losses resulting from the sale of receivables are recorded in the Income Statement under item "100. Profit (loss) from disposal/repurchase".

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the Income Statement items relating to interest.

Gains and losses relating to securities are recognised in the Income Statement under item "100. Profit (loss) from disposal/repurchase" at the time the assets are sold.

Any impairment of securities is recognised in the Income Statement under item "130. Net value adjustments/write-backs due to credit risk". If the reasons that led to the evidence of the decline in value are removed, the write-back is entered with recognition in the Income Statement in the same item.

4 – Hedging transactions

With regard to hedge accounting, the Bank avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a financial statement entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk related to a highly probable present or future financial statement entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non Euro country or currency.

Only instruments involving a counterparty outside the Cassa Centrale Group may be designated as hedging instruments.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the Income Statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the Income Statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the Income Statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the Balance sheet in item "60. Adjustment of the financial assets subject to macro-hedging" or item "50. Adjustment of the financial liabilities subject to macro-hedging", respectively.

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and the one which would have been its carrying amount if the hedge had never existed, is amortised in the Income Statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at the amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non interesting bearing financial instruments, it is recorded immediately in the Income Statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the Income Statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the Income Statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the Income Statement when the flows relating to the risk originally hedged occur.

5 – Equity investments

Classification criteria

Equity investments means stakes in the capital of other companies, generally represented by shares or holdings and classified as controlling interests, interests carrying significant influence and joint ventures.

The following definitions in particular apply:

- subsidiary: equity investments in companies as well as investments in entities over which the parent company exercises control of the relevant activities in compliance with IFRS 10. More specifically, 'an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee'. The power requires the investor to have existing rights that give the current ability to direct the activities that significantly affect the investee's returns. Power is based on an ability, whether or not that power is used in practice. Control is analysed on a continuous basis. The investor must redetermine whether it controls an investee when facts or circumstances indicate changes in one or more elements of control;

- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Bank, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investee company. Such influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20% of the voting rights of the investee company;
- jointly controlled company (joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Equity investments that in the separate financial statements of participating entities do not have the characteristics to be considered as investments in subsidiaries or associates, but instead, at a consolidated level, qualify as such, already in the separate financial statements of the individual Group entities, are qualified as equity investments subject to significant influence and are consistently classified in the "Equity investments" item, measuring them accordingly at purchase cost. In such cases, the significant influence is demonstrated by the fact that the equity investment of the individual Affiliated Bank is instrumental in achieving control or connection at Group level.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled companies are measured by using the cost method net of any impairment losses.

If there is objective evidence of impairment, an estimate is made of the recoverable value of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable value of the asset is lower than its carrying amount, the impairment loss is recognised in the Income Statement under item "220. Profits (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recognised under item "70. Dividends and similar income". The latter are recognised in the Income Statement only when (para. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item "220. Profits (losses) on equity investments".

6 – Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

"Property for business use" is defined as those tangible fixed assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are entered under "Other Assets" and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the Income Statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the "right of use" model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the carrying amount compared to the recoverable value.

The recoverable value of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the Income Statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the carrying amount of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the Income Statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the Balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the carrying amount of the asset; they are recorded in the Income Statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the Income Statement item "180. Net value adjustments/write-backs to tangible assets".

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the carrying amount might not be recoverable. These impairment losses are recognised in the Income Statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In item "250. Profit (loss) from disposal of investments", the positive or negative balance between the profits and losses on investments is recognised.

7 – Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the Income Statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a "definite" useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the amortisation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable value of the asset. The amount of the impairment, recorded in the Income Statement, is equal to the difference between the carrying amount of the asset and its recoverable value.

Derecognition criteria

Intangible assets are eliminated from the Balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the carrying amount of the asset and entered in the Income Statement.

Criteria for the recognition of the income components

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

In item "190. Net value adjustments/write-backs to intangible assets", the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In item "250. Profit (Loss) from disposal of investments", the positive or negative balance between the profits and losses on investments is recognised.

8 – Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose carrying amount will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups held for disposal and discontinued operations and related liabilities are shown under specific items of assets ("Non-current assets and groups of assets held for disposal") and liabilities "Liabilities associated to assets held for disposal").

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the carrying amount and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their carrying amount and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the Balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable value at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profit/loss on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant Income Statement item "290. Profit (loss) after tax from discontinued operations".

9 – Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under "Current tax liabilities" of the Balance sheet.

In case of overpayment, which gave rise to a recoverable receivable, this is accounted for among the "Current tax assets" of the Balance sheet.

In accordance with IAS 12, the Bank compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the "balance sheet liability method", taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the Balance sheet and its value recognised for tax purposes. These differences are distinguished between "Deductible temporary differences" and "Taxable temporary differences".

Deferred tax assets

"Deductible temporary differences" indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

"Deferred tax assets" are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

"Taxable temporary differences" indicate a future increase in taxation and consequently generate "Deferred tax liabilities", since these differences give rise to taxable amounts in the years following those when they are attributed to the statutory Income Statement, determining a deferment of the taxation compared to the economic-statutory accrual.

"Deferred tax liabilities" are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in item "100. Tax assets b) deferred" and in item "60. Tax liabilities b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the Income Statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the Income Statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 – Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- "Provision for credit risk relative to commitments and financial guarantees issued": the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- "Provision for other commitments and guarantees issued": the value of the total provisions in respect of other commitments and other guarantees issued which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- "Provisions for retirement and similar obligations" includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- Other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the Income Statement, under item "170. Net allocations to provisions for risks and charges".

The item includes the positive or negative balance between the allocations and any re-attributions to the Income Statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11 – Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than "Financial liabilities held for trading" and "Financial liabilities measured at fair value".

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, as at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the Income Statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the Income Statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the Income Statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the Income Statement, under item "100. Profit (loss) from disposal/repurchase of: c) Financial liabilities".

12 – Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, paragraph 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet; if the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the Income Statement under item "80. Net result from trading".

13 – Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities measured at fair value with valuation results entered in the Income Statement as a result of the exercise of the Fair Value Option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is measured at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities measured at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the Income Statement.

Measurement criteria

Liabilities are measured at fair value. The income components are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve ("Statement of comprehensive income");
- the remaining changes in fair value are recognised in the Income Statement, under item "110. Net result of other financial assets and liabilities measured at fair value through profit or loss".

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial liabilities measured at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the carrying amount of the liability and the amount paid to purchase is recorded in the Income Statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the Income Statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the "Interest expense and similar charges" of the Income Statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve ("Statement of comprehensive income");
- the remaining changes in fair value are recognised in the Income Statement, under item "110. Net result of other financial assets and liabilities measured at fair value through profit or loss".

14 – Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

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

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the Income Statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the Income Statement, also the related exchange rate difference is recorded in the Income Statement.

15 – Other information

15.1 SALES AND REPURCHASE CONTRACTS (REPOS)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 PROVISION FOR SEVERANCE INDEMNITY AND SENIORITY BONUSES

Provision for severance indemnity (TFR) is similar to a "post-employment benefit" of the "defined benefit plan" type for which, according to IAS 19, its value must be determined using actuarial methods.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the T.F.R. accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee T.F.R. was carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity (TFR) accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the Income Statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the Income Statement sub-item "160. a) Personnel costs".

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among "Other liabilities") for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "Statement of comprehensive income".

The "Other long-term benefits" described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the balance sheet.

The allocation, as the reattribution to the Income Statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the Income Statement among the "Personnel costs".

15.3 RECOGNITION OF REVENUES AND COSTS

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

- at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer or
- over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to point b) above, a "performance obligation" is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are i) the payment obligation ii) the legal title to the right for the consideration accrued iii) the physical possession of the asset iv) the transfer of the risks and benefits connected with ownership v) acceptance of the asset.

With regards to revenues realised over a period of time, the Bank adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Bank are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the Income Statement only at the time of its actual collection;
- the dividends are recorded in the Income Statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the commissions for revenues from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered;

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the Income Statement according to the accrual principles; the costs relating to the obtainment and fulfilment of the contracts with the customer are recognised in the Income Statement in the periods in which the associated revenues are recognised.

15.4 IMPROVEMENTS TO THIRD-PARTY ASSETS

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the "Other assets" and are amortised for a period not exceeding the duration of the lease.

15.5 METHODS OF RECOGNITION OF IMPAIRMENT LOSSES

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at the end of each reporting period - to verify whether there are any indicators that these assets may be impaired (known as "impairment indicators").

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Bank, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the Covid-19 pandemic, during the year the Bank implemented several refinements to the IFRS 9 impairment model to reflect the guidance and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to paragraph "d) Methods of application of international accounting standards in the context of the Covid-19 pandemic" included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'Low Credit Risk';
- in stage 3, non-performing positions.

More specifically, the Bank made provision for the allocation of the individual credit, cash and off-statement of financial relations, in one of the 3 stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);

- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- rating class of less than or equal to 4.

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Bank has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks has been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Bank adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also "PD" and "EAD") risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the first stage of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In the second stage, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Bank to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- cash exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- cash exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- cash exposures classified as unlikely to pay that exceed the size threshold;
- cash exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 200,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable value (valuation component), the Bank adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as::
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- gone concern approach, which applies mandatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable value (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At the end of each reporting period, the entity must consider whether there is any indication that an equity investment (subsidiary, associate or jointly controlled entity) may be impaired. If there is any indication of this, the entity must estimate the asset's recoverable value and, therefore, test it for impairment.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable value of the investment is lower than its carrying amount.

The recoverable value is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the carrying amount.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" in this part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable value is higher than the carrying amount of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Income Statement item 220. Profit (loss) on equity investments.

Should the recoverable value subsequently be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at FV (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable value (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative carrying amount.

If and only if the recoverable value of an asset or of the CGU is lower than its carrying amount, the latter must be reduced to the recoverable value, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Bank is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- Intangible assets with an indefinite useful life (including goodwill);
- Intangible assets not yet available for use (including those in progress);

Other intangible assets (e.g. those with a defined useful life such as "core deposits" acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable value is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable value, which will be compared with their carrying amount in order to quantify any impairment. The recoverable value is defined as the greater of:

- Value in use;
- The fair value less cost to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the carrying amount of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A "CGU" is written down when its carrying amount is higher than its recoverable value. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the carrying amount of the asset, or because the asset would be sold for less than its carrying amount.

15.6 BUSINESS COMBINATIONS

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the parent company (acquiror) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;

- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately in the income statement.

15.7 ACCRUALS AND DEFERRALS

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 OWN SHARES

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity.

15.9 PAYMENTS BASED ON SHARES

This case does not apply to the Bank, as it does not have a "stock option plan" in place on bank-issued shares.

A.3 - Information on transfers between portfolios of financial assets

The Bank has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, CARRYING AMOUNT AND INTEREST INCOME

The Bank has nothing to report for the year covered by these Financial statements.

A.3.2 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, FAIR VALUE AND EFFECTS ON COMPREHENSIVE INCOME

The Bank has nothing to report for the year covered by these Financial statements.

A.3.3 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL AND EFFECTIVE INTEREST RATE

The Bank has nothing to report for the year covered by these Financial statements.

A.4 - Information on fair value

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The "Fair value policy" of the Cassa Centrale Banca has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called "fair value hierarchy".

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Bank has equipped itself with tools to identify and monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on valuation models.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Bank has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:

- bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
- shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
- UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.

- Level 2: fair value is determined on the basis of valuation techniques that envisage:
  - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
  - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Bank refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market operators would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
    - the prices of similar financial assets/liabilities;
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatility;
    - credit spread;
    - inputs corroborated by the market based on observable market data.

  The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

  - non-governmental bonds for which a price is available on a non-active market;
  - securities for which the valuation is provided by a third party provider using inputs observable on active markets;
  - securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
  - shares that are not listed on an active market;
  - OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:

  - unlisted minority equity investments;
  - insurance investment products;
  - unlisted non-UCITS funds;
  - junior securitisation securities;
  - unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

Information of a qualitative nature

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal model is used to determine fair value.

The valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used.

Given the predominant use of observable inputs, the fair value thus determined is classified at level 2.

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Bank therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - minimum transfer amount (that is the difference between the fair value of the contract and the value of the guarantee) under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Bank, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account:

stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);

- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Bank verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Bank uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the “Fair Value Policy” approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as ‘AIFs’) are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the net asset value (NAV) used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the carrying amount.

With regard to non-performing positions – except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used – the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 PROCESSES AND SENSITIVITIES OF THE VALUATIONS

The Bank generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euroswap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

With reference to the equity investment in Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia (hereinafter also referred to as “Carige”), in view of the valuation model adopted, it was not considered relevant to perform sensitivity analyses on significant unobservable inputs.

A.4.3 FAIR VALUE HIERARCHY

For a description of the fair value hierarchy levels envisaged by the Bank, please refer to paragraph “A.4 - Information on fair value” above.

With reference to assets and liabilities measured at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 OTHER INFORMATION

The Bank does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Bank, with reference to derivatives concluded with financial counterparties with which it stipulated framework offsetting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 FAIR VALUE HIERARCHY

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

	31/12/2021			31/12/2020		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets designated at fair value through profit or loss	221,813	24,738	48,237	221,095	35,763	43,821
a) financial assets held for trading	-	24,738	-	-	35,463	-
b) financial assets designated at fair value	160,853	-	20,105	146,250	300	20,301
c) other financial assets mandatorily measured at fair value	60,960	-	28,132	74,845	-	23,520
2. Financial assets designated at fair value through other comprehensive income	1,019,454	-	40,200	853,726	-	66,142
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,241,267**	**24,738**	**88,437**	**1,074,821**	**35,763**	**109,963**
1. Financial liabilities held for trading	-	21,230	-	-	36,077	-
2. Financial liabilities designated at fair value	-	-	173,104	-	-	163,827
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**21,230**	**173,104**	**-**	**36,077**	**163,827**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

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

	Financial assets designated 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 fair value				
1. OPENING BALANCES	**43,821**	**-**	**20,301**	**23,520**	**66,142**	**-**	**-**	**-**
2. INCREASES	**5,391**	**-**	**-**	**5,391**	**896**	**-**	**-**	**-**
2.1. Purchases	5,032	-	-	5,032	-	-	-	-
2.2. Profit attributed to:	202	-	-	202	896	-	-	-
2.2.1. Income Statement	202	-	-	202	-	-	-	-
- of which capital gains	202	-	-	202	-	-	-	-
2.2.2. Equity	-	X	X	X	896	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	157	-	-	157	-	-	-	-
3. DECREASES	**975**	**-**	**196**	**779**	**26,838**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	9,548	-	-	-
3.2. Repayments	298	-	-	298	-	-	-	-
3.3. Losses attributed to:	676	-	196	480	17,290	-	-	-
3.3.1. Income Statement	676	-	196	480	-	-	-	-
- of which capital losses	676	-	196	480	-	-	-	-
3.3.2. Equity	-	X	X	X	17,290	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1	-	-	1	-	-	-	-
4. CLOSING BALANCES	**48,237**	**-**	**20,105**	**28,132**	**40,200**	**-**	**-**	**-**

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

	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedging derivatives
1. OPENING BALANCES	**-**	**163,827**	**-**
2. INCREASES	**-**	**9,277**	**-**
2.1 Emissions	-	9,143	-
2.2. Losses attributed to:	-	134	-
2.2.1. Income Statement	-	134	-
- of which capital losses	-	134	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. DECREASES	**-**	**-**	**-**
3.1. Repayments	-	-	-
3.2. Repurchases	-	-	-
3.3. Profit attributed to:	-	-	-
3.3.1. Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2. Equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. CLOSING BALANCES	**-**	**173,104**	**-**

At the end of the reporting period, the Bank has liabilities measured at fair value on a recurring basis (Level 3) relating to the funding from the Affiliated Banks of readily available financial funds to establish the "ex-ante portion" of the cross-guarantee, as illustrated in Annex A to these Explanatory Notes.

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

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2021				31/12/2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	23,624,504	2,474,258	134,998	21,141,381	21,901,849	2,726,911	127,032	19,221,187
2. Tangible assets held for investment purposes								
3. Non-current assets and groups of assets held for disposal	610		610	-				
Total	**23,625,114**	**2,474,258**	**135,608**	**21,141,381**	**21,901,849**	**2,726,911**	**127,032**	**19,221,187**
1. Financial liabilities measured at amortised cost	24,105,689			24,105,689	22,199,861		10,088	22,189,773
2. Liabilities associated to assets held for disposal								
Total	**24,105,689**	**-**	**-**	**24,105,689**	**22,199,861**	**-**	**10,088**	**22,189,773**

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 – INFORMATION ON DAY ONE PROFIT/LOSS

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

DAY ONE PROFIT/LOSS	
1. OPENING BALANCES	**2,026**
2. INCREASES	**-**
2.1 New operations	-
3. DECREASES	**(288)**
3.1 Income statement releases	(288)
4. CLOSING BALANCES	**1,738**

In accordance with IFRS 9, the initial recognition of the financial instruments must be at fair value. Normally, the fair value of a financial instrument at initial recognition coincides with the "transaction price", which in turn is equal to the amount paid for financial assets or the amount received for financial liabilities.

In residual cases where the fair value of a financial instrument does not coincide with the "transaction price", it is necessary to estimate the fair value through the use of valuation techniques. The "day one profit/loss" disclosure included in this section refers to any differences between the transaction price and the fair value obtained by using valuation techniques, which emerge at the moment of first-time recognition of a financial instrument and are not immediately booked to the income statement, based on the provisions of paragraph B5.1.2 A of IFRS 9.

With regard to the above, pursuant to IFRS 7 paragraph 28, the Bank does not recognise a profit or loss on initial recognition of the financial asset or financial liability because the fair value is not evidenced by a listed price in an active market for an identical asset or liability (i.e. a Level 1 input) nor is it based on a valuation technique that uses only observable market data (see paragraph B5.1.2 A of IFRS 9). The difference between the fair value at the time of initial recognition and the transaction price reflects a change in the factors (including time) that market participants would take into account in determining the price of the asset or liability (see paragraph B5.1.2 A, letter b) of IFRS 9).

In this case, the day one loss originated on the T2 subordinated bond issued by Cassa Padana and subscribed by Cassa Centrale Banca as part of a support operation carried out in 2020 in pursuance of the Cross Guarantee Scheme (IPS). The above-mentioned bond was subscribed on 15 September 2020 for a nominal value of EUR 20 million at a coupon rate of 2% and maturing on 15 September 2027. The financial instrument in question, constituting part of the separate assets set up through the loan for a specific business, pursuant to Articles 2447-bis, letter b) and 2447-decies of the Italian Civil Code, was measured at fair value. The carrying amount as at 31 December 2021 was EUR 20,105 thousand. The fair value is level 3 because the fair value model of this financial instrument uses as input the interest rate curve of the T2 subordinated interbank loan market which, in this case, is not considered representative of an observable input for the valuation of a T2 subordinated loan subscribed by the Parent company as part of a support intervention carried out in pursuance of the Cross Guarantee Scheme (IPS).

PART B - Information on the Balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2021	Total 31/12/2020
a) Cash	236,308	174,430
b) Current accounts and deposits on demand at central banks	2,687	6,318
c) Current accounts and deposits on demand at banks	49,869	63,968
Total	**288,864**	**244,716**

The sub-item "Cash" includes foreign currencies for a value equal to EUR 8,826 thousand.

The sub-item "Deposits on demand at central banks" includes liquidity - constituting part of the "ex-ante portion" of the cross-guarantee - deposited on the dedicated Bank of Italy account.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2021.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 2 – Financial assets designated at fair value through profit or loss – Item 20

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	24,738	-	-	35,463	-
1.1 trading	-	24,738	-	-	35,463	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**24,738**	**-**	**-**	**35,463**	**-**
Total (A+B)	**-**	**24,738**	**-**	**-**	**35,463**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item B. Derivative instruments - 1. Financial derivatives - 1.1 for trading" includes interest rate swaps and forwards vis-à-vis primary market institutions and balanced with specular but opposite transactions with Affiliated Banks.

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2021	Total 31/12/2020
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS	**-**	**-**
a) Central counterparties	-	-
b) Other	24,738	35,463
Total (B)	**24,738**	**35,463**
Total (A+B)	**24,738**	**35,463**

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**160,853**	**-**	**20,105**	**146,250**	**300**	**20,301**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	160,853	-	20,105	146,250	300	20,301
2. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**160,853**	**-**	**20,105**	**146,250**	**300**	**20,301**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "1. Debt securities - Other debt securities" includes the investments constituting part of the "ex-ante portion" of the cross-guarantee: the composition of the investments of the "ex-ante portion" established through the loan for as at 31 December 2021 is shown below:

- Italian government securities of EUR 160,853 thousand
- Subordinated debt securities deriving from Support interventions of EUR 20,105 thousand..

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2021

2.4 Financial assets designated at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2021	Total 31/12/2020
1. DEBT SECURITIES	**180,958**	**166,851**
a) Central Banks	-	-
b) Public bodies	160,853	146,250
c) Banks	20,105	20,601
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. LOANS	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**180,958**	**166,851**

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

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	44	-	-	43
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	44	-	-	43
2. Equities	-	-	-	-	-	-
3. UCITS units	60,960	-	199	74,845	-	121
4. Loans	-	-	27,889	-	-	23,356
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	27,889	-	-	23,356
Total	**60,960**	**-**	**28,132**	**74,845**	**-**	**23,520**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item 1.2 “Other debt securities” includes the following securities related to securitisation transactions:

- mezzanine of EUR 8 thousand;
- junior of EUR 36 thousand.

The item ‘UCITS units’ is composed of the following main categories of funds:

- bonds totalling EUR 34,470 thousand;
- stocks totalling EUR 13,468 thousand;
- balanced totalling EUR 13,180 thousand;
- real estate totalling EUR 41 thousand.

Loans include those obligatorily measured at fair value following the failure of the SPPI test.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2021	Total 31/12/2020
1. EQUITIES	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. DEBT SECURITIES	**44**	**43**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	44	43
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS UNITS	**61,159**	**74,966**
4. LOANS	**27,889**	**23,356**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	19,115	15,092
of which: insurance companies	-	-
e) Non-financial companies	8,662	8,131
f) Households	111	133
Total	**89,092**	**98,365**

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

3.1 Financial assets designated at fair value through other comprehensive income: breakdown by category

ITEMS/VALUES	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**1,019,454**	**-**	**-**	**853,726**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,019,454	-	-	853,726	-	-
2. EQUITIES	**-**	**-**	**40,200**	**-**	**-**	**66,142**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,019,454**	**-**	**40,200**	**853,726**	**-**	**66,142**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item 2. Equities also include equities relating to Cassa Centrale Banca's participation in the share capital increase of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia (hereinafter also referred to as "Carige") for EUR 11,750 thousand (representing an 6.22% interest in the share capital).

3.2. Financial assets designated at fair value through other comprehensive income: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2021	Total 31/12/2020
1. DEBT SECURITIES	**1,019,454**	**853,726**
a) Central Banks	-	-
b) Public bodies	1,018,527	853,726
c) Banks	927	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. EQUITIES	**40,200**	**66,142**
a) Banks	34,195	60,263
b) Other issuers:	6,005	5,879
- other financial companies	884	906
of which: insurance companies	-	-
- non-financial companies	5,121	4,973
- other	-	-
3. LOANS	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**1,059,654**	**919,868**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	1,019,613									-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**1,019,613**	**-**	**-**	**-**	**-**	**159**	**-**	**-**	**-**	**-**
Total 31/12/2020	**853,901**	**-**	**-**	**-**	**-**	**175**	**-**	**-**	**-**	**-**

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A – Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E – Information on risks and related hedging policies.

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

The bank does not hold any positions attributable to this case.

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

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021					
	Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**3,273,465**	**-**	**-**	**-**	**-**	**3,273,465**
1. Fixed-term deposits	-	-	-	X	X	X
2. Compulsory reserve	3,273,465	-	-	X	X	X
3. Repos	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. LOANS TO BANKS	**16,498,117**	**-**	**-**	**208,077**	**134,998**	**16,158,170**
1. Loans	**16,117,041**	**-**	**-**	**-**	**-**	**16,117,041**
1.1 Current accounts	-	-	-	X	X	X
1.2. Fixed-term deposits	221,439	-	-	X	X	X
1.3. Other loans:	15,895,602	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X
- Other	15,895,602	-	-	X	X	X
2. Debt securities	**381,076**	**-**	**-**	**208,077**	**134,998**	**41,129**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	381,076	-	-	208,077	134,998	41,129
Total	**19,771,582**	**-**	**-**	**208,077**	**134,998**	**19,431,635**

The sub-item "B. Loans to Banks - 1. Loans - 1.3 Other loans" represents loans guaranteed by ECB eligible securities offered to the Affiliated Banks as part of the "Collateral Account" service, activated in order to broker the Affiliated Banks themselves not only in relation to the European Central Bank's refinancing operations, but also in relation to the repo market.

In these services, based on the financial guarantee agreements pursuant to Legislative Decree no. 170 of 21 May 2004, Cassa Centrale Banca obtained the transfer of legal ownership of eligible securities from the Affiliated Banks. These securities can therefore be used by the Bank to guarantee the participation in the refinancing operations of the European Central Bank and for the stipulation of transactions on the repo market.

The balance of "Other debt securities" includes the subscription, by Cassa Centrale Banca, of the subordinated bond issued by Carige at an annual issue rate of 8.25%, with a nominal value of EUR 12,400 thousand.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2020					
	Carrying amount			Fair value		
	Stage 1and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**2,089,457**	**-**	**-**	**-**	**-**	**2,089,794**
1. Fixed-term deposits	-	-	-	X	X	X
2. Compulsory reserve	2,089,457	-	-	X	X	X
3. Repos	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. LOANS TO BANKS	**15,875,468**	**-**	**-**	**87,739**	**127,032**	**15,668,139**
1. Loans	**15,626,576**	**-**	**-**	**-**	**-**	**15,626,240**
1.1 Current accounts	-	-	-	X	X	X
1.2. Fixed-term deposits	372,679	-	-	X	X	X
1.3. Other loans:	15,253,897	-	-	X	X	X
1.4 Repos receivables	-	-	-	X	X	X
1.5. Financing for leases	-	-	-	X	X	X
1.6 Others	15,253,897	-	-	X	X	X
2. Debt securities	**248,892**	**-**	**-**	**87,739**	**127,032**	**41,900**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	248,892	-	-	87,739	127,032	41,900
Total	**17,964,925**	**-**	**-**	**87,739**	**127,032**	**17,757,933**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by category of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021						Total 31/12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. LOANS	**1,606,704**	**3,444**	**-**	**-**	**-**	**1,704,966**	**1,372,528**	**9,126**	**-**	**-**	**-**	**1,459,172**
1.1. Current accounts	528,061	-	-	X	X	X	488,779	77	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	965,000	3,444	-	X	X	X	772,020	9,034	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	113,643	-	-	X	X	X	111,729	14	-	X	X	X
2. DEBT SECURITIES	**2,242,774**	**-**	**-**	**2,266,181**	**-**	**4,780**	**2,555,270**	**-**	**-**	**2,639,172**	**-**	**4,081**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	2,242,774	-	-	2,266,181	-	4,780	2,555,270	-	-	2,639,172	-	4,081
Total	**3,849,478**	**3,444**	**-**	**2,266,181**	**-**	**1,709,746**	**3,927,798**	**9,126**	**-**	**2,639,172**	**-**	**1,463,254**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

In item "1. Loans", for impaired positions, the fair value was deemed to be equal to the net book value on the basis of the considerations set out in Part A, Section A.4 Information on Fair Value, to which reference is made.

The sub-item 1.7 "Other loans" consists of:

- fixed-term subsidies for EUR 10,336 thousand;
- security deposits in own name for EUR 50,420 thousand;

- initial margins relating to transactions with Cassa Compensazione e Garanzia for EUR 52,570 thousand;
- subsidies repayable in instalments for EUR 307 thousand;
- other entries totalling EUR 10 thousand.

Item 2. Debt securities includes senior securities related to "third party" securitisation transactions (Lucrezia Securitisation) for a carrying amount of EUR 221 thousand and Senior securities from own securitisations (Nepal and Buonconsiglio 3 and 4) for a carrying amount of EUR 4,123 thousand.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021			Total 31/12/2020		
	Stage 1 and 2	Stage 3	Impaired assets acquired or originated	Stage 1 and 2	Stage 3	Impaired assets acquired or originated
1. DEBT SECURITIES	**2,242,774**	**-**	**-**	**2,555,270**	**-**	**-**
a) Public bodies	2,238,430	-	-	2,551,547	-	-
b) Other financial companies	4,344	-	-	3,723	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. LOANS TO:	**1,606,704**	**3,444**	**-**	**1,372,528**	**9,126**	**-**
a) Public bodies	20,554	-	-	325	-	-
b) Other financial companies	750,317	-	-	591,150	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	802,230	3,153	-	754,242	8,280	-
d) Households	33,602	290	-	26,810	846	-
Total	**3,849,478**	**3,444**	**-**	**3,927,798**	**9,126**	**-**

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Overall partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	2,626,269	-	937	-	-	2,640	715	-	-	-
Loans	20,883,549	-	162,723	34,737	-	32,305	16,758	31,293	-	4,070
Total 31/12/2021	**23,509,818**	**-**	**163,660**	**34,737**	**-**	**34,944**	**17,473**	**31,293**	**-**	**4,070**
Total 31/12/2020	**21,810,663**	**-**	**107,475**	**44,003**	**-**	**19,648**	**5,766**	**34,878**	**-**	**3,908**

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information on the impairment model, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E - "Information on risks and related hedging policies".

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

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. GL-compliant forborne loans	7,000	-	238	2,410	-	362	43	1,001	-	-
2. Loans subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	6,644	-	6,446	-	-	399	1,160	-	-	-
3. Loans subject to other forbearance measures	-	-	-	739	-	-	-	739	-	-
4. New loans	119,976	-	36,766	252	-	2,800	2,941	32	0	-
Total 31/12/2021	**133,620**	**-**	**43,451**	**3,401**	**-**	**3,561**	**4,144**	**1,772**	**-**	**-**
Total 31/12/2020	**146,623**	**-**	**39,335**	**1,078**	**-**	**1,342**	**1,562**	**525**	**-**	**-**

* Value to be displayed for information purposes

Section 5 – Hedging derivatives – Item 50

At the end of the reporting period, the Bank had not entered into hedging transactions. This section does not contain any evaluation and is therefore omitted.

Section 6 – Adjustment of the financial assets subject to macro-hedging – Item 60

At the end of the reporting period, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on investment ratios

NAME	Registered office	Operating headquarters	% interest	Votes available %
A. WHOLLY-OWNED SUBSIDIARIES				
Assicura Agenzia S.r.l.	Udine	Udine	100.00%	100.00%
Centrale Credit Solutions S.r.l.	Trento	Trento	100.00%	100.00%
Centrale Soluzioni Immobiliare S.r.l.	Trento	Trento	100.00%	100.00%
Centrale Casa S.r.l.	Trento	Trento	100.00%	100.00%
Nord Est Asset Management S.A.	Luxembourg	Luxembourg	100.00%	100.00%
Claris Leasing S.p.A.	Treviso	Treviso	100.00%	100.00%
Allitude - Informatica Bancaria S.p.A.	Trento	Trento	96.70%	96.70%
Prestipay	Udine	Udine	60.00%	60.00%
B. JOINTLY CONTROLLED COMPANIES				
Casse Rurali Raiffeisen Finanziaria S.p.A.	Bolzano	Bolzano	50.00%	50.00%
C. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE				
Centrale Trading S.r.l.	Trento	Trento	42.50%	42.50%
Servizi e finanza Friuli Venezia Giulia S.r.l.	Udine	Udine	24.51%	24.51%
Partecipazioni cooperative S.r.l.	Trento	Trento	13.92%	13.92%
Scouting S.p.A.	Bellaria Igea Marina	Bellaria Igea Marina	8.26%	8.26%
Cabel Holding S.p.A.	Empoli	Empoli	7.66%	7.66%
Finanziaria Trentina della cooperazione S.p.A.	Trento	Trento	4.08%	4.08%

7.2 Significant equity investments: carrying amount, fair value and dividends received

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.3 Significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.4 Non significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.5 Equity investments: annual changes

	Total 31/12/2021	Total 31/12/2020
A. OPENING BALANCES	**248,002**	**240,739**
B. INCREASES	**8,023**	**7,557**
B.1 Purchases	8,023	7,557
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. DECREASES	**921**	**294**
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	921	-
C.4 Other changes	-	294
D. CLOSING BALANCES	**255,104**	**248,002**
E. TOTAL REVALUATIONS	**-**	**-**
F. TOTAL ADJUSTMENTS	**-**	**-**

The main changes in the item "Equity investments" during the current year are summarised below:

Purchases of additional shares already in the portfolio:

- Allitude S.p.A of EUR 482 thousand;
- Prestipay S.p.A. of EUR 7,500 thousand;
- Centrale Trading S.r.l. of EUR 41 thousand.

Write-downs:

- Cabel Holding S.p.A. of EUR 921 thousand;

With the exception of the write-down on the equity investment mentioned above, there were no indicators of impairment on the other equity investments recognised in the financial statements and, therefore, these equity investments were not tested for impairment at the end of the reporting period.

7.6 Commitments referring to equity investments in subsidiaries under joint control

There are no commitments referring to equity investments in subsidiaries under joint control.

7.7 Commitments referring to equity investments in companies subject to a significant influence

There are no commitments referring to equity investments in companies subject to a significant influence.

7.8 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

7.9 Other information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

Section 8 – Tangible assets – Item 80

8.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2021	Total 31/12/2020
1. ASSETS OWNED	**12,672**	**13,346**
a) land	3,665	3,665
b) buildings	5,670	5,421
c) furniture	1,218	1,509
d) electronic systems	1,081	1,522
e) other	1,038	1,229
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**10,219**	**9,209**
a) land	-	-
b) buildings	9,748	8,942
c) furniture	-	-
d) electronic systems	-	-
e) other	471	267
Total	**22,891**	**22,555**
of which: obtained through the enforcement of guarantees received	-	-

For information on operating leases, please refer to the table in this Section 8.6bis - Right-of-Use Assets.

8.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

There are no tangible assets held for investment purposes measured at cost.

8.3 Tangible assets for business use: breakdown of the revalued assets

8.4 Tangible assets held for investment purposes: breakdown of the assets measured at fair value

There are no tangible assets held for investment purposes measured at fair value.

8.5 Inventories of tangible assets disciplined by IAS 2: breakdown

There are no tangible assets disciplined by IAS 2.

8.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. GROSS OPENING BALANCES	**3,665**	**24,425**	**6,947**	**6,900**	**7,757**	**49,694**
A.1 Total net impairment	-	10,062	5,437	5,378	6,261	27,139
A.2 NET OPENING BALANCES	**3,665**	**14,363**	**1,509**	**1,522**	**1,496**	**22,555**
B. INCREASES:	**-**	**5,038**	**34**	**144**	**812**	**6,028**
B.1 Purchases	-	5,029	34	144	812	6,019
- of which business combinations	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	9	-	-	-	9
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. DECREASES:	**-**	**3,983**	**325**	**585**	**799**	**5,692**
C.1 Sales	-	1,680	52	50	27	1,808
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	1,501	273	535	772	3,081
C.3 Value adjustments for impairment charged to	-	183	-	-	-	184
a) equity	-	-	-	-	-	-
b) income statement	-	183	-	-	-	184
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-

	Land	Buildings	Furniture	Electronic systems	Other	Total
C.6 Transfers to:	-	610	-	-	-	610
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for disposal	-	610	-	-	-	610
C.7 Other changes	-	9	-	-	-	9
D. NET CLOSING BALANCES	**3,665**	**15,418**	**1,218**	**1,081**	**1,509**	**22,891**
D.1 Total net impairment	-	10,723	5,656	5,863	6,623	28,865
D.2 GROSS CLOSING BALANCES	**3,665**	**26,141**	**6,874**	**6,944**	**8,132**	**51,756**
E. Valuation at cost	-	-	-	-	-	-

It should be noted that the balances relating to the gross and net opening balances of tangible assets include the effects of the first-time adoption of IFRS 16 for Buildings and other assets.

The item “E. Valuation at cost” is not measured since its compilation is only set for tangible assets measured at fair value in the financial statements, not held by the Bank.

With regard to the details of Item “C. Decreases - C3 and C6”, please refer respectively to the table in “Part C - Section 12 - 12.1 - Net value adjustments to tangible assets” and in that of this Part - “Section 11 - 11.1 - Non-current assets and groups of assets held for disposal: breakdown by type of asset”.

Below are the annual changes in the rights of use acquired through lease.

8.6 bis Assets by right of use

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total
Balance as at 1 January	**267**	**-**	**-**	**-**	**8,855**	**87**	**-**	**-**	**-**	**9,209**
Of which:										
- Historical cost	596	-	-	-	10,517	95	-	-	-	**11,207**
- Depreciation fund	(329)	-	-	-	(1,661)	(8)	-	-	-	**(1,998)**
Increases	466	-	-	-	3,439	-	-	159	-	**4,064**
Decreases	(21)	-	-	-	(1,551)	-	-	(18)	-	**(1,590)**
Depreciation	(241)	-	-	-	(1,196)	(14)	-	(13)	-	**(1,464)**
Impairment	-	-	-	-	-	-	-	-	-	**-**
Balance as at 31 December	**471**	**-**	**-**	**-**	**9,547**	**73**	**-**	**128**	**-**	**10,219**
Of which:										
- Historical cost	1,041	-	-	-	12,404	95	-	141	-	**13,682**
- Depreciation fund	(570)	-	-	-	(2,858)	(22)	-	(13)	-	**(3,463)**

The item "Increases" includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under "Increases" and "Decreases".

At the end of the reporting period, the Bank had not entered into leaseback transactions.

8.7 Tangible assets held for investment purposes: annual changes

There are no tangible assets held for investment purposes.

8.8 Inventories of tangible assets disciplined by IAS 2: annual changes

At the end of the reporting period, there were no such circumstances.

8.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, at the end of the reporting period the contractual commitments for the purchase of tangible assets amounted to EUR 1,342 million and related to the purchase of a property located in Trento, in Piazza Duomo.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2021		Total 31/12/2020	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 GOODWILL	**X**	**-**	**X**	**-**
A.2 OTHER INTANGIBLE ASSETS	**996**	**-**	**1,646**	**-**
of which: software	199	-	1,646	-
A.2.1 Assets measured at cost:	996	-	1,646	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	996	-	1,646	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**996**	**-**	**1,646**	**-**

All the Bank's intangible assets are measured at cost.

In compliance with the relevant accounting regulations:

- the amortisation rates used for software are 33.3%.

No internally generated intangible assets were posted.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**-**	**-**	**-**	**10,924**	**-**	**10,924**
A.1 Total net impairment	-	-	-	9,277	-	9,277
A.2 NET OPENING BALANCES	**-**	**-**	**-**	**1,646**	**-**	**1,646**
B. INCREASES	**-**	**-**	**-**	**211**	**-**	**211**
B.1 Purchases	-	-	-	211	-	211
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes	-	-	-	-	-	-
- to Equity	X	-	-	-	-	-
- to Income Statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. DECREASES	**-**	**-**	**-**	**862**	**-**	**862**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	862	-	862
- Amortisation	X	-	-	862	-	862
- Write-downs	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative fair value changes:	-	-	-	-	-	-
- to Equity	X	-	-	-	-	-
- to Income Statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. NET CLOSING BALANCES	**-**	**-**	**-**	**996**	**-**	**996**
D.1 Total net value adjustments	-	-	-	10,139	-	10,139
E. GROSS CLOSING BALANCES	**-**	**-**	**-**	**11,135**	**-**	**11,135**
F. Valuation at cost	-	-	-	-	-	-

KEY:

DEF = with definite duration

INDEF = with indefinite duration

The intangible assets described were entirely acquired externally and measured at cost.

The sub-item “F. Valuation at cost” is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, it should be noted that the Bank does not have any:

- impediments to the distribution to shareholders of capital gains on revalued intangible assets (see IAS 38, paragraph 124, letter b));
- established intangible assets to secure its debts (see IAS 38, paragraph 122, letter d));
- outstanding intangible assets acquired by government concession (see IAS 38, paragraph 122, letter c));
- commitments to purchase intangible assets (see IAS 38, paragraph 122, letter e));
- outstanding intangible assets subject to lease operations;
- outstanding allocation of goodwill among the various cash generating units (see IAS 36, paragraph 134, letter a)).

Section 10 – Tax assets and tax liabilities – Item 100 of assets and item 60 of liabilities

10.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2021			31/12/2020		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Loans	14,254	1,695	15,949	16,525	2,017	18,542
Tangible fixed assets	-	-	-	-	-	-
Provisions for risks and charges	6,124	776	6,900	5,480	1,063	6,543
Tax losses	-	-	-	-	-	-
Administrative expenses	34	-	34	33	-	33
Other items	19	-	19	198	31	228
Total	**20,431**	**2,470**	**22,902**	**22,235**	**3,111**	**25,346**

THROUGH EQUITY	31/12/2021			31/12/2020		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	367	2,158	2,525	177	1,574	1,751
Severance indemnity (TFR)	24	-	24	30	-	30
Other items	-	-	-	-	-	-
Total	**391**	**2,158**	**2,549**	**207**	**1,574**	**1,781**

The item “Loans” in the table above shows Deferred Tax Assets (or “DTA”) mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (known as “Qualified DTAs”) of EUR 14,053 thousand.
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to banks that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 1.9 million (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to banks.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans and intangible assets into tax credits, in providing "certainty" to the recovery of qualified DTAs, affect the "probability test" provided for by IAS 12, making it automatically satisfied for all the aforementioned DTAs.

10.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2021			31/12/2020		
	IRES	IRAP	Total	IRES	IRAP	Total
Tangible fixed assets	0	0	-	0	0	-
Capital gains by instalments	0	0	-	0	0	-
Other items	0	0	-	0	0	-
Total	**0**	**0**	**0**	**0**	**0**	**0**

THROUGH EQUITY	31/12/2021			31/12/2020		
	IRES	IRAP	Total	IRES	IRAP	Total
Positive reserves for HTCS financial assets	907	219	1,126	2,257	466	2,722
Other items	0	0	0	0	0	-
Total	**907**	**219**	**1,126**	**2,257**	**466**	**2,722**

10.3 Changes in advance taxes (through the income statement)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**25,346**	**26,842**
2. INCREASES	**728**	**4,094**
2.1 Advance taxes recorded in the year	728	4,094
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	728	4,094
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**3,172**	**5,590**
3.1 Advance taxes cancelled in the year	3,161	5,590
a) reversals	3,161	5,590
b) write-downs for uncollectable amounts	-	-
c) changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	11	-
a) transformation into tax credits under Law no. 214/2011	**11**	-
b) other	**-**	-
4. CLOSING AMOUNT	**22,902**	**25,346**

The deferred tax assets recognised during the year, amounting to EUR 22,902 thousand, derive mainly from the recognition of the following deferred tax assets referring to:

- loans Law no. 214/2011;
- loans to banks;
- non-deductible provisions for risks and charges;
- other Administrative expenses;
- provision for severance indemnity.

The decreases in advance taxes mainly include the discharge of their balance prior to the end of the reporting period.

10.3bis Changes in advance taxes according to Law no. 214/2011

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**16,733**	**19,398**
2. INCREASES	**7**	**11**
3. DECREASES	**2,687**	**2,676**
3.1 Reversals	2,676	2,676
3.2 Transformation into tax credits	11	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	11	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**14,053**	**16,733**

Table 10.3 bis shows changes in advanced taxes recognised on value adjustments of receivables from customers pursuant to Law no. 214/2011, including those relating to the transformation of tax losses/negative value of production due to the reversal pursuant to Law no. 214/2011 of write-downs of loan not deducted in the past.

10.4 Changes in deferred taxes (through the income statement)

During the year, and in the previous year, no changes were recorded with respect to the zero balance at the start of the period.

10.5 Changes in advance taxes (through Equity)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**1,781**	**428**
2. INCREASES	**774**	**1,446**
2.1 Advance taxes recorded in the year	774	1,446
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	774	1,446
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**6**	**92**
3.1 Advance taxes cancelled in the year	6	92
a) reversals	6	92
b) write-downs for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**2,549**	**1,781**

10.6 Changes in deferred taxes (through Equity)

	Total 31/12/2021	Total 31/12/2020
1. OPENING AMOUNT	**2,722**	**719**
2. INCREASES	**-**	**2,003**
2.1 Deferred taxes recorded in the year	-	2,003
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	-	2,003
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**1,596**	**-**
3.1 Deferred taxes cancelled in the year	1,596	-
a) reversals	1,596	-
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**1,126**	**2,722**

Deferred tax assets and liabilities recognised during the year refer to taxes calculated on the valuations of "Financial assets measured at fair value through other comprehensive income".

These changes have a contra-entry in the reserve on 'Financial assets measured at fair value through other comprehensive income'.

10.7 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	Other	Total
Current tax liabilities	(4,919)	(3,908)	-	**(8,827)**
Advances paid/tax credits	3,889	1,494	-	**5,383**
Withholding taxes incurred	696	-	-	**696**
Other tax credits	-	-	-	**-**
Tax credits under Law no. 214/2011	-	-	25	**25**
TOTAL BREAKDOWN OF CURRENT TAXES	**(335)**	**(2,414)**	**25**	**(2,723)**
of which debt balance of item 60 a) of liabilities	**(335)**	**(2,414)**	**-**	**(2,748)**
of which credit balance of item 100 a) of assets	**-**	**-**	**25**	**25**
Tax credits that cannot be offset: capital portion	-	-	-	**-**
Tax credits that cannot be offset: interest portion	-	-	-	**-**
of which credit balance of item 100 a) of assets	**-**	**-**	**25**	**25**

With regard to the Bank's tax position, for the financial years not yet prescribed, there have been no assessment notices received to date.

Information on the deferred tax assets "Probability test"

IAS 12 requires that tax liabilities and tax assets be recognised on the basis of the following criteria:

- a deferred tax liability must be recognised for all taxable temporary differences;
- a deferred tax asset must be recognised for all deductible temporary differences if it is probable that a sufficient taxable income will be generated compared to the deductible temporary differences.

As known, tax assets are measured at the tax rates that are expected to be applicable in the year in which they arise. They are periodically tested to determine the degree of recoverability and level of the applicable tax rates, as well as whether assets not recognised or derecognised due to lack of requirements in previous years should be reassessed.

To this end, note that a 3.5% IRES surtax has been applied to banks since 2017, resulting in a total IRES rate of 27.5% for the banking sector only.

As at 31 December 2021, deferred tax assets recognised by Cassa Centrale Banca under item “100 Tax assets b) deferred” totalled EUR 25,450 thousand and refer to the following generating events:

- excess value adjustments of loans pursuant to art. 106, paragraph 3, TUIR of EUR 14,053 thousand (of which EUR 1,695 thousand recognised for IRAP purposes);
- allocations and non-deductible expenses for reasons of competence, pursuant to the TUIR, of EUR 8,848 thousand;
- write-downs of securities in the FVOCI portfolio and actual gain reserve of EUR 2,549 thousand (in addition to EUR 1,126 thousand of deferred taxes).

In carrying out the Probability Test on deferred tax assets recognised in the financial statements as at 31 December 2021, those deriving from deductible temporary differences related to write-downs and credit losses (known as “qualified deferred tax assets”), amounting to EUR 14,053 thousand, were separately considered.

Starting from the tax period ended 31 December 2011, deferred tax assets (IRES) recorded in the financial statements are converted into tax credits upon the realisation of operating losses, as well as upon the realisation of tax losses deriving from the deferred deduction of temporary differences relating to the aforementioned adjustments to the value of loans to customers (Article 2, paragraph 56-bis of Law Decree no. 225 of 29 December 2010, introduced by Article 9 of Law Decree no. 201 of 6 December 2011). Starting from the 2013 tax year, a similar conversion is established, if the IRAP return shows a negative net value of production, related to the deferred tax assets (IRAP) referring to the aforementioned temporary differences that contributed to the determination of the negative net value of production (Art. 2, paragraph 56-bis.1, Law Decree no. 225 of 29 December 2010, introduced by Law no. 147/2013).

The convertibility of deferred tax assets on IRES tax losses and on the negative net value of production for IRAP purposes, determined by qualified temporary differences, is therefore a sufficient condition for recognising these deferred tax assets in the financial statements, implicitly making the relative Probability Test passed.

On the basis of these assumptions, Cassa Centrale Banca identified deferred tax assets, other than the qualified ones, which, together with the deferred tax liabilities recognised in the financial statements, were distinguished for IRES and IRAP purposes by type and foreseeable timing of reabsorption and quantified a forecast of future profitability, aimed at checking the capacity to absorb them.

The analysis carried out showed that, at both the IRES and IRAP levels, the income prospects of Cassa Centrale Banca are such as to allow the full recovery of the recognised DTAs in the future.

Deferred tax assets related to ACE surpluses to be carried forward not yet recognised in the financial statements amounted to EUR 1.2 million.

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

11.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

	Total 31/12/2021	Total 31/12/2020
A. ASSETS HELD FOR SALE		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	610	-
of which: obtained through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**610**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	*610*	-
of which measured at fair value level 3	-	-
B. DISCONTINUED OPERATIONS		
B.1 Financial assets designated at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets designated at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-

	Total 31/12/2021	Total 31/12/2020
Total (B)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

Non-current assets (or groups of assets held for disposal) were classified as held for sale at the end of the reporting period. More details are given below:

- it is a property unit in which the counterparty is interested in acquiring ownership. The sale is expected to be completed by the first quarter of 2022.

11.2 Other information

At the end of the reporting period there is no significant additional information.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Tax receivables from tax authorities and other tax bodies	44,636	26,691
Cheques to be settled at the Clearing House or with Associates	-	-
Items in transit - other	-	-
Work in progress	118,434	121,191
Adjustments for illiquid items in the portfolio	29,163	39,942
Other debtors for security transactions	28	-
Customers and revenues to be collected	17,010	8,375
Prepayments and accrued income not capitalised	2,199	2,645
Improvement and enhancement expenses on non-separable third-party assets	458	432
Advances to suppliers	767	-
Intrinsic value of securities transactions and exchanges to be settled	110	15
Other lenders	54,130	32,935
Total	**266,936**	**232,226**

The change in the sub-item "Tax receivables from tax authorities and other tax bodies" was particularly affected by the operation envisaged by the "Rilancio" Law Decree no. 34/200, converted into Law no. 77/2020 (known as Superbonus), for EUR 15,809 thousand.

The sub-item "Work in progress" refers mainly to the positive balance of electronic flows related to transactions not settled yet by Cassa Centrale Banca on behalf of Affiliated Banks by and towards the interbanking system.

The sub-item "Adjustments for illiquid items in the portfolio" shows the imbalance between the debt adjustments and the credit adjustments of the portfolio "subject to payment in due course", for which details are stated in the specific table "Other information" of part B of these Explanatory Notes.

The sub-item "Other lenders" mainly includes the contra-entry of revenues for services rendered, mainly by the BCCs, recorded on an accrual basis during the year but not yet collected for EUR 43,803 thousand and EUR 5,541 thousand in VAT receivables from VAT Group participants.

At the end of the reporting period, the Bank did not present any significant amounts in relation to assets arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128, in particular.

Liabilities

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

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021				Total 31/12/2020			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**15,066,641**	**X**	**X**	**X**	**15,317,837**	**X**	**X**	**X**
2. DUE TO BANKS	**7,450,478**	**X**	**X**	**X**	**5,400,607**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	5,784,487	X	X	X	4,252,616	X	X	X
2.2 Fixed-term deposits	1,655,460	X	X	X	1,136,428	X	X	X
2.3 Loans	9,595	X	X	X	9,595	X	X	X
2.3.1 Repos payables	9,595	X	X	X	9,595	X	X	X
2.3.2 Others	-	X	X	X	-	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Payables for leases	144	X	X	X	-	X	X	X
2.6 Other payables	792	X	X	X	1,969	X	X	X
Total	**22,517,119**	**-**	**-**	**22,517,119**	**20,718,443**	**-**	**-**	**20,718,443**

The fair value used for valuation of the financial liabilities measured at amortised cost (debt securities in issue), included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to "Part A – Accounting policies, A.4 - Information on fair value" in the Explanatory Notes.

The item "1. Due to Central Banks" consists of funding transactions at negative rates with the ECB. For detailed information on TLTRO III loan transactions, please refer to Part, Section 4.

The repos payables implemented against financial assets transferred but not derecognised are reported in "Part E - Information on risks and related hedging policies, Section E - Disposal Transactions" in the Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021				Total 31/12/2020			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	1,031,860	X	X	X	658,917	X	X	X
2. Fixed-term deposits	40,888	X	X	X	38,627	X	X	X
3. Loans	58,273	X	X	X	298,142	X	X	X
3.1 Repos payables	54,826	X	X	X	295,844	X	X	X
3.2 Other	3,447	X	X	X	2,299	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	10,351	X	X	X	9,438	X	X	X
6. Other payables	447,198	X	X	X	466,205	X	X	X
Total	**1,588,570**	**-**	**-**	**1,588,570**	**1,471,330**	**-**	**-**	**1,471,330**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "6. Other payables" represents:

- outstanding balances on prepaid cards in circulation issued by the Bank for EUR 144,875 thousand;
- value of banker's drafts in circulation issued by the Bank for EUR 302,323 thousand.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section E - Disposal Transactions in the Explanatory Notes.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2021				Total 31/12/2020			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	-	-	-	-	10,088	-	10,088	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	10,088	-	10,088	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**10,088**	**-**	**10,088**	**-**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

At the end of the reporting period, there were no debt securities in issue. The zero setting of item A.1.2 is attributable to the natural maturity of the bond.

1.4 Details of subordinated debts/securities

ITEMS	Total 31/12/2021	Total 31/12/2020
a. Due to banks	-	-
b. Due to customers	-	-
c. Debt securities in issue	-	10,088
Total	**-**	**10,088**

At the end of the reporting period, there are no subordinated relationships.

1.5 Details of structured debts

At the end of the reporting period, there are no structured debts.

1.6 Payables for leases

Financial lease liabilities

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total
Balance as at 1 January	-	261	-	-	9,090	-	-	87	-	**9,438**
New contracts	-	466	-	-	3,533	-	-	159	-	**4,159**
Repayments	-	-	-	-	-	-	-	-	-	**-**
Other non-monetary movements*	-	(234)	-	-	(1,200)	-	-	(26)	-	**(1,459)**
Terminated contracts for modification/ revaluation	-	(21)	-	-	(1,603)	-	-	(18)	-	**(1,642)**
Balance as at 31 December	**-**	**472**	**-**	**-**	**9,820**	**-**	**-**	**203**	**-**	**10,495**

*includes increments for indexing

The item "New contracts" includes the lease liability relating to contracts signed into during the period. Changes in the financial lease liability due to contractual changes are recorded under "New contracts" and "Terminated contracts for modification/revaluation".

The table below shows the maturity date of financial payables for leases, as required by IFRS 16, para. 58.

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total
Within 12 months	-	-	-	-	-	-	-	-	-	**-**
Between 1-5 years	-	472	-	-	-	-	-	-	-	**472**
Beyond 5 years	-	-	-	-	9,820	-	-	203	-	**10,023**
Total lease liabilities as at 31 December	**-**	**472**	**-**	**-**	**9,820**	**-**	**-**	**203**	**-**	**10,495**

At the end of the reporting period, the Bank is subject to contractual obligations with reference to lease contracts for EUR 10,495 thousand, of which EUR 472 thousand between one and five years and EUR 10,023 thousand after five years.

During 2021, the Bank’s lease contracts involved a cash outlay of EUR 1,574 thousand, mainly due to branch leases.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021					Total 31/12/2020				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	21,230	-	X	X	-	36,077	-	X
1.1 Trading	X	-	21,230	-	X	X	-	36,076	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**21,230**	**-**	**X**	**X**	**-**	**36,077**	**-**	**X**
Total (A+B)	**X**	**-**	**21,230**	**-**	**X**	**X**	**-**	**36,077**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

Item B. Derivative instruments - 1. Financial derivatives - 1.1 for trading” includes interest rate swaps and forwards vis-à-vis primary market institutions and balanced with specular but opposite transactions with Affiliated Banks.

2.2 Details of ‘Financial liabilities held for trading’: subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of ‘Financial liabilities held for trading’: structured debts

At the end of the reporting period, there are no financial liabilities held for trading related to structured debts.

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

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2021					Total 31/12/2020				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**172,970**	**-**	**-**	**173,104**	**173,104**	**162,019**	**-**	**-**	**163,827**	**163,827**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	172,970	-	-	173,104	X	162,019	-	-	163,827	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**172,970**	**-**	**-**	**173,104**	**173,104**	**162,019**	**-**	**-**	**163,827**	**163,827**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

Item 1.2 Others includes the total value of the "ex-ante portions" contributed by the Affiliated Banks through the instrument of financing allocated to a specific business.

For further details, please refer to the annex "Report on the Guarantee Scheme" as at 31 December 2021.

3.2 Details of "Financial liabilities designated at fair value": subordinated liabilities

At the end of the reporting period, there are no financial liabilities measured at fair value with a subordination restriction.

Section 4 – Hedging derivatives – Item 40

At the end of the reporting period, the Bank had not entered into hedging transactions. This section does not contain any evaluation and is therefore omitted.

Section 5 – Adjustment of the financial liabilities subject to macro-hedging – Item 50

At the end of the reporting period, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 6 – Tax liabilities – Item 60

For information on tax liabilities reference is made to Section 10 of the Assets.

Section 7 – Liabilities associated to assets held for disposal – Item 70

For information on liabilities associated with assets held for disposal, reference is made to Section 11 of the assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Tax payables to tax authorities and other tax bodies for indirect taxes	29,433	21,752
Temporary items Centralised Treasury management	3,109	652
Wire transfers to be settled	-	-
Housing contributions - Public bodies	1,105	1,582
Due to suppliers and expenses to be settled	44,085	36,367
Collection on behalf of third parties and amounts available to customers or third parties	3,965	5,261
Payables for guarantees given and commitments	-	-
Due to employees	7,189	6,716
Due to social security institutions and external pension funds	2,860	1,672
Other work in progress	250,985	250,590
Accrued expenses and deferred income not attributable to own items	382	920
Intrinsic value of securities transactions and exchanges to be settled	23	224
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	-	-
Debit items in transit	-	-
Advances received from third parties for property disposals to be completed	-	-
Payables for educational, cultural, charitable and social purposes	-	-
Sundry creditors - other	23,241	14,514
Total	**366,378**	**340,251**

This item includes the liabilities that are not attributable to other items in the balance sheet liabilities.

The sub-item "Other work in progress" mainly includes the negative balance of electronic flows related to transactions not settled yet and that Cassa Centrale Banca sorts on behalf of Affiliated Banks towards the interbanking system and in the opposite direction.

Other liabilities include deferred income from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128, for EUR 57 thousand.

Section 9 – Provision for severance indemnity – Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2021	Total 31/12/2020
A. OPENING BALANCES	**1,951**	**2,368**
B. INCREASES	**20**	**17**
B.1 Allocation for the year	18	17
B.2 Other changes	3	-
C. DECREASES	**417**	**433**
C.1 Payments made	417	425
C.2 Other changes	-	8
D. CLOSING BALANCES	**1,554**	**1,951**
Total	**1,554**	**1,951**

At the end of the reporting period, the Bank recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation – DBO).

The sub-item "B.1 Allocation for the year" consists of net interest expense (Interest Cost) of EUR 6 thousand and service cost related to past employment benefits of EUR 12 thousand.

The sub-item "B.2 Other changes" consists exclusively of actuarial losses, amounting to EUR 3 thousand.

The sub-item "C.1 Payments made" consists of decreases for Benefits paid of EUR 417 thousand.

The amount of the Interest Cost is included in the income statement in table "10.1 Personnel costs".

The actuarial loss was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that according to Law no. 296 of 27 December 2006 (2007 Finance Law), companies with at least 50

employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary pension funds referred to in Legislative Decree no. 252/05 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Other information

ITEMS	Total 31/12/2021	Total 31/12/2020
CHANGES IN THE YEAR	**(399)**	**(409)**
- Service cost related to current employment benefits	-	-
- Interest expense on the defined benefit obligation	6	17
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	12	-
- Transfers	-	-
- Decreases	(417)	(426)
ACTUARIAL (PROFITS) LOSSES RECOGNISED IN VALUATION RESERVES (OCI)	**3**	**(8)**
Description of the main assumptions		
- Discount rate	0.98%	0.34%
- Expected inflation rate	1.75%	0.80%

Description of the main actuarial assumptions for the valuation of severance indemnity

The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the Annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of para. 83 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 0.98%;
- annual rate of increase in provision for severance indemnity: 2.81%;

- annual inflation rate: 1.75%;
- annual rate of actual salary increase:
  - executives: 2.50%
  - middle managers: 1.00%;
  - office staff: 1.00%;
  - blue-collar workers: 1.00%.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon attainment of the AGO requirements as per Law Decree no. 4/2019.

The annual frequency of advances (3.00%) and turnover (1.00%) are deduced from the Bank's historical experience and frequencies triggered by the experience of the actuary in charge of a significant number of similar companies.

In conclusion, we provide the sensitivity analyses on the Actuarial Value (Defined Benefit Obligation – DBO) for the end of the period using:

- a discount rate of +0.25% and of -0.25% compared to the one applied:
  - in the event of an increase of 0.25%, the TFR provision would equal EUR 1,525 thousand;
  - in the event of a decrease of 0.25%, the TFR provision would equal EUR 1,585 thousand;
- an inflation rate of +0.25% and of -0.25% compared to the one applied:
  - in the event of an increase of 0.25%, the TFR provision would equal EUR 1,573 thousand;
  - in the event of a decrease of 0.25%, the TFR provision would equal EUR 1,536 thousand;
- a turnover rate of +1.00% and -1.00% compared to the one applied:
  - in the event of an increase of 1.00%, the TFR provision would equal EUR 1,547 thousand;
  - in the event of a decrease of 1.00%, the TFR provision would equal EUR 1,563 thousand.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/VALUES	Total 31/12/2021	Total 31/12/2020
1. Provision for credit risk relative to commitments and financial guarantees given	4,980	4,160
2. Provision for other commitments and guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	19,675	16,371
4.1 Legal and tax disputes	779	825
4.2 Personnel expenses	396	327
4.3 other	18,500	15,218
Total	**24,655**	**20,531**

The item "Provision for credit risk relative to commitments and financial guarantees issued" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

The item "Other provisions for risks and charges", sub-item "others" mainly includes:

- the value of allocations against requests from the National Resolution Fund of EUR 9,044 thousand;
- the Provision for charity, which originates from the Articles of Association, of EUR 905 thousand;
- the Provision for Bonuses for employees of EUR 6,252 thousand, as well as staff leaving incentives of EUR 2,300 thousand.

10.2 Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees given	Pension funds	Other provisions for risks and charges	Total
A. OPENING BALANCES	**-**	**-**	**16,371**	**16,371**
B. INCREASES	**-**	**-**	**10,428**	**10,428**
B.1 Allocation for the year	-	-	10,428	10,428
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. DECREASES	**-**	**-**	**7,123**	**7,123**
C.1 Use for the year	-	-	7,123	7,123
C.2 Changes due to modifications in the discount rate	-	-	-	-
C.3 Other changes	-	-	-	-
D. CLOSING BALANCES	**-**	**-**	**19,675**	**19,675**

It should be noted that the table above shows the annual changes in the provisions for risks and charges with the exception of those in the item "Provision for credit risk relative to commitments and financial guarantees issued", which are shown in Table A.1.4 in Part E.

With reference to "Other provisions for risks and charges":

- the sub-item "B.1 - Allocation for the year" includes the increase in future estimated debt related to both existing provisions and provisions established in the year;
- the sub-item "C.1 - Use for the year" refers to payments made.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total 31/12/21
1. Commitments to issue funds	3,908	819	47	-	4,773
2. Financial guarantees given	102	10	95	-	207
Total	**4,009**	**829**	**142**	**-**	**4,980**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9, including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees given

At the end of the reporting period, the Bank has no provisions of this kind.

10.5 Defined benefit company pension funds

The Bank does not have defined benefit pension funds.

10.6 Provisions for risks and charges - other provisions

ITEMS	Total 31/12/2021	Total 31/12/2020
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	-	-
2. Provision for charity	905	604
3. Personnel risks and expenses	396	327
4. Legal and tax disputes	779	825
5. Other provisions for risks and charges	17,595	14,614
Total	**19,675**	**16,371**

Provision for charity of EUR 905 thousand.

The provision for charity, which originates from the Articles of Association (Article 49), is included under other provisions. The allocation is determined on an annual basis, at the time of allocation of profits, by the Shareholders' Meeting; the relative use is decided by the Board of Directors. The provision has not been discounted as its use is anticipated in the course of the following year.

Personnel expenses for EUR 396 thousand

The amount recorded in sub-item 4.2 'personnel expenses' - of Table 10.1 refers to: seniority/loyalty bonuses regarding the financial charge that the Bank must incur in future years in favour of the employees in relation to seniority of service.

In terms of operations, the application of the Project Unit Credit Method required the defined demographic and economic-financial hypotheses applied analytically to each employee.

Provision for future charges for legal disputes of EUR 779 thousand.

The "Provision for future charges for legal disputes" protects the Bank from probable negative outcomes deriving from court procedures against the Bank and complaints still pending. In particular, as at 31 December 2021 it only includes provisions for presumed losses on lawsuits.

The nature of legal court procedures against the Bank is wide ranging and diversified. In fact, even though they generally have in common a demand for compensation from the Bank, they arise from events which can be very different from each other. Simply put, the most frequent reasons relate to the disputes on interests (compound interest, usury, rate not agreed, etc.), the implementation of investment services and the erroneous negotiation of cheques.

The timings of judgements are difficult to predict. With regard to the amounts of foreseeable disbursements, the hypothesis formulated for judgements with likely negative outcome refers to the overall estimate disbursement. It is specified, also in relation to that stated earlier, that both the amounts and the time of foreseeable disbursement of every individual dispute must necessarily be considered to be indicative as, especially for judgements of a compensatory nature, the judge's discretion in the assessment of the damage is very wide.

Revocatory action disputes are promoted to obtain, with reference to the periods before subjecting the customer to insolvency procedures, an order for the Bank to return sums deposited on current accounts or the declaration of ineffectiveness of acquired guarantees. In relation to negative outcomes provisions are made, on the occurrence of adverse events that may lead to determine reliable predictions of a negative outcome, to the extent of the amount of the anticipated disbursement.

Other provisions for risks and charges amounting to EUR 17,596 thousand.

The amount shown refers to provisions made in previous years for potential requests for intervention by the National Resolution Fund of EUR 9,044 thousand, provision for bonuses for employees of EUR 6,252 thousand as well as staff leaving incentives of EUR 2,300 thousand.

Contingent liabilities: development of significant legal disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) was based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three proceedings were jointed in one case and settled by a judgement published on 26 November 2021.

The Court of Genoa rejected the claims for damages brought by Malacalza Investimenti S.r.l., Malacalza Vittorio and the other 42 shareholders and ascertained the validity of the resolution because (i) there was no violation of the principle of accounting parity; (ii) the exclusion of the shareholders' option right took place in the presence of a significant corporate interest; (iii) the issue price of the new shares was determined in accordance with the criteria set out in the company's regulations.

The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

The three rehearings have not yet been joined in one case and the first hearings are scheduled for 13 April 2022 (Malacalza Vittorio) and 20 April 2022 (Malacalza Investimenti S.r.l. and 5 other shareholders). The time limits for Cassa Centrale Banca's appeal are pending.

Cassa Centrale Banca, due to the assessments carried out with the support of its lawyers, considering the possible risk of losing the case, decided, in accordance with the provisions of IAS 37, not to make provisions for risks and charges and to provide information in the financial statements as required for contingent liabilities.

Section 11 – Repayable shares – Item 120

11.1 Repayable shares: breakdown

The Bank has issued no repayable shares.

Section 12 – Equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Capital" and "Own shares": breakdown

ITEMS	31/12/2021			31/12/2020		
	Number of shares issued	Number of shares subscribed and not yet paid-up	Total	Number of shares issued	Number of shares subscribed and not yet paid-up	Total
A. SHARE CAPITAL						
A.1 Ordinary shares	18,158,304	-	18,158,304	18,158,304	-	18,158,304
A.2 Preference shares	150,000	-	150,000	150,000	-	150,000
A.3 Other shares	-	-	-	-	-	-
Total A	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**
B. OWN SHARES						
B.1 Ordinary shares	-	-	-	-	-	-
B.2 Preference shares	-	-	-	-	-	-
B.3 Other shares	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total A+B	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**

There are no shares subscribed and not yet paid-up.

There are no own shares in the portfolio.

12.2 Capital - Number of shares: annual changes

ITEMS/TYPES	Ordinary	Other
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. OUTSTANDING SHARES: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

12.3 Capital: other information

ITEM	Total 31/12/2021	Total 31/12/2020
NOMINAL VALUE PER SHARE		
Fully paid-up		
Number	18,308,304.00	18,308,304.00
Value		52.00
Existing contracts for the sale of shares		
Number of shares under contract	-	-
Total value	-	-

The nominal value per share has not changed and amounts to EUR 52.

The Bank's share capital consists of 18,308,304 shares, including 150,000 preference shares and 18,158,304 ordinary shares. There are no dividend distribution restrictions or capital reimbursement restrictions on these shares.

The Bank does not hold, directly or indirectly, through subsidiaries or associates, own shares.

12.4 Profit reserves: other information

ITEMS/COMPONENTS	Amount	Portion available	Possibility of use
a) Legal reserve	30,591	30,591	B: to cover losses
b) Extraordinary reserve	-	-	-
c) Statutory reserve	-	-	-
d) Other reserves	128,370	128,370	B: to cover losses
Total	**158,961**	**158,961**	**-**

Profit reserves are generally formed when the net profit shown in the approved annual Financial statements is distributed by explicit allocation to reserves.

The "Legal reserve" is formed with an allocation of at least 5% of the net profit for the year.

The "Legal reserve" is available to the Bank to cover losses for the year, in the same way as the other profit reserves recognised in equity, due to legal and statutory constraints.

"Other reserves" also includes the portion of the residual net profits after the allocations established by law and the Articles of Association and resolved by the shareholders' meeting.

With regard to the proposal for the allocation of the profit for the year, please refer to the Directors' Report on operations of these Financial statements.

With reference to the valuation reserves, unavailable, where positive, pursuant to Article 6 of Legislative Decree no. 38/2005, the following should be mentioned:

- the valuation reserves of financial instruments measured at fair value through other comprehensive income represent the gains or losses deriving from a change in fair value of the quoted financial activity;
- the reserves for the hedging of financial flows include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains/losses relate to the valuation of severance indemnity and defined provisions for retirement.

Pursuant to Article 2427, paragraph 22-septies, of the Italian Civil Code, for the proposed allocation of the profit for the year, reference should be made to the information contained in the Report on Operations (document accompanying these financial statements) in the chapter “Proposed appropriation of the result for the year”.

12.5 Equity instruments: breakdown and annual changes

There are no equity instruments other than the capital and reserves.

12.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Other information

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

	Nominal value of commitments and financial guarantees given				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO ISSUE FUNDS	**13,843,974**	**1,983**	**47**	**-**	**13,846,004**	**14,264,856**
a) Central Banks	-	-	-	-	-	-
b) Public bodies	865	-	-	-	865	1,960
c) Banks	13,377,788	-	-	-	13,377,788	13,862,030
d) Other financial companies	279,152	792	-	-	279,944	229,798
e) Non-financial companies	173,734	1,136	47	-	174,917	157,276
f) Households	12,435	56	-	-	12,491	13,792
2. FINANCIAL GUARANTEES GIVEN	**67,029**	**465**	**95**	**-**	**67,589**	**63,779**
a) Central Banks	-	-	-	-	-	-
b) Public bodies	-	-	-	-	-	-
c) Banks	36,523	-	-	-	36,523	30,713
d) Other financial companies	6,769	-	-	-	6,769	7,285
e) Non-financial companies	19,493	461	95	-	20,049	19,975
f) Households	4,244	4	-	-	4,249	5,807

This table shows the commitments to disburse funds and the financial guarantees issued which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees issued that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees issued that are measured at fair value.

“Commitments to disburse funds” are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

The item “Commitments to disburse funds” includes margins usable on irrevocable credit facilities for EUR 13,845,094 thousand.

The item “Financial guarantees issued” mainly includes guarantees securing the regular fulfilment of the debt service by the ordering party.

2. Other commitments and guarantees given

	Nominal value Total 31/12/2021	Nominal value Total 31/12/2020
1. Other guarantees given	**1,878**	**2,584**
of which: impaired	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	1,878	2,584
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees issued which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2021	Amount 31/12/2020
1. Financial assets designated at fair value through profit or loss	9,464	-
2. Financial assets designated at fair value through other comprehensive income	-	-
3. Financial assets measured at amortised cost	514,245	823,018
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

In item “3. Financial assets measured at amortised cost” include the value of securities pledged as collateral:

- issues of banker’s drafts for EUR 79,736 thousand;
- repurchase agreements with Cassa di Compensazione e Garanzia for EUR 10,033 thousand;
- guarantee agreement with the Affiliated Banks for EUR 9,464 thousand;
- guarantee agreement with the Affiliated Banks ex post for EUR 136,201 thousand:
- Bankit/ECB pool account for EUR 275,895 thousand;
- derivative collateral for EUR 1,659 thousand;
- guarantee in favour of Cassa del Trentino for EUR 10,721 thousand.

4. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	**12,401**
a) purchases	4,882
1. settled	4,882
2. not settled	-
b) sales	7,519
1. settled	7,519
2. not settled	-
2. INDIVIDUAL PORTFOLIO MANAGEMENT	**11,318,359**
3. CUSTODY AND ADMINISTRATION OF SECURITIES	**52,506,597**
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by the bank that prepares the financial statements	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	48,378,346
1. securities issued by the bank that prepares the financial statements	1,070,267
2. other securities	47,308,079
c) third-party securities deposited with third parties	48,019,036
d) own securities deposited with third parties	4,128,251
4. OTHER TRANSACTIONS	**-**

The Bank provides brokerage services on behalf of third parties.

With regard to the asset management described in point 2, the following should be noted:

- the amounts refer to the value of assets under management at the end of the year, at market values;

- the amounts refer to both the securities component of management and the liquidity component (current accounts and deposits), which amounted to EUR 730,544 thousand in the current year;
- the amounts in point 3. refer to the nominal value of the securities and sub-item b) also includes securities on deposit as collateral.

5. Financial assets which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2021	Net amount 31/12/2020
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	24,598	-	24,598	-	15,346	(9,253)	670
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2021	**24,598**	**-**	**24,598**	**-**	**15,346**	**(9,253)**	**X**
Total 31/12/2020	**34,590**	**-**	**34,590**	**-**	**35,260**	**X**	**670**

6. Financial liabilities which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2021	Net amount 31/12/2020
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	21,167	-	21,167	-	20,060	1,107	(810)
2. Repos	10,057	-	10,057	10,058	1	(2)	(760)
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2021	**31,224**	**-**	**31,224**	**10,058**	**20,061**	**1,104**	**X**
Total 31/12/2020	**43,616**	**-**	**43,616**	**10,466**	**34,720**	**X**	**(1,569)**

With regard to the disclosures required by IFRS 7 about financial instruments that have been offset in the balance sheet in accordance with IAS 32 or that are potentially offsettable, if certain conditions are met, but are presented in the balance sheet without offsetting because they are governed by "framework offsetting agreements or similar" that do not meet all the criteria set out in IAS 32 paragraph 42, it should be noted that Cassa Centrale Banca does not have offsetting agreements in place that meet the requirements of IAS 32 para. 42 for offsetting in the financial statements.

With regard to the instruments that can potentially be offset when certain events occur, shown in Tables 5 and 6, Cassa Centrale Banca uses bilateral netting agreements that allow for, in the event of default by the counterparty, the offsetting of credit and debit positions relating to financial derivatives, as well as SFT (Securities Financing Transactions). In particular, there are ISDA (for derivative transactions) contracts and GMRA (for repurchase agreements) contracts.

For the purposes of compiling the tables and in line with the provisions of IFRS 7, please note that:

- the effects of potential offsetting of the financial statements values of financial assets and liabilities are shown in column (d) "Financial instruments", together with the fair value of financial collateral represented by securities;
- the effects of the potential offsetting of the exposure against the related cash guarantees are shown under column (e) 'Cash deposits received/issued as guarantee';
- repos are shown in the tables according to the amortised cost measurement criterion, while the related financial collateral is shown at its fair value;
- derivative transactions are represented at fair value:
- the effects of offsetting shall be calculated individually for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

Netting agreements between financial instruments and related guarantees significantly reduce the credit/debit exposure to the counterparty, as can be seen in column (f) "Net amount". The effects shall be calculated for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

7. Securities lending transactions

The Bank has not carried out securities lending transactions.

8. Information on joint operations

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

PART C - Information on the income statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2021	Total 31/12/2020
1. Financial assets designated at fair value through profit or loss:	**1,004**	**255**	**-**	**1,259**	**495**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	1,000	-	-	1,000	457
1.3 Other financial assets mandatorily measured at fair value	3	255	-	258	37
2. Financial assets designated at fair value through other comprehensive income	**514**	**-**	**X**	**514**	**2,418**
3. Financial assets measured at amortised cost:	**16,981**	**16,884**	**X**	**33,865**	**32,211**
3.1 Loans to banks	5,440	1,322	X	6,762	7,334
3.2 Loans to customers	11,542	15,561	X	27,103	24,876
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**-**	**-**	**-**
6. Financial liabilities	**X**	**X**	**X**	**161,383**	**74,171**
Total	**18,498**	**17,139**	**-**	**197,020**	**109,294**
of which: interest income from impaired financial assets	-	333	-	333	773
of which: interest income from finance lease	X	-	X	-	-

Item "6. Financial liabilities" comprises interest income accrued on funding transactions at negative rates.

The line "of which: interest income from impaired financial assets" shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates to loans to customers.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets in foreign currency

ITEMS	Total 31/12/2021	Total 31/12/2020
Interest income from financial assets in foreign currency	72	271

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2021	Total 31/12/2020
1. Financial liabilities measured at amortised cost	**(14,089)**	**(212)**	**X**	**(14,301)**	**(33,659)**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(2,814)	X	X	(2,814)	(5,543)
1.3 Due to customers	(11,274)	X	X	(11,274)	(27,816)
1.4 Debt securities in issue	X	(212)	X	(212)	(301)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**(175)**
4. Other liabilities and provisions	**X**	**X**	**-**	**-**	**(1)**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**(146,307)**	**(33,707)**
Total	**(14,089)**	**(212)**	**-**	**(160,608)**	**(67,542)**
of which: interest expense on payables for leases	-	-	(150)	(150)	(125)

Items “1.2 Due to banks” and “1.3 Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

The item “Financial assets” includes negative interest accrued on financial assets.

1.4 Interest expenses and similar charges paid: other information

1.4.1 Interest expenses from liabilities in foreign currency

ITEMS	Total 31/12/2021	Total 31/12/2020
Interest expenses from liabilities in foreign currency	(141)	(365)

1.5 Differentials relative to hedging transactions

The Bank does not have hedging transactions in place.

Section 2 – Commissions – Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	82,923	66,056
1. Placement of securities	3,297	2,943
1.1 With direct underwriting and/or on a firm commitment basis	3,297	2,943
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	6,834	7,875
2.1 Order receipt and transmission of one or more financial instruments	6,640	7,836
2.2. Execution of orders on behalf of customers	194	38
3. Other commissions connected with activities related to financial instruments	72,792	55,238
of which: dealing for own account	-	-
of which: individual portfolio management	72,792	55,238
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	122	133
d) Offsetting and settlement	-	-

TYPE OF SERVICES/VALUES	Total 31/12/2021	Total 31/12/2020
e) Custody and administration	4,280	3,804
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	4,280	3,804
f) Central administrative services for collective portfolio management	-	-
g) Trust business	-	-
h) Payment services	73,685	59,690
1. Current accounts	120	160
2. Credit cards	-	-
3. Debit and other payment cards	51,555	38,847
4. Bank transfers and other payment orders	9,000	7,899
5. Other commissions related to payment services	13,010	12,784
i) Distribution of third party services	2,581	5,885
1. Collective portfolio management	-	-
2. Insurance products	46	44
3. Other products	2,536	5,841
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing activities for securitisation operations	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	385	347
of which: credit derivatives	-	-
n) Financing transactions	1,028	1,419
of which: for factoring operations	-	-
o) Foreign currency trading	18	34
p) Commodities	-	-
q) Other fees and commissions income	23,230	20,109
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**188,254**	**157,477**

It should be noted that revenues deriving from commissions (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss for the year are not recorded.

The amount shown under the sub-item “other commission income” is composed of commissions mainly relating to:

- payment intermediation services related to the participation in UCITS;
- centralised securities database;
- provision of financial information;
- *Asset Liability Management;*
- *Value at Risk;*
- valuation of unlisted securities prices;
- lease and factoring brokerage;
- structured finance;
- credit line and other residual services.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

2.2 Fees and commissions income: distribution channels of products and services

CHANNELS/VALUES	Total 31/12/2021	Total 31/12/2020
A) WITHIN ITS OWN COUNTERS:	**78,671**	**64,226**
1. portfolio management	72,792	55,238
2. placement of securities	3,297	2,943
3. third party services and products	2,581	6,045
B) OFFERS OUTSIDE THE BRANCH	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
C) OTHER DISTRIBUTION CHANNELS:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

2.2. bis. Fees and commissions income: type and timing of recognition

TYPE OF SERVICES	31/12/2021			31/12/2020		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) Financial instruments	82,923	-	**82,923**	66,056	-	66,056
b) Corporate Finance	-	-	**-**	-	-	-
c) Investment advisory activities	122	-	**122**	133	-	133
d) Offsetting and settlement	-	-	**-**	-	-	-
e) Collective portfolio management	-	-	**-**	-	-	-
f) Custody and administration	4,280	-	**4,280**	3,804	-	3,804
g) Central administrative services for collective portfolio management	-	-	**-**	-	-	-
h) Trust business	-	-	**-**	-	-	-
i) Payment services	73,685	-	**73,685**	59,690	-	59,690
l) Distribution of third party services	2,581	-	**2,581**	5,885	-	5,885
m) Structured finance	-	-	**-**	-	-	-
n) Servicing activities for securitisation operations	-	-	**-**	-	-	-
o) Commitments to disburse funds	-	-	**-**	-	-	-
p) Financial guarantees given	-	385	**385**	-	347	-
q) Financing transactions	1,028	-	**1,028**	1,419	-	1,419
r) Foreign currency trading	18	-	**18**	34	-	34
s) Commodities	-	-	**-**	-	-	-
t) Other fees and commissions income	23,230	-	**23,230**	20,109	-	20,109
Total	**187,870**	**385**	**188,254**	**157,130**	**347**	**157,477**

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

2.3 Commission expense: breakdown

SERVICES/VALUES	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	(53,024)	(41,619)
of which: trading of financial instruments	(1,441)	(1,624)
of which: placement of financial instruments	-	(58)
of which: individual portfolio management	(51,583)	(39,937)
- Own	(51,583)	(39,937)
- Delegated to third parties	-	-
b) Offsetting and settlement	-	-
c) Custody and administration	(1,343)	(1,501)
d) Collection and payment services	(38,306)	(30,279)
of which: credit cards, debit cards and other payment cards	-	-
e) Servicing activities for securitisation operations	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(76)	(40)
of which: credit derivatives	-	-
h) Out-of-branch offer of financial instruments, products and services	-	-
i) Foreign currency trading	-	-
j) Other fees and commissions expenses	(3,609)	(2,638)
Total	**(96,358)**	**(76,076)**

It should be noted that no costs deriving from commissions (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value recognised in profit or loss for the year are recognised (IFRS 7, paragraph 20, letter c (i)).

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 3 – Dividend and similar income – Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2021		Total 31/12/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	1	-
C. Financial assets designated at fair value through other comprehensive income	548	-	443	-
D. Equity investments	36,940	-	33,498	-
Total	**37,488**	**-**	**33,942**	**-**

The item "D. Equity investments" includes the dividends relative to controlling interests and shareholdings in associates measured at cost and distributed by:

- Allitude S.p.A for EUR 36,747 thousand;
- Centrale Trading S.r.l. for EUR 173 thousand;
- Finanziaria Trentina della Cooperazione S.p.A. for EUR 18 thousand.
- Scouting S.p.A. for EUR 2 thousand.

The item "Financial assets measured at fair value through other comprehensive income" includes dividends distributed by Etica Sgr of EUR 504 thousand.

Section 4 – Net result from trading – Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**3**	**-**	**-**	**3**
1.1 Debt securities	-	3	-	-	3
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**(3,544)**
4. DERIVATIVE INSTRUMENTS	**22,206**	**4,989**	**(21,539)**	**(4,850)**	**9,420**
4.1 Financial derivatives:	22,206	4,989	(21,539)	(4,850)	9,420
- On debt securities and interest rates	22,206	4,989	(21,539)	(4,850)	806
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	8,614
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**22,206**	**4,991**	**(21,539)**	**(4,850)**	**5,878**

Item "4. - Derivative instruments - 4.1. Financial Derivatives - On debt securities and interest rates" includes the net result of trading in derivatives (interest rate swaps and forwards), with primary market institutions balanced with specular but opposite transactions with Affiliated Banks.

Section 5 – Net result from hedging – Item 90

5.1 Net result from hedging: breakdown

During the financial year, the Bank did not hold hedging derivatives during the year..

Section 6 – Profit (loss) from disposal/repurchase – Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2021			Total 31/12/2020		
	Profit	Loss	Net result	Profit	Loss	Net result
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	28,849	(2,420)	26,430	11,553	(1,040)	10,513
1.1 Loans to banks	49	-	49	534	-	534
1.2 Loans to customers	28,801	(2,420)	26,381	11,019	(1,040)	9,979
2. Financial assets designated at fair value through other comprehensive income	3,611	(1)	3,610	5,964	-	5,964
2.1 Debt securities	3,611	(1)	3,610	5,964	-	5,964
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**32,460**	**(2,420)**	**30,040**	**17,517**	**(1,040)**	**16,477**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

The table reports the economic result deriving from the sale of financial assets/liabilities other than those held for trading and those measured at fair value, as well as the result derived from the repurchase of the company's own financial liabilities. In particular:

- the net amount of EUR 26,381 thousand recognised in line 1.2 refers to the net result deriving from:
    - the sale of a portfolio of non-performing loans of EUR -226 thousand (known as Buonconsiglio 4-GACS transaction). For further details, please

refer to the information in Part E "Information on risks and related hedging policies", Section 1 "Credit risk", Subsection E "Disposal transactions";

- the sale of a portfolio of unlikely to pay loans of EUR 345 thousand;
- the sale of bonds (especially B.T.P., SPAIN, OAT and C.T.Z.) for a net result of EUR 26,262 thousand;

- the amount of EUR 3,610 thousand specified in line 2.1 represents the profit relative to the transfer of bond securities (in particular, Italian government bonds B.T.P., C.C.T.);

Section 7 – Net result of other financial assets and liabilities measured at fair value through profit or loss – Item 110

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 measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**244**	**-**	**(1,070)**	**-**	**(826)**
1.1 Debt securities	244	-	(1,070)	-	(826)
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**394**	**-**	**(527)**	**-**	**(134)**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	394	-	(527)	-	(134)
2.3 Due to customers	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**637**	**-**	**(1,597)**	**-**	**(960)**

The capital losses in sub-item 2.2 Due to banks represent the allocation to the lending parties (Affiliated Banks) of the operating result of the cross-guarantee scheme, which takes place through an accounting entry adjusting the fair value of the financial liability recognised through the funds received as "ex-ante portion" from the lending parties themselves.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2021.

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)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**2,089**	**2,438**	**(735)**	**-**	**3,791**
1.1 Debt securities	-	-	(11)	-	(11)
1.2 Equities	-	-	-	-	-
1.3 UCITS units	1,887	2,415	(345)	-	3,958
1.4 Loans	202	22	(379)	-	(155)
2. FINANCIAL ASSETS IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**2,089**	**2,438**	**(735)**	**-**	**3,791**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

Section 8 – Net value adjustments/write-backs due to credit risk – Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. LOANS TO BANKS	**(5,133)**	**-**	**-**	**-**	**-**	**-**	**4,835**	**11**	**-**	**-**	**(287)**	**(5,510)**
- Loans	(5,089)	-	-	-	-	-	4,814	-	-	-	(274)	(5,118)
- Debt securities	(44)	-	-	-	-	-	20	11	-	-	(13)	(392)
B. LOANS TO CUSTOMERS	**(17,356)**	**(13,910)**	**(9)**	**(8,055)**	**-**	**-**	**2,195**	**2,135**	**8,217**	**-**	**(26,781)**	**(14,364)**
- Loans	(17,144)	(13,879)	(9)	(8,055)	-	-	1,910	2,135	8,217	-	(26,824)	(14,661)
- Debt securities	(211)	(31)	-	-	-	-	285	-	-	-	43	297
Total	**(22,488)**	**(13,910)**	**(9)**	**(8,055)**	**-**	**-**	**7,029**	**2,146**	**8,217**	**-**	**(27,069)**	**(19,874)**

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

TRANSACTIONS/INCOME COMPONENTS	Net value adjustments						Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		
			Write-offs	Other	*Write-offs*	Other	
1. GL-compliant forborne loans	(325)	(19)	-	31	-	-	**(313)**
2. Loans subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	(318)	(672)	-	-	-	-	**(990)**
3. Loans subject to other forbearance measures	-	-	-	(334)	-	-	**(334)**
4. New loans	(2,683)	(2,483)	-	(31)	-	-	**(5,197)**
Total 31/12/2021	**(3,326)**	**(3,174)**	**-**	**(334)**	**-**	**-**	**(6,835)**
Total 31/12/2020	**(1,851)**	**-**	**-**	**(1,379)**	**-**	**-**	**(3,230)**

8.2 Net value adjustments due to credit risk relative to financial assets designated at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. DEBT SECURITIES	**(134)**	**-**	**-**	**-**	**-**	**-**	**97**	**-**	**-**	**-**	**(37)**	**(639)**
B. LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(134)**	**-**	**-**	**-**	**-**	**-**	**97**	**-**	**-**	**-**	**(37)**	**(639)**

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

The Bank does not hold any positions attributable to this case.

Section 9 – Profit/loss from contractual changes without derecognitions – Item 140

9.1 Profit (loss) from contractual changes: breakdown

Under this item, losses from contractual changes without derecognitions were recorded for EUR 2 thousand.

Section 10 – Administrative expenses – Item 160

10.1 Personnel costs: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2021	Total 31/12/2020
1) Employees	**(54,568)**	**(46,247)**
a) salaries and wages	(35,306)	(31,584)
b) social security charges	(10,176)	(8,492)
c) severance indemnity	(2,061)	(1,903)
d) social security expenses	-	-
e) provision for severance indemnity	(82)	(174)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary pension funds:	(1,478)	(1,333)
- with defined contribution	(1,478)	(1,333)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other benefits in favour of employees	(5,464)	(2,760)
2) Other operating personnel	**(7)**	**(6)**
3) Directors and Auditors	**(2,576)**	**(2,429)**
4) Retired personnel	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**293**	**351**
6) Reimbursement of expenses for third party employees seconded to the company	**(549)**	**(1,188)**
Total	**(57,407)**	**(49,519)**

The increase in costs compared to the previous year reflects the increase in the average number of employees during 2021.

10.2 Average number of employees by category

	Total 31/12/2021	Total 31/12/2020
EMPLOYEES (A+B+C)	**586**	**513**
a) executives	29	28
b) middle managers	229	203
c) remaining employees	328	282
OTHER PERSONNEL	**18**	**18**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies.

In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

10.3 Defined benefit company pension funds: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Balance sheet, Section 9, paragraph "9.2 Other information".

10.4 Other benefits in favour of employees

ITEMS	Total 31/12/2021	Total 31/12/2020
Miscellaneous personnel costs: allocation of loyalty bonus	(87)	(79)
Miscellaneous personnel costs: insurance	(916)	(883)
Miscellaneous personnel costs: staff leaving incentives	(3,379)	(1,116)
Miscellaneous personnel costs: meal vouchers	(232)	(210)
Miscellaneous personnel costs: training courses	(634)	(266)
Miscellaneous personnel costs: other benefits	(215)	(206)
Other benefits in favour of employees	**(5,464)**	**(2,760)**

10.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
ICT expenses	**(21,312)**	**(17,759)**
Outsourced ICT expenses	(19,228)	(16,186)
ICT expenses other than outsourced ICT expenses	(2,084)	(1,573)
Taxes and levies (other)	**(15,946)**	**(12,661)**
Expenses for professional and consulting services	**(35,414)**	**(39,792)**
Advertising and entertainment expenses	**(3,303)**	**(3,692)**
Expenses related to debt collection	**(73)**	**(258)**
Litigation expenses not covered by allocations	**-**	**-**
Expenses for real estate	**(849)**	**(1,552)**
Lease fees	**-**	**-**
Other administrative expenses - Other	**(23,717)**	**(18,419)**
of which: cash contributions to resolution funds and deposit guarantee systems	(2,761)	(3,113)
Total administrative expenses	**(100,614)**	**(94,132)**

The increase in IT costs is attributable to new services provided by Allitude, in particular Facility Management related to the needs of the Banking Group.

The increase in the sub-item "Taxes and levies (other)" mainly reflects an increase in the volume of securities portfolios.

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 11 – Net allocations to provisions for risks and charges – Item 170

11.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees given: breakdown

ITEMS	31/12/2021			31/12/2020		
	Phase 1	Phase 2	Phase 3	Phase 1	Phase 2	Phase 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(2,302)	(17)	(60)	(1,910)	(338)	(461)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(4)	(20)	(48)	(50)	(37)	-
Total allocations (-)	**(2,307)**	**(37)**	**(108)**	**(1,959)**	**(376)**	**(461)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	1,001	101	191	2,028	773	708
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	19	282	-	40	101	25
Total reallocations (+)	**1,020**	**383**	**191**	**2,068**	**874**	**733**
	Net allocation			Net allocation		
Total	**(1,287)**	**346**	**83**	**108**	**498**	**272**

11.2 Net allocations relative to other commitments and guarantees given: breakdown

The Bank does not hold any positions attributable to this case.

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

ITEMS	31/12/2021			31/12/2020		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
Allocations and reallocations to other provisions for risks and charges						
1. for risks on revocatory actions	-	-	-	-	-	-
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	-	-	-	-	-
4. for legal and tax disputes	(11)	1	(10)	(228)	1,295	1,067
5. for other risks and charges	(1,481)	8	(1,473)	(525)	-	(525)
Total	**(1,492)**	**9**	**(1,483)**	**(753)**	**1,295**	**542**

Section 12 – Net value adjustments/write-backs to tangible assets – Item 180

12.1 Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a + b - c)
A. TANGIBLE ASSETS				
1. For business use	**(3,081)**	**-**	**9**	**(3,072)**
- Owned	(1,617)	-	-	(1,617)
- Rights of use acquired through lease	(1,464)	-	9	(1,455)
2. Held for investment purposes	**-**	**-**	**-**	**-**
- Owned	-	-	-	-
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
B. ASSETS HELD FOR SALE	**X**	**(184)**	**-**	**(183)**
Total	**(3,081)**	**(184)**	**9**	**(3,256)**

Item B. Assets held for sale refers to the adjustment of the value of the property, already described at the end of the table in "Part B - Section 11 - Non-current assets and groups of assets held for disposal - 11.1", to that resulting from the updated property survey.

For further information, please refer to the contents of the corresponding section "Tangible assets" of the balance sheet assets.

Section 13 – Net value adjustments/write-backs to intangible assets – Item 190

13.1 Net value adjustments to intangible assets: breakdown

ASSETS/INCOME COMPONENT	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	**(862)**	**-**	**-**	**(862)**
- Generated internally by the company	-	-	-	-
- Other	(862)	-	-	(862)
A.2 Rights of use acquired through lease	**-**	**-**	**-**	**-**
B. Assets held for sale	**X**	**-**	**-**	**-**
Total	**(862)**	**-**	**-**	**(862)**

Section 14 – Other operating income/charges – Item 200

14.1 Other operating charges: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Amortisation of improvements to non-separable third-party assets	(42)	(40)
Charges for treasury contracts with public bodies	-	-
Charges for transactions and indemnities	(19)	(11)
Non-existent items and contingencies not ascribable to own items	**(93)**	**(113)**
Bonuses and rounding down	(5)	(4)
Other operating charges - other	**(24)**	**-**
Total other operating charges	**(183)**	**(168)**

14.2 Other operating income: breakdown

ITEMS	Total 31/12/2021	Total 31/12/2020
Recovery of taxes	15,616	12,348
Charges to third parties for costs on deposits and current accounts	-	-
Recovery of insurance premiums	-	-
Receivable rents and payments	-	-
Recovery of other expenses	3,053	715
Non-existent items and contingencies not ascribable to own items	611	765
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	19,640	19,277
Total other operating income	**38,919**	**33,104**

The Item "Other operating income - other" mainly consists of the recovery of administrative expenses incurred by the Parent Company on behalf of the Affiliated Banks. These include, in particular, revenues from centralised services relating to the performance of the activities of the corporate control functions.

The item "Recovery of other expenses" mainly refers to the recovery of expenses related to European supervision as well as to the recovery of legal costs.

Section 15 – Profit (loss) on equity investments – Item 220

15.1 Profit (loss) on equity investments: breakdown

INCOME COMPONENT/VALUES	Total 31/12/2021	Total 31/12/2020
A. INCOME	**-**	**-**
1. Revaluations	-	-
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. CHARGES	**(921)**	**(26)**
1. Write-downs	(921)	-
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	(26)
4. Other charges	-	-
Net result	**(921)**	**(26)**

The amount of the sub-item "B.1 write-downs" refers to the equity investment of the associate Cabel Holding S.p.A.

Section 16 – Net result of fair value measurement of tangible and intangible assets – Item 230

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

During the course of the year, no fair value measurement was implemented with respect to tangible or intangible assets.

Section 17 – Value adjustments to goodwill – Item 240

17.1 Value adjustments to goodwill: breakdown

The Bank has not registered any asset item as goodwill.

Section 18 – Profit (loss) from disposal of investments – Item 250

18.1 Profit (loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2021	Total 31/12/2020
A. REAL ESTATE PROPERTIES	**-**	**-**
- Gains from disposal	-	-
- Losses from disposal	-	-
B. OTHER ASSETS	**51**	**4**
- Gains from disposal	51	5
- Losses from disposal	-	(1)
Net result	**51**	**4**

Section 19 – Income taxes for the year on current operating activities – Item 270

19.1 Income taxes for the year on current operating activities: breakdown

	INCOME COMPONENTS/VALUES	Total 31/12/2021	Total 31/12/2020
1.	Current taxes (-)	(2,400)	(1,597)
2.	Changes in current taxes of previous years (+/-)	80	-
3.	Decrease in current taxes of the year (+)	-	-
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4.	Change in advance taxes (+/-)	(2,444)	(1,496)
5.	Change in deferred taxes (+/-)	-	-
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(4,765)**	**(3,093)**

Current taxes were booked in accordance with currently effective legislation:

- IRES: 27.5% including surcharge;
- IRAP: 5.57% for the Value of Production realised in the Province of Trento. Provincial law no. 21 of 30 December 2015 provides that only banking companies operating in the province of Trento shall have an IRAP rate of 5.57% for the year 2020.

19.2 Reconciliation between the theoretical fiscal charge and the effective fiscal charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (Item 260 of the Income Statement)	50,829
IRES income taxes - theoretical fiscal charge:	(13,164)
Effects of decreases in taxable income on IRES	16,127
Effects of increases in taxable income on IRES	**(2,964)**
A. EFFECTIVE FISCAL CHARGE – CURRENT IRES TAX	**-**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(1,804)
Increases in deferred tax liabilities	**-**
Decreases in deferred tax liabilities	-
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(1,804)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**-**
D. TOTAL ACCRUED IRES (A+B+C)	**(1,804)**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(3,299)
Effect of decreases in value of production	2,852
Effect of increases in value of production	(1,953)
Changes in current taxes of previous years	80
E. EFFECTIVE FISCAL CHARGE – CURRENT IRAP TAX	**(2,320)**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(640)
Increases in deferred tax liabilities -	**-**
Decreases in deferred tax liabilities -	-
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(640)**
G. TOTAL ACCRUED IRAP (E+F)	**(2,961)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**-**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**(2,320)**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(4,765)**

Section 20 – Profit (loss) after tax from discontinued operations – Item 290

20.1 Profit (loss) after tax from discontinued operations: breakdown

During the course of the year, the Bank did not proceed with disposals of groups of assets. This section does not contain any evaluation and is therefore omitted.

Section 21 – Other information

There is no further information other than that already provided.

Section 22 – Earnings per share

ITEMS	31/12/2021	31/12/2020
Net result of the Group	(46,064)	(35,868)
Reversal of result of minority interests	-	-
NET RESULT OF THE PARENT COMPANY	**46,064**	**35,868**
Number of ordinary Parent Company shares outstanding	18,158,304	18,158,304
Number of preference Parent company shares outstanding	150,000	150,000
Number of own shares	-	-
NUMBER OF SHARES OUTSTANDING	**18,308,304**	**18,308,304**
Income per ordinary share outstanding (Basic EPS) in Euro	**2.54**	**1.98**
Income per share outstanding (diluted EPS) in Euro	**2.52**	**1.96**

With regard to the above, it should be noted that, given that the share capital is also represented by preference shares, the economic result which is attributable to parties owning ordinary equity instruments is given by the profit for the year minus the dividends paid to preference shares. The calculation of the basic EPS therefore differs from that of the diluted EPS.

22.1 Average number of ordinary shares with diluted capital

In view of that previously stated, this scenario is considered irrelevant.

22.2 Other information

In view of that previously stated, this scenario is considered irrelevant.

PART D - Comprehensive income

Analytical statement of comprehensive income

ITEMS		31/12/2021	31/12/2020
10.	**Profit (loss) for the year**	**46,064**	**35,868**
	Other income components without reversal to the Income Statement	**(9,081)**	**(25,477)**
20.	Equities measured at fair value through other comprehensive income:	(9,731)	(27,131)
	a) fair value change	(14,099)	(27,538)
	b) transfers to other components of equity	4,368	407
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating):	-	-
	a) fair value change	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(3)	8
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the Income Statement	653	1,646
	Other income components reversed to the Income Statement	**(3,478)**	**4,339**
110.	Hedging of foreign investments:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	-	-

ITEMS		31/12/2021	31/12/2020
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	(5,189)	6,636
	a) fair value changes	(828)	8,360
	b) reversal to income statement	(4,361)	(1,725)
	- adjustments for credit risk	(16)	(309)
	- profit/loss on sale	(4,345)	(1,416)
	c) other changes	-	-
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quota of valuation reserves relative to shareholdings measured with the equity method:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	- impairment adjustments	-	-
	- profit/loss on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	1,711	(2,297)
190.	**Total other income components**	**(12,559)**	**(21,138)**
200.	**Comprehensive income (Item 10+190)**	**33,505**	**14,730**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Bank pays particular attention to risk management and governance and operates by ensuring the constant evolution of its organisational/procedural controls and methodological solutions used for measurement and monitoring. These activities are carried out with tools aimed at supporting effectively and efficiently the governance of risks, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at Cassa Centrale Banca by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of Cassa Centrale Banca to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks, considering both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by Cassa Centrale Banca and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the company's risk-taking strategy are summarised below:

- the company's business model is focused on the traditional lending activity of a commercial bank, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the Bank's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a holistic representation of the risk profiles to which the Bank is exposed.

The definition of the RAF is based on an articulated and complex process involving the various business units of the Bank. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

The specific policies and regulations issued by Cassa Centrale Banca have been adopted to strengthen the overall system of governance and risk management.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Bank is exposed, is part of the broader framework of the company's internal control system, which is addressed by Cassa Centrale Banca as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Bank may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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In line with the provisions issued by the Bank of Italy, the model adopted by the Bank outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Bank's Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP and the budget, ensuring mutual consistency with the internal control system and the organisation; all this in the context of the "business model" of cooperative credit. It should be noted that only a consolidated ICAAP/ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report. However, when updating the annual RAS, the Bank defines a forward-looking positioning in terms of capital and liquidity and other relevant risks, and compliance with it is verified on a quarterly basis. Furthermore, analyses relating to the Guarantee Agreement, which allow banks to be assessed in terms of capital and liquidity and thus define the Fund's allocation, and the quarterly monitoring of the Risk-Based model, which classifies banks according to different risk profiles, also provide support.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer, who takes part in the meetings of the Board of Directors. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee in the delegated areas;
- decisions of the Chief Executive Officer and the company structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Bank is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banks must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Bank intends to achieve in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Bank's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management who, also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible, prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Consequently, risk management is configured as a set of limits, delegations, rules, procedures, resources and first- and second-level line controls as well as operational activities through which risk management policies are implemented.

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The supervisory regulations require banks to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

During the year, Audits focused on the following corporate processes:

- Calendar Provisioning;
- Data Protection Officer;
- Funding Plan;
- ICAAP-ILAAP;
- ICT;
- Model 231/2001;
- The IFRS 9 impairment model;
- VAR model;

- Recovery Plan;
- Remuneration policies;
- Credit processes;
- Collections and payments;
- Associated Parties;
- SRB - Resolvability Self Assessment;
- Usury;
- Other topics.

Section 1 – Credit risk

Information of a qualitative nature

1. General aspects

The objectives and strategies of the Bank's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Bank's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, the bank is subject to the guidance and coordination role of the Parent Company, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Bank's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with families, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Bank in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the bank, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Bank's particular focus on the household sector.

Small and medium-sized enterprises and, to a lesser extent, large enterprises represent the most important sectors for the Bank. In this context, the Bank's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial councils or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Bank's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Bank operates. The most important activity is the management of pooled loans, in which the Affiliated Banks participate and the loans are granted to customers by them.

Exposure to counterparty risk in non-speculative OTC derivative transactions is very limited as it is taken on exclusively with primary market institutions (Unicredit, Banca IMI) and balanced with specular but opposite transactions with Affiliated Banks; offsetting and collateralisation agreements have also been entered into in order to further mitigate counterparty risk.

2. Policies for managing credit risk

2.1 Organisational factors

In carrying out its activities, the Bank is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Bank to credit risk (e.g.: subscription of non-speculative OTC derivative contracts).

The organisational model adopted by the Bank, in compliance with the regulatory provisions, defines a precise division of roles and responsibilities between the Credit Department and the Control Functions, including the Risk Management Department, has been defined.

As at 31 December 2021, the Bank had 14 regional offices and 1 branch office in the country.

The Credit Department is the central body delegated to manage the performing credit process with regard to the granting, reviewing and managing credit facilities, as well as coordinating and developing credit transactions and loans in the territory.

The allocation of tasks and responsibilities within this area aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Service is the central body with the following functions:

- management of the Group's non-performing loan portfolio by defining, implementing and monitoring the Group's NPE strategy and the Bank's individual NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to prevent the deterioration of credit quality and ensure the correct classification of customers between performing and non-performing loans;
- management of the processes relating to the Bank's non-performing loans with regard to the granting of new credit lines, review of existing credit lines, definition and execution of recovery strategies, granting of forbearance measures, the sale of loans, derecognition of loans deemed unrecoverable.

In light of the provisions on the internal control system (contained in Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 3), the Bank has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the Group framework.

In addition to line controls, as first level activities, the functions in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operating risks) is carried out by the risk control function (Risk Management Department).

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Bank with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Service ensure the supervision and coordination of the operational phases of the lending process, make decisions within the scope of their powers and carry out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Credit Regulations, the Group Regulations for the management of impaired loans and the Group Policy for the classification and valuation of loans, which define criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with related parties, the Bank has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating, among others, to the granting of loans. From this perspective, the Bank is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of related parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use within the Bank. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group credit regulation, the Group regulation for the management of impaired loans and the Group's credit classification and assessment policy, specific procedures have been put in place by the Bank for the investigation/deliberation, credit line revision and credit risk monitoring phases, classification of loans and definition of recovery strategies for impaired loans. Qualitative-quantitative methodologies for assessing the creditworthiness of the counterparty are used by the Bank in all the above mentioned phases, based or supported by IT procedures that are periodically checked and maintained.

The investigation/deliberation and revision of the credit lines are regulated by a deliberative process in which the various competent bodies, belonging to both the central structures and the network, intervene, in accordance with the levels of delegation provided for. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on technical data, as well as - as is usually the case - on personal knowledge and in-depth analysis of the specific economic and financial situation of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with formalities reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Bank, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the activities carried out by the Credit Department and NPL Service is ensured by the Risk Management Department.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory. Therefore, this system responds to the need to give greater effectiveness and efficiency to the credit management process, especially through a more objective selection of customers and a more structured position monitoring process.

The use of the advanced system for assessing the creditworthiness and control of clients entrusted and to be entrusted has significant organisational implications that must be carefully examined and addressed as part of an overall review of the Bank's internal control system and the related organisational and regulatory structures.

At the same time, the functionalities for the evaluation of particular types of clients (companies in simplified accounting; companies with a multi-year cycle) have been activated.

In this regard, awareness-raising, training and education activities for both staff and the Bank's management will be of a permanent nature.

For the purposes of determining the minimum capital requirement for credit risk, the Bank adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers[49];
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).;

Moreover, with reference to the ICAAP provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Bank has opted for the adoption of simplified methodologies.

In addition, as regards stress tests, the Board of Directors has adopted the management methods as established within the Group.

The Bank therefore periodically carries out such stress tests through sensitivity analyses that take the form of an assessment of the effects of specific events on the Bank's risks.

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[49] The rating models developed are subject to annual review by Cassa Centrale Banca. During the year, under the supervision of the Risk Management Department, credit risk models were refined and updated. For more details see paragraph 2.3.

With reference to credit risk, stress tests are carried out by the Bank as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the securities portfolio in the Hold to Collect and Sell category.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Bank's Finance Department carries out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[50] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in credit risk has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (so-called SICR) or that can be identified as low

[50] The application segments are ordinary customers, interbank segment and securities portfolio.

credit risk;

- in stage 2, positions that, at the reference date, present a significant increase of the credit risk or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions[51].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months[52];
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 200,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Bank's strategy for the management of impaired receivables.

The risk parameters (PD, LGD and EAD) are calculated by the impairment models; to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[53]. It should be underlined that the Bank calculates the ECL based on the allocation stage, per individual position, with reference to cash and off-balance sheet exposures.

Ordinary customer segment

The drivers common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the geographical area in which the Bank operates and the creditworthiness (in terms of the customer's rating);
- the inclusion of forward looking scenarios, through the application of multipliers defined in a satellite model to the PD point in time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;

[51] Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

[52] The calculation of the expected loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.a.

[53] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The drivers common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the geographical area in which the Bank operates, which consists of two parameters: the danger rate (DR) and the non-performing LGD;
- the IFRS 9 danger rate parameter is estimated from a set of transition matrices between administrative states with an annual observation horizon. These matrices were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal non-performing LGD parameter is calculated as the arithmetic mean of the nominal non-performing LGD, segmented by type of guarantee, and then discounted based on the average of the observed recovery times per cluster of ratios consistent with those of the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs depending on the type of technical macro-form and on the stage to which the exposure belongs. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

The Bank made provision for the allocation of the individual cash and off-balance sheet positions, in one of the 3 stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
  - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, above a certain threshold defined through a statistical approach on the basis of specific drivers such as risk segment, ageing and maturity of the relationship and geographic area;
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. performing positions that have the following characteristics at the valuation date: no lifetime PD at the origination date and rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment)[54];

[54] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

With reference to the new definition of default, i.e. implementation of article 178 of Regulation (EU) no. 575/2013 which specifies the criteria according to which a debtor may be considered in default, as well as to the provisions for its subsequent declination (e.g. EBA/GL/2016/07 guidelines, Delegated Regulation (EU) no. 171/2018 and other provisions of the Bank of Italy); from 1 January 2021, these rules are mandatorily applied by the entire banking system. In this context, the Bank has adjusted its internal models for credit risk in the context of the IFRS 9 accounting application, in order to ensure the computation of collective impairment provisions, in compliance with the new definition of default; these adjustments have been factored in from the first quarter of 2021 by calibrating the above models.

Interbank segment

For interbank segment positions the PD parameter is provided by an external provider and extrapolated from quoted credit spreads or quoted bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Bank has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of the low credit risk concept is defined for performing loans that have the following characteristics at the measurement date: no PD lifetime at the disbursement date and PD point in time of less than 0.3%. Stage 2 is defined on the basis of PD changes between origination and reporting of 200% (as the backstop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Bank has allocated the individual tranches for the purchase of securities in three stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date, have not experienced a significant increase in credit risk with respect to the time of purchase.

In the second stage, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Bank would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Bank is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

In order to limit the risks of non-existence or termination of protection, specific safeguards are provided, such as: the reinstatement of the pledge in the presence of a decrease in the initial value of the property or, for mortgage guarantees, the obligation of insurance coverage against fire damage, as well as the presence of adequate monitoring of the value of the property.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to retail customers (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also “CRM”) techniques.

The Bank has decided to use the following CRM tools:

- financial collateral involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection such as deposits in cash with third parties;
- personal guarantees represented by sureties, warranty bonds, guarantees – within the realm of authorised guarantors – from monitored intermediaries or from other subjects.

Collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company’s policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Bank complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- compliance with the maximum ratio between the required loan and the value of the property pledged as collateral (loan to value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Bank's own funds) the valuation is in any case reviewed by an independent expert at least every 3 years.

For impaired exposures, the Policy adopted by the Bank provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Bank, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Bank has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

In cases where the value of the asset under guarantee is subject to market or exchange rate risks, the Bank uses the concept of valuation haircut, a measure expressed as a percentage of the value of the offered guarantee, determined as a function of the volatility of the value of the security. Only the part of the loan covered by the value of the asset net of the valuation haircut is considered as secured.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

With reference to personal guarantees, the main types of guarantors are represented by entrepreneurs and corporate partners related to the debtor as well as, in the case of loans granted in favour of sole proprietorships and/or natural persons (consumers or not), also by relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies belonging to the same economic group as the debtor), or provided by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (craft workers, traders, etc.) the Bank acquires specific guarantees (on first demand or subsidiary) provided by the credit consortia to which it belongs.

An exception is made for personal guarantees which meet all the requirements, provided by credit consortia registered on the special list pursuant to Article 106 of the TUB.

Where a financing proposal provides for personal guarantees from third parties, the investigation shall also extend to the latter. In particular, in relation to the type of loan guaranteed and the amount, the following is subject to verification and analysis:

- the guarantor's balance sheet and income statement, including by consulting the appropriate databases;
- exposure to the banking system;
- the information present in the Bank's information system;
- potential membership of a group and the related overall exposure.

If necessary, at the discretion of the instructor in relation to the amount of the guarantee, the investigation will be extended to the Central Credit Register.

If the guarantor is represented by a company, and in any case when deemed necessary in view of the risk and the amount of the loan, in addition to the information produced by the network in the form reserved for the guarantor, the creditworthiness of the guarantor shall be developed in the same way as for the applicant.

Offsetting and margining agreements

The Bank has adopted bilateral offsetting agreements for contracts relating to OTC derivatives and long-term settlement transactions with leading counterparties that, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Bank has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral offsetting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Bank complies with the specific requirements set out in the regulations.

In this respect, the Bank plans to apply these techniques when calculating capital requirements.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Bank has margining agreements in place, both with the main market counterparties with which it operates and with the Affiliated Banks that provide for the exchange of margins (guarantees) between the counterparties to the contract on a daily basis on the basis of the market values recorded on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). Moreover, the minimum exposure thresholds are zero.

Guarantees (margins) may have as their subject:

- money;
- bonds (generally Italian government bonds).

For the purposes of Legislative Decree no. 170 of 21 May 2004, the collateralisation agreement is a financial guarantee contract and the margin is pledged in accordance with Article 5 of the same decree.

In this case too, the Bank plans to apply specific policies and procedures to ensure that the requirements of the relevant legislation for their recognition for prudential purposes are met.

3. Impaired credit exposures

3.1 Management strategies and policies

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

Consistent with IAS/IFRS regulations, at each reporting date the presence of objective elements of impairment on each instrument or group of financial instruments is verified.

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three categories:

- non-performing loans: Bank’s credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;

- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out by means of classification workflows automatically triggered by the Early Warning System procedure, on the occurrence of certain early warnings and/or triggers defined in the Group Policy for the classification and valuation of loans or on the proposal of the structures owning the commercial relationship or of the central specialist functions responsible for the control and management of loans.

The return to performing status of exposures classified as impaired takes place through classification workflows, activated automatically or manually by the structures responsible for the management of impaired loans, in compliance with the deadlines set by the reference regulations in terms of "monitoring period" and "cure period".

The responsibility and overall management of impaired loans of the Bank is entrusted to the NPL Service Unit. This activity mainly consists of:

- preparing and proposing to the Board of Directors an NPE strategy and related operational plan aimed at defining short and medium to long-term objectives in terms of evolution of the Bank's non-performing loan portfolio;
- monitoring the recovery performance of the impaired loans portfolio and compliance with the objectives defined in the NPE strategy;
- monitoring the Bank's performing portfolio and ensuring the correct classification of individual positions;
- managing the relationship with the Bank's customers classified as non-performing;
- proposing to the competent decision-making bodies the granting of forbearance measures or other interventions aimed at restoring trend regularity and making the repayment of exposures sustainable in order to include the exposures among performing loans;
- proposing to the competent decision-making bodies the transfer to non-performing of insolvent counterparties;
- carrying out judicial and extra-judicial activities aimed at recovering receivables classified as non-performing;
- determining the loss forecasts for the positions and proposing them to the relevant decision-making body in order to determine the provisions to be applied to the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the credit policies adopted.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS 9.

3.2 Write-off

The write-off policies are regulated by the Group's Policy for the derecognition of financial assets. The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver by the Bank of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the total value adjustments, as a contra-entry to the gross value of the impaired exposure;
- for any portion exceeding the amount of the total value adjustments, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

During the year, the Bank carried out partial write-offs on 10 impaired credit positions for a total of EUR 1,342 thousand. It should be noted that the positions that had been written off had already been largely written down and therefore there was no impact on the income statement.

3.3 Impaired financial assets acquired or originated

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Bank's typical business model, so the above mentioned cases are to be considered residual.

4. Financial assets subject to commercial renegotiations and forborne exposures

The category of 'forborne non-performing exposures' does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes cash exposures and commitments to disburse funds that are forborne ('forborne exposures'), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of "credit deterioration" (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Bank agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of 'credit impairment' are instead classified in the category of 'forborne performing exposures' and are included among the 'other performing exposures', or among the 'performing past due exposures' if they meet the requirements for this classification.

In terms of the Bank's internal regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- *forborne performing if both of the following conditions occur:*
    - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
    - the debtor was not reclassified by the Bank as an impaired counterparty as a result of the forbearance granted;
- *forborne non-performing if at least one of the following conditions occurs:*
    - the debtor was classified as impaired prior to the granting of the forbearance;
    - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (known as cure period):
    - granting of the forbearance measure on impaired credit exposures;
    - classification as impaired of the counterparty;
    - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Bank;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined

by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:

- the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
- the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 2 years have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the Bank at the end of the probation period.

During the year, the Bank applied forbearances in favour of 25 counterparties, 15 of which were already classified as impaired and 10 of which were performing. A total of 35 financing lines were concerned, 2 of which terminated during the year. The majority of positions are mortgage-backed.

During the year, the Bank did not apply any forbearances in relation to its exposures.

Information of a quantitative nature

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

PORTFOLIOS/QUALITY	Non-performing	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	102	3,330	12	10,097	23,610,962	23,624,504
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	1,019,454	1,019,454
3. Financial assets designated at fair value	-	-	-	-	180,958	180,958
4. Other financial assets mandatorily measured at fair value	-	-	-	4,001	23,931	27,933
5. Financial assets held for disposal	-	-	-	-	-	-
Total 31/12/2021	**102**	**3,330**	**12**	**14,099**	**24,835,306**	**24,852,848**
Total 31/12/2020	**95**	**9,199**	**-**	**6,264**	**22,930,267**	**22,945,826**

At the end of the reporting period, forborne impaired exposures amounted to EUR 2,974 thousand.

At the end of the reporting period, forborne performing exposures amounted to EUR 16,218 thousand.

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

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs*	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	34,737	31,293	3,444	4,070	23,673,477	52,418	23,621,060	23,624,504
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,019,613	159	1,019,454	1,019,454
3. Financial assets measured at fair value	-	-	-	-	X	X	180,958	180,958
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	27,933	27,933
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2021	**34,737**	**31,293**	**3,444**	**4,070**	**24,693,090**	**52,577**	**24,849,404**	**24,852,848**
Total 31/12/2020	**44,172**	**34,878**	**9,294**	**3,908**	**22,772,039**	**25,590**	**22,936,531**	**22,945,826**

*Value to be displayed for information purposes

PORTFOLIOS/QUALITY	Assets with manifestly poor credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	24,738
2. Hedging derivatives	-	-	-
Total 31/12/2021	**-**	**-**	**24,738**
Total 31/12/2020	**-**	**-**	**35,463**

A.1.3 Distribution of financial assets by maturity bands (carrying amounts)

PORTFOLIOS/ RISK STAGES	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	10,097	-	-	-	-	-	-	-	113	-	-	-
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**10,097**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**113**	**-**	**-**	**-**
Total 31/12/2020	**6,172**	**-**	**-**	**-**	**-**	**92**	**-**	**29**	**2,384**	**-**	**-**	**-**

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

REASONS/ STAGES OF RISK	Writedowns											
	Stage 1 assets						Stage 2 assets					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**39**	**19,648**	**175**	**-**	**-**	**19,862**	**-**	**5,766**	**-**	**-**	**-**	**5,766**
Increases from financial assets acquired or originated	-	109	-	-	-	109	-	-	-	-	-	-
Derecognitions other than write-offs	-	(202)	-	-	-	(202)	-	(48)	-	-	-	(48)
Net value adjustments/write-backs due to credit risk (+/-)	(5)	15,485	(16)	-	-	15,464	-	11,740	-	-	-	11,740
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(77)	-	-	-	(77)	-	-	-	-	-	-
Other changes	(1)	(19)	-	-	-	(19)	-	15	-	-	-	15
FINAL TOTAL ADJUSTMENTS	**33**	**34,944**	**159**	**-**	**-**	**35,137**	**-**	**17,473**	**-**	**-**	**-**	**17,473**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

REASONS/ STAGES OF RISK	Writedowns										
	Stage 3 assets						Impaired financial assets acquired or originated				
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**34,878**	**-**	**-**	**32,676**	**2,202**	**-**	**-**	**-**	**-**	**-**
Increases from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(3,114)	-	-	(2,784)	(330)	-	-	-	-	-
Net value adjustments/write-backs due to credit risk	-	786	-	-	1,597	(811)	-	-	-	-	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(1,342)	-	-	(1,341)	(1)	-	-	-	-	-
Other changes	-	85	-	-	85	-	-	-	-	-	-
FINAL TOTAL ADJUSTMENTS	**-**	**31,293**	**-**	**-**	**30,232**	**1,061**	**-**	**-**	**-**	**-**	**-**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-

REASONS/STAGES OF RISK	Total allocation for commitments to disburse funds and financial guarantees given				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given purchased or originated credit impaired	
INITIAL TOTAL ADJUSTMENTS	**2,722**	**1,212**	**225**	**-**	**64,666**
Increases from financial assets acquired or originated	-	-	-	-	**109**
Derecognitions other than write-offs	-	-	-	-	**(3,364)**
Net value adjustments/write-backs due to credit risk	1,207	(382)	(83)	-	**28,732**
Contractual changes without derecognitions	-	-	-	-	**-**
Changes in estimation methodology	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	-	-	-	-	**(1,419)**
Other changes	80	(1)	-	-	**159**
FINAL TOTAL ADJUSTMENTS	**4,009**	**829**	**142**	**-**	**88,883**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	**-**
Write-offs recognised directly in the income statement	**-**	**-**	**-**	**-**	**-**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Bank does not use the simplified method, as required by IFRS 9, para. 5.5.15, for the valuation to cover losses.

Therefore, the details required by IFRS 7 para. 35H, letter b, iii) are not provided.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

PORTFOLIOS/RISK STAGES	Gross exposure/Nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	93,768	34,038	490	-	1,953	-
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	1,484	12	-	-	-	-
Total 31/12/2021	**95,251**	**34,050**	**490**	**-**	**1,953**	**-**
Total 31/12/2020	**41,680**	**93,348**	**2,665**	**-**	**5,613**	**-**

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

PORTFOLIOS/ RISK STAGES	Gross value/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**20,685**	**10,190**	**-**	**-**	**-**	**-**
A.1 GL-compliant forborne	-	-	-	-	-	-
A.2. subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-
A.3 subject to other forbearance measures	2,359	-	-	-	-	-
A.4 new loans	18,327	10,190	-	-	-	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
B.1 GL-compliant forborne	-	-	-	-	-	-
B.2 subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31/12/2021	**20,685**	**10,190**	**-**	**-**	**-**	**-**
Total 31/12/2020	**21,032**	**9,251**	**679**	**-**	**2,413**	**-**

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

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. CASH CREDIT EXPOSURES												
A.1 ON DEMAND	**52,590**	**52,590**	**-**	**-**	**-**	**33**	**33**	**-**	**-**	**-**	**52,556**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	52,590	52,590	-	X	-	33	33	-	X	-	52,556	-
A.2 OTHER	**19,801,779**	**19,781,674**	**-**	**-**	**-**	**9,165**	**9,165**	**-**	**-**	**-**	**19,792,614**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	19,801,779	19,781,674	-	X	-	9,165	9,165	-	X	-	19,792,614	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**19,854,368**	**19,834,264**	**-**	**-**	**-**	**9,198**	**9,198**	**-**	**-**	**-**	**19,845,170**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	13,441,321	13,416,183	-	X	-	1,727	1,727	-	X	-	13,439,594	-
Total (B)	**13,441,321**	**13,416,183**	**-**	**-**	**-**	**1,727**	**1,727**	**-**	**-**	**-**	**13,439,594**	**-**
Total (A+B)	**33,295,689**	**33,250,447**	**-**	**-**	**-**	**10,926**	**10,926**	**-**	**-**	**-**	**33,284,764**	**-**

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

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. CASH CREDIT EXPOSURES												
a) Non-performing	10,996	X	-	10,996	-	10,893	X	-	10,893	-	102	4,070
- of which: forborne exposures	4,782	X	-	4,782	-	4,680	X	-	4,680	-	102	2,247
b) Unlikely to pay	23,729	X	-	23,729	-	20,399	X	-	20,399	-	3,330	-
- of which: forborne exposures	21,250	X	-	21,250	-	18,391	X	-	18,391	-	2,858	-
c) Impaired past due exposures	13	X	-	13	-	1	X	-	1	-	12	-
- of which: forborne exposures	13	X	-	13	-	1	X	-	1	-	12	-
d) Performing past due exposures	14,326	10,324	-	X	-	227	227	-	X	-	14,099	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	5,085,877	4,737,432	163,660	X	-	43,185	25,711	17,473	X	-	5,042,692	-
- of which: forborne exposures	18,607	-	18,607	X	-	2,388	-	2,388	X	-	16,218	-
TOTAL (A)	**5,134,939**	**4,747,756**	**163,660**	**34,737**	**-**	**74,705**	**25,938**	**17,473**	**31,293**	**-**	**5,060,235**	**4,070**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	142	X	-	142	-	142	X	-	142	-	-	-
b) Performing	499,283	496,692	2,449	X	-	3,111	2,282	829	X	-	496,171	-
Total (B)	**499,425**	**496,692**	**2,449**	**142**	**-**	**3,253**	**2,282**	**829**	**142**	**-**	**496,171**	**-**
Total (A+B)	**5,634,364**	**5,244,448**	**166,108**	**34,879**	**-**	**77,958**	**28,221**	**18,302**	**31,435**	**-**	**5,556,406**	**4,070**

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

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. NON-PERFORMING LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY	**3,401**	**-**	**-**	**3,401**	**-**	**1,772**	**-**	**-**	**1,772**	**-**	**(1,629)**	**-**
a) GL-compliant forborne	2,410	-	-	2,410	-	1,001	-	-	1,001	-	(1,409)	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	739	-	-	739	-	739	-	-	739	-	-	-
d) New loans	252	-	-	252	-	32	-	-	32	-	(220)	-
C. IMPAIRED PAST DUE LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
D. OTHER PERFORMING PAST DUE LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING LOANS	**177,071**	**133,620**	**43,451**	**-**	**-**	**7,706**	**3,561**	**4,144**	**-**	**-**	**(169,365)**	**-**
a) GL-compliant forborne	7,239	7,000	238	-	-	405	362	43	-	-	(6,834)	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	13,090	6,644	6,446	-	-	1,559	399	1,160	-	-	(11,531)	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	156,742	119,976	36,766	-	-	5,742	2,800	2,941	-	-	(151,000)	-
Total (A+B+C+D+E)	**180,472**	**133,620**	**43,451**	**3,401**	**-**	**9,478**	**3,561**	**4,144**	**1,772**	**-**	**(170,994)**	**-**

A.1.8 Cash credit exposures to banks: trend in gross impaired exposures

The Bank had no impaired exposures of this type during the year.

A.1.8bis Cash credit exposures to banks: trend in gross forborne exposures broken down by credit quality

The Bank had no impaired exposures of this type during the year.

A.1.9 Cash credit exposures to customers: trend in gross impaired exposures

DESCRIPTIONS/CATEGORIES	Non-performing	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**13,255**	**30,917**	**-**
- of which: exposures transferred but not derecognised	-	-	-
B. INCREASES	**4,774**	**3,213**	**16**
B.1 transfers from performing exposures	-	2,444	-
B.2 transfers from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other categories of impaired exposures	3,487	-	16
B.4 contractual changes without derecognitions	-	5	-
B.5 other increases	1,287	764	-
C. DECREASES	**7,034**	**10,401**	**3**
C.1 transfers to performing exposures	-	-	-
C.2 write-offs	1,341	1	-
C.3 collections	2,563	6,444	3
C.4 gains from disposal	1,301	288	-
C.5 losses from disposal	363	-	-
C.6 transfers to other categories of impaired exposures	-	3,502	-
C.7 contractual changes without derecognitions	-	-	-
C.8 other decreases	1,466	166	-
D. GROSS FINAL EXPOSURE	**10,996**	**23,729**	**13**
- of which: exposures transferred but not derecognised	-	-	-

A.1.9bis Cash credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**27,615**	**5,433**
- of which: exposures transferred but not derecognised	-	-
B. INCREASES	**5,934**	**15,327**
B.1 transfers from non-forborne performing exposures	1,474	14,383
B.2 transfers from forborne performing exposures	-	X
B.3 transfers from forborne impaired exposures	X	-
B.4 transfers from non-forborne impaired exposures	3,727	-
B.4 other increases	734	945
C. DECREASES	**7,505**	**2,154**
C.1 transfers to non-forborne performing exposures	X	-
C.2 transfers to forborne performing exposures	-	X
C.3 transfers to forborne impaired exposures	X	-
C.4 write-offs	1,180	-
C.5 collections	3,191	2,071
C.6 gains from disposal	1,514	-
C.7 losses from disposal	162	-
C.8 other decreases	1,458	83
D. GROSS FINAL EXPOSURE	**26,045**	**18,607**
- of which: exposures transferred but not derecognised	-	-

A.1.10 Impaired cash credit exposures to banks: trend in writedowns

The Bank had no impaired exposures of this type during the year.

A.1.11 Impaired cash credit exposures to customers: trend in writedowns

DESCRIPTIONS/CATEGORIES	Non-performing		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**13,160**	**8,896**	**21,717**	**15,844**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-
B. INCREASES	**4,641**	**302**	**4,029**	**4,756**	**16**	**16**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	2,028	48	3,905	3,310	-	-
B.3 losses from disposal	363	162	-	-	-	-
B.4 transfers from other categories of impaired exposures	2,250	92	-	-	16	16
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	-	-	124	1,446	-	-
C. DECREASES	**6,908**	**4,517**	**5,347**	**2,209**	**15**	**15**
C.1 value write-backs from valuations	1,389	1,256	122	97	12	12
C.2 value write-backs due to collection	2,349	601	1,311	863	3	3
C.3 gains from disposal	138	-	305	305	-	-
C.4 write-offs	1,341	1,179	1	1	-	-
C.5 transfers to other categories of impaired exposures	-	-	2,266	107	-	-
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	1,691	1,481	1,343	835	-	-
D. FINAL TOTAL ADJUSTMENTS	**10,893**	**4,680**	**20,399**	**18,391**	**1**	**1**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given by external and internal ratings

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

EXPOSURES	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**267,377**	**-**	**2,189,071**	**-**	**-**	**11,061**	**21,240,705**	**23,708,214**
- Stage 1	267,377	-	2,189,071	-	-	11,061	21,042,308	23,509,818
- Stage 2	-	-	-	-	-	-	163,660	163,660
- Stage 3	-	-	-	-	-	-	34,737	34,737
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**3,667**	**342**	**1,015,287**	**-**	**-**	**-**	**318**	**1,019,613**
- Stage 1	3,667	342	1,015,287	-	-	-	318	1,019,613
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**271,044**	**342**	**3,204,358**	**-**	**-**	**11,061**	**21,241,023**	**24,727,827**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN	**-**	**-**	**-**	**-**	**-**	**-**	**(13,913,593)**	**(13,913,593)**
- Stage 1	-	-	-	-	-	-	(13,911,002)	(13,911,002)
- Stage 2	-	-	-	-	-	-	(2,449)	(2,449)
- Stage 3	-	-	-	-	-	-	(142)	(142)
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**(13,913,593)**	**(13,913,593)**
Total (A+B+C+D)	**271,044**	**342**	**3,204,358**	**-**	**-**	**11,061**	**7,327,430**	**10,814,234**

The Bank adopts the assessments of the Moody's rating agency on the reported portfolios

Moody's	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

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

At the end of the reporting period, the Bank does not use internal ratings in the calculation of capital requirements.

A.3 Distribution of secured credit exposures by type of guarantee

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

			Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	
1. SECURED CASH CREDIT EXPOSURES:	**15,899,104**	**15,892,412**	**-**	**-**	**15,892,412**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,892,412**
1.1 totally secured	15,899,104	15,892,412	-	-	15,892,412	-	-	-	-	-	-	-	-	-	-	**15,892,412**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED "OFF-BALANCE-SHEET" CREDIT EXPOSURES:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Cash and off-balance-sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	Total (1)+(2)
1. SECURED CASH CREDIT EXPOSURES:	**819,528**	**758,135**	**377,258**	**-**	**293**	**69,333**	**-**	**-**	**-**	**-**	**-**	**174,280**	**76**	**14,399**	**25,063**	**660,702**
1.1 totally secured	557,463	505,374	375,758	-	-	44,896	-	-	-	-	-	46,179	76	7,423	18,923	**493,254**
- of which impaired	33,040	3,224	2,551	-	-	571	-	-	-	-	-	-	-	-	102	**3,224**
1.2 partially secured	262,065	252,761	1,500	-	293	24,437	-	-	-	-	-	128,101	-	6,977	6,140	**167,448**
- of which impaired	691	220	-	-	-	-	-	-	-	-	-	220	-	-	-	**220**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**28,151**	**28,018**	**-**	**-**	**-**	**50**	**-**	**-**	**-**	**-**	**-**	**364**	**9,582**	**392**	**3,684**	**14,072**
2.1 totally secured	434	433	-	-	-	50	-	-	-	-	-	-	20	-	363	**433**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	27,717	27,585	-	-	-	-	-	-	-	-	-	364	9,562	392	3,321	**13,639**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

At the end of the reporting period, there were no financial or non-financial assets obtained through the enforcement of guarantees received.

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution by sector of cash and off-balance-sheet credit exposures to customers

EXPOSURES/ COUNTERPARTIES	Public bodies		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns
A. CASH CREDIT EXPOSURES										
A.1 Non-performing	-	-	-	-	-	-	102	10,067	-	826
- of which: forborne exposures	-	-	-	-	-	-	102	3,868	-	812
A.2 Unlikely to pay	-	-	-	-	-	-	3,051	17,907	278	2,492
- of which: forborne exposures	-	-	-	-	-	-	2,580	15,899	278	2,492
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	12	1
- of which: forborne exposures	-	-	-	-	-	-	-	-	12	1
A.4 Performing exposures	3,438,364	548	758,821	8,636	-	-	825,892	34,057	33,714	170
- of which: forborne exposures	-	-	-	-	-	-	16,128	2,386	90	2
Total (A)	**3,438,364**	**548**	**758,821**	**8,636**	**-**	**-**	**829,045**	**62,031**	**34,004**	**3,489**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	-	-	-	-	142	-	-
B.2 Performing exposures	863	2	284,683	2,029	-	-	193,919	1,035	16,707	45
Total (B)	**863**	**2**	**284,683**	**2,029**	**-**	**-**	**193,919**	**1,177**	**16,707**	**45**
Total (A+B) 31/12/2021	**3,439,227**	**550**	**1,043,504**	**10,666**	**-**	**-**	**1,022,964**	**63,208**	**50,711**	**3,534**
Total (A+B) 31/12/2020	**3,553,793**	**694**	**845,953**	**7,204**	**-**	**-**	**956,064**	**43,246**	**47,337**	**2,984**

B.2 Distribution by territory of cash and off-balance-sheet credit exposures to customers

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	102	104	-	10,790	-	-	-	-
A.2 Unlikely to pay	278	1,139	3,051	17,269	-	-	-	1,990
A.3 Impaired past due exposures	-	-	12	1	-	-	-	-
A.4 Performing exposures	208,039	9,375	1,267,211	28,743	3,277,447	4,851	10,653	409
Total (A)	**208,420**	**10,618**	**1,270,274**	**56,802**	**3,277,447**	**4,851**	**10,653**	**2,400**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	142	-	-	-	-
B.2 Performing exposures	19,327	137	464,320	2,141	10,508	825	2,006	8
Total (B)	**19,327**	**137**	**464,320**	**2,283**	**10,508**	**825**	**2,006**	**8**
Total (A+B) 31/12/2021	**227,747**	**10,755**	**1,734,595**	**59,085**	**3,287,955**	**5,676**	**12,659**	**2,408**
Total (A+B) 31/12/2020	**186,764**	**4,862**	**1,510,551**	**42,957**	**3,431,772**	**4,238**	**7,006**	**2,042**

B.3 Distribution by territory of cash and off-balance-sheet credit exposures to banks

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns	Net exposure	Writedowns
A. CASH CREDIT EXPOSURES								
A.1 Non-performing		-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	4,302,792	5,139	12,564,161	2,187	1,121,285	995	1,623,495	838
Total (A)	**4,302,792**	**5,139**	**12,564,161**	**2,187**	**1,121,285**	**995**	**1,623,495**	**838**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,118,094	717	7,370,983	632	960,280	174	1,980,622	203
Total (B)	**3,118,094**	**717**	**7,370,983**	**632**	**960,280**	**174**	**1,980,622**	**203**
Total (A+B) 31/12/2021	**7,420,886**	**5,856**	**19,935,145**	**2,819**	**2,081,565**	**1,169**	**3,604,117**	**1,041**
Total (A+B) 31/12/2020	**7,360,626**	**5,514**	**18,756,572**	**2,886**	**2,004,636**	**949**	**3,733,411**	**1,135**

B.4 Large exposures

ITEMS	Total 31/12/2021	Total 31/12/2020
A) AMOUNT OF LARGE EXPOSURES		
a1) carrying amount	37,108,795	36,021,306
a2) weighted value amount	85,182	135,464
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**6**	**7**

C. SECURITISATION TRANSACTIONS

This section does not cover securitisation transactions in which the bank is the originator and for which, at the time of issue, the bank subscribes to all the liabilities issued (known as self-securitisation transactions, a description of which is provided in Section 4 "Liquidity risk" of this Part E).

Information of a qualitative nature

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Bank's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

Below is information on own securitisations carried out during 2021:

"Buonconsiglio 4" securitisation

During 2021, the Bank participated in a securitisation of multi-originator loans pursuant to Law no. 130/199, involving non-performing loans arising from contracts with customers resident in Italy (known as "Buonconsiglio 4"). The transaction envisages the acquisition of GACS or the guarantee of the State on the sale of bad loans.

More specifically, the transaction involved the assignment without recourse of portfolios of non-performing loans (secured and/or unsecured) granted by the Bank and 37 other banks (28 belonging to the Cassa Centrale Group) to customers, for a total Gross Book Value of EUR 578,719,097.

The arrangers of the transaction were Intesa San Paolo and Centrale Credit Solutions S.r.l. (a company of the Cassa Centrale Group), the latter also acted as advisor to the banks of the Cassa Centrale Group. The transaction involved the creation of a special purpose vehicle set up pursuant to Law no. 130/99, called Buonconsiglio 4, in which the Bank does not hold interests, nor do its employees hold corporate roles. The Master Servicer of the securitisation vehicle is Prelios Credit Servicing S.p.A., while Prelios Credit Solutions S.p.A. acts as Special Servicer.

The transaction was carried out mainly with the aim of improving the quality of the assets, as non-performing assets will be derecognised from the Originators' financial statements. Following a specific technical analysis, it emerged that the transaction described meets the criteria for the derecognition of assets from the Bank's financial statements in accordance with IFRS 9.

The transaction was carried out by means of several related contracts, the outline of which is shown below:

- assignment without recourse, by the "Originator" banks, of a portfolio of non-performing loans identified en bloc;

- acquisition of receivables by the transferee/issuer - the vehicle company Buonconsiglio 4 S.r.l. - and issue by the latter of securities (ABS - Asset Based Securities) characterised by a different degree of repayability in order to raise financial means;
- full subscription of senior securities by the "Originator" banks;
- subscription of Mezzanine and Junior securities by the Banks and subsequent sale of 95% of the securities to a third institutional investor (*Buckthorn Financing DAC* whose Asset Manager is *Investment Management L.P.*). The residual part (5%) remains in the portfolio of the individual "Originators" for the purpose of fulfilling the "Retention Rule".

In order to build up the initial reserves necessary to start up the securitisation vehicle (Buonconsiglio 4 S.r.l.), the originator banks have decided on a credit line (a limited-recourse loan) whose repayment is envisaged with a seniority slightly higher than that of the class A (Senior) securities.

As indicated, the special purpose vehicle financed the purchase of loans by issuing bonds divided into classes. The senior securities are rated (BBB) by three agencies (ARC, DBRS and Scope). The characteristics of the three types of securities issued are as follows:

- **Class A securities (Senior securities):** Bonds at a variable Euribor 6-month rate plus a spread of 0.40% per annum, for a total value of EUR 117.7 million and maturing in January 2042;
- **Class B securities (Mezzanine securities):** Bonds at a variable Euribor 6-month rate plus a spread of 10.0% per annum, for a total value of EUR 16.5 million and maturing in January 2042;
- **Class J notes (Junior notes):** floating rate 6-month Euribor bonds, plus a spread of 15.00% per annum plus a variable yield (residual after paying the senior items) for a total value of EUR 54,893 million and maturing in January 2042.

On 14 December 2021, the aforementioned Senior, Mezzanine and Junior securities were subscribed for on a pro rata basis by the "Originator" banks in proportion to the price received from each, and on 15 December 2021 (accounting settlement date 17 December 2021) 95% of the Mezzanine and Junior securities were sold to *Buckthorn Financing DAC* whose Asset Manager is *Investment Management L.P.* a third-party institutional investor.

The securities subscribed by the Bank amount to EUR 1,129 thousand for Seniors and EUR 3 thousand for Mezzanines.

The different types of securities have been given a different degree of subordination in the definition of payment priorities, both for principal and interest.

The securities will be redeemed in pass through mode. At each payment date, the principal shares for the redemption of the assets are allocated primarily to the redemption of Senior securities. The second tranche of securities (Mezzanine) is subordinated in its redemption to the previous one and the third tranche of securities (junior) is subordinated in its redemption to the first two.

The reimbursement of the principal of Class J securities is therefore last in the hierarchy of payments, both in the event of early repayment and in the event of natural redemption of the securities.

2. Third party securitisation transactions

The Bank retains, within its portfolio, at the net carrying amount, securities from "third-party" securitisation transactions for a total of EUR 221 thousand.

These are unrated securities issued by the Special Purpose Vehicle Lucrezia Securitisation S.r.l. as part of the interventions of the Institutional Guarantee Fund:

- The securities "EUR 211,368,000 Asset-Backed Notes due October 2026", with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of non-performing loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- The securities "EUR 78,388,000 Asset-Backed Notes due January 2027" with ISIN code IT0005240749, were issued by the special purpose vehicle on 27 January 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;
- The securities "EUR 32,461,000 Asset-Backed Notes due October 2027" with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included in the Bank's balance sheet assets under item "40. Financial assets measured at amortised cost - Loans to customers" of the balance sheet.

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%, for EUR 9 thousand.

It should be noted that in relation to the above securitisation transactions, the Bank does not play any role as Servicer and does not hold any interest in the Special Purpose Vehicle.

During the current year and previous years, value adjustments were made to the "Notes Padovana e Irpina" and "Notes Crediveneto" securities owned in the portfolio for a total of EUR 715 thousand.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the bank must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the bank, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the investor bank, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the bank is exposed or would be exposed.

In particular, the bank has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities,

definition of default used, rating, historical analysis of the performance of similar positions);

- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the bank has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;
- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the Servicer, to be made available to the Affiliated Banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be "*constantly aware of the composition of the portfolio of securitised exposures*" pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all Affiliated Banks and supplement the Investor Report produced by the Special Purpose Vehicle.

Information of a quantitative nature

C.1 Exposures deriving from primary "own" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/ EXPOSURES	Cash exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**4,123**	**(1)**	**8**	**-**	**36**	**-**
IMPAIRED ASSETS	**4,123**	**(1)**	**8**	**-**	**36**	**-**
- Non-performing	4,123	(1)	8	-	36	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	-	-	-	-	-	-
B. Subject of partial derecognition from the financial statements	-	-	-	-	-	-
IMPAIRED ASSETS	-	-	-	-	-	-
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	-	-	-	-	-	-
C. Not derecognised from the financial statements	-	-	-	-	-	-
IMPAIRED ASSETS	-	-	-	-	-	-
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	-	-	-	-	-	-

Off-balance-sheet

As at 31 December 2021, the scenario was not present.

C.2 Exposures deriving from primary "third party" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	Cash exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs
Lucrezia Securitisation S.r.l.-Securities	(221)	(715)				

Off-balance-sheet

As at 31 December 2021, the scenario was not present.

C.3 Securitisation special purpose vehicles

SECURITISATION NAME/ SPV NAME	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Lucrezia Securitisation S.r.l. - Crediveneto	Rome-Via Mario Carucci 31	N	12,747			42,961		
Lucrezia Securitisation S.r.l. - Padovana/Irpina	Rome-Via Mario Carucci 31	N	20,239			115,553		
Lucrezia Securitisation S.r.l. - Castiglione	Rome-Via Mario Carucci 31	N	3,929			32,461		
Buonconsiglio 3 S.r.l.	Milan - Via Vittorio Betteloni 2		153,657			145,151	21,000	4,541
Buonconsiglio II - Nepal S.r.l.	Milan - Via San Prospero 9		105,411			93,448		54,525
Buonconsiglio 4 S.r.l.	Conegliano (TV) - Via V. Alfieri 1		129,262			117,700	16,500	5,893

C.4 Unconsolidated securitisation special purpose vehicles

The table has not been filled in as it is reportable in the consolidated financial statements.

C.5 Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

The table has not been filled in because, as at the reporting date, there were no balances ascribable to the item in question.

D. DISCLOSURE ON STRUCTURED ENTITIES NOT CONSOLIDATED FROM AN ACCOUNTING VIEWPOINT (DIFFERENT FROM SECURITISATION SPECIAL PURPOSE VEHICLES)

This information is not provided given that the Bank drafts the consolidated financial statements.

E. DISPOSAL TRANSACTIONS

A. Financial assets sold and not fully derecognised

Information of a qualitative nature

Financial assets sold and not derecognised and financial liabilities related to assets sold and not derecognised shown in the tables of this section pertain mainly to repos carried out on own securities recognised as assets in the balance sheet.

Information of a quantitative nature

E.1 Financial assets sold and recognised in full and associated financial liabilities: carrying amounts

	Financial assets sold and recognised in full				Associated financial liabilities		
	Carrying amount	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Carrying amount	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**10,031**	**-**	**10,031**	**-**	**9,595**	**-**	**9,595**
1. Debt securities	10,031	-	10,031	-	9,595	-	9,595
2. Loans	-	-	-	-	-	-	-
Total 31/12/2021	**10,031**	**-**	**10,031**	**-**	**9,595**	**-**	**9,595**
Total 31/12/2020	**125,799**	**-**	**125,799**	**-**	**125,383**	**-**	**125,383**

E.2 Financial assets sold and partially recognised and associated financial liabilities: carrying amounts

The information and the table are not provided because, as at the reporting date, there were no balances ascribable to this item.

E.3 Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Recognised in full	Partially recognised	Total	
			31/12/2021	31/12/2020
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**10,063**	**-**	**10,063**	**126,398**
1. Debt securities	10,063	-	10,063	126,398
2. Loans	-	-	-	-
Total financial assets	**10,063**	**-**	**10,063**	**126,398**
Total associated financial liabilities	**9,595**	**-**	**X**	**X**
Net value 31/12/2021	**468**	**-**	**10,063**	**X**
Net value 31/12/2020	**1,015**	**-**	**X**	**126,398**

B. Financial assets sold and fully derecognised with recognition of continuing involvement

Information of a qualitative nature

At the end of the reporting period, the Bank had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. Financial assets sold and fully derecognised

At the end of the reporting period, the Bank does not have any transactions attributable to this scenario.

D. Covered bond transactions

The information is not provided because, as at the reporting date, there were no balances ascribable to this item.

F. CREDIT RISK MEASUREMENT MODELS

At the end of the reporting period, the Bank does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to Section 1 - Credit Risk, Information of a qualitative nature, 2.2 Management, measurement and control systems.

Section 2 – Market risks

2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Information of a qualitative nature

A. General aspects

The Bank's Finance Department plans the investment choices relating to the trading book in accordance with the guidelines shared within the Group through the periodic portfolio management strategy documents and in compliance with any amounts of investment defined by the Board of Directors.

During the year, the Bank established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option).

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Board of Directors.

In addition, an automatic email alert is sent if the attention thresholds and/or maximum limits defined in the Group Regulations for the management of market and counterparty risk are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated with the applications and with the historical method via RiskMetrics, over a ten-day period, and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

As at 31 December 2021 there were no securities in the trading book, in accordance with the strategy shared within the Group.

Information of a quantitative nature

1. Regulatory trading book: distribution by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	2,732	6,283	3,281	3,801	46,197	19,609	12,450	-
+ Short positions	2,732	6,283	3,281	3,801	46,197	19,609	12,450	-
- Other derivatives								
+ Long positions	19,921	410,950	32,487	14,934	313,372	163,507	233,461	-
+ Short positions	19,921	481,949	44,135	16,756	312,859	163,507	233,461	-

Other Currencies

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	96,759	19,247	4,962	-	-	-	-
+ Short positions	-	24,705	6,772	3,075	513	-	-	-

2. Regulatory trading book: distribution of exposures in equities and stock market indices for the main countries of the listed market

The table is not reported given that a price risk sensitivity analysis for an internal model is supplied, as reported in the previous section.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the banking book is supported by reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (equities, funds, fixed rate and government, supranational and corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

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

Interest rate risk - Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Bank is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, 'fair value' interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Bank has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are codified in the corporate regulations aimed at designing monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Bank, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Bank has identified the Finance Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

As regards the methodology for measuring risk in terms of changes in economic value and changes in interest margin, the Bank's Board of Directors has decided to use the framework chosen by the Group; the calculation method includes the following logic, which is aligned with the EBA guidelines (GL-2018-02):

- sensitivity analysis to economic value: the calculation engine allows for quantification of the difference in value between *discounted cash flow of balance sheet items* using a curve without shock and one with shock. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (both value and margin); normally those for items on demand are used.

The Bank determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAS by the ratio between the internal capital thus calculated and the value of Own Funds. At consolidated level, the Parent Company monitors the positioning of the Group also in relation to the value of CET1 and the attention threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAS, the Bank activated appropriate recovery initiatives.

Price risk - Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (equities, funds, fixed rate and government, supranational and corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2021 is reported below:

Figures rounded to nearest Euros

Value at Risk 31/12/2021	Value at Risk average	Value at Risk minimum	Value at Risk maximum
28,278,592	30,337,397	20,994,050	60,391,753

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. The use of the historical method was introduced in 2021, starting in April[55]; as from that date, at consolidated portfolio level, the new model showed only one significant overrun, which occurred at the end of February.

The year 2021 saw a continuation, with respect to VaR, of the quantification of issuer risk for Italian government securities and therefore country risk, understood as VaR relating only to the risk factor, expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also introduced, calculated only on the Italian Government bonds segment.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2021 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

Figures rounded to nearest Euros

Theoretical value at 31/12/21	Shock value changes -25 bp	Shock value changes +25 bp	Shock value changes -50 bp	Shock value changes +50 bp
3,738,903,184	23,716,803	-22,320,185	50,595,691	-44,116,986

[55] The use of the historical method was introduced in the first half of the year, starting from April. The average, minimum and maximum VaR data refer to the period 1 April 2021 - 30 June 2021.

Information of a quantitative nature

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

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**323,971**	**4,887,897**	**2,287,398**	**847,547**	**15,855,955**	**384,594**	**260,842**	**-**
1.1 Debt securities	-	526,309	2,142,253	43,406	515,586	316,054	236,078	-
- with option of advance reimbursement	-	2,443	9,996	-	26,883	11,121	36	-
- other	-	523,866	2,132,257	43,406	488,703	304,933	236,043	-
1.2 Loans to banks	52,556	3,965,828	37,524	747,294	14,626,759	474	483	-
1.3 Loans to customers	271,415	395,760	107,621	56,847	713,610	68,066	24,280	-
- current accounts	106,561	-	-	4	421,496	-	-	-
- other loans	164,854	395,760	107,621	56,843	292,114	68,066	24,280	-
- with option of advance reimbursement	45,292	287,920	84,762	50,216	267,267	46,694	13,396	-
- other	119,562	107,840	22,860	6,627	24,847	21,372	10,885	-
2. CASH LIABILITIES	**7,153,614**	**739,156**	**320,265**	**753,127**	**14,955,664**	**43,568**	**176,787**	**-**
2.1 Due to customers	1,478,515	54,977	270	147	3,835	43,568	3,539	-
- current accounts	1,030,847	-	-	-	2,926	37,673	-	-
- other payables	447,668	54,977	270	147	910	5,896	3,539	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	447,668	54,977	270	147	910	5,896	3,539	-
2.2 Due to banks	5,675,098	684,179	319,995	752,980	14,951,829	-	173,248	-
- current accounts	5,327,902	-	-	-	-	-	-	-
- other payables	347,196	684,179	319,995	752,980	14,951,829	-	173,248	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	1	13,086	13,962	34,912	37,888	2,631	90	-
+ Short positions	2,469	78,111	18,084	3,907	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Other Currencies

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**7,625**	**4,556**	**399**	**-**	**44,621**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	44,621	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	44,621	-	-
1.2 Loans to banks	-	7,625	4,519	-	-	-	-	-
1.3 Loans to customers	-	-	38	399	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	38	399	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	38	399	-	-	-	-
2. CASH LIABILITIES	**112,953**	**6,242**	**14,042**	**3,375**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,695	256	769	-	-	-	-	-
- current accounts	543	-	-	-	-	-	-	-
- other payables	2,152	256	769	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	2,152	256	769	-	-	-	-	-
2.2 Due to banks	110,259	5,986	13,273	3,375	-	-	-	-
- current accounts	110,259	-	-	-	-	-	-	-
- other payables	-	5,986	13,273	3,375	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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

For management purposes, the Bank quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 31 December 2021, assuming an increase in interest rates of +/-100 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of Own Funds at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario).

Figures in Euro

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-110,778,563	-4,854,589
Banking book: securities	-96,697,496	54,857,891
Other assets	-84,465	45,735
Liabilities	115,774,975	3,617,503
Total	**-91,785,549**	**53,666,540**
Own Funds	1,153,968,671	1,153,968,671
% Impact on own funds	-7.95%	+4.65%

Figures in Euro

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	121,614,520	-85,007,609
Banking book: securities	15,464,936	-4,123,463
Other assets	4,793,938	-2,341,784
Liabilities	-155,959,942	103,015,257
Total	**-14,086,548**	**11,542,400**
Prospective interest margin	52,968,496	52,968,496
% Impact on prospective interest margin	-26.59%	+21.79%

2.3 EXCHANGE RATE RISK

Information of a qualitative nature

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

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2021 the Bank carried out transactions to hedge the exchange rate risk using outright derivatives.

Information of a quantitative nature

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	CHF	GBP	JPY	CAD	OTHER CURRENCIES
A. FINANCIAL ASSETS	**50,301**	**5,806**	**8**	**1,083**	**-**	**3**
A.1 Debt securities	44,621					
A.2 Equities						
A.3 Loans to banks	5,244	5,806	8	1,083		3
A.4 Loans to customers	437					
A.5 Other financial assets						
B. OTHER ASSETS	**18,172**	**5,782**	**4,289**	**603**	**819**	**4,538**
C. FINANCIAL LIABILITIES	**108,881**	**14,306**	**6,735**	**354**	**1,580**	**4,755**
C.1 Due to banks	105,301	14,306	6,599	354	1,580	4,752
C.2 Due to customers	3,580		136			4
C.3 Debt securities						
C.4 Other financial liabilities						
D. OTHER LIABILITIES	**-**					**-**
E. FINANCIAL DERIVATIVES						
- Options						
+ Long positions						
+ Short positions						
- Other derivatives						
+ Long positions	110,929	2,179	4,219	180	1,320	2,140
+ Short positions	28,794	214	1,799	1,707	559	1,992
Total assets	**179,403**	**13,766**	**8,516**	**1,865**	**2,139**	**6,681**
Total liabilities	**137,674**	**14,521**	**8,534**	**2,061**	**2,139**	**6,747**
Imbalance (+/-)	**41,728**	**(755)**	**(18)**	**(196)**	**-**	**(66)**

2. Internal models and other methodologies for sensitivity analysis

The Bank's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

Section 3 – Derivatives and hedging policies

3.1 DERIVATIVES HELD FOR TRADING

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**1,162,912**	**48,226**	**-**	**-**	**831,330**	**41,765**	**-**
a) Options	-	53,944	-	-	-	90,971	-	-
b) Swaps	-	1,108,968	48,226	-	-	740,358	41,765	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**610,200**	**-**
a) Options	-	-	-	-	-	-	610,200	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**127,713**	**-**	**-**	**-**	**128,353**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	127,713	-	-	-	128,353	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**1,290,626**	**48,226**	**-**	**-**	**959,682**	**651,965**	**-**

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	22,337	140	-	-	34,590	255	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2,261	-	-	-	618	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**24,598**	**140**	**-**	**-**	**35,207**	**255**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	20,532	63	-	-	33,530	5	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	634	-	-	-	2,541	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**21,167**	**63**	**-**	**-**	**36,071**	**5**	**-**

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

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	48,226
- positive fair value	X	-	-	140
- negative fair value	X	-	-	63
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	1,162,912	-	-
- positive fair value	-	22,337	-	-
- negative fair value	-	20,532	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) CURRENCIES AND GOLD				
- notional value	-	124,536	-	3,177
- positive fair value	-	2,259	-	2
- negative fair value	-	501	-	133

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	101,901	261,355	847,882	**1,211,138**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	127,201	513	-	**127,713**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2021	**229,102**	**261,867**	**847,882**	**1,338,851**
Total 31/12/2020	**893,524**	**166,575**	**551,548**	**1,611,647**

B. Credit derivatives

This section is not filled out given that the Bank does not hold credit derivatives.

3.2 ACCOUNTING HEDGES

The Bank does not implement hedging transactions attributable to this type of situation.

In any case, the Bank has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

3.3 OTHER INFORMATION ON DERIVATIVES (TRADING AND HEDGING)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparties

	Central counterparties	Banks	Other financial companies	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	1,162,912	-	48,226
- positive net fair value	-	22,337	-	140
- negative net fair value	-	20,532	-	63
2) Equities and stock market indices				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	124,536	-	3,177
- positive net fair value	-	2,259	-	2
- negative net fair value	-	501	-	133
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

Section 4 – Liquidity risk

Information of a qualitative nature

A. GENERAL ASPECTS, MANAGEMENT PROCESSES AND MEASUREMENT METHODS FOR LIQUIDITY RISK

Liquidity risk is defined as the possibility that the Bank may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (funding liquidity risk), or that it may be forced to incur very high costs to meet these commitments (market liquidity risk). The funding liquidity risk, in turn, can be distinguished between: (i) mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) contingency liquidity risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) margin calls liquidity risk, i.e. the risk that the Bank, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter also "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Bank with net cash outflows (difference between gross outflows and inflows) expected over a thirty-day time period, the latter developed taking into account a predefined stress scenario. The DR-LCR entered into force on 1 October 2015 and, after a phasing-in from 1 January 2018, a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation (EU) no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Bank (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);

  - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of seniority of financial instruments.

The processes in which the Bank's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the supervisory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Bank adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Board of Directors, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic supervisory body, the Board of Directors of the Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Bank's liquidity is managed by the Finance Department in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department and is aimed at checking the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between maturities of lending and funding in the medium/long term.

The Bank intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Bank's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Bank has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Bank uses the analysis reports available on a regular basis.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;

- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Bank's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and non-financial companies) on the Bank's total funding from customers is 10%; this figure is influenced by the presence of funding made by companies belonging to the Group.

The Bank's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Bank operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Bank uses the analysis reports available monthly.

The net stable funding ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the Regulation (EU) no. 2019/876 (CRR2) as from 30 June 2021.

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Bank calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted using an approach that aims to worsen the percentages applied to the most significant items by referring to a regulatory method, contemplate two liquidity crisis scenarios, market/systemic and bank-specific. In particular, the Bank performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

During 2020, an additional scenario linked to the pandemic crisis was also introduced, which envisages the reduction of the inflow components compared to the standard ones to take into account the effect of the moratoria.

The results of the analyses carried out are periodically documented to the Board of Directors. The positioning of the Bank with regard to operational and structural liquidity is also reported to the Board of Directors on a quarterly basis.

In addition, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (hereinafter also referred to as the "CFP"), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management was centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Bank has had a significant amount of liquid resources due to the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem.

At the end of the reporting period, the amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 8.8 billion.

The recourse to refinancing from the ECB amounted to EUR 289 million (share of the Group's total funding from the ECB) and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO):

CLASSIFICATION	31/12/2021
TLTRO III loan	15,019,180,000
ECB auctions	116,000,000
Total Auctions	**15,135,180,000**

Information of a quantitative nature

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

Euro

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**336,822**	**56,821**	**76,069**	**3,629,930**	**281,559**	**153,076**	**1,400,043**	**18,209,608**	**859,872**	**-**
A.1 Government securities	-	-	494	-	2,898	67,765	549,191	2,390,350	336,823	-
A.2 Other debt securities	-	-	10	360	20,686	1,874	4,134	133,988	241,181	-
A.3 UCITS units	61,159	-	-	-	-	-	-	-	-	-
A.4 Loans	275,663	56,821	75,565	3,629,570	257,976	83,437	846,718	15,685,270	281,869	-
- Banks	52,556	56,080	73,000	3,607,865	229,427	37,600	751,810	14,694,224	957	-
- Customers	223,107	741	2,565	21,705	28,549	45,837	94,908	991,046	280,912	-
B. CASH LIABILITIES	**7,151,326**	**-**	**89,814**	**-**	**649,413**	**322,083**	**753,262**	**15,020,554**	**220,716**	**-**
B.1 Deposits and current accounts	6,703,337	-	34,999	-	649,413	322,069	414,384	217,426	211,170	-
- Banks	5,674,232	-	34,999	-	649,181	319,994	414,187	214,500	173,497	-
- Customers	1,029,105	-	-	-	233	2,075	197	2,926	37,673	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	447,989	-	54,815	-	-	15	338,878	14,803,129	9,546	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	10,326	320	4,798	5,811	6,626	3,045	513	-	-
- Short positions	-	27,817	17,119	23,820	23,498	18,274	4,868	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	22,526	-	-	-	-	-	-	-	-	-
- Short positions	20,644	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite duration
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Other Currencies

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**2,153**	**-**	**225**	**2,337**	**2,903**	**4,928**	**404**	**355**	**44,146**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	359	359	-	44,146	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,153	-	225	2,337	2,903	4,569	46	355	-	-
- Banks	2,152	-	225	2,337	2,903	4,523	-	-	-	-
- Customers	1	-	-	-	-	46	46	355	-	-
B. CASH LIABILITIES	**112,953**	**444**	**490**	**710**	**4,601**	**14,067**	**3,386**	**-**	**-**	**-**
B.1 Deposits and current accounts	110,801	444	490	607	4,448	13,298	3,386	-	-	-
- Banks	110,259	444	490	607	4,448	13,298	3,386	-	-	-
- Customers	543	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,152	-	-	103	154	769	-	-	-	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	28,804	17,341	25,885	24,728	19,247	4,962	-	-	-
- Short positions	-	11,019	326	6,672	6,688	6,772	3,075	513	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions
The Bank did not implement any self-securitisation transactions.

Section 5 – Operating risks

Information of a qualitative nature

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

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems and deficiencies in the handling of transactions or process management, as well as losses due to positions with commercial counterparties and suppliers.

The following subcategories of risk are significant in terms of operational risks, as set out in the same supervisory instructions:

- IT risk, i.e. the risk of incurring economic losses, reputation and market share losses in relation to the use of Information and Communication Technology (ICT);
- outsourcing risk, i.e. the risk associated with the choice to outsource the performance of one or more business activities to third-party suppliers.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes).

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment**, which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- ***reporting***, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the year, the Bank implemented a framework for the recognition of operating loss events and the related economic effects.

Finally, there are the third level controls carried out by the Internal Audit Department, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Bank mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Bank in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Bank internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operating risks, the Bank, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

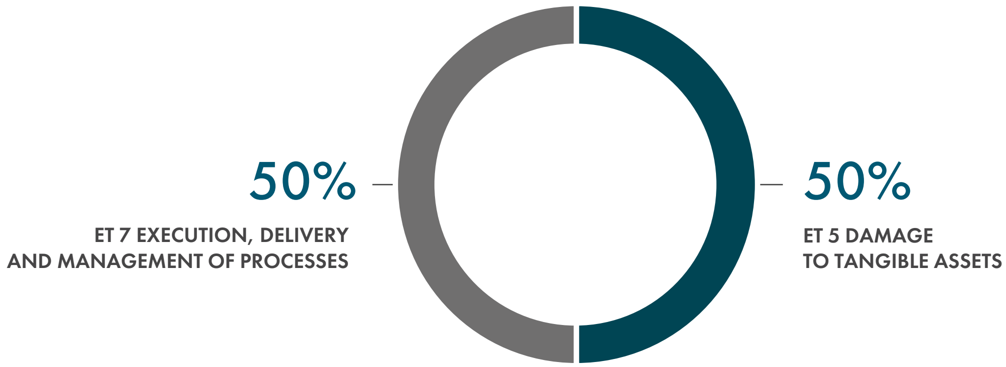
The adoption of a Business Continuity and Emergency Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

YEAR	Amount
Year T	210,406
Year T-1	189,240
Year T-2	157,548
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**185,731**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**27,860**

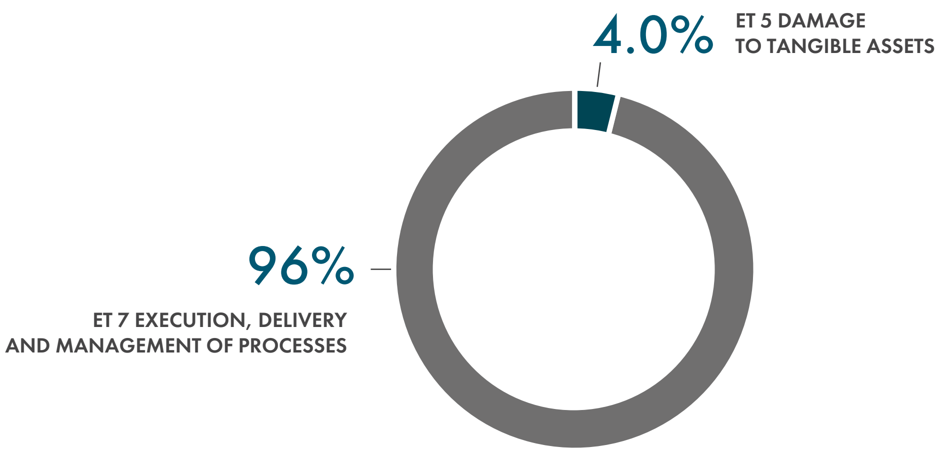
Information of a quantitative nature

In continuation of the activity already started last year, in relation to the structured process of Loss Data Collection, the distribution by Event Type is reported by Cassa Centrale Banca.

Number of operational loss events with effects recorded in 2021



Net operating losses recognised in 2021



Operational losses were mainly concentrated in the event type “ET 7 Execution, delivery and management of processes” (50% of frequencies and 96% of the total impacts detected), and “ET 5 Damage to tangible assets” (50% of frequencies and 4% of the total impacts detected).

The Covid-19 pandemic event did not result in any operational losses, given that a budget for the full year 2021 was set up to cover the related expenses. The expenses incurred, and included in the aforementioned budget, concerned primarily the purchase of masks, gloves, protection and sanitation devices, sanitation and extraordinary cleaning of the work areas.

Legal risk

In carrying out their activities, the Bank companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of “probability” and/or “possibility” as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Bank. For more detailed information, please refer to Part B, Section 10 – Provisions for risks and charges.

PART F - Information on equity

Section 1 – The company's capital

Information of a qualitative nature

Equity is the main safeguard against corporate risks associated with the Bank's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the supervisory authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Bank's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the International and local supervisory bodies have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Bank refers is that defined by Regulation (EU) no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital – (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Bank;
- prudent management of investments, which takes into account the risk of counterparties;
- a possible capital strengthening plan through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Bank operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the bank.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified:

At the end of the reporting period, the Bank presents:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 59.07%;

- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 59.07%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 59,07%.

The amount of own funds is fully sufficient on all three binding capital levels, and adequate to cover the Capital Conservation Buffer.

The Bank has drawn up and maintains its Recovery Plan in line with the relevant regulatory provisions and in line with the Risk Appetite Framework adopted.

Information of a quantitative nature

B.1 Company's capital: breakdown

ITEMS OF EQUITY	Amount 31/12/2021	Amount 31/12/2020
1. Capital	952,032	952,032
2. Share premium	19,029	19,029
3. Reserves	158,979	147,205
- of profit	158,961	147,187
a) legal	30,591	28,797
b) statutory	-	-
c) own shares	-	-
d) other	128,370	118,390
- other	18	18
4. Equity instruments	-	-
5. (Own shares)	-	-
6. Valuation reserves:	(32,767)	(20,208)
- Equities measured at fair value through other comprehensive income	(35,426)	(26,354)
- Hedging of equities measured at fair value through other comprehensive income	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	2,184	5,662
- Tangible assets	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedging	-	-
- Hedging instruments [non designated elements]	-	-
- Exchange rate differences	-	-
- Non-current assets and groups of assets held for disposal	-	-
- Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
- Actuarial gains (losses) from defined benefit plans	(421)	(412)
- Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
- Special revaluation laws	896	896
7. Profit (loss) for the year	46,064	35,868
Total	**1,143,337**	**1,133,926**

The share capital of the Bank is composed of 18,158,304 ordinary shares and 150,000 preference shares with a nominal value of EUR 52 each and totalling EUR 952,031,808.

The reserves pursuant to point 3. include already existing profit reserves as well as the positive and negative reserves from the first-time adoption of IAS/IFRS (so-called FTA reserves) not recognised in other equity items.

The valuation reserves included in point 6. are detailed in Table B.2 below.

B.2 Valuation reserves for financial assets designated at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/2021		Total 31/12/2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,327	(143)	5,662	-
2. Equities	627	(36,053)	150	(26,504)
3. Loans	-	-	-	-
Total	**2,954**	**(36,197)**	**5,812**	**(26,504)**

The significant change in the negative reserve referred to in point 2. Equities is attributable to the gross negative reserve of EUR 35.2 million (reserve net of taxation of EUR 33.3 million) relating to the FVOCI equity investment held in Banca Carige.

B.3 Valuation reserves for financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**5,662**	**(26,354)**	**-**
2. POSITIVE CHANGES	**4,029**	**9,985**	**-**
2.1 Fair value increases	1,105	894	-
2.2 Value adjustments for credit risk	134	X	-
2.3 Reversals of negative reserves to the income statement: from sale	-	X	-
2.4 Transfers to other components of equity (equities)	-	4,533	-
2.5 Other changes	2,790	4,558	-
3. NEGATIVE CHANGES	**7,507**	**19,057**	**-**
3.1 Fair value decreases	1,932	17,259	-
3.2 Write-backs for credit risk	150	-	-
3.3 Reversals of positive reserves to the income statement: from sale	4,345	X	-
3.4 Transfers to other components of equity (equities)	-	-	-
3.5 Other changes	1,079	1,798	-
4. CLOSING BALANCES	**2,184**	**(35,426)**	**-**

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

ITEMS	Total 31/12/2021	Total 31/12/2020
1. OPENING BALANCES	**(412)**	**(423)**
2. POSITIVE CHANGES	24	38
2.1 Actuarial gains from defined benefit plans	-	8
2.2 Other changes	24	30
2.3 Business combinations	-	-
3. NEGATIVE CHANGES	**(33)**	**(27)**
3.1 Actuarial losses from defined benefit plans	(3)	-
3.2 Other changes	(30)	(27)
3.3 Business combinations	-	-
4. CLOSING BALANCES	**(421)**	**(412)**

Section 2 – Own funds and adequacy ratios

With regard to the contents of this section, please refer to the information on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared on a consolidated basis by the Parent Bank Cassa Centrale Banca Credito Cooperativo Italiano S.p.A. pursuant to Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 – Transactions implemented during the year

During the year, the Bank did not implement business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations with entities subject to common control (known as “Business combination between entities under common control”).

Section 2 – Transactions implemented after the close of the year

After the end of the 2021 financial year and until the date of approval of the draft financial statements by the Board of Directors, the Bank did not carry out business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations between entities under common control (known as *business combination between entities under common control*).

Section 3 – Retrospective adjustments

No adjustments relating to business combinations that occurred in the same year or in previous years were recorded during 2021.

PART H - Transactions with related parties

The Bank, in compliance with the procedures provided for by sector regulations, has adopted the “Group Regulations for the management of transactions with related parties”.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 263 of 27 December 2006 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Related Parties carried out by the Parent Company, the Affiliated Banks and Group companies, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Related Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For stricter accounting purposes, the provisions of “IAS 24 - Related Party Disclosures” also apply, for which the Bank has taken into account the information provided at Cassa Centrale Group level with regard to the identification of the related scope of consolidation.

More specifically, under the Cassa Centrale Group’s internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company’s activities;
- the immediate family members of “executives with strategic responsibilities”:
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - the children and the spouse (even if legally separated) or cohabitant of that person;
        - the children of that person’s spouse or cohabitant;
        - the dependants of that person or of that person’s spouse or cohabitant;
        - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person.
- person who has significant influence over the entity preparing the financial statements.

Legal entity:

- entity who has significant influence over the entity preparing the financial statements;
- entity over which a person identified in the previous paragraph (natural persons) has significant influence or is one of the executives with strategic responsibilities of the same (or one of its parent companies);
- entity that has control or joint control over the entity which drafts the financial statements;
- entity controlled or jointly controlled by one of the entities referred to in the previous point (natural persons);
- the companies/BCC belonging to the Cassa Centrale Group (controlled and directly and/or indirectly jointly controlled);
- associates and joint ventures and their subsidiaries;
- entity that is part of a joint venture of another entity and the entity that prepares the financial statements is an associate of the other entity;
- post-employment benefit plans for employees of the Group or a related entity.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

These include the following:

- Chief Executive Officer;
- Deputy General Managers;
- Chairperson of the Board of Directors;
- Members of the Board of Directors;
- Chairperson of the Board of Statutory Auditors and the Standing Auditors;
- executives who report directly to the Board of Directors or the Chief Executive Officer.

The table below shows, in compliance with the requirements of paragraph 17 of IAS 24, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other executives with strategic responsibilities that fall within the notion of "related party".

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AS AT 31/12/2021	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	2,291	2,172	285	245	6,057	6,057	**8,634**	**8,474**
Benefits relative to the post-employment period (social security, insurance, etc.)	-	-	-	-	174	-	**174**	**-**
Other long-term benefits	-	-	-	-	-	-	**-**	**-**
Compensation for termination of employment	-	-	-	-	-	-	**-**	**-**
Payments in shares	-	-	-	-	-	-	**-**	**-**
Total	**2,291**	**2,172**	**285**	**245**	**6,232**	**6,057**	**8,808**	**8,474**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Parent Company	-	-	-	-	-	-
Subsidiaries	16,967,060	7,237,614	186,429	16,764	105,859	202,895
Associates	36,080	14,772	4,852	-	290	34
Directors and Executives	534	1,393	-	637	11	3
Other related parties	7,806	8,855	-	3,546	915	56
Total	**17,011,480**	**7,262,633**	**191,281**	**20,947**	**107,075**	**202,987**

It should be noted that "Other related parties" include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

During the year there were no analytical value adjustments or losses for receivables from related parties. Only the collective write-down was applied to receivables from related parties in accordance with IFRS 9.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties, excluding those with subsidiaries, do not have a significant incidence on the financial situation, economic result and cash flows of the Bank.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Bank has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

Since the Bank is not listed or an issuer of widely distributed securities, it is not required to complete the segment reporting required by IFRS 8.

PART M - Information on leasing

Section 1 – Lessee

Qualitative information

IFRS 16 has standardised the accounting treatment of operating and finance leases for the lessee, requiring the lessee to recognise:

- in the balance sheet: i) a financial liability, which represents the present value of future payments that the company undertakes to make in relation to the lease, and ii) an activity that represents the "right of use" of the asset involved in the lease;
- in the Income Statement: i) the financial charges connected with the aforementioned financial liability and ii) the amortisation related to the above-mentioned "right of use".

The lessee recognises in the Income Statement the interest deriving from the lease liability and the amortisation of the right of use. The right of use is amortised over the effective duration of the underlying contract.

As part of the highlighted accounting aspects, the Bank mainly has leasing contracts relating to buildings.

The choices made by the Bank

The choices made by the Bank regarding IFRS 16 are fully consistent with those applied by the entire Cassa Centrale Group.

More specifically, the Bank adopts IFRS 16 using the simplified prospective approach, which provides for the recognition of a lease liability equal to the present value of future lease payments and a right of use for the same amount. This approach does not therefore have an impact on equity.

The Bank, by adopting the practical expedient described in paragraph 6 of IFRS 16, excluded from the scope of application (i) contracts with a residual useful life at the date of first application of less than 12 months and (ii) contracts involving assets with a value of less than EUR 5,000. With reference to these two scenarios, rental fees have been recorded under operating costs in the Income Statement. The Bank has also applied IFRS 16 to embedded leases, i.e. contracts other than hire/lease/rental contracts that substantially contain long-term rental, lease or hire.

Discount rate

The Bank, in application of IFRS 16, uses the weighted average rate of funding at maturity.

Contract duration

The duration of the contract corresponds to the non-cancellable period during which the individual company is subject to an obligation to the lessor and has the right to use the leased property. The following form part of the duration of the contract:

- the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise the option;
- the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise the option.

Periods covered by an option to terminate the bilateral contract are not part of the duration of the contract. In such cases the duration of the contract is limited to the notification period for the exercise of the option.

Lease and non-lease components

The Bank has considered separating the service and lease components. Only the lease components participate in the definition of the lease liability, while the service components maintain the same accounting treatment as other operating costs.

Quantitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically:

- information on rights of use acquired through lease is provided in "Part B - Information on the Balance sheet, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets";
- information on payables for leases is provided in "Part B - Information on the Balance sheet, Liabilities, Section 1 - Financial liabilities measured at amortised cost";
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in "Part C - Information on the Income Statement", in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to "Part C - Information on the Income Statement".

Section 2 – Lessor

This is not applicable to the Bank.

Annexes to the financial statements of Cassa Centrale Banca

Annex A) Report on the guarantee scheme

Report on the Guarantee Scheme

The financial soundness of the Group is assured through the signing of the Guarantee Agreement, whereby the Parent Company and the Affiliated Banks (hereinafter also “the Parties”) jointly and severally guarantee, within the limits of their free capital, the external creditors and provide each other with support to preserve the solvency and liquidity of each Affiliated Bank and the Parent Company.

To this end, Cassa Centrale Banca and its Affiliated Banks have established, each for its share, the financial means readily available for the proper operations of the guarantee scheme. The contributions to the readily available financial means are determined using the results of the stress tests expressed in terms of Probability of Default and Loss Given Default of each Party to the Guarantee Agreement, calculated applying the method defined in a specific Regulation on the cross-guarantee system methodology. This regulation was approved by resolution of the Board of Directors of Cassa Centrale Banca on 9 June 2021. On the basis of this Regulation, the method for allocating the portions of contributions to the available financial means is based on the individual RWAs of the Parties to the agreement.

The readily available financial funds, as determined above, have been divided between the ex-ante and ex-post portions of the cross-guarantee.

The ex-ante portion represents the portion of the Parent Company’s pre-established financial funds readily available to the Parties for the implementation of intra-group Support measures, while the “ex-post portion” represents the portion of the financial resources allocated to the Parties’ financial statements but subject to readily available constraints, which may be called by the Parent Company if the “ex-ante portion” is not available, as well as in the other cases indicated in the Guarantee Agreement.

The readily available financial means relating to the “ex-ante portion” have been constituted through the instrument of financing allocated to a specific business pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code. This instrument is regulated by a loan agreement entered into between the Parent Company and the Affiliated Banks whereby the lending parties (Affiliated Banks) make available to the beneficiary (the Parent Company) the “ex-ante portion” of their own for the sole purpose of the deal. The purpose of this deal is to set up and manage the “ex-ante portion” for the implementation of intra-group support measures to safeguard the solvency and liquidity of each Party. With the conclusion of the financing contract for a specific business and the registration of the contract at the Companies’ Register, the segregation effects provided for in Article 2447-decies of the Italian Civil Code are applied and produced, according to which the sums collected with the financing itself, as well as the proceeds and profits of the business, constitute separate assets of the company, protected from the availability and actions of the company’s creditors. The separation of assets corresponds to a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in Article 2447-decies of the Italian Civil Code.

The portion was invested by the Parent Company exclusively in liquid assets and/or assets which can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (known as "Level 1 assets").

The "ex-post portion", in order to make it immediately usable if required, has been incorporated directly in the financial statements of Cassa Centrale Banca, partly with the liquidity collected by the Affiliated Banks through a term deposit maturing over 12 months (30 June 2021 - 30 June 2022) and bearing interest at an annual rate of 0.37% and the remainder with the liquidity made available by the Parent Company itself. This portion was invested, as was the case for the "ex-ante portion", in Level 1 assets.

Having said all this, the Parent Company, following the stress tests mentioned above, determined the need for a total amount of readily available funds, for the 12-month period (1 July 2021 - 30 June 2022), of EUR 323 million, broken down as follows:

- ex-ante portion amounting to EUR 184 million;
- ex-post portion amounting to EUR 139 million.

Intra-group support measures implemented until 31 December 2021

The use of readily available financial resources set up at the Parent Company for the implementation of intra-group support measures is subject to the assessment and consequent decision to activate the guarantee system by the body with strategic supervisory functions of the Parent Company, in compliance with the rules set out in the "Regulation on the cross-guarantee system methodology" and the "Regulation on the Risk Based Model".

Before adopting such a resolution, the Parent Company is required to analyse all further possible recovery actions and, only if these are not feasible, it may proceed to activate the guarantee system.

The activation of guarantee measures can take different forms of intervention, such as:

- capital intervention, through the issuance by the Affiliated Bank of financing shares qualifying as CET 1 or additional equity instruments qualifying as AT 1 and Tier 2;
- liquidity initiatives, through the subscription of ordinary bond loans issued by the Affiliated Bank or through the subscription of term deposits.

During 2021, no measures were implemented in favour of the Affiliated Banks.

The separate assets of Cassa Centrale Banca as at 31 December 2021 include the subordinated bond issued by Cassa Padana on 15 September 2020 - for a nominal amount of EUR 20 million - resulting from the intervention related to the bank's recovery plan approved by the Board of Directors of Cassa Centrale Banca in March 2020 and aimed at restoring a situation of normality in the main technical capital, asset quality and business model parameters, also through a series of capital interventions during the plan period by activating the cross-guarantee system.

The main characteristics of the subordinated bond issued by Cassa Padana and subscribed by Cassa Centrale Banca in 2020 are set below:

ISIN	IT0005421851
Description	CASSA PADANA 15/09/2027 2% SUB T2
Fixed rate	2%
Coupon expiry date	Annual deferred
Data emission	15/09/2020
Expiry date	15/09/2027
Nominal value	20,000,000

Composition of the investments of the "ex-ante portion"

The composition of the investments of the "ex-ante portion" established through the allocated loan as at 31 December 2021 is shown below, compared with the same composition as at 31 December 2020:

The investments in Italian government securities, as well as the instruments deriving from support measures that make up the "ex-ante portion" as at 31 December 2021 and 31 December 2020, are measured at fair value through profit or loss as these instruments are *measured at fair value*.

ASSETS/VALUES	31/12/2021	31/12/2020
Italian government securities	160,853,336	146,249,872
Support measures	20,104,564	20,300,914
Liquidity	2,686,943	6,318,309
Total	**183,644,843**	**172,869,095**

Trend in the value of the "ex-ante portion"

The value of the "ex-ante portion" as at 31 December 2020 and 31 December 2021 is shown below, with evidence of the portion contributed by the Parent Company and Affiliated Banks:

	Ex ante portion		
	of which portion contributed by the Parent Company	Of which portion contributed by Affiliated Banks (Allocated Loan)	Total ex ante portion
31/12/2020	9,042,419	163,826,675	172,869,095
31/12/2021	10,540,922	173,103,921	183,644,843
Change in ex ante portion 31/12/2020 – 31/12/2021	**1,498,503**	**9,277,245**	**10,775,748**

The change in the "ex-ante portion" from 31 December 2020 to 31 December 2021 is due:

- for EUR 10,635,646, to the net contribution - which took place on 1 July 2021 - of readily available funds by the Parent Company - for EUR 1,492,206 - and the Affiliated Banks - for EUR 9,143,440;
- for EUR 140,102 to the valuation and/or realised income components, as detailed below, relating to the investments constituting the "ex-ante portion":

	Economic components constituting the ex ante portion		
	of which portion contributed by the Parent Company	Of which portion contributed by Affiliated Banks (Allocated Loan)	Total
Interest income	44,962	955,324	1,000,285
Interest expenses	(1,434)	(30,478)	(31,912)
Fees and commissions expenses	(98)	(2,084)	(2,182)
Valuation profit/(loss)	(37,132)	(798,958)	(826,089)
Total	**6,297**	**133,804**	**140,102**

Financial statements of the loan allocated to a specific business

The special civil law regulation of the loan allocated to a specific business envisages a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in Article 2447-decies of the Italian Civil Code.

This accounting segregation was implemented in the accounts of Cassa Centrale Banca through the keeping of specific statement financial positions and income statements in the name of:

- investments in financial assets in which the liquidity raised through the allocated loan is invested;
- the liquidity on the demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan;
- the financial liability to the Affiliated Banks for the allocated loan;
- any positive or negative income component deriving both from the valuation of assets and liabilities constituting separate assets and from income or expenses related to the management of the specific business.

All positive or negative income components attributable to the business year determine the operating result of the business. This operating result is attributed to the lending parties through an accounting entry adjusting the fair value of the financial liability recognised through the funds received as "ex-ante portion" from the lending parties themselves.

The financial statements of the loan allocated to a specific business as at 31 December 2021, consisting of the balance sheet, the income statement for the management of the business and further details, correspond to the results of the accounting records of Cassa Centrale Banca made on the specific accounts in the name of the allocated loan.

The balance sheet and income statement as at 31 December 2021 and - for comparative purposes - the same statements as at 31 December 2020 are shown below, in Euro.

Balance sheet

	ASSETS	31/12/2021	31/12/2020
10.	Cash and cash equivalents	2,686,943	6,318,309
20.	Financial assets designated at fair value through profit or loss	180,957,900	166,550,786
	b) financial assets designated at fair value	180,957,900	166,550,786
	Total assets	**183,644,843**	**172,869,095**

The item "cash and cash equivalents" includes the amount of cash and cash equivalents deposited on the Target 2 demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan.

The item "financial assets measured at fair value" includes:

- the fair value of the financial assets that can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) no. 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (known as "Level 1 assets").
- the fair value of the financial assets subscribed in implementation of the support measures.

The following table shows the composition of the portfolio of financial assets measured at fair value, as well as the related profit/(losses) from fair value measurement and interest income for the year:

ISIN	Security	Expiry date	Nominal value	Carrying amount	Valuation profit (loss)	Interest income
IT0005384497	BTP-15GE23 0,05% 19/23 EUR	15/01/2023	75,000,000	75,432,722	(300,000)	37,500
IT0005332835	BTP ITALIA-21MG26 0.55%	21/05/2026	6,500,000	6,907,294	(56,225)	100,104
IT0005451361	CCT-EU 15AP29 TV%	15/04/2029	7,900,000	7,954,427	(52,377)	3,836
IT0005412348	C.T.Z. 30/05/2022	30/05/2022	60,000,000	60,155,400	(464,986)	262,786
IT0005105843	BTP ITALIA-20AP23 0.50%	20/04/2023	10,000,000	10,403,493	243,848	196,059
IT0005421851	CASSA PADANA 15/09/2027 2% SUB	15/09/2027	20,000,000	20,104,564	(196,350)	400,000
Total			**179,400,000**	**180,957,900**	**(826,069)**	**1,000,285**

The item "Financial liabilities measured at fair value" includes the value of the "ex-ante portions" contributed by the Affiliated Banks, adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the lending parties.

The item "Other liabilities" includes the value of the "ex-ante portion" of Cassa Centrale Banca adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the Parent Company.

	LIABILITIES	31/12/2021	31/12/2020
30.	Financial liabilities designated at fair value	173,103,921	163,826,675
80.	Other liabilities	10,540,922	9,042,419
	Total liabilities	**183,644,843**	**172,869,095**

Income statement

	ITEMS	31/12/2021	31/12/2020
10.	Interest income	1,000,285	287,484
20.	Interest expenses	(31,912)	(46,457)
30	**Interest margin**	**968,373**	**241,027**
50	Fees and commissions expenses	(2,182)	(1,267)
60	**Net commissions**	**(2,182)**	**(1,267)**
110	Net result of other financial assets and liabilities measured at fair value through profit or loss	(959,894)	(140,156)
	a) financial assets and liabilities measured at fair value	(959,894)	(140,156)
120	**Net interest and other banking income**	**6,297**	**99,603**
150	**Net income from financial activities**	**6,297**	**99,603**
200	Other operating charges/income	(6,297)	(99,603)
210	**Operating costs**	**(6,297)**	**(99,603)**
260	**Profit (loss) before tax from current operating activities**	**-**	**-**
300	**Profit (loss) for the year**	**-**	**-**

The item "Interest income and similar revenues" includes accrued interest related to financial assets measured at fair value.

The item "Interest expenses and similar charges" includes negative interest accrued on cash and cash equivalents deposited on the Target 2 demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan.

The item "Net result on financial assets and liabilities measured at fair value" includes valuation gains on financial assets measured at fair value and the change in fair value of financial liabilities to Affiliated Banks resulting from the allocation of the portion of the operating result for the year to the lending parties. The table below gives a breakdown of this item:

110 a)	**NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: A) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUEE**	**(959,894)**
	- of which financial assets designated at fair value	(826,098)
	- of which change in the fair value of the allocated loan contributed by the Affiliated Banks	(133,805)

The item “other operating charges/income” includes the change in the “ex-ante portion” resulting from the allocation of the portion of the operating result for the year of the Parent Company.

Annex B) Audit and non-audit fees

TYPE OF SERVICES	Fees (thousands of Euros)
Auditing	616
Certification services	84
Other services	-
Total	**700**

Please note that the fees indicated do not include VAT and out-of-pocket expenses.

Our values expressed by the accessibility of our reporting

We are a part of the Community; we are dedicated to creating shared value with People and the Territory. Our decision to draw up reporting documents in compliance with the highest standards of accessibility – **one of the first Banking Groups in Italy to do so** – expresses our way of being and the values we pursue every day.

The **2021 Annual Financial Report** and the **2021 Consolidated Non-Financial Statement** are easy to access from electronic devices and designed to offer a satisfying experience for readers of all abilities. Through these documents we communicate the actions carried out and results obtained during the year in an **accessible** way, making our **continuous dialogue** with stakeholders even more direct. The table layout is imposed by stringent regulations established by the Bank of Italy and therefore may not be consistent with guidelines for full accessibility.

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Litografia Editrice Saturnia FSC certified company INT-COC-001304

Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.

Registered office and General Management

Via Segantini, 5 – 38122 Trento

Tel. 0461 313111

Editorial coordination: Marketing Service

Graphic design and page-setting: Marketing Service and Message Spa

Printing: Litografica Editrice Saturnia snc

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