CAMBIANO BANKING GROUP

Consolidated Financial Statements 2021

Registered head office and general management: Viale Antonio Gramsci, 34 - 50132 Florence
Administrative head offices: Piazza Giovanni XXIII, 6 - 50051 Castelfiorentino (Fi)
Registered in the Bank of Italy Register of Banks at n. 5667
Share capital € 232,800,000.00 fully paid-in
Registration number in the Company Register of Florence, fiscal code and VAT code: 02599341209
Parent Company of the Cambiano Banking Group, registered at n. 238 in the Register of Banking Groups

CONSOLIDATED FINANCIAL STATEMENTS

AND REPORTS

FOR THE FISCAL YEAR 2021

Submitted for approval by the Ordinary Shareholders' Meeting of 10 May 2022

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Report on consolidated management

Esteemed Shareholders,
Banca Cambiano 1884 S.p.A., as Parent Company of the Gruppo Bancario Cambiano, registered in the respective Register at n. 238, has the legal obligation to prepare the consolidated financial statements.

The Bank required to prepare the consolidated financial statements, in accordance with article 38, sub-section 1) of Italian Legislative Decree 136/2015, that sets forth the obligation to prepare consolidated financial statements on the part of *"IFRS intermediaries that control a banking group, real estate brokering or financial group, and that are not, in turn controlled by intermediaries required to prepare consolidated financial statements pursuant to this article"*.

The Group is controlled by Ente Cambiano Scpa, that is not, however, an IFRS intermediary (defined in article 1 of Italian Legislative Decree 136/2005 as *"those subjects indicated in article 2, sub-section 1, letter c), of legislative decree n. 38 of 28 February 2005, and subsequent amendments"*) in that it does not fall under any of the categories of subjects provided for by said article: *"c) Italian banks as per article 1 of the consolidated act of banking and credit laws, as per legislative decree n. 385 of 1 September 1993, and subsequent amendments; financial companies that are parent company to banking groups registered in the Register as per article 64 of legislative decree n. 385 of 1993; stock broking companies as per article 1, sub-section 1, letter e), of legislative decree n. 58 of 1998; asset management companies as per article 1, letter o), of legislative decree n. 58 of 1998; financial companies resister in the Register as per article 107 of legislative decree n. 385 of 1993; electronic money institutions as per title V-bis of legislative decree n. 385 of 1993"*. Ente Cambiano is, in fact, neither a bank, nor a parent financial company, nor a financial company registered as under article 107 of the Consolidated Banking Act (TUB), nor a stock broking company (SIM), nor an asset management company (SGR) nor an ELMI. As the exclusion provided for by letter c) does not apply, it follows that Banca Cambiano is the subject required to prepare the consolidated financial statements of the Cambiano Banking Group.

Evolution and composition of the Group and of the consolidation area

The Cambiano Banking Group comprises the following companies:

Parent Company:
1) Banca Cambiano 1884 S.p.A. - Florence
The company is the transferee of the "Banca di Credito Cooperativo di Cambiano (Castelfiorentino - Florence) Società Cooperativa per Azioni" banking company, within the scope of the process as per article 2, sub-section 3-bis, of Italian Law Decree n. 18 of 14 February 2016, converted with amendments into Law n. 49 of 8 April 2016. The transfer of the banking company, as per aforementioned sub-section 2) occurred pursuant to the combined provisions of article 58 of the "Consolidated Act on banking and credit laws" and article 2, sub-section 3-bis of Law-Decree n. 18 of 14 February 2016, converted with amendments into Law n. 49 of 8 April 2016.
Within the company, lie the governance competencies and control functions for the entire Group.
The share capital is 232,800,000 euro. Net equity is 217,231,713 euro, the balance sheet assets amount to 4,865,247,010. Profit for the 2021 fiscal year was 8.1 million euro.

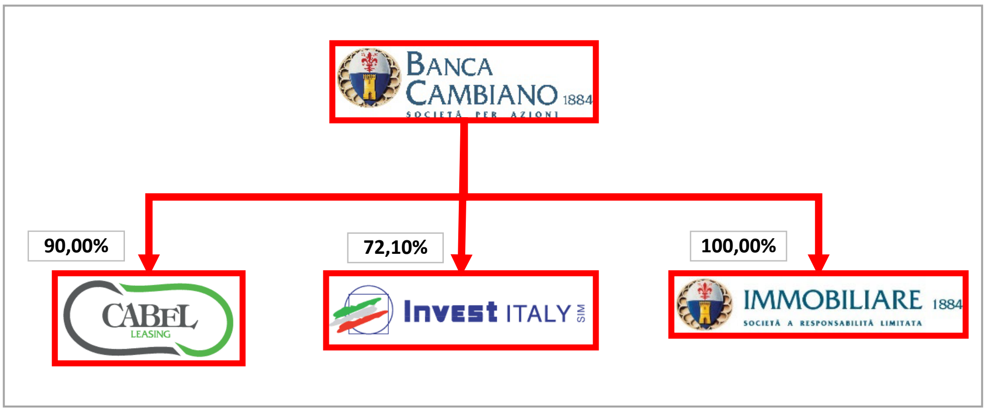
Companies in the Group:
2) Cabel Leasing S.p.A. - Empoli
The Parent Company holds 90% of capital, equal to 10,000,000 euro.
It has been a part of the Cambiano Banking Group since December 2017. During 2020, the Bank share holding rose from 52% to 90%, having purchased 38% of the share capital from Cabel Holding Spa.
Cabel Leasing Spa carried out financial leasing activities for customers of the parent company Bank, through agreements of networks of financial agents or with other banks. The share capital is 10 million euro, net equity is 20,896,854, the financial statement assets amount to 269 million, and profit of the 2021 fiscal year was 574,169 euro.

3) Immobiliare 1884 S.r.l. - Florence
The Parent Company holds the entire share capital, equal to 13.500.000 euro.
It has been a part of the Cambiano Banking Group since its incorporation, in November 2017.

Immobiliare 1884 Srl carries out real estate management activities for real estate property leased by the Parent Company or being restructured in view of being leased. The corporate purpose of the company is to build, restructure, buy and sell, lease and manage real estate property and assets, as well as to carry out any auxiliary and/or operational activity relating to the property and the area of accessory services, also for the purpose of managing non-performing loans backed by property collateral. The share capital is 13.5 million euro, the net equity is 13,661,156 euro, the financial statement assets are 20,318,558 euro, and profit for the 2021 fiscal year was 8,971 euro.

4) Invest Italy SIM S.p.A. – Empoli
The Parent Company holds 72.10% of capital, equal to 4,011,419. The company became part of the Group as of 27 November 2021, following the merger by incorporation of Invest Banca S.p.A. under Extraordinary Administration (A.S.)
Invest Italy is authorised, pursuant to Legislative Decree n. 58 of 24 February 1998 ("TUF"), to perform the following investment services: (i) placement of financial instruments without a firm commitment basis to the issuer (the "Placement"); (ii) receiving and transmitting orders regarding one or more financial instruments (also through mediation activities) (the "RTO"); (iii) execution of order for customers, limited to underwriting and buying/selling own-issue financial instruments (the "Execution of orders limited to own-issue instruments").
Moreover, Invest Italy provides: (iv) accessory consultancy services to companies, on the matters of capital structure, business strategy and related issues, as well as consultancy and services regarding the purchase of business ("Advisory"); (v) services and activities connected to the issue or placing of financial instruments, including the organisation and constitution of placement consortia; (vi) so-called "corporate broking" services and activities, (collectively, the "Accessory Services"). The share capital is 4 million euro, net equity is 950 thousand euro, the financial statement assets are 1,286,324 euro; in 2021 a financial year loss of 535 thousand euro was reported.

Below is a diagram of the composition of the Cambiano Banking Group, as of 27 November 2021.



The Parent Company, to which Bank of Italy refers for Supervisory purposes, carries out all policy, unitary management and coordination activities for subsidiaries, either directly or indirectly, and, in particular, issues regulations for Group companies as regards the fulfilment of Bank of Italy requirements, in the interest of the overall Group stability.

Within this framework, the strategic control of the various operational areas and management control aimed at maintaining the economic, financial and equity balance of each company and of the group as a whole is maintained, are of particular importance.

General economic context

Putin's decision to invade the Ukraine follows a strong alignment between Russia and China, and represents a concrete aspect of the extraordinary increase, at a global level, of the geopolitical and economic importance of the

Asian axis. Within this context, it should seem clear that for the European Union, the priority of reaffirming (or perhaps of affirming) its role, in addition to its founding values, must be at the base of initiatives to stop the war and the extermination of the civilian population.

Alongside recovering its geopolitical role, Europe must very carefully consider the weight of the repercussions from the sanctions applied to Russia on the Countries in the Union, and, on this point, we repeat, it is indubitable that our country will be the one hit the hardest by the consequences of the sanctions. Europe will have to define and implement a solid energetic policy, overcoming the visionary oppositions that have characterised the past and that have left us miserably exposed. Alternative supply channels must be set up, fractioned and diversified in terms of supplier countries, as opposed to exclusive or quasi-exclusive relations, activated and maintained over time, with a forward vision that was by no means commendable, perhaps because they were easier than searching for, and negotiating with, multiple counterparties. An ease and nearsightedness that have generated an incredible dependence, which today forces us to face the severest of recessive scenarios that the war is outlining. This time, it is not an issue tied only to the economy of war and the associated economic cycle, but in reality, a change is coming to the fore, which will lead us to redraft regulations and redesign flows in financial and commercial relations between the principle areas of the world. It will become necessary, and urgent, to make assessments with a long-term strategic vision, without further falling prey to the charms of rampant globalisation. A social-economic phenomenon that exploded and was heralded, without being aware of its progressive scope, nor did the evidence, over time, ever induce the majority among economists, sociologists, politicians, or legislators, to reflect on the collective euphoria, or almost, for having discovered the Garden of Eden of Genesis, on Earth. Today, we must reconsider many aspects, and come to terms with a very different reality. In this context, it must be clear that, although it may be true that limiting the dependence on Russia for gas will not be a simple task, nor quick to be implemented, alternative, concrete and reliable solutions must be sought, in the interest of all and of the Union, especially if they are sought and found in a co-ordinated manner. Alternative choices, without reneging the green deal, based on values that have come to characterise the Union at an international level; for this reason, reactivating the production of fossil fuels must be a temporary solution only, and for limited quantities, making sure the temporary does not become definitive.

A credible and shared energetic plan must be implemented, one with precise timelines and methodologies, in which the primary role is played by renewable fuels, energetic efficiency, diversification of supplies, shared stockpiles, extraction of gas resources eliminating the prohibitions currently in place, especially in our country, where the NO policy reigns supreme. At the same time, a policy must be agreed upon to sustain families, one that is capable of reducing burdens and sacrifices and facing the risk of recession as a risk that is seriously incumbent. This risk must be fought with European resources, destined to structural investment policies, starting from those associated to energetic coordination and support policies for the more dynamic sectors. And it must be kept in mind that the risk of a recessive stage, and that, even worse, of stagflation, is real, and that the economic and social consequences to be faced are not only those of the immediate repercussions of the effects of the sanctions but, rather, those of a general and long-lasting macro-economic imbalance, tied to a re-drawing of international trade and economic equilibriums. And when events, in their harshness, exceed the placid hypotheses, risk looms just around the corner, for everybody. We must be fully aware of the fact that today, the European Union is the only subject that can, in the general interest, adopt the necessary measures, as it did already during the pandemic with NextGenEu, also because we are facing a long challenge that is just as, if not more, important than the one tied to the consequence of the Covid virus. Europe, between America, China and Russia, represents a terracotta vase between iron vases; but perhaps, for this very reason, it can be the best interlocutor to negotiate a compromise between Russia and the Ukraine. In situations of maximum complexity, intelligence must prevail over force.

In this respect, the approach of monetary authorities, who recently remarked the importance of contrasting inflation, as being even greater than the current recessive trends, is befuddling. It is important that Europe clearly recognises that after the pandemic we are facing a new test, perhaps even more difficult that the previous one, in which the Union's capacity to generate and put forth a common effort to contrast and manage a certainly not temporary shock, must be demonstrated. No great reflection is required to realise that the regulations currently in force at this time are no longer coherent with reality, just as it takes no great effort to come to terms with the fact that the primary rationale of Community regulatory policy tends towards the exclusion of national peculiarities to come to an uniform readability of data. A technocratic tendency inspired by the need for easy comparisons, that destroys old values, without creating new ones; a tendency that is surely not welcome, but is a must for a Community structure that, to date, still lacks political oneness.

After a very difficult 2020, in 2021 the world economy showed signs of recovery. In this sense, a decisive role was played by the mass vaccination campaigns and the continued extraordinary monetary, tax and regulatory policies, that generated a strong recovery during the first three quarters of the year. Nevertheless, the fourth quarter already showed signs of a weakening of the trend, mainly caused by the spread of the "delta" variant of the Covid virus. The forecasts for growth made by many were reviewed and downsized. The difficulty in procuring raw materials and the consequent increase in the price of the same also ignited an increase in inflation in the second half of 2021. The prospects for growth were further weakened during the first months of 2022, following the aggression against the Ukraine by Russia.

As regards the individual geographic areas, from the estimations of the International Monetary Fund (IMF) relative to 2021, the economic recovery of the main **emerging countries** seems to have been considerable and greater as compared to that of **advanced countries** (+6.5% and +5% respectively). For China, which was the only economy that grew in 2020 (+2.3%), the Monetary Fund estimates a growth for 2021 equal to 8%. The greatest growth, however, should be that recorded by India, equal to +9.5%.

In the **United States,** the official temporary data show, for 2021 a GNP growth of +5.4%, following the -3.4% drop in 2020. The American economy, similarly to the rest of the world, had a year marked by recovery, with the exception of the halt during the third quarter, caused by the spread of the "delta" variant of the Coronavirus. Indeed, during the fourth quarter, the economy regained momentum, exceeding expectations with a quarterly year-to-date acceleration of +6.7%, mainly attributable to the restoring of reserves (+5.2%) and to consumptions (+2.3%).

Again, with reference to the International Monetary Fund, in the **euro zone** the GNP seems to have increased by +5.3% on average for the year (after the -6.4% recorded in 2020) thanks to the strong recovery in exports, that contributed for 5.2 percent points, and consumptions (+1.8 p.p.). **Industrial production** in the euro zone in 2021 recovered as compared to the steep drop in the previous year (-7.7%), growing by +7.8%.

Inflation, that in the second half of 2020 touched negative values, increased progressively in 2021, exceeding the 2% threshold in July and stopping at 5% at year's end. The stress on prices continued into the first months of 2022, due to the difficulties faced by logistics chains, which created temporary misalignments between the increase in demands and the offer of end products, and the dynamics of the energetic components, which suffered the increases in fuel and gas, pushed further by the aggravation of the conflict in the Ukraine.

I principali dati macroeconomici						
	PIL (var. % medie annue)			Produzione industriale** (var. % medie annue)		
	2019	2020	2021 *	2019	2020	2021
Usa	2,3	-3,4	5,4	-0,8	-7,2	5,5
Giappone	0,0	-4,6	2,4	-2,7	-10,6	5,8
Area Euro	1,5	-6,4	5,3	-1,1	-7,7	7,8
- Italia	0,3	-8,9	6,6	-1,2	-11,0	11,3
- Germania	1,1	-4,6	3,1	-3,2	-8,1	2,9
- Francia	1,8	-8,0	6,3	0,5	-10,7	5,9
- Spagna	2,1	-10,8	5,7	0,7	-9,5	7,2
	Inflazione (CPI)*** (var. % medie annue)			Tasso di disoccupazione (var. % medie annue)		
	2019	2020	2021	2019	2020	2021
Usa	1,8	1,2	4,7	3,7	8,1	5,4
Giappone	0,8	0,1	-0,2	2,4	2,8	2,8
Area Euro	1,2	0,3	2,6	7,6	7,9	8,1
- Italia	0,6	-0,1	2,0	9,9	9,3	9,8
- Germania	1,4	0,4	3,2	3,2	3,9	3,5
- Francia	1,3	0,5	2,1	8,4	8,0	7,9
- Spagna	0,8	-0,3	3,0	14,1	15,6	14,8

* Previsioni del World Economic Outlook, Fondo Monetario Internazionale. Per l'Italia e gli Stati Uniti dato ufficiale provvisorio.

** Dato destagionalizzato.

*** Per i paesi dell'Area Euro si è preso in considerazione l'indice armonizzato dei prezzi al consumo.

Fonte: Elaborazione Ufficio Studi ABI su dati Refinitiv

[n.d.T.]
Main macroeconomic data
GNP Industrial production
(average yearly % var.) (average yearly % var.)
*Forecasts of the World Economic Outlook, International Monetary Fund. For Italy and the USA, temporary official data
**Seasonally adjusted datum
***For countries in the euro zone, the harmonized index of consumer prices was considered
Source: Processing by ABI Studies Office on definitive data

Consumer prices increased in all the principle countries in the area: per annum in Germany the index went from +0.4% in 2020 to +3.2% in 2021, in France from +0.5% to +2.1% and in Spain from -0.3% to +3%.

As regards oil prices, after the sharp drop in April 2020, the price of brent recovered earlier losses, even pushing inflation up to the aforementioned levels, and closing 2021 at 79.8 dollars per barrel. The increase continued into the first months of 2022, exceeding the 100 dollar threshold with the start of the Ukraine conflict.

During 2021, the euro dropped with respect to the main currencies of reference, or rather, in terms of significance, the main currencies gained value on the euro. The euro/dollar exchange rate registered a downward trend, going from 1.22 at the start of the year to 1.13 in December; the euro/sterling pound exchange rate moved in the same direction, dropping from 0.91 to 0.83; the exchange rate with the Swiss franc decreased to 1.04 from 1.08. Instead, there was an appreciation with respect to the yen, which between January and December rose from 125.2 to 128.1.

During 2021, in an emergency scenario, alas much smaller than that looming on the current horizon, European monetary policy continued to be accommodating but open to various options as regards the evolution of the macroeconomic scenario. Indeed, while the reference rates remained unvaried (0.00% interest rate on principle refinancing transactions, 0.25% on marginal refinancing transactions, and -0.50% on deposits in the central bank) during its July meeting, the Board of Directors of the ECB, with a “nearsighted” approach, defined the objective of 2% inflation in the medium term as “symmetrical”.

In 2021, despite the persistence of the state of emergency, the **Italian economy** reacted positively. Temporary Istat data show that, on average, in 2021 GNP grew by +6.6% (-9% in 2020). As regards internal demand, 2021 recorded a positive variation, in terms of contribution, equal to +3.1 p.p. both for fixed gross investments and for private consumptions, and only +0.2 p.p. public expenditure. As regards instead external trade flows, the overall trade balance contributed with a slight negative value of -0.1 p.p.

During 2021, **industrial production** registered an increase greater than that recorded on average in European countries. Per annum, in fact, the index adjusted for calender effects grew by +11.8% as compared to 2020 (-11% in 2020; -1.2% in 2019). The principal industry categories recorded, per annum, the following trend variations: +13.8% essential assets, +15.6% intermediate goods, +9% consumer goods and +2% energy.

During the first months of the current year, due to the uncertainty generated by Russia's invasion of the Ukraine, economic activity showed significant signs of slowing down, that were summed to those already recorded at the end of 2021.

Thanks to the vaccination campaign and the extension of the extraordinary support measures to businesses and workers, the effects of the health emergency on the work market during 2021 were considerably downsized. The employment rate, which had dropped to 57.5% in June 2020, after the acute stage of the pandemic, rose back to 59% at the end of 2021, just slightly below pre-emergency levels. Unemployment in the fourth quarter dropped to 9.1%, 0.7 percentage points lower than 2020. Even unemployment among young people (15-24 year olds) progressively diminished during the years, stopping at the end of 2021 at 27.3%, from 31% at the end of 2020.

On average, in 2021, the consumer price index rose by +1.9% (2 percentage points higher than the previous year), driven upwards by the difficulties in procuring certain raw materials and by the rise of the energy component. In fact, core inflation, which excludes the more volatile components (energy products and fresh produce), registered an average in 2021 of +0.8%, only 0.2 percentage points higher than the 2020 value.

Inflation rose well over 2% in the second half of the year in Italy as well, reaching 3.9% in December. This trend continued into the first months of 2022, further aggravated by the uncertainties connected to the evolution of the Russia/Ukraine conflict. Based on the first Istat estimations, in 2021 the net indebtedness of Public Administrations (PA), measured in relation to the GNP, was equal to -7.2 %, as compared to -9.6 % in 2020. The primary balance of PA (indebtedness net of default interest) was negative, and equal to -65 billion euro, with an incidence on the GNP of -3.6% (-6.1% in 2020), while the debt/GNP ratio dropped to 150.4% from 155.3% in 2020. The overall fiscal pressure rose to 43.4% from 42.8% in the previous year, due to the greater increase of income tax and social security contributions with respect to the GNP at current prices.

As regards **Tuscany**, the positive tone of the cyclical situation and the work market continued into the second half of the year as well, with some fluctuations. The first is however more vivacious than the latter. Both components are, in Tuscany as elsewhere, still not homogenous, in terms of intensity, speed and diffusion among sectors. Also, Tuscany in some cases manifests better dynamics with respect to the national average: certainly in exports, but also in industrial production, if one considers the economic data of the third quarter. In summary, with all the contradictions also typical of the rest of the country, the Tuscan economy has regained vigour and motion, so much so that the post-pandemic scenario showed almost expansive prospects. The situation benefitted from cyclical recovery factors, tied to the evolution of demand components: all in growth. But it also benefitted from the change in regime, at a European and not only national level, of the economic politics that matured during the pandemic. The expansive undertones of fiscal policies favoured buffering operations that kept the productive potential alive, and preserved household incomes, thereby ensuring the prerequisites to capture the recovery. Furthermore, the new protagonism of the public sector, with an ambitious programme of reforms and investments, some already partially in progress, ignited an increase in positive forecasts, favouring an atmosphere of greater faith among economic operators, sadly now compromised by the uncertainties induced by the war situation underway and by the inefficacy and inconsistency of negotiations that are, and will continue to be, the only realistically viable route to reconciliation.

As regards the pandemic, not all the elements of uncertainty have been fully erased. The health emergency has been mitigated thanks to the vaccination campaign and the consequent weakening of the link between contagions and hospitalisations, but the recent appearance on the scene of the Omicron variant and its rapid spread, on a global level, impose caution as regards any forecast for a definitive exit from the crisis. Furthermore, while there is good news in terms of domestic consumption, some weaknesses manifested during the year were reconfirmed as regards the resilience of international value chains. The strong growth in international demand for goods, both finished and intermediate, drove even the cost of haulage and delivery times upwards, which rose also due to the effect of restrictive measures adopted by governments and for the scarce availability of containers, especially in

Asia. The chain reaction effect of the scarcity of raw materials and prices will slow down the return to pre-pandemic production levels. The resulting recent rise in inflation should make maintaining the expansive nature of monetary policies in the near future uncertain, especially if the increase in prices does not stop within the first half of 2022. Inflation processes should be contrasted by monetary manoeuvres that are the opposite of those currently being applied, but the current context is beyond any criteria or rule.

Group management trend

The main significant event that occurred during 2021 was the merger by incorporation of Invest Banca spa under Extraordinary Administration. In March 2020, the mismanagement of an operational unit determined a management result which proved to be, subsequent to the Extraordinary Management ordered by the Supervisory Authority, detrimental to a return to ordinary activities. To settle the corporate crisis of Invest Banca spa, ensuring its orderly withdrawal from the market, the incorporation into Banca Cambiano was defined, under the terms illustrated above. Through the merger with Invest Bank, Invest Italy Sim, in which Invest Banca held a 72.10% shareholding, also became a part of the Cambiano Banking Group.

The Group is characterised by the banking activity carried out by the Group that, in addition to being representative of the Parent Company, also constitutes the economic subject that provides the other companies with the resources required to carry out their activities.

Below are the schedules of the main volumes of economic activities.

ECONOMIC LENDING				
Type of transactions /values*€/000*	**31/12/2021**	**31/12/2020**	**Absolute Var.**	**% Var.**
Current accounts	436,294	431,072	5,223	1.21%
Mortgages	1,994,862	1,603,234	391,628	24.43%
Portfolio	7,994	7,125	870	12.20%
Self-securitised mortgage loans	460,974	522,599	-61,625	-11.79%
Leasing	237,671	203,194	34,477	16.97%
Other funding	51,179	54,296	-3,117	-5.74%
Gross non-performing loans	144,383	189,137	-44,753	-23.66%
Write-downs on non-performing loans	-70,726	-91,595	20,869	-22.78%
Overall write-downs	-60,964	-54,457	-6,508	11.95%
Total ordinary net lending	**3,201,668**	**2,864,604**	**337,064**	**11.77%**
10. Receivables from Pontormo RMBS	12,141	15,660	-3,518	-22.47%
11. Receivables from Poste	247	302	-55	-18.18%
12. Receivables from C.C. & G.	40,071	706	39,365	5577.15%
Total lending to institutional counterparties	**52,459**	**16,668**	**35,791**	**214.73%**
Total (balance sheet value)	**3,254,127**	**2,881,272**	**372,856**	**12.94%**
Receivables from customers – HTC securities	355,094	**280,384**	**74,711**	**26.65%**
Receivables for repurchase agreements	67,756	**0**	**67,756**	**-**
Total balance sheet line item 40.b Receivables from customers	**3,676,977**	**3,161,655**	**447,566**	**12.17%**

LENDING

Overall lending to customers increased by 11.77%, for a total of 337 million euro. The leasing component through Cabel Leasing also showed a good increase, equal to almost 17%.

DEPOSITS				
Description *€/000*	**31/12/2021**	**31/12/2020**	**Absolute Var.**	**% Var.**
Payables to customers	3,255,890	2,699,504	556,386	20.61%
Issued securities	141,462	146,638	- 5,177	-3.53%

Direct deposits	**3,397,352**	**2,846,142**	**551,210**	**19.37%**
Direct deposits with institutional counterparties	16,506	16,784	- 278	-1.66%
Direct deposits with ordinary customers	**3,380,845**	**2,829,357**	**551,488**	**19.49%**
Managed	572,956	465,674	107,282	23.04%
Funds	90,717	60,941	29,776	48.86%
GPM	65,723	24,747	40,976	165.58%
Insurance	541,105	496,666	44,439	8.95%
Indirect deposits	**1,270,501**	**1,048,028**	**222,473**	**21.23%**
Overall deposits	**4,651,346**	**3,877,386**	**773,961**	**19.96%**
Type of transactions/values	**31/12/2021**	**31/12/2020**	**Absolute Var.**	**% Var.**
Current accounts	2,824,352	2,318,882	505,470	21.80%
Deposits	46,868	47,620	- 752	-1.58%
Time deposit	287,400	303,214	- 15,813	-5.22%
Repurchase agreements with ordinary customers	80,763	13,004	67,759	521.08%
Deposit certificates	89	119	- 30	-25.20%
Bonds	141,372	146,519	- 5,146	-3.51%
Total net deposits	**3,380,845**	**2,829,357**	**551,488**	**19.49%**
9. C.D.P. loans and loans for Leases	16,506	9,351	7,156	76.52%
Total other deposits	**16,506**	**9,351**	**7,156**	**76.52%**
Total (balance sheet value)	**3,397,352**	**2,838,708**	**558,644**	**19.68%**

Credit quality

Considering its business context, credit risk continues to represent the main risk component to which the Group is exposed.

The tables that follow illustrate the data regarding receivables from customers subdivided by category and specifying, for each, the gross value, the overall adjustments, the net value and the hedging, as well as a series of indicators intended to provide a summary representation of the Group's quality of credit.

CREDIT QUALITY – VALUES AT 31/12/2021	Gross exposure	Overall adjustments	Net exposure	Degree of coverage
CASH CREDIT EXPOSURES				
Stage 3 - Receivables from customers - Non-performing loans	144,383	70,726	73,657	48.98%
Stage 3 - Receivables from customers - UTP	103,701	34,092	69,608	32.88%
Stage 3 - Receivables from customers – past-due	3,973	686	3,287	17.26%
Total impaired receivables	**252,057**	**105,504**	**146,553**	**41.86%**
Stage 2 - Receivables from customers	284,346	18,624	265,722	6.55%
Stage 1 - Receivables from customers	2,849,950	8,098	2,841,852	0.28%
Total in bonis receivables	**3,134,296**	**26,722**	**3,107,574**	0.85%
Total receivables from customers	**3,386,353**	**132,226**	**3,254,127**	**3.90%**
Stage 1 - Securities	355,146	52	355,094	0.01%
Stage 1 – Receivables for repurchase agreements	67,756	0	67,756	0.00%
Total cash credit exposures	**3,809,255**	**132,277**	**3,676,977**	**3.47%**

DEPOSITS

Direct deposits from only ordinary customers amounts to 3,380 million euro (+19.49%).

Indirect deposits amount to 1,270 million euro, a 21.23% increase. Overall deposits registered a significant increase of 774 million euro, equal to a 19.96% increase.

CREDIT QUALITY INDEXES (31/12/2021)	Banca Cambiano	Cabel Leasing	Invest Italy	Group
% OF NET RECEIVABLES				
% Net non-performing loans on total net receivables	1.94%	4.54%	0.00%	2.26%
% Net watchlist on total net receivables	2,03%	1,95%	0,00%	2,14%
% Net overdue on total net receivables	0,10%	0,04%	100,00%	0,10%
% Total net impaired receivables total net receivables	4.07%	6.54%	100.00%	4.50%
% OF GROSS RECEIVABLES				
% Gross non-performing loans on total gross receivables	3.97%	4.89%	0.00%	4.26%
% Gross probable defaults on total gross receivables	2.97%	2.02%	0.00%	3.06%
% Gross past due receivables on total gross receivables	0.10%	0.06%	100.00%	0.12%
% Total gross impaired receivables on total gross receivables	7.04%	6.96%	100.00%	7.44%
% OF HEDGES				
% hedges on non-performing loans	47.07%	7.97%	0.00%	48.98%
% hedges on other impaired receivables	33.60%	4.68%	0.00%	32.30%
% hedges on total impaired receivables	55.50%	6.99%	72.24%	41.86%
% hedges on in bonis receivables	0.83%	0.46%	0.00%	0.85%

OTHER SECTORS

Other sectors of consolidated assets, such as investments in financial activities, are essentially carried out by the Bank, and the respective volumes and descriptions are indicated in the Bank's financial statements.

Financial results

From an economic view point, the Group's activity was strongly affected by the health emergency resulting from the Covid-19 pandemic and by the economic consequences generated by the pandemic itself, as well as by the intervention to resolve the corporate crisis of Invest Banca. New lending activities essentially regard loans backed by MCC, by EIF or by SACE and provided for in the emergency law decrees. Repayment of instalment loans and leases was influenced by the effect of the suspension of payments resulting from government initiatives and legislation. The return to normal amortisation, at the end of the moratoria periods, involved almost the entirety of the loans.

Interest income was 69.4 million euro, also due to the effect of the Eurosystem TLTRO loans.

Net commission income amounts to 28.2 million euro, a 5.79% increase.

Operating income is 105.8 million euro, showing a positive variation of 1.71%.

Administrative costs, comprehensive of interventions to rescue competitor banks, amount to 71-3 million euro, with an important component deriving from the merger with Invest Banca.

Profit from current operations, before tax, is 9.6 million euro, with an over con 40% increase as compared to the previous reporting period.

Consolidated net profit is 8.1 million euro.

Group human resources

Similarly to other company departments, human resources also registered an increase in numbers due to the entry at end of November of personnel from Invest Banca. These are n. 36 resources that have been assigned prevalently to the operational structures of the financial management area and in part to head office functions.

Human resource management is a key aspect for the entire Cambiano Group, in order to maintain and grow the competitive advantage that, alongside operational efficiency, is focused on customer relations. Although technologies and the type of services and products may be similar and widespread among financial operators, the customer relations culture and our traditional capacity to manage relations are not, and these factors represent, increasingly, an element of perceived value for customers. The main investment initiatives regarding human resources are aimed at motivation, training, communication, propensity for change, flexibility and productivity. A systematic interaction with organisational structures is fundamental, to guaranty the enhancement and qualification of personnel with respect to the tasks and roles on the one hand, and to direct the corporate culture towards Group strategies and objectives on the other.

The table below shows the breakdown of human resources within the Bank Group:

BREAKDOWN OF PERSONNEL	BANCA CAMBIANO 1884			CABEL LEASING			INVEST ITALY SIM	CAMBIANO BANKING GROUP		
	2021	2020	Var.	2021	2020	Var.	2021	2021	2020	Var.
BREAKDOWN BY QUALIFICATION										
Directors	4	3	1	1	1	0	1	6	4	2
Middle management	109	86	23	2	2	0		111	88	23
Professional areas	312	294	18	10	10	0		322	304	18
Traineeships	4	9	-5			0		4	9	-5
Total	**429**	**392**	**37**	**13**	**13**	**0**	**1**	**443**	**405**	**38**
BREAKDOWN BY GENDER										
Women	162	142	20	7	7	0		169	149	20
Men	267	250	17	6	6	0	1	274	256	18
Total	**429**	**392**	**37**	**13**	**13**	**0**	**1**	**443**	**405**	**38**
BREAKDOWN BY DEGREE OF INSTRUCTION										
University degree	202	181	21	4	4	0	1	207	185	22
Diploma	219	202	17	8	8	0		227	210	17
Other	8	9	-1	1	1	0		9	10	-1
Total	**429**	**392**	**37**	**13**	**13**	**0**	**1**	**443**	**405**	**38**
BREAKDOWN BY AGE BRACKET										
Up to 25 years	11	14	-3			0		11	14	-3
26 - 35 years	116	116	0	1	1	0	1	118	117	1
36 - 45 years	117	101	16	4	4	0		121	105	16
46 - 55 years	130	109	21	5	6	-1		135	115	20
56 - 60 years	38	34	4	1	2	-1		39	36	3
Over 60 years	17	18	-1	2		2		19	18	1
Total	**429**	**392**	**37**		**13**	**-13**	**1**	**430**	**405**	**25**
BREAKDOWN BY SENIORITY										
Up to 3 years	62	73	-11	1	1	0	1	64	74	-10
4 - 8 years	91	61	30			0		91	61	30
9 - 15 years	117	125	-8	4	5	-1		121	130	-9
16 - 25 years	97	88	9	5	4	1		102	92	10
26 - 30 years	35	25	10	3	3	0		38	28	10
Over 30 years	27	20	7			0		27	20	7
Total	**429**	**392**	**37**	**13**	**13**	**0**	**1**	**443**	**405**	**38**
FUNCTIONAL DISTRIBUTION										
Centre	165	137	28	13	13	0	1	179	150	29
Network	264	255	9			0		264	255	9
Total	**429**	**392**	**37**	**13**	**13**	**0**	**1**	**443**	**405**	**38**

Consolidated equity and own funds

The table below illustrates the breakdown of the Group's consolidated equity and the principle capital adequacy indexes:

BREAKDOWN OF CONSOLIDATED EQUITY *€/000*	31/12/2021	31/12/2020	Absolute Var.	Percent variation

Share capital	232,800	232,800	0	0.00%
Premiums on issue of shares	803	803	0	0.00%
(Treasury shares)	-	-	-	-
Capital instruments	27,000	10,000	17,000	170.00%
Reserves	-49,106	-53,617	4,511	-8.41%
Valuation reserves	-1,161	584	-1,745	-298.80%
Third-party assets	2,355	2,032	323	15.90%
Total (excluding profit for the period)	**212,692**	**192,603**	**20,089**	**10.43%**
Profit (loss) for the fiscal year	8,184	8,670	-486	-5.61%
Total consolidated net equity	**220,875**	**201,273**	**19,602**	**9.74%**
	31/12/2021	**31/12/2020**		**Delta %**
Net equity / Direct deposits from customers (effective)	6.53%	7.11%		-0.58%
Net equity / Receivables from customers (effective)	6.90%	7.03%		-0.13%
Net equity / Total assets	4.48%	4.92%		-0.44%
Net impaired receivables / Own funds	47.77%	56.05%		-8.29%
CET1 capital ratio - Own funds	10.96%	11.59%		-0.63%
Total Capital Ratio - Own funds	**14.40%**	**14.58%**		**-0.18%**

Reconciliation schedules

The schedule regarding reconciliation between the line items “profit for the fiscal year” and “net equity” resulting from the Parent Company financial statements and consolidated financial statements, as required by Bank of Italy Circular n. 262, is illustrated in the tables that follow.

Breakdown of Group profit	Profit for the fiscal year	Third party profit for the fiscal year	Share of consolidated companies to shareholder’s equity	Consolidation adjustments	Elimination of dividends	Contribution to Group profit
Banca Cambiano 1884 S.p.A.	8,100	0	0	-56	0	8,044
Immobiliare 1884 srl	9	0	0	0	0	9
Cabel Leasing S.p.A.	574	-57	0	0	0	517
Invest Italy SIM S.p.A.	-535	149	0	0	0	-386
Total	**8,148**	**92**	**0**	**-56**	**0**	**8,184**

Breakdown of Group equity	Shareholders’ equity	Elimination of shareholders’ equity with shareholding value	Equity pertaining to minority interest	Adjustment of consolidated shareholding to shareholders’ equity	Elimination of infra-group transactions	Contribution to Group equity
Banca Cambiano 1884 S.p.A.	209,132	0	0	0	0	209,132
Immobiliare 1884 srl	13,652	-13,500	0	0	0	152
Cabel Leasing S.p.A.	20,323	-17,694	-2,032	0	0	596
Invest Italy SIM S.p.A.	1,486	-614	-414	0	0	457
Total	**244,592**	**-31,809**	**-2,447**	**0**	**0**	**210,337**

The organisational model

The research and development carried out is aimed at consolidating market monitoring through appropriate business initiatives, with a strong focus on innovative components and technological support, without neglecting the ongoing improvement of company risk management components and the implementation of activities aimed at regulatory compliance.

The development plans defined and implemented both through internal actions and interaction with the Cabel network have proven significant. Activities carried out with the participation, also within the offices of the Italian Banking Association, in work seminars such as ABILAB and conferences to study specific technical and organisational issues have also been intense.

Starting at the end of November, the Bank's organisational model went through an important adjustment stage, due to the perfecting of the merger by incorporation of Invest Banca S.p.A.

Specifically, with the purchase of the specific business of the merged company, the organisational model was adapted with the creation of a new, specific "Finance Management" area – as an independent structure with respect to Sales Management – with all the necessary articulation for a more efficacious management of the division in the new operational dimension. The area is subdivided into the following operational units:

- "Management of proprietary portfolio – Trading", the unit that develops proprietary trading activities through the management of portfolios with different profiles in terms of risk/return, brokerage activities on the banking book (i.e. proprietary assets portfolio) and intraday trading activities with private and institutional counterparties;
- "Treasury management", the unit in charge of managing treasury flows, to optimise the risk-return ratio;
- "Personal assets/property management", unit responsible for personal assets/property management services, the area advisory services, the third-party Sicav allocation service, and the consultancy service;
- "Securities/finance back office", carries out securities custody and administration services, alongside banking activities such as clearing, collection and payment, back office;
- "Foreign office" the unit that manages lending in foreign currencies and proprietary securities in foreign currency held for treasury and trading purposes, following the exchanges market and the investment possibilities offered by the market;
- "Markets/Brokerage management", structure dedicated to trading and collecting of customer orders, through multiple channels: routing, telephone, paper, MiTO and the "Prisma" platform".

To supervise and monitor the complexity of the new Finance Area, new committees were created, within the General Management Committee, such as the Finance and Treasury Committee, the Market Abuse Committee, and the Assets Management and Advisory Committee.

The "Sales Management" area (ex "Business Area") was reorganised, increasing the sales network by also activating two new distribution channels acquired by Invest Banca, that is, PrivateBanking, based in the Florence branch (ex Invest Banca) and the network of Financial Consultants qualified for out-of-office sales. The product marketing, development and distribution area was also given a new functional set-up, adapting it to a necessary greater and more organic activity aimed at driving sales and providing assistance to the territorial network.

At the beginning of 2022, the specifics of the "Credit Department" area were redefined, aimed at pursuing a more responsive managerial breakdown in terms of absorption of apex resources for a tighter and more incisive action in Early Management, UTP, NPL, with the aim of achieving a lesser incidence of the area on company parameters. From another point of view, the reorganisation is also aimed at increasing the efficiency of the credit process, in light of both the growing volumes that are generated, and the inclusion of the subsidiary Cabel Leasing, both for necessary interventions from innovative strategies and to quickly implement at a functional level the regulatory evolutions for the area in question.

Research, development and innovation activities

At an operational and management level, Banca Cambiano fully outsources the information technology system to Cabel Industry, which allows managing all the products and customer services within the perimeter of the bank's business.

With respect to the incorporation of Invest Banca, the merger represents a first step for the application of the Oracle Flexcube modules already in used by the incorporated company. At a subsequent time, the activation of the modules and front end on the Oracle Flexcube system will be planned, with an incremental approach, in order to guaranty an appropriate configuration, testing and training stage regarding the new processes and/or applications.

In 2021, the Bank reconfirmed its commitment to investing in Information Technology, to meet customer needs and to offer increasingly avant-garde technological solutions, aimed at improving customer online experience and the degree of customer satisfaction. Among such projects, the main ones are:

- **Banca web**. This project regards the gradual activation of functions that will allow:
    - Autonomous updating by customers through the MITO internet banking platform, of their personal data recorded in the Bank's information system, such as, for example, personal information, KYC and MIFID questionnaires;
    - Opening of the new customer online onboarding channel, completely digital, through the functions of the Banca Cloud application;
    - The sale of products and services to existing customers, through a showcase of products accessible online through the MITO online banking platform.

  This project, launched in 2021, will begin during the first semester of 2022.

- **Development of sales platforms** to support customer assistance and sales processes. Specifically, the web/digital designs were planned so as to support:
    - Specific distribution channels and business segments, for example, investment services through out-of-office offers (BRIO Promotori);
    - accelerate dematerialisation or digitalisation operational processes in branches or «by remote» (remote signature project);
    - enable consultancy processes, both basic (Brio Consulenza) and advanced (FIDA).
- **Next Generation Payments (NPG) Platform:** implementation of a central system to manage routing of payments, integrated with the modules for core banking and the new platform (Web Office) for the creation, management and control of payments and collections from tellers.
- **SCT Inst;** realisation of the new Sepa Instant Credit Transfer payment product, that allows transferring money funds, in less than 10 seconds, between accounts in the entire Sepa Accessible area through the Mito, Mito&c and Web Office channels.
- **Inclusion in the Bank's product catalogue of the "Prisma" professional online trading platform:** this platform, purchased through the merger with Invest Banca, is an instrument that is in line with the highest market standards, and allows operating in real time on Italian Stock markets and on the principle European markets.

The investments made were important, as are those planned in the future, for compliance with respect to **regulatory innovations** that are continuously being issued. Among such regulations, merely by way of example, are:

- **IV Anti-money laundering directive:** the completion of procedural requirements regarding adequate customer verification and checks;
- **NPL stage 2 – Calendar Provisioning**. This project regards adaptations to transpose the new European regulations regarding the definition of minimum hedging levels, pre-fixed and increasing in time, for impaired receivables. The Calendar Provisioning also requires banks to review NPE management strategies and methods vis-à-vis pre-defined allocation on new flows;
- **Loan Origination and Monitoring (LOM).** The EBA has issued the *Guidelines on Loan Origination and Monitoring* in response to the action plan of the European Council to deal with the high level of non performing loans. The objective is to guaranty that organisms have prudential standards for granting new

loans, to keep newly granted performing loans from becoming non-performing in the future, and to contribute to the overall financial stability of the banking sector;

- **Sustainable Finance Disclosure Regulation (SFDR).** The European Union has initiated an ambitious legislative program to make environmental, social and governance criteria a central element in the regulation of financial services at a continental level. One of the pillars of this initiative is the regulation regarding information on the sustainability of financial services, Sustainable Finance Disclosure Regulation o SFDR;
- **New AgID guidelines.** In conformity with the Code of Digital Administration, the guidelines regarding the creation, management and conservation of AgID IT documents regulate the nucleus of digital transformation. The purpose of the variations is to reform and standardise the following processes, increasing the safety protocols, Glossary of terms and acronyms, File format and inputting, Process certification, Standards and technical specifications, Metadata.

Finally, the Bank's investment in the **ICT security** project is of great importance, as it is aimed at ensuring high levels of service reliability and security, providing the utmost guaranty for the bank and for counterparties. In particular, the Bank approved a plan to **reinforce ICT Security and Anti-Fraud systems**, that entails the realisation of technical and organisational monitoring mechanisms within the scope of the security of the internal network, the management of logical accesses by employees, monitoring anomalous security events, and fraud management. Security Awareness training sessions have also been planned, to promote a greater IT culture among employees.

The Organisational Office, with the support of the CED/IT Office, is in charge of the progress status of the planned initiatives, and monitor the risks connected to outsourced management of the IT system, ensuring that high service levels are maintained, in compliance with the Bank's requirements.

Activities carried out with the participation, also within the offices of the Italian Banking Association, in work seminars such as ABILAB and conferences to study specific technical and organisational issues have also been intense.

Risk management and control

In line with it business and operational model, the Group is exposed to various types of risks that principally regard traditional loan and financial brokerage operations.

The overall risk management system, in compliance with prudential vigilance regulatory principles, aims at ensuring that all the risks incurred in the various business segments are in line with corporate strategies and policies, as well as based on principles of sound and prudential management.

The primary responsibility of the risk governance system, within the broader reference framework relative to the overall Internal Controls System, is assigned to the Corporate Bodies, each according to its specific competencies.

The internal controls system

The internal controls system plays a central role in the company organisation, in that it represents a key element f knowledge for corporate bodies, to ensure full awareness of the internal situation and to provide for the effective monitoring of company risks and their inter-connections.

The aforementioned system directs changes to strategic lines and company policies and allows adjusting the organisational context in a coherent manner.

The system is also geared to monitoring the functioning of management systems and compliance with the provisions of the Supervisory Authority, and favours the promotion of a correct corporate culture in terms of risks, legality and company values.

Due to these features, the internal controls system, both at a company and at a Group level, has a strategic significance: the control culture, indeed, holds a key position in the scale of Group company values, in that it involves not only the company control functions, but the entire company organisation, in the development and application of methods to identify, measure, notify and manage risks.

In order to reach this objective, the internal controls system must be able to:

- Ensure the completeness, functionality (in terms of efficiency and efficacy), adequacy and reliability of the risk management process and its consistency with respect to the RAF;
- Provide for widespread control activities within every operational segment and at every hierarchical level;
- Ensure that any anomalies detected are rapidly brought to the attention of the appropriate company levels (to company bodies, if significant) capable of rapidly implementing all appropriate corrective interventions;
- Incorporate specific procedures to deal with any violation of operational limits.

In particularly, in order for the internal controls system (both at a company and at a Group level) to be complete and functional, it is necessary that the organisational models of its individual company components, as well as infra-group company relations, are appropriate and sufficient to ensure:

- healthy and prudent management at both an individual company and overall Group level;
- compliance to all applicable provisions, for both the individual companies and the Group.

To this end, the controls system verifies, first of all:

1. the correct operation of the company governance of the Parent Company Bank and of the Group Companies, whose characteristics are consistent with the supervisory provisions regarding company governance for banks;

2. the efficacy of the direction and coordination activities carried out by the Parent Company of the Group, in compliance with regulatory provisions.

Corporate bodies, governance committees, upper management and the entire staff are all involved in control activities, in order to fully implement an integrated risk management system that is consistent with the business model of reference and with the risk propensity and tolerance objectives defined in the strategic plan and in the yearly budget.

The risk profile is periodically monitored and reported to the corporate bodies by the competent functions, for timely identification of possible critical points and implementation of appropriate corrective actions.

In addition, to support Corporate Bodies in the autonomous assessment of capital adequacy and current and prospective liquidity (ICAAP and ILAAP), the Risk Management function, that is organisationally separate and independent with respect to operational units designated to risk assumption, ensures the correct implementation of processes regarding:

- Risk management, intended as the process for risk identification, monitoring, measurement, reporting, control and mitigation;
- Monitoring of the evolution of corporate risks and compliance with operational limits.

Strategic development during the fiscal year – The new Strategic Plan

In the meeting held on 25 February 2022, the Board of Directors approved the 2022-2024 Strategic Plan of the Gruppo Bancario Cambiano. This Plan was redefined after the merger with Invest Banca. With the resolution issued in July 2021, the Board of Directors had already defined the objective of proceeding with the merger transaction, therefore making it necessary to revise the strategic lines defined in January 2021 during the company business self-evaluation process. The acquisition by Cambiano of ex Invest Banca represented an extraordinary transaction from every point of view, carried out in compliance with Vigilance guidelines when, all other alternatives to allow business continuity having failed, and in order to manage the orderly exit from the market of Invest Banca, with the ceasing of the Extraordinary Administration after a period of 15 months, the line taken was to proceed with the merger as an alternative to winding up the company.

The application for merger, authorised with provision issued on 14/09/2021, outlined the post-merger strategic lines for the 2021-2023 period, and the consequent Capital Plan for the same period. Alongside the authorisation pronouncement, the Vigilance Organism required the Bank to submit a new Business Plan, on completion of the merger by incorporation, revising the one submitted with the authorised merger project. This request, given the methods and timelines for the completion of the transaction that allowed taking stock of the actual situation only as of November 2021, can be met in a reasoned manner only after having progressively acquired direct knowledge of the purchased business lines and the overall functional and organisational set-up of ex Invest Banca.

The main lines for the new Plan are defined by the following fundamental pillars:

- **Consolidation of own funds** to sustain the development of the business based on the need to hedge risks through self-funding, a combination of capital increase / issue of AT1/T2 instruments, as well as allocation policies to optimize the RWA;
- **Increase of profit and resilience levels** of the Bank, to be attractive on the capitals market, intervening on: (i) model of governance and planning for the efficient conduction of the top management coordination activities; (ii) strengthening of interest income; (iii) development of the "services" component with the full internalisation of the business lines of ex Invest Banca; (iv) improvement of the operational efficiency of the network and activation of multi-channel operations;
- **Improvement of the quality of credit** as regards the de-risking policies and the plan for management of NPL to realign the incidence and the hedging levels to banking system data.

In parallel, a business and organisational model consistent with **digitalisation processes** will have to be implemented, with a view to flexibility, also in the wake of comparables.

Within the scope of the Plan, the Bank will strive to achieve:

- A fully phased CET1 Ratio around 9.83% (9.47% consolidated) and fully phased TCR of 13.41% (12.44% consolidated); these indicators are comprehensive of the complete absorption of the FTA and the merger of ex Invest Banca;
- Gross NPL ratio lower than 6.70% (net NPL ratio around 3.70%) and a risk cost lower than 0.7%;
- A strengthening of profitability sufficient to bring the net revenues component to increase by ≈3.9% (CAGR '21-'24);
- An increase of the "services" component of 6.07% (CAGR '21-'24);
- Containing operating costs also following the entry of the resources and for the costs connected to the development of the business lines acquired with the merger of ex Invest Banca. The cost income ratio for 2024 is estimated to be ≈67.19%;
- A ROE that starting 2024 is equal to 4.82% and a ROTE at 2024 equal to 4.90%.

Within the scope of revising of the strategic lines for the Plan, the Capital Management Plan was also revised. The estimated capital strengthening now required for the period of the plant is quantified in 38 €/mln. The pursuit of the objectives of the Plan will be subject to continuous verification and, in particular, at every date defined for the purpose of assessing congruity in relation to the lines set out in the Plan or the assumptions therein made:

- Reduction of the incidences of gross non-performing loans (from 7.30% in 2021 to 7.12% in 2024) and net NPL (from 4.55% del 2021 to 4.18% in 2024) consolidated on the whole of receivables (NPL ratio);
- Increase of the level of hedging of consolidated impaired receivables (from 39.91% in 2021 to 43.39% in 2024) and in particular of NPS (from 49.47% in 2021 to 54.66% in 2024) and of Probable Defaults (from 33.77% in 2021 to 38.61% in 2024) ;
- Reduction and stabilisation of the cost of credit at 0.65% and reduction of the impairment rate of lending;
- Revision of the business lines acquired from ex Invest Banca, also in regulatory terms;
- Risk Assessment of operational risks of the acquired business lines;
- Training for the commercial network regarding the Bank management lines;
- Strategic «adjustment/ repositioning» of the acquired business lines;
- In the revision of the strategic lines of the Business Plan, the contribution of Treasury to the profit formation process was reduced, in order to enhance the more stable profit components.
- To reach the objective of making costs more efficient, the Bank has planned an assessment of the structure of the costs/revenue of ex Invest Banca, in order to indentify and implement actions aimed at rationalising costs (i.e. costs for access to markets and platforms) without penalising profitability. In the current update of the Strategic Lines for 2022-2024, a «macro» analysis of the costs that may be rationalised was considered;

- Create value over the medium/long term, strengthening our role as an independent Bank in the territory, as our distinctive trait for all stakeholders: customers (families and SME), shareholders, institutional investors, employees;
- Implement the development model based on logics of company vitality centred on a profit approach, on innovative processes, and on the efficient allocation of resources, even in terms of prudential ratios.

Transactions with related parties

In accordance with prudential regulations regarding risk activities and conflict of interest vis-à-vis connected subjects, please note that no noteworthy transactions were carried out with related parties, pursuant to pertinent regulations and criteria adopted within the scope of implemented policies, regarding which the Independent Director and/or the Board of Statutory Auditors formulated a negative judgment or made observations.

Transactions of an ordinary or recurring nature executed during 2020 with related parties fall within the scope of normal Bank operations and are negotiated at market conditions and always on the basis of reciprocal economic convenience and in compliance with the aforementioned internal procedures.

Detailed information regarding transactions with related parties, including information regarding the effect of operations or existing positions with said counterparties on financial and net work and on the year end results, accompanied by the summary tables of said effects, are provided in Part H of the Explanatory Notes.

Significant events after the close of the fiscal year

There are no significant events after the close of the fiscal year related to Group companies to report, with the exception of the further capital strengthening of the Bank, in March 2022, with the issue o fan additional 3 million euro of permanent AT1 bonds (series 502) for an overall amount of 30 million euro, and an additional 2 million in subordinate T2 bonds (series 501) with a duration of 7 years.

Also, it must be noted that, at the date of preparation of these financial statements, the Group is monitoring the evolution of certain factors of instability that have recently manifested themselves, such as the explosion of the conflict between Russia and the Ukraine, the effects of which immediately spread to other countries (particularly affecting the values of raw materials such as fuel oil and natural gas) and the economic consequences of which are, at the current state of affairs, difficult to quantify and assess. The Group promptly implemented the required actions to follow up on the restrictive measures decided by the European Union in response to the situation in the Ukraine, and to verify the potential backlash of the crisis currently underway on Group operations. These factors do not entail any adjustments to equity and economic statement balances. However, it must be noted that the factors in question, should they manifest themselves in a significant manner, could impact the prospects for future growth in a considerable way, as they would affect the general economy and financial markets.

Lastly, article 42 of L.D. 17/2022 (published in the Italian Official Gazette of 1 March 2022) under sub-section 1, has provided that the reduction of the 12 percent quota of the amount of negative components (write-backs of receivables *ante* 2015) for IRES and IRAP purposes, provided for, respectively, by sub-sections 4 and 9 of article 16 of Law Decree n. 83 of 27 June 2015, n. 83 (Conv. L. 132/2015), for the taxation period underway at 31 December 2021, is deferred, in constant quotas, to the taxation period underway at 31 December 2022 and the subsequent three taxation periods. The effect of this provision on the profit and loss account, of it is converted into law, will determine only a reclassification from pre-paid taxes to current taxes in the amount of 2.7 million euro; similarly, there will be a lesser use of pre-paid tax assets and a greater debt for current tax liabilities.

Foreseeable management trend and main risks to which the Group is exposed

In a business scenario that is characterised by significant complexity and uncertainty associated to the current health emergency, by the pressure on profits and profitability margins, and increasingly stringent regulatory obligations, the Group intends to reaffirm and continue along the path undertaken to consolidate the positions it has reached, maintain stable company conditions, and continue to nurture its relations with the communities of reference, through a slim and customer-oriented organisation.

Within this context, the Group's priority will continue to be to preserve the sustainability of the objectives to be met, to continue to grow its activity with a constant focus on risk and liquidity profiles, on stability, and on cost containment, while promoting innovation for to improve the efficiency of production and distribution systems, with a clear identity also dedicated to contributing to the growth and development of the economy and of the communities in its business territories. Therefore, it is our belief that efforts aimed at operational efficiency and cost containment, alongside the typical dynamics of the business, will allow us to reach results that will confirm our capacity to generate value and consolidate our capital strength.

The recent aggressions that have brought war back to Europe have, among other things, entailed a downsizing of the forecasts for economic growth even in areas where our Group is present. We expect that we will be forced to face a period of severe general instability, with increased volatility on financial markets and on raw material markets, especially for energy products. It is undeniable that the Group's activity will be affected by said factors.

The comparison period was characterised by a marked come back of the real economy, after the serious recession caused by the Covid-19 pandemic, and by a markedly positive trend of financial markets. Instead, for the year currently under way, preoccupation and uncertainty prevail, making any forecast regarding Group profits and earnings very difficulty, although the structure of the balance sheet shows evidence of resilience.

Final considerations

In conclusion to this Report, we wish to express our sincere thanks to all those who have collaborated in concluding this challenging fiscal year in a positive manner.

Our not purely ceremonial appreciation and warm thanks to general management, managing personnel and all employees, who with true team spirit and with their responsible conduct, particularly valuable and appreciated during the pandemic, have contributed to reaching these important objectives, achieved thanks to commitment, intellectual qualities, rigorous conduct, and human sensitivity, all values that reach beyond a mere formal appearance.

A special thanks is extended to the Central Management of Bank of Italy, for the constant attention during the delicate transaction related to the merger outlined and completed, to the Florence headquarters for the almost daily interlocution and constant availability.

Thanks to the Boards of Directors and the Boards of Statutory Auditors of the companies in the Group, for the professionalism they have demonstrated, and to the Cabel Group for the collaboration provided.

A special recognition to Ente Cambiano, our principle shareholder, for the precious social activities that it carries out.

To our Customers, therefore, we wish to extend our most sincere thanks, for having privileged us with their trust, loyalty and fidelity, such as to allow us to create a Banking Group that is increasingly appreciated in its market of reference.

Florence, 30 March 2022

The Board of Directors

Report of the Independent Auditor on the Consolidated Financial Statements

Deloitte.

Deloitte & Touche S.p.A.
Via Pier Capponi, 24
50132 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 14 DEL D.LGS. 27 GENNAIO 2010, N. 39 E DELL'ART. 10 DEL REGOLAMENTO (UE) N. 537/2014

Agli Azionisti della
Banca Cambiano 1884 S.p.A.

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO CONSOLIDATO

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Bancario Cambiano (il "Gruppo"), costituito dallo stato patrimoniale al 31 dicembre 2021, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2021, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/15.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla Banca Cambiano 1884 S.p.A. (la "Banca") in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Classificazione e valutazione dei crediti verso la clientela deteriorati classificati fra le sofferenze e le inadempienze probabili	
Descrizione dell'aspetto chiave della revisione	Come riportato nel paragrafo "La qualità del credito" della relazione sulla gestione e nelle informazioni di natura quantitativa relative al rischio di credito della Parte E – Informazioni sui rischi e sulle relative politiche di copertura della nota integrativa al 31 dicembre 2021, i crediti verso clientela valutati al costo ammortizzato deteriorati del Gruppo, ammontano ad un valore lordo pari ad Euro 252,1 milioni, a cui sono associate rettifiche di valore pari ad Euro 105,5 milioni e ad un conseguente valore netto pari ad Euro 146,6 milioni. La relazione sulla gestione evidenzia inoltre che il tasso di copertura (c.d. "coverage ratio") dei crediti verso clientela valutati al costo ammortizzato deteriorati del Gruppo al 31 dicembre 2021 è pari al 41,86%. In particolare, i suddetti crediti deteriorati, classificati secondo quanto previsto dal principio contabile internazionale IFRS 9 "Strumenti finanziari" nel c.d. "terzo stadio", includono sofferenze per un valore netto pari ad Euro 73,7 milioni, con un coverage ratio pari al 48,98% ed inadempienze probabili per un valore netto pari ad Euro 69,6 milioni, con un coverage ratio pari al 32,88%. Per la classificazione delle esposizioni creditizie per classi di rischio omogenee, il Gruppo fa riferimento alla normativa di settore e alle disposizioni interne che disciplinano le regole di classificazione e trasferimento nell'ambito delle diverse categorie di rischio. Nella determinazione del valore recuperabile dei crediti verso la clientela valutati al costo ammortizzato deteriorati, il Gruppo, nell'ambito delle proprie politiche di valutazione, ha fatto ricorso a processi e modalità di valutazione caratterizzati da elementi di soggettività e di stima di talune variabili quali, principalmente, i flussi di cassa previsti, i tempi di recupero attesi e il presumibile valore di realizzo delle garanzie, ove presenti, la cui modifica può comportare una variazione del valore recuperabile finale; tale determinazione si è basata sull'utilizzo degli elementi informativi disponibili alla data di valutazione, tenendo in debita considerazione i possibili effetti della crisi pandemica. Nella relazione sulla Gestione e nella Nota Integrativa Parte A – Politiche contabili e nella Parte E – Informazioni sui rischi e sulle relative politiche di copertura – è riportata l'informativa sugli aspetti sopra descritti. In considerazione della significatività dell'ammontare dei crediti verso clientela valutati al costo ammortizzato deteriorati iscritti in bilancio, della complessità dei processi di stima adottati dal Gruppo che hanno comportato un'articolata attività di classificazione in categorie di rischio omogenee, nonché della rilevanza delle componenti discrezionali insite nella natura estimativa del valore recuperabile (quali le stime dei flussi di cassa attesi, i relativi tempi di recupero, il valore delle eventuali garanzie e le possibili strategie di recupero), abbiamo ritenuto che la classificazione dei crediti verso clientela valutati al costo ammortizzato deteriorati classificati a

	sofferenza e inadempienza probabile e la loro valutazione siano da considerare un aspetto chiave della revisione del bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2021.
Procedure di revisione svolte	Nell'ambito delle attività di revisione sono state svolte le seguenti principali procedure: • comprensione della normativa interna e dei processi posti in essere dal Gruppo in relazione alle modalità di classificazione e di determinazione del valore recuperabile dei crediti verso clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e inadempienza probabile, al fine di verificarne la conformità al quadro normativo di riferimento ed ai principi contabili applicabili; • verifica dell'implementazione e dell'efficacia operativa dei controlli chiave identificati con riferimento ai suddetti processi; • analisi qualitativa ed andamentale dei crediti verso clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e inadempienza probabile mediante il calcolo di opportuni indicatori quali/quantitativi al fine di identificare eventuali elementi di interesse, anche in considerazione degli impatti derivanti dalla pandemia COVID-19; • verifica, per un campione di posizioni selezionate anche sulla base degli elementi di interesse emersi dall'analisi di cui al punto precedente, della classificazione e determinazione del valore recuperabile dei crediti verso clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e inadempienza probabile sulla base del quadro normativo di riferimento, dei principi contabili applicabili e degli eventuali impatti derivanti dalla pandemia COVID-19, anche mediante ottenimento ed esame di conferme scritte da parte dei legali incaricati del recupero dei crediti; • analisi degli eventi successivi alla data di chiusura del bilancio consolidato; • verifica della completezza e della conformità dell'informativa fornita dal Gruppo nel bilancio consolidato rispetto a quanto previsto dai principi contabili di riferimento e dalla normativa applicabile.

Classificazione dei crediti verso clientela valutati al costo ammortizzato non deteriorati a maggiore rischio	
Descrizione dell'aspetto chiave della revisione	Come riportato nel paragrafo "La qualità del credito" della relazione sulla gestione e nelle informazioni di natura quantitativa relative al rischio di credito della Parte E – Informazioni sui rischi e sulle relative politiche di copertura della nota integrativa al 31 dicembre 2021, i crediti verso clientela valutati al costo ammortizzato non deteriorati del Gruppo ammontano ad un valore lordo pari ad Euro 3.134,3 milioni, a cui sono associate rettifiche di portafoglio pari ad Euro 26,7 milioni, e ad un conseguente valore netto pari ad Euro 3.107,6 milioni, evidenziando un grado di copertura pari allo 0,85%. Tra essi, i crediti verso la clientela per finanziamenti non deteriorati a maggiore rischio sono essenzialmente classificati nel c.d. "secondo stadio" pari a Euro 284,35 milioni lordi con un grado di copertura del 6,55%.

	Nell'ambito delle proprie politiche di gestione dei crediti verso la clientela per finanziamenti, il Gruppo ha adottato processi e modalità di monitoraggio dell'andamento dei rapporti che includono, tra l'altro, un'articolata attività di classificazione delle posizioni di credito in categorie di rischio omogenee, secondo quanto previsto dalla normativa di settore e dalle disposizioni interne che disciplinano le regole di classificazione e trasferimento nelle diverse categorie di rischio. Nel processo di classificazione, anche ai fini della conseguente valutazione dei crediti non deteriorati, il Gruppo ha tenuto in considerazione il particolare contesto di incertezza macroeconomica derivante dalla crisi pandemica e gli effetti dei provvedimenti di moratoria legislativi e di categoria oltreché delle ulteriori misure di sostegno all'economia introdotte con specifici interventi legislativi. Nella relazione sulla gestione e nella Nota Integrativa Parte A – Politiche contabili, Parte B – Informazioni sullo stato patrimoniale, Sezione 4 dell'attivo, Parte C – Informazioni sul conto economico, Sezione 8, Parte E – Informazioni sui rischi e sulle relative politiche di copertura è riportata l'informativa sugli aspetti sopra descritti. In considerazione della significatività dell'ammontare e della complessità del processo di classificazione adottato dal Gruppo, tenuto anche conto delle circostanze connesse al contesto di crisi pandemica che hanno reso particolarmente critica ed esposta a ulteriori elementi di soggettività l'identificazione delle esposizioni non deteriorate che abbiano subito un significativo incremento del rischio di credito, abbiamo ritenuto che la classificazione dei crediti verso la clientela per finanziamenti, valutati al costo ammortizzato, non deteriorati a maggiore rischio rappresenti un aspetto chiave della revisione del bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2021.
Procedure di revisione svolte	Nell'ambito delle attività di revisione sono state svolte le seguenti principali procedure: • analisi del processo creditizio, che ha incluso in particolare la rilevazione e comprensione dei presidi organizzativi e procedurali messi in atto dal Gruppo per garantire il monitoraggio della qualità del credito e la corretta classificazione, anche ai fini della conseguente valutazione, in conformità ai principi contabili applicabili e alla normativa di settore; • verifica, mediante il coinvolgimento di specialisti informatici della rete Deloitte, della corretta gestione ed alimentazione degli archivi; • verifica dell'efficacia operativa dei controlli individuati; • svolgimento di analisi comparative, con l'esame della movimentazione dei crediti verso clientela per finanziamenti non deteriorati e delle relative rettifiche di valore con corrispondenti dati omogenei relativi all'esercizio precedente; • verifica, per un campione di posizioni non deteriorate a maggiore rischio, della corretta classificazione sulla base delle previsioni normative e delle disposizioni interne approvate dal Gruppo;

- analisi degli eventi successivi alla data di chiusura del bilancio consolidato;
- verifica della completezza e della conformità dell'informativa fornita nel bilancio consolidato rispetto a quanto previsto dal quadro normativo di riferimento e dai principi contabili applicabili, nonché dai documenti di tipo interpretativo e di supporto all'applicazione dei principi contabili in relazione agli impatti derivanti dalla pandemia COVID-19, emanati dagli organismi regolamentari e di vigilanza nazionali ed europei.

Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio consolidato

Gli Amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/15 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Banca Cambiano 1884 S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile.

Inoltre:

- Abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno.

- Abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo.

- Abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa.

- Siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento.

- Abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

- Abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'Assemblea degli Azionisti di Banca Cambiano 1884 S.p.A. ci ha conferito in data 4 giugno 2020 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Banca per gli esercizi dal 31 dicembre 2020 al 31 dicembre 2028.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Banca nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al Collegio Sindacale, nella sua funzione di Comitato per il Controllo Interno e la Revisione Contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10

Gli Amministratori della Banca Cambiano 1884 S.p.A. sono responsabili per la predisposizione della relazione sulla gestione del Gruppo Bancario Cambiano al 31 dicembre 2021, incluse la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2021 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2021 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

DELOITTE & TOUCHE S.p.A.

Antonio Sportillo
Socio

Firenze, 22 aprile 2022

This is an unofficial courtesy translation into English language of the Italian version of the Independent Auditors' Report on the Consolidated Financial Statements

**REPORT OF THE INDEPENDENT AUDITOR
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N. 39 OF 27.1.2010
AND ARTICLE 10 OF EU REGULATIONS N. 537/2014**.

**To the Shareholders of
Banca Cambiano 1884 S.p.A.**

REPORT ON THE ACCOUNTING AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the Cambiano Banking Group (the "Group"), consisting of the balance sheet as at 31 December 2021, the income statement, the schedule of overall profitability, the schedule of variations to shareholders' equity, statement of cash flows for the fiscal year ending on the aforementioned date and by the explanatory notes thereto.

In our opinion, the consolidated financial statements represent in a truthful and accurate manner shareholders' equity and the financial situation of the Group as at 31 December 2021, as well as of the economic result and cash flows for the fiscal year closed on the same date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations implementing article 43 of Legislative Decree n. 136/2015.

Basis for the opinion

We conducted the audit in conformity with the procedures specified in the audit standards (ISA Italia). Our responsibilities pursuant to the aforementioned standards are further described in the section *Responsibility of the Independent Auditors for the audit of consolidated financial statements for the fiscal year* in this report. We are independent with respect to Banca Cambiano 1884 S.p.A. (the "Bank"), in compliance with regulations and standards regarding ethical principles and independence applicable in Italian Law to audits of financial statements. It is our opinion that we have acquired sufficient and adequate evidence on which to base our opinion.

Key aspects of the audit of accounts

The key aspects of the audit of accounts are those aspects that, in our professional opinion, are of greatest significance within the scope of the audit of accounts for the financial statements in review. These aspects were dealt with within the scope of the audit of accounts and in forming our opinion as to the overall financial statements; therefore, we will not express a separate opinion of such aspects.

Classification and measurement of impaired receivables classified as non-performing and probable defaults	
Description of the key aspect of the audit	As written in the section "The quality of credit" of the report on management and in the quantitative information regarding credit risk in Part E – Information on risks and relative hedging policies of the explanatory notes at 31 December 2021, the Group's impaired receivables from customers measured at amortised cost amount to a gross value of 252.1 million euro, to which value adjustments equal to 105.5 million euro are associated, with a resulting net value of 146.6 million euro. The report on management also notes that the so-called "coverage ratio" of impaired receivables from customers measured at amortised cost at 31 December 2021 is

equal to 41.6%. In particular, the aforementioned impaired receivables, classified in accordance with the IFRS 9 “Financial Instruments” international accounting standard in so-called “third stage”, include non-performing loans for a net value equal to 73.7 million euro, with a 48.98% coverage ratio, and probable defaults for a net value equal to 69.6 million euro, with a 32.88% coverage ratio.

As regards the classification of credit exposures for homogenous risk classes, the Group applies sector standards and internal policies that govern classification and transfer between the various risk categories.

In determining the recoverable value of impaired receivables from customers measured at amortised cost, the Group, within the scope of its valuation policies, has applied valuation procedures and methods characterized by elements of subjectivity and estimation of some variables including, mainly, forecasted cash flows, expected recovery times and the realizable value of collateral, where present, the modification of which may result in a change of the final recoverable value; this determination is based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crisis.

Information regarding the aspects described above is provided in the Report on Management and in the Explanatory Notes Part A – Accounting Policies and Part E – Information on risks and the relative hedging policies.

Considering the significance of the amount of impaired receivables from customers measured at amortised cost entered in the balance sheet, and the complexity of the Group’s estimation procedures, which required a detailed classification in homogenous risk categories, as well as the significance of the discretional components inherent to the estimative nature of recoverable value (such as estimations of expected cash flows, the relative recovery times, the value of collateral and the possible recovery strategies), it is our opinion that the classification of impaired receivables from customers measured at amortised cost and classified as non-performing loans and probable defaults, and the valuation thereof, are to be considered a key aspect of the audit of Cambiano Banking Group’s financial statements as at 31 December 2021.

Auditing procedures carried out

Within the scope of the auditing activities, the following main procedures were carried out:

- Comprehension of internal regulations and processes established by the Group in relation to the methods for classification and determination of the recoverable value of impaired receivables from customers measured at amortised cost and classified and non-performing and probable defaults, in order to verify the conformity to the regulatory framework of reference and applicable accounting standards;
- Verification of the implementation and operational efficacy of specific key controls with reference to the aforementioned processes;
- Qualitative and trend analysis of impaired receivables from customers measured at amortised cost and classified as non-performing and probable defaults, through appropriate qualitative and quantitative indicators in order to identify possible elements of interest, also in consideration of the effects of the COVID-19 pandemic;
- Verification, for a sample of selected positions, also based on the elements of

interest emerging from the analysis mentioned at the above point, of the classification and evaluation of the recoverable value of impaired receivables from customers measured at amortised cost and classified as non-performing and probable defaults, based on the regulatory framework of reference, the applied accounting standards and any effects deriving from the COVID-19 pandemic, also by requesting and examining written confirmation by attorneys assigned to credit recovery;
- Analysis of the events subsequent to the date of closing of the consolidated financial statements;
- Verification of the completeness and conformity of the information provided by the Group in the consolidated financial statements, with respect to the requirements of applicable accounting standards and by applicable laws and regulations.

Classification of in bonis receivables from customers measured at amortised cost and at higher risk

Description of the key aspect of the audit

As written in the section "The quality of credit" of the report on management e in the quantitative information regarding credit risk in Part E – Information on risks and relative hedging policies of the explanatory notes at 31 December 2021, the Group's in bonis receivables from customers, measured at amortised cost, amount to a gross value of 3,134.3 million euro, with portfolio adjustments equal to 26.7 million euro, for a resulting total net value of 3,107.6 million euro, showing a 0.85% coverage ratio. Of these, receivables from customers for in bonis loans at higher risk are essentially classified in the so-called "second stage", for 284.35 million euro, with a 6.55% coverage ratio.

Within the scope of its policies regarding the management of receivables from customers for loans, the Group has adopted processes and trend monitoring methods that include, among other activities, a detailed classification of credit exposures in homogenous risk categories, as provided for by sector regulations and internal policies that govern risk classification and transfer between risk categories. In the classification process for in bonis receivables, also for the purpose of the relative measurement, the Group has taken into consideration the unique context of macro-economic uncertainty deriving from the pandemic emergency and the effects of the moratoria measures provided for by government provisions and banking association provisions during the year in review, as well as additional measures in support of the economy introduced through specific legislation.

Information regarding the above aspects is provided in the report on management and in the Explanatory Notes - Part A – Accounting policies, Part B – Information on the consolidated balance sheet, Section 4 Assets, Part C – Information on the consolidated income statement, Section 8, Part E – Information on risks and relative hedging policies.

Considering the significance of the amount and the complexity of the classification process used by the Group, and also considering the circumstances connected to the current pandemic emergency scenario, that have rendered the identification of in bonis exposures that have undergone a significant increase in the level of credit risk particularly critical and exposed to further elements of subjectivity, it is our opinion that the classification of in bonis receivables from customers measured at amortised cost and at higher risk are to be considered a key aspect of the audit of Cambiano Banking Group's consolidated financial statements as at 31 December 2021.

Auditing procedures carried out

Within the scope of the auditing activities, the following main procedures were carried out:

- Analysis of the credit process, specifically including the analysis and comprehension of organisational and procedural systems implemented by the Group to guaranty monitoring of credit quality and the correct classification thereof, also for the purpose of the credit measurement, in conformity with applicable accounting standards and sector regulations ;

- Verification, by involving the IT experts of the Deloitte network, of the correct management and updating of archives;
- Verification of the operational efficacy of controls;
- Conduction of comparative analyses, examining the entries referred to receivables from customers for in bonis loans and the relative net value adjustments with corresponding homogenous data relative to the previous fiscal year;
- Verification, for a sample of in bonis higher risk exposures, of the correct classification based on regulatory forecasts and internal policies approved by the Group;
- Analysis of the events subsequent to the date of closing of the financial statements ;
- Verification of the completeness and conformity of the information provided in the consolidated financial statements, with respect to the requirements of applicable accounting standards and regulations, as well as by interpretation and supplementary documents issued, in relation to the effects of Covid-19, by national and European regulatory and supervisory bodies .

Responsibility of the Directors and of the Board of Statutory Auditors for the consolidated financial statements

The directors are responsible for preparing the consolidated financial statements so that they provide a true and correct representation in conformity with the International Financial Reporting Standards adopted by the European Union and with the provisions issued to implement Article 43 of Legislative Decree n. 136/2015 and, to the extent required by law, for those internal controls deemed necessary by the Directors to allow preparing financial statements that do not contain significant errors due to fraud or unintentional conduct or events.

Directors are responsible for assessing the capacity of the Group to continue operating as a working entity and, in preparing the consolidated financial results, for the appropriate use of the assumption of corporate continuity as well as for adequate information on this matter. Directors use the assumption of corporate continuity in preparing the consolidated financial statements, unless they have assessed the existence of conditions that require liquidation of the parent company Banca Cambiano 1884 S.p.A. or interruption of business activities or that there are no realistic alternatives thereto.

The Board of Statutory Auditors is responsible for vigilance, within the terms provided for by law, over the preparation process of the Group's financial information.

Responsibility of the Independent Auditors for the accounting audit of the consolidated financial statements

Our objectives are to acquire reasonable certainty that the consolidated financial statements contain no significant errors due to fraud or to intentional conduct or to events, and to issue an audit report that includes our opinion. Reasonable certainty means a high level of certainty that, nonetheless, is not a guaranty that an accounting audit conducted according to international auditing principles (ISA Italia) will always identify a significant error, should one exist. Errors may derive from fraud or from unintentional conduct, and are considered significant if it may be reasonably expected that such errors, singly or as a whole, may influence user economic decisions made based on the consolidated financial statements for the year.

Within the scope of the accounting audit conducted in compliance with the international auditing principle (IAS ITALY), we have exercised our professional expertise and have maintained professional scepticism for the entire duration of the accounting audit.

Moreover:

- We have identified and assessed the risk of significant errors in the consolidated financial statements, resulting from fraud or unintentional conduct or events; we have defined and carried out auditing procedures in response to said risks; we have acquired sufficient and appropriate evidence on which to base our opinion. The risk of not identifying a significant error resulting from fraud is higher than the risk of not identifying a significant error resulting from unintentional conduct or events, as fraud may implicate the existence of collusion, falsifications, intentional omissions, misleading representations or forced internal control results;

- We have acquired a sufficient understanding of the internal controls for the purpose of the accounting audit, in order to define accounting procedures that are appropriate to the circumstances and not for the purpose of expressing an opinion as regards the efficacy of the Group's internal controls;

- We have assessed the appropriateness of the accounting principles applied as well as the reasonableness of the accounting estimations made by company administrators, including the respective information documents;

- We have come to a conclusion regarding the appropriate use of the assumption of corporate continuity on the part of the directors and, based on the evidence acquired, as to the possible existence of significant uncertainty as regards events or circumstances that may give rise to significant doubts regarding the Group's capacity to continue to operate as a business entity. Where faced with a significant uncertainty, we are bound to call attention to the fact in the auditing report on the information provided or, if the information provided is insufficient, to take into account such inadequacy in the formulation of our opinion. Our conclusions are based on the documentation acquired as at the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a business unit;

- We have assessed the presentation, structure and contents of the consolidated financial statements for the fiscal year as a whole, including the information documents, and whether or not the consolidated financial statements as such faithfully represent the underlying operations and events.

- We have acquired sufficient and appropriate evidence regarding the financial information of the companies or of the different business activities carried out within the Group to allow expressing an opinion regarding the consolidated financial statements. We are responsible for the management, supervision and execution of the Group accounting audit. We are the sole persons responsible for the audit opinion regarding the consolidated financial statements.

We have informed the persons in charge of governance activities, identified at an appropriate level, as required by ISA Italia principles, among other aspects, of the scope and timing planned for the accounting review and of the significant findings thereof, including any significant deficiencies in internal controls observed during the accounting audit.

We have provided persons in charge of governance activities with a declaration that all regulations and principles regarding ethical conduct and independence were observed, as applicable by Italian law, and have informed them of any situation that may reasonably affect our independence and, where applicable, the respective safeguarding measures.
Among aspects of which governance was informed, we identified those that were most relevant within the scope of the accounting audit of the consolidated financial statements for the fiscal year in review, which therefore constituted the key aspects of the audit. These aspects are described in the audit report.

Other information communicated pursuant to article 10 of EU Regulations 537/2014

On 4 June 2020, the Shareholders' Meeting of Banca Cambiano 1884 S.p.A. appointed our firm statutory auditor of the financial statements for the fiscal years from 31 December 2020 to 31 December 2028.

We hereby declare that no services forbidden by article 5, section 1 of EU Regulations 537/2014 were rendered other than the accounting audit and that we remained independent with respect to the Bank in the performance of the statutory audit.

We confirm that the opinion expressed in this report on the consolidated financial statement is in line with the contents of the additional report sent to the Board of Statutory Auditors in its role as committee for internal control and legal review, pursuant to article 11 of the aforementioned Regulations.

REPORT ON OTHER LAW AND REGULATORY PROVISIONS

Opinion pursuant to article 14, sub-section 2, letter e) of Italian Legislative Decree 39/10

The Directors of Banca Cambiano 1884 S.p.A. are responsible for preparing the report on operations for Cambiano Banking Group at 31 December 2021, including its consistency with the respective consolidated financial statements for the fiscal year and its conformity to provisions of law.

We conducted the procedures specified in the audit standards (SA Italia) n. 720B for the purpose of expressing an opinion as regards the consistency of the report on operations with the consolidated financial statements of Cambiano Banking Group as at 31 December 2021 and on compliance with provisions of law, and to issue a declaration regarding any significant errors.

In our opinion, the report on operations is consistent with the consolidated financial statements of Cambiano Banking Group as at 31 December 2021 and has been prepared in compliance with all provisions of law.

With reference to the declaration required by article 14, sub-section 2, letter e) of Italian Legislative Decree 39/10, issued based on knowledge and comprehension of the business and of the relative context acquired during auditing activities, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

[*autograph signature*]
Antonio Sportillo
Partner

Florence, 22 April 2022

Schedules to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

	Assets line items	**31/12/2021**	**31/12/2020 (*)**
10	Cash and cash equivalents	105,007,246	91,711,538
20	Financial assets measured at fair value with impact on profit and loss account	166,486,667	145,802,580
	a) financial assets held for trading	*71,433,475*	*65,347,575*
	b) financial assets measured at fair value	-	-
	c) other financial assets obligatorily measured at fair value	*95,053,192*	*80,455,005*
30	Financial assets measured at fair value with impact on total profits	526,568,993	191,504,553
40	Financial assets measured at amortised cost	3,900,445,275	3,461,719,334
	a) receivables from banks	*223,467,878*	*300,063,890*
	b) receivables from customers	*3,676,977,397*	*3,161,655,444*
50	Hedges	-	-
60	Adjustments of value of generic hedges for financial assets (+/-)	-	-
70	Equity investments	16,400,350	23,993,207
80	Reinsurers' share of technical reserves	-	-
90	Property, plants and equipment	87,594,947	85,021,741
100	Intangible assets	3,781,778	3,247,098
	of which:	-	-
	- goodwill	-	-
110	Tax receivables	43,026,181	40,189,441
	a) current	*14,847,843*	*15,963,641*
	b) pre-paid	*28,178,338*	*24,225,801*
120	Noncurrent assets and groups of assets in the course of divestment	-	-
130	Other assets	80,302,221	46,688,510
	Total assets	**4,929,613,658**	**4,089,878,002**

(*) The line items "10. Cash and cash equivalents" and "40. a) Financial assets measured at amortised cost - receivables from banks" from the previous reporting period are shown again, in consideration of the modifications introduced by the 7th update of Bank of Italy Circular n.262.

	Liabilities and shareholders' equity line items	31/12/2021	31/12/2020
10	Financial liabilities measured at amortised cost	4,597,408,209	3,760,873,067
	a) payables to banks	*1,200,056,679*	*914,731,324*
	b) payables to customers	*3,255,889,897*	*2,699,503,557*
	c) outstanding securities	*141,461,633*	*146,638,186*
20	Financial liabilities from trading	693,746	641,300
30	Financial liabilities measured at fair value	-	-
40	Hedges	140,788	418,521
50	Adjustments of value of generic hedges for financial liabilities(+/-)	-	-
60	Tax liabilities	903,190	1,627,154
	a) current	*314,603*	*1,006,668*
	b) deferred	*588,587*	*620,486*
70	Liabilities associated to assets in the course of divestment	-	-
80	Other liabilities	97,730,227	118,169,165
90	Employee severance pay	3,903,109	4,242,610
100	Risk and expense funds:	7,958,908	2,633,411
	a) commitments and issued guarantees	*1,882,353*	*2,450,078*
	b) pensions and similar commitments	-	-
	c) other risk and expense funds	*6,076,555*	*183,333*
110	Technical reserves	-	-
120	Valuation reserves	-1,160,629	583,837
130	Redeemable shares	-	-
140	Capital instruments	27,000,000	10,000,000
150	Reserves	-49,105,742	-53,616,711
160	Premiums on the issue of new shares	803,240	803,240
170	Share capital	232,800,000	232,800,000
180	Treasury shares (-)	-	-
190	Equity pertaining to minority interest	2,354,784	2,032,269
200	Fiscal year profit or loss	8,183,827	8,670,139
	Total liabilities and shareholders' equity	**4,929,613,658**	**4,089,878,002**

CONSOLIDATED INCOME STATEMENT

	Line items	31/12/2021	31/12/2020
10.	Earned interest and similar income	82,108,369	78,241,773
	of which: earned interest calculated using the actual interest method	*81,714,310*	*77,024,078*
20.	Interest expenses and similar expenses	-12,701,561	-13,283,063
30	**Interest income**	**69,406,808**	**64,958,711**
40	Commission income	31,067,677	29,432,638
50	Commission expenses	-2,882,428	-2,789,318
60	**Net commission income**	**28,185,248**	**26,643,320**
70	Dividends and similar income	1,502,138	1,193,964
80	Net trading result	3,802,938	2,337,108
90	Net hedging result	-7,882	-58,950
100	Gains (losses) from the disposal or repurchase of:	3,230,981	8,974,492
	a) financial assets measured at amortised cost	*734,431*	*8,567,236*
	b) financial assets measured at fair value with impact on total profits	*2,471,682*	*329,586*
	c) financial liabilities	*24,867*	*77,670*
110	Net income of other financial assets and liabilities measured at *fair value*	-289,411	-
	a) financial assets and liabilities measured at fair value	-	-
	b) other financial assets obligatorily measured at fair value	*-289,411*	-
120	**Operating income**	**105,830,820**	**104,048,644**
130	Net adjustments/write-backs due to the impairment of:	-19,107,572	-29,355,392
	a) financial assets measured at amortised cost	*-19,090,509*	*-29,463,548*
	b) financial assets measured at fair value with impact on total profits	*-17,063*	*108,156*
140	Profit/losses due to contract modifications without derecognition	-71,240	46,867
150	**Net income from financial assets**	**86,652,007**	**74,740,119**
160	Net premiums	-	-
170	Balance of other income/expenses from insurance activities	-	-
180	**Net income from financial and insurance assets**	**86,652,007**	**74,740,119**
190	Administrative costs:	-71,277,886	-62,692,114
	a) personnel costs	*-31,058,264*	*-28,390,125*
	b) other administrative costs	*-40,219,622*	*-34,301,989*
200	Net allocations to risk and expense funds	-83,929	-480,111
	a) commitments and issued guarantees	*562,954*	*-350,846*
	b) other net allocations	*-646,883*	*-129,264*
210	Net adjustments/write-backs on property, plants and equipment	-5,540,249	-5,429,960
220	Net adjustments/write-backs on intangible assets	-933,893	-634,654
230	Other operating costs/income	7,384,011	4,337,271
240	**Operating costs**	**-70,451,946**	**-64,899,567**
250	Profit (loss) from equity investments	-6,630,810	299,963
260	Net result of fair value measurement of property, plants and equipment and intangible assets	8,440	-165,700
270	Adjustments to value of goodwill	-	-3,140,342
280	Gains (losses) from disposal of investments	27,628	7,034
290	**Gains (losses) from current operations before tax**	**9,605,319**	**6,841,507**
300	Fiscal year income tax on current operations	-1,513,457	1,866,735
310	**Gains (losses) from current operations before tax**	**8,091,862**	**8,708,242**
320	Gains (losses) from groups of assets in the course of divestment net of taxes	-	-
330	**Profit (loss) for the fiscal year**	**8,091,862**	**8,708,242**

	Line items	31/12/2021	31/12/2020
340	**Profit (loss) for the fiscal year attributable to minority interests**	**-91,965**	**38,102**
350	**Profit (loss) for the fiscal year attributable to the Parent Company**	**8,183,827**	**8,670,139**

SCHEDULE OF OVERALL CONSOLIDATED PROFITABILITY

	Line items	31/12/2021	31/12/2020
10	**Profit (loss) for the fiscal year**	**8,091,862**	**8,708,242**
	Other income components net of tax without reversal to the income statement		
20	Capital securities measured at fair value with impact on total profits	1,553,458	-1,043,662
30	Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	0	0
40	Hedges on capital securities measured at fair value with impact on total profits	0	0
50	Property, plants and equipment	0	0
60	Intangible assets	0	0
70	Defined benefit plans	135,172	-144,992
80	Noncurrent assets and groups of assets in the course of divestment	0	0
90	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0	0
	Other income components net of tax with reversal to income statement		
100	Hedging of foreign investments	0	0
110	Exchange rate differences	0	0
120	Hedging of cash flows	0	0
130	Hedging instruments (unmeasured instruments)	0	0
140	Financial assets (other than capital securities) measured at fair value with impact on total profits	-2,169,191	-73,885
150	Noncurrent assets and groups of assets in the course of divestment	0	0
160	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-1,263,906	0
170	**Total other income components net of tax**	**-1,744,466**	**-1,262,539**
180	**Overall profitability (line item 10+170)**	**6,347,396**	**7,445,703**
190	**Overall consolidated profitability attributable to minority interest**	**-91,965**	**-53,490**
200	**Overall consolidated profitability attributable to the Parent Company**	**6,439,361**	**7,499,193**

TABLE OF VARIATIONS TO CONSOLIDATED SHAREHOLDERS' EQUITY

TABLE OF VARIATIONS TO CONSOLIDATED SHAREHOLDERS' EQUITY AT 31/12/2021	Amounts as at 31/12/2020	Changes to opening balance	Amounts as at 01/01/2021	Allocation of prior fiscal year results		Fiscal year variations									Group shareholders' equity at 31/12/2021	Third-party shareholders' equity at 31/12/2021
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variations to capital instruments	Derivatives on treasury shares	Stock options	Variations to ownership interests	Overall profitability for the fiscal year at 31/12/2021		
Share capital:																
- ordinary shares	**233,800,000**	0	**233,800,000**	0			0	0					1,119,186		**232,800,000**	**2,119,186**
- other shares		0	**0**	0			0	0							**0**	**0**
Premiums on the issue of new shares	**803,240**	0	**803,240**	0		0	0						0		**803,240**	**0**
Reserves:																
- from gains	**-52,622,545**	0	**-52,622,545**	8,708,242			0	0	0				0	-4,863,876	**-49,105,742**	**327,563**
- other		0	**0**	0		0	0		0		0	0			**0**	**0**
Valuation reserves	**583,837**	0	**583,837**	0		0							0	-1,744,466	**-1,160,629**	**0**
Capital instruments	**10,000,000**	0	**10,000,000**							17,000,000					**27,000,000**	**0**
Treasury shares		0	**0**				0	0							**0**	**0**
Fiscal year profit (loss)	**8,708,242**	0	**8,708,242**	-8,708,242	0									8,091,862	**8,183,827**	**-91,965**
Group shareholders' equity	**199,240,506**	**0**	**199,240,506**	**0**	**0**	**0**	**0**	**0**	**0**	**17,000,000**	**0**	**0**	**0**	**2,280,190**	**218,520,696**	
Third-party shareholders' equity	**2,032,269**	**0**	**2,032,269**		**0**		**0**	**0**	**0**	**0**	**0**	**0**	**1,119,186**	**-796,670**		**2,354,784**

	Amounts as at 31/12/2019	Changes to opening balance	Amounts as at 01/01/2020	Allocation of prior fiscal year results		Fiscal year variations									Group shareholders' equity at 31/12/2020	Third-party shareholders' equity at 31/12/2020
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variations to capital instruments	Derivatives on treasury shares	Stock options	Variations to ownership interests	Overall profitability of the year at 31/12/2020		
Share capital: **- ordinary shares**	**0**	237,600,000	237,600,000	0		0	0	0					-3,800,000		**232,800,000**	**1,000,000**
- other shares		0	0	0			0	0								
Premiums on the issue of new shares	**0**	803,240	803,240	0		0	0						0		**803,240**	**0**
Reserves: **- from gains**	**0**	-62,296,849	-62,296,849	13,452,264		0	0	0	0				-3,777,960		**-53,616,711**	**994,166**
- other		0	0	0		0	0		0		0	0				
Valuation reserves	**0**	1,846,376	1,846,376	0		0								-1,262,539	**583,837**	**0**
Capital instruments	**0**	0	0							10,000,000					**10,000,000**	**0**
Treasury shares	**0**	0	0				0	0								
Fiscal year profit (loss)	**0**	13,452,264	13,452,264	-13,452,264	0									8,708,242	**8,670,139**	**38,102**
Group shareholders' equity	**0**	**191,405,031**	**181,833,033**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-91,720**	**7,499,193**	**199,240,505**	
Third-party shareholders' equity	**0**	**0**	**9,571,998**										**-7,486,240**	**-53,490**		**2,032,268**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD	Amounts	Amounts
	31/12/2021	31/12/2020 (*)
A. OPERATING ASSETS		
1 Management	**23,779,849**	**45,864,414**
- Fiscal year results (+/-)	8,091,862	8,708,242
- Gains/losses on financial assets held for trading and on other financial assets / liabilities measured at fair value with recognition of income effects through profit and loss (+/-)	1,617,147	-669,629
- Gains/losses on assets used for hedging (+/-)	7,882	58,950
- Net adjustments/write-backs due to impairment (+/-)	19,107,572	29,355,392
- Net adjustments/write-backs on property, plants and equipment and intangible assets (+/-)	-6,474,142	6,064,614
- Net allocations to risk and expense funds and other costs/income (+/-)	-83,929	480,111
- Outstanding net premiums (-)	0	0
- Other outstanding costs/income (-/+)	0	0
- Outstanding duties, taxes and receivables (+)	1,513,457	1,866,735
- Net adjustments/write-backs of groups of assets being divested net of tax (+/-)	0	0
- Other adjustments (+/-)	0	0
2 Liquidity generated/absorbed by financial assets	**-831,329,311**	**-164,787,643**
- Financial assets held for trading	-7,490,688	14,278,242
- Financial assets measured at fair value	0	0
- Other assets obligatorily measured at fair value	-14,810,546	-13,605,906
- Financial assets measured at fair value with impact on total profits	-334,884,483	164,018,155
- Financial assets measured at amortised cost	-458,013,469	-319,024,434
- Other assets	-16,130,125	-10,453,700
3 Liquidity generated/absorbed by financial liabilities	**830,214,266**	**195,208,086**
- Financial liabilities measured at amortised cost	836,535,142	197,053,605
- Financial liabilities from trading	52,446	328,612
- Financial liabilities measured at fair value	0	0
- Other liabilities	-6,373,322	-2,174,132
Net liquidity generated/absorbed by operating assets	**22,664,803**	**76,284,857**
B. INVESTMENT ACTIVITIES		
1 Liquidity generated by	**-6,108,599**	**-946,249**
- Sale of equity investments	0	0
- Dividends received from equity investments	0	0
- Sale of property, plants and equipment	-6,114,877	-946,249
- Sale of intangible assets	6,278	0
- Sale of subsidiaries and branches of business	0	0
2 Liquidity absorbed by	**-20,260,496**	**-7,666,547**
- Purchase of equity investments	-4,114,089	0
- Purchase of property, plants and equipment	-14,683,906	-5,769,339
- Purchase of intangible assets	-1,462,501	-1,897,209
- Purchase of subsidiaries and branches of business	0	0
Net liquidity generated /absorbed by investment activities	**-26,369,095**	**-8,612,796**
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	0	0
- Issue/purchase of capital instruments	17,000,000	10,000,000
- Distribution of dividends and other purposes	0	0

INDIRECT METHOD	Amounts	Amounts
	31/12/2021	31/12/2020 (*)
- Sale/purchase of third-party control	0	0
Net liquidity generated/absorbed by funding activities	**17,000,000**	**10,000,000**
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	**13,295,708**	**77,672,061**

Key:
(+) generated
(-) absorbed

RECONCILIATION	Amount	Amount
Line items of the financial statements	**31/12/2021**	**31/12/2020 (*)**
Cash and cash equivalents at the beginning of the fiscal year	91,711,538	14,039,477
Total net liquidity generated/absorbed during the fiscal year	13,295,708	77,672,061
Cash and cash equivalents: effects of variations of exchange rates	0	0
Cash and cash equivalents at the close of the fiscal year	105,007,246	91,711,538

(*) Line item "10. Cash and cash equivalents" from the previous fiscal year is reported again in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262.

Consolidated Explanatory Notes

PART A – Accounting policies

A.1 – General part

Section 1 – Statement of conformity to International accounting standards

The consolidated financial statements of Gruppo Bancario Cambiano (the Group) were prepared in compliance with the IAS/IFRS1 international accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretation Committee (IFRIC) approved by the European Commission and in force at 31 December 2021, transposed into Italian law by Legislative Decree n. 38/2005 that exercised the option provided for by EC Regulation n. 1606/2002 on the matter of international accounting standards. The financial statements as at 31 December 2021 were prepared based on the instructions issued by Bank of Italy with Circular n. 262/05 “Banking financial statements: schedules and rules for preparation” updated to the 7th update of 02/11/2021. Said instructions establish obligatory schedule requirements for the financial statements and the respective methods of preparation, including compulsory contents of the Explanatory Notes. The financial statements are composed of the balance sheet, the income statement, the schedule of overall profitability, the cash flow statement, the schedule of variations to shareholders’ equity, and the explanatory notes, and are accompanied by a report on management. The schedules to the balance sheet and income statement are drawn up in Euro units and all other schedules and the tables in the explanatory notes are in thousands of Euro. The accounting standards adopted for the preparation of the Financial Statements for 2021, as regards the classification, recognition, measurement and derecognition of the various entries in the assets and liabilities, and the methods for recognition of revenues and costs, are unvaried with respect to the Financial Statements for 2020, with the exception of the changes made following the coming into effect, starting 1 January 2021, of the new accounting standards detailed below.

Document title	Date of approval	Effective as of	EU Regulation
Extension of temporary exemption from application of IFRS 9– Changes to IFRS 4	15/12/2020	01/01/2021	N. 2097/2020
Reform of indexes of reference for the determination of interest rates – stage 2: Changes to IFRS 9, to IAS 39, to IFRS 7, to IFRS 4 and to IFRS 16	13/01/2021	01/01/2021	N. 25/2021
EU Regulation (UE) 2021/1421 of the European Commission dated 30 August 2021, was published in Official Gazette, L 305 of 31 August 2021, which implements “Forbearance measures on fees related to COVID-19 after 30 June 2021 (Modification to IFRS 16)”. The modification of IFRS 16 Leasing extends aid measures related to COVID-19 for lessees in relation to lease contracts with suspension of payments and with payment originally due before 30 June 2022 included. This applies only to forbearance on fees that is a direct consequence of the COVID-19 pandemic.	30/08/2021	01/04/2021	N. 1421/2021

As regards the specified Regulation, following the changes that came into effect on 1 January 2021, the Bank did not identify any effects of relevance regarding financial information as at 31 December 2021.

For EU Regulation 2021/1421, a retroactive application was not necessary, in that the amendment that the regulation entails is aimed at specifically dealing with the situation created subsequent to the Covid-19 pandemic; this did not entail significant effects on the Bank, as it made to changes to payable leasing contracts, neither during the 2020 fiscal year, nor during 2021, due to the spread of the pandemic.
The table below details the new International accounting standards, or the amendments to standards already in force, that will be effective as of 1 January 2022, or as at a date subsequent thereto.

Title of the document	Date of approval	Effective as of	EU Regulation
EU Regulation 2021/1980 of the Commission dated 28 June 2021 that amends EC Regulation n. 1126/2008 that adopts certain international accounting standards in compliance with EC Regulation 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 International Financial Reporting Standard (IFRS) 1, 3 and 9, was published in the Official Gazette L234 of 2 July 2021.	28/06/2021	01/01/2022	N. 1080/2021
EU Regulation 2021/2036 of the Council dated 19 November 2021 that adopts IFRS 17 Insurance Contracts, was published in the Official Gazette L 416 of 23 November 2021.	23/11/2021	01/01/2023	N. 2036/2021
EU Regulation 2022/357 of the Council dated 2 March 2022, that adopts the modifications to IAS 1 Presentation of the financial statements and IAS 8 Accounting standards, changes in accounting estimations and errors, was published in the Official Gazette L 68 of 3 March 2022. The changes clarify the differences between accounting standards and accounting estimation for the purpose of guarantying a coherent application of the accounting standards and the comparability between financial statements.	03/03/2022	01/01/2023	N. 357/2022

The Bank did not take advantage of the advance application of Regulation in effect as of 1 January 2022 in that it is not deemed that such changes would entail significant effects to the financial and economic situation.

Finally, as at the date of approval of these financial statements, the process for the homologations by the component organs of the European Union, necessary for the adoption of the amendments specified below, has yet to be completed. Said amendments are:

• "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12" (these amendments are expected to come into effect starting 1 January 2023).

The possible effects of the introduction of the aforementioned amendments is under review.

Please note that the disposition of Bank of Italy require that, as regards merger transactions, the schedules to the financial statements and to the Explanatory Notes, the comparative data referred to the previous fiscal year (T-1) must be the same as those of the incorporated entity. In order to favour the comparability of the data related to fiscal years (T) and (T-1), greater detail is provided within the scope of the report on management, by means of a reclassification of the data for the (T-1) period.

Section 2 –General principles for preparation

The financial statements are prepared in observance of the following general principles set forth in IAS 1:

- Going concern – The financial statements were prepared on a going concern assumption, regarding which there are no uncertainties;
- Accrual basis accounting – Revenues and expenses are booked, regardless of their monetary settlement, based on economic accrual and correlation criteria;
- Coherency in the presentation of the financial statements – The format and classification of the various items are kept the same from one financial year to the next, in order to guaranty the comparability of the information, save for changes required by an International Accounting Standard or an interpretation thereof, or even only so that another presentation or classification is deemed more appropriate in terms of relevance and reliability in the representation of the information;
- Relevance and aggregation – Each relevant class of similar items is distinctly set out in the financial statements. Items that are dissimilar in terms by nature or destination are presented separately, unless they are irrelevant;
- No compensation – Assets, liabilities, expenses and revenues are not compensated the ones with the others, unless required by an International Accounting Standard or by an interpretation or unless where expressly provided for by statement schedules for banks;
- Comparative information– Comparative information is provided for the previous reporting period for all data entries in the schedules to the financial statements, with the exception of cases where an International Accounting Standard or an interpretation thereof allows differently. Commentary information and descriptions are also provided, when they provide a better understanding of the respective data or schedule;
- Periodicity of the information: the information must be prepared at least annually; if an entity changes the date of closure of its fiscal year, it must specify the reason for said change in date of closing of the fiscal year, and the fact that data are not comparable.

The financial statements for the fiscal year were prepared using the schedules and regulations for preparation of the statements as per Bank of Italy Circular n. 262 of 2005 (seventh update) and Communication issued on 21 December 2021 – Update to the integrations to the provisions of Circular n. 262 "Banking financial statements: schedules and regulations for the preparation" regarding the impact of COVID-19 and the measures in aid of the economy by Bank of Italy. The financial statements, where applicable, also take into account interpretation-type documents and documents in support of the application of the accounting standards with respect to the impacts of COVID-19, issued by regulatory and supervisory authorities and standard setters. Said documents include:

- EBA communication issued on 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures";
- ESMA communication issued on 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- IFRS Foundation document of 27 March 2020 "IFRS 9 and covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic";
- ECB letter of 1 April 2020 "IFRS 9 in the context of the Coronavirus (COVID 19) pandemic" addressed to all organisations of relevance;
- EBA guidelines of 2 April 2020 "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis";
- ESMA communication of 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";

- EBA guidelines of 2 June 2020 “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis”;
- ESMA of 28 October 2020 “European common enforcement priorities for 2020 annual financial reports”;
- EBA guidelines of 2 December 2020 “Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis”;
- letter of 4 December 2020 “Identification and measurement of credit risk in the context of the Coronavirus (COVID 19) pandemic” addressed to all organisations of relevance.
- ESMA communication of 29 October 2021 “European common enforcement priorities for 2021 annual financial reports”.

Update to Circular n. 262 – Illustration of the principle novelties and consequent re-statement of comparative balances

On 29 October 2021, Bank of Italy published the 7th update to Circular n. 262, pertinent to the preparation of the 2021 financial statements, with the aim of ensuring greater comparability between financial statement information and FINREP regulatory reporting, already transmitted to Bank of Italy quarterly, and of transposing the new information provisions provided for by IFRS 7.

The main novelties, introduced by the update in question, refer to the representation in the financial statements of the following entries:

- demand receivables from banks and Central Banks;
- impaired receivables purchased and originated (so-called POCI - *Purchased or Originated Credit Impaired*);
- intangible assets;
- commission income and expenses;
- contributions to the recovery fund and to deposit guaranty schemes.

The new information requirements provided for under IFRS 7 were also introduced, following approval of Regulation n. 25 of 13 January 2021 relative to the “Reform of reference indexes for the determination of interest rates, Stage 2”, to be provided in “Part A – Accounting Policies”.

For the aforementioned entries, the new preparation regulations have entailed the need to re-state certain comparative data from the previous fiscal year, in order to ensure a uniform comparison with those referred to the 2021 fiscal year.

A brief review of the changes introduced, and of the respective impact on comparative balances contained in the schedules to the financial statements and/or in the tables of the Explanatory Notes is provided here following.

<u>Changes with impact on the schedules of the financial statements</u>

The update in question requires that line item “10. Cash and cash equivalents” include demand receivables– current accounts and deposits – from all banks, including central banks; the previous instructions required that demand receivables from banks other than central banks were to be included in line item “40. Financial assets measured at amortised cost”, while demand deposits in central banks were already included in line item “10. Cash and cash equivalents”.

For receivables correlated to the “regulatory reserve” obligations relative to central banks, the classification in line item “40. Financial assets measured at amortised cost” was confirmed.

The new classification criteria therefore create the need to re-state the balances of the balance sheet schedule originally filed on 31 December 2020, in order to reclassify receivables from banks, amounting to 77.801 million, from line item “40. Financial assets measured at amortised cost” to line item “10. Cash and cash equivalents”, as summarised in the table below.

Financial Statement Line items (Euro/000)	31.12.2020 Reclassified (A)	31.12.2020 Filed(B)	Impact of reclassification (A)-(B)
10. Cash and cash equivalents	91,711	13,910	77,801
40. Financial assets measured at amortised cost	3,461,719	3,539,521	-77,801
a) Receivables from banks	300,064	377,865	-77,801

Consistently with the changes made to the balance sheet, line item “130. Net adjustments/write-backs due to impairment” in the income statement was adjusted to conventionally include net adjustments/write-backs on “demand” receivables from banks and central banks, entered in balance sheet line item “10. Cash and cash equivalents”.

<u>Changes with impact on the details of the Explanatory Notes</u>

The update to Circular n. 262 also required changes to some of the details of the Explanatory Notes, with the resulting need to re-state comparative data of the 2020 fiscal year, as illustrated following; for further details, please consult the specific tables of the Explanatory Notes.

Demand receivables from banks and Central Banks
The change made to the classification criteria for demand receivables from banks, as illustrated above, has determined a different detailing in the tables regarding the breakdown of line item "10. Cash and cash equivalents (Assets table 1.1), and line item "40. Financial assets measured at amortised cost" (Assets table 4.1) and in table 4.4 "Financial assets measured at amortised cost: gross value and overall value adjustments", with the consequent re-statement of the balances at 31 December 2020.
Consequently, the comparative balances of the tables relating to the item receivables from banks and central banks contained in Part E of these Explanatory Notes were also re-classified.

Impaired receivables purchased and originated (so-called POCI)
For the portfolios of "Financial assets measured at amortised cost" and "Financial assets measured at fair value with impact on total profits", compliance with the FINREP has entailed a different representation of "purchased or originated impaired" financial assets (so-called POCI), which, starting from these financial statements, are no longer included in the breakdown by stages of credit risk, but booked separately as a new credit quality category.

For the bank, this case regards only the portfolio of "Financial assets measured at amortised cost" and specifically "Receivables from customers". At 31 December 2021, the balance sheet value of impaired receivables purchased or originated amounted to 859 thousand euro, equal to the imbalance between a gross value of 1,092 thousand euro and overall value adjustments for 233 thousand euro, and was booked:

- In Stage 2 for 449 thousand euro, equal to the imbalance between a gross value of 461 thousand euro and overall value adjustments for 12 thousand euro;
- In Stage 3 for 410 thousand euro, equal to the imbalance between a gross value of 631 thousand euro and overall value adjustments for 221 thousand euro.

Intangible assets
As regards the breakdown of Intangible assets, a specific entry was required for software that does not constitute an integral part of hardware pursuant to IAS 38 (Table "9.1 Intangible assets: breakdown by type of asset" contained in Part B of the Explanatory Notes). This type of asset is not present in the Bank's financial statements.

Commission income and expenses
The update in question revised the breakdown of the tables in the Explanatory Notes "2.1 Commission income" and "2.2 Commission expenses" in order to align it, as far as possible, with FINREP details, while keeping the previous information details for certain types of services offered.
The new information requirements allowed allocated a part of commissions, previously booked in the residual line item of other services, to pertinent sub-line items, with particular reference to commission income relative to the use of monetics and those correlated to the supply and management of loans.

Contributions to the recovery fund and deposit guaranty schemes
The update to the Circular requires providing separate information evidence relating to contributions to recovery funds and deposit guaranty schemes booked in the balance sheet as "Other administrative costs" (Table "12.5 Other administrative costs: breakdown" contained in Part C of the Explanatory Notes).

Statement of business continuity
With reference to Bank of Italy, Consob and Isvap requirements as set forth in Joint Document n.4 of 3 March 2010, the individual financial statements at 31 December 2021 were prepared presuming business continuity: indeed, the Board does not deem that any risks or uncertainties have arisen, such as to raise doubts regarding business continuity. It is the opinion of the Board that the Bank has reasonable expectation to continue to operate in the foreseeable future; the individual financial statements have been prepared on the basis of business continuity.
In order to express this opinion, the Board has also assessed the effects of the health pandemic, still under way, that may reasonably have negative repercussions on future company results; nevertheless, said effects are considered of an entity that does not give rise to uncertainties in terms of business continuity.

Areas and methods of consolidation

The consolidated financial statements of the Cambiano Banking Group include the financial statements of Banca Cambiano 1884 S.p.A. and of the latter's subsidiary companies. Subsidiaries are intended as those companies in which the Parent Company, either directly or indirectly, holds more than half of the voting rights or when, albeit with a lower percent of voting rights, the Parent Company has the power to nominate the majority of directors of the company or to define the company's financial and operational policies. The assessment of the voting rights also takes into account the "potential" rights that can currently be exercised or converted into effective voting rights at any moment. Companies that are considered associates, and hence subject to considerable influence, are companies in which the Parent Company, either directly or indirectly, holds at least 20% of voting rights (including "potential" voting rights as described above) or in which – albeit with a lower percent of voting rights – it has the power to participate in determining the financial and management policies of the investee company by virtue of specific legal connections, such as participation in union agreements. Controlled equity investments are consolidated using the line-by-line method, while non-controlling interests are consolidated based on the net equity method.

Consolidation criteria

The consolidated financial statements of Banca Cambiano 1884 S.p.A. include the financial and operating results of the Parent Company and of directly and indirectly controlled companies.

The new concept of control (IFRS 10 § 6) is based on the simultaneous existence of three elements:

- The power to manage significant activities, that is, activities carried out by the investee that can affects its returns;
- Exposure to the variability of returns deriving from the activity of the investee;
- Using powers to affect returns.
- Companies in which the Parent Company either directly or indirectly holds more than half the voting rights are considered controlled companies (subsidiaries). However, the concept of control is considered present when the Parent Company simultaneously has power over the investee company. There must necessarily be a correlation between powers and returns that is manifest when there are valid rights that grant the Parent Company the actual ability to managing relevant activities or affect the investee's returns in a significant manner.
- Jointly controlled companies are companies in which the voting rights and control over economic activities of the investee are shared jointly by the Parent Company, directly and indirectly, and another undertaking. Moreover, an investee is considered subject to joint control when, without there being equal proportion of voting rights, control of the investee's commercial activity and strategic policies is shared with other undertakings, by virtue of contract agreements. As at 31 December 2020, there are no jointly controlled companies in Cambiano Banking Group.
- Companies in which the Parent Company, either directly or indirectly, holds at least one fifth of the voting rights (including "potential" voting rights) and in which the Parent Company has the power to participate in defining financial and management policies, are considered associated companies. Companies in which - albeit with a lower percent of voting rights – the Parent Company has the power to participate in determining the financial and management policies of the investee company by virtue of specific legal connections, such as participation in union agreements are also considered associated companies.

Methods of consolidation

As a rule, controlled equity investments are consolidated on a line-by-line basis, while those subject to joint control and non-control investees over which the Group exercises considerable influence, are consolidated using the net equity method.

The reference criteria for line-by-line consolidation are the following: asset and liability items and the Income Statement are fully acquired "line-by-line";

- Payables and receivables, off-balance sheet transactions, and income and charges, and profit and loss, originating from relations between companies within the scope of the consolidation are eliminated;
- The shares of shareholders' equity and profit for the fiscal year attributable to third-party shareholders (minority interests) in the consolidated undertakings, are included in specific line items of the liabilities section of the Financial Statements and Income Statement;
- On initial consolidation, the carrying value of equity investments in fully or proportionately consolidated companies is cancelled against the shareholders' equity of the same companies (that is, of the shares in equity that the same equity investments represent).
- Any variations in the ownership interest in a subsidiary are booked as capital transactions. Any difference between the value by which equity investments are adjusted and the fair value of the consideration paid (or received) must be recognised directly as a variation to equity and adequately allocated to minority shareholders;
- On a yearly basis (or every time there are write-downs in value) the adequacy of the value of goodwill is verified (so-called impairment test), as required by IAS 36. In order to meet regulatory obligations, the cash generating unit to which goodwill is to be allocated must be identified. The amount of any write-down in value is the negative difference between the booking value of goodwill and its recovery value, determined as the greater between the fair value of the cash generating unit, net of sale expenses, and the relative value of use. The consequent value adjustments are booked to the Income statement.

The net equity method requires that:

- The book value of relevant equity investments, held by the Parent Company, or by other Group Companies, pertaining to companies consolidated using the net equity method, must be compared with the pertinent share of equity of the investees. Any excess for the book value – on first application of the consolidated financial statements – is included in the booking value of the investees. Variations to equity that occur in years subsequent to that of first application, are recognised at line item 250 of the consolidated income statements ("profits and losses of equity investments"), to the extent in which the variations in question are attributable to profits or losses of the investees, and directly to shareholders' equity for the residual amount. As regards the consolidation of equity investments in associated companies, where available, the draft financial statements as 31 December 2020 approved by the respective Boards of Directors, were used; these not being available, data from the last approved financial statements were used (generally those at 31 December 2019);
- If there is evidence that the value of a relevant shareholding may have dropped, an estimation is made of the recoverable value of the shareholding in question, taking into account the current value of future cash flows that the shareholding may generate, including the ultimate disposal of the investment. If the recovery value is less than the book value, the relative difference is recognised in the Income Statement.

Current regulations require that that two perimeters of consolidation be managed:

- Accounting consolidation perimeter disciplined by IFRS 10 "Consolidated Financial Statements", IAS 27 "Separate Financial Statements", IAS 28 "Investments in associates and joint ventures" and, where pertinent, IFRS 11 "Joint Arrangements", (all issued with EC Regulation n. 1254/2012 and effective as at 1 January 2014 and subsequent updates) and IFRS 3 "Business Combinations" (issued with EC Regulation n. 495/2009 and subsequent updates).
- Prudential consolidation perimeter disciplined by (EU) Regulation n. 575/2013 in which art. 19 provides instructions regarding the entities excluded by the scope of application of prudential consolidation.

The above regulations contribute, as mentioned, to the determination of the perimeters of consolidation and the methods by means of which the consolidation is to take place.

International accounting principles require that controlled equity investments (subsidiaries) be consolidated using the line-by-line method, while companies under joint control and non-controlled undertakings on which the Group exercises relevant influence (associates) be consolidated using the net equity method. Vigilance regulations (CRR), in aforementioned art. 19, exclude from line-by-line consolidation financial institutions and special vehicle companies that area a part of the Group, where total amount of assets and off-balance sheet items is less than the smaller of the following two amounts:

- 10 million euro;
- 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds participation.

As at 31 December 2020, all the companies in the Group are consolidated using the line-by-line method.

With respect to the scope of consolidation at 31/12/2020, the only variation regards the inclusion of the company Invest Italy SIM, acquired through the merger by incorporation of ex Invest Banca. The share holding in Invest Italy SIM was in fact held by ex Invest Banca; due to acquisition of the controlling interest in the company, a special application was been submitted to the Supervisory Body, that authorised the transaction.

The merger transaction also entailed the acquisition of a shareholding in the companies Gardena Capital LTD and Cabel IP S.p.A., consolidated at net equity.

Equity investments in controlled and significant influence companies (consolidated at net equity).

Name of the company	Head offices	Type of relationship	Investor	Share percent	Percent of voting rights
Immobiliare 1884 S.p.A.	Florence	1	**Banca Cambiano 1884 S.p.A.**	100.00%	100.00%
Cabel Leasing S.p.A.	Empoli	1	**Banca Cambiano 1884 S.p.A.**	90.00%	90.00%
Invest Italy SIM S.p.A.	Empoli	1	**Banca Cambiano 1884 S.p.A**	72.10%	72.10%
Cabel Holding S.p.A.	Empoli	2	**Banca Cambiano 1884 S.p.A.**	49.60%	29.60%
Cabel Industry S.p.A.	Empoli	2	**Banca Cambiano 1884 S.p.A.**	18.00%	18.00%
Gardena Capital LTD	London	2	**Banca Cambiano 1884 S.p.A.**	39.00%	39.00%
Cabel IP S.p.A.	Empoli	2	**Banca Cambiano 1884 S.p.A.**	25.48%	25.48%

Key
(1) Controlled
(2) Significant influence

Other information

As regards the consolidation of companies using the line-by-line method, the accounting situations prepared and approved by each individual company as at 31 December 2021. were used. Group companies, subject to the application of national accounting principles, were required to prepare accounting schedules and data conformant to the

International accounting standards applied in preparing the consolidated accounts.
For the consolidation of subsidiaries, using the net equity method, data referred to were the financial statement data as at 30/09/2021 of the subsidiary.

Section 3 – Events subsequent to the date of reference of these financial statements

Subsequent to the preparation of the financial statements closed on 2021, there were no particularly noteworthy events such as to require modifying any of the approved, adjusting any of the results or providing any additional information. For greater details on the events subsequent to 2021, please see the respective section in the Board of Directors' report on management.

Among the noteworthy events occurring during the period included between the date of reference of the financial statements (31 December 2021) and the date of approval of the proposed financial statements by the Board of Directors, please take note of:

The Russia-Ukraine war

On 24 February 2022 Russia proclaimed a military operation in the Donbas area that initiated a invasion of the Ukraine.
The Russian aggression was immediately and firmly condemned both by the European Union and by the United States and all the NATO member states. This condemnation was followed by the approval of a wide range of sanctions against Russia, including a stop on all technology exports, a ban from affairs with Russian federal companies, strategic companies and all gas and petrol production companies, as well as the block on the SWIFT system for Russian banks.
These sanctions generated an immediate crisis in the Russian financial system, as manifested by a rapid and heavy value drop of the rouble, the declassing of sovereign rating, generating serious bankruptcy risks for Russian banks and a harsh drop in the quotations of shares issued by Russian companies.
The effects of these sanctions are, however, destined to also fall back upon the western countries that have imposed them, and the macro-economic prospects are, today, very uncertain, as the impact of the events described above will depend in large part on the unforeseeable duration and outcome of the current conflict.
The current hypothesis is one of reduced economic growth in Europe and in Italy, due to the effect of the increase in energy prices and raw material, that will aggravate the rise of inflation already underway. The hypothesis that regards the adoption of a less accommodating monetary policy by the ECB seems, as of now, without foundation, in light of the need to contrast the negative effects of the sanctions and the increase in energy costs and raw materials, and the expected rise in interest rates is therefore no longer a threat.
As indicated in the introduction, the Russia-Ukraine war represents a fact that does not require any adjustments to the balances of the financial statements (so-called "*non adjusting events*"), in that the event and the relative consequences manifested themselves subsequent to 31 December 2021.
Please note, however, that the Bank does not have any direct exposures relating to Russia and Ukraine.
Instead, as regards indirect effects, taking into account the elements of absolute risk regarding the evolution of the conflict and its consequences on the macro-economic scenarios, that are difficult to foresee, the Bank may, obviously , be forced to revise the estimation of balance sheet values during 2022, in light of new information as it becomes available.

Lastly, art. 42 of Law Decree 17/2022 (published in the Official Gazette of 1 March 2022) under comma 1, has provided that the reduction of the 12 percent share of the sum amount of negative components (write-back of receivables *ante* 2015) provided for, for the purpose of IRES and IRAP taxation, respectively by commas 4 and 9 of article 16 of Law Decree n. 83 of 27 June 2015 (Conv. Law. 132/2015), for the taxation period underway at 31 December 2021, is deferred, in constant quotas, to the taxation period underway at 31 December 2022 and to the three subsequent periods. The effect of this provision on the profit and loss account, if converted, will determine only a reclassification from pre-paid taxes to current taxes, for 2.7 million euro; similarly, there will be a lesser use of pre-paid tax receivables and a greater debt due to current tax liabilities.

The introduction of this regulation may reasonably be considered a subsequent event, that does not required the need to operate variations to the line items of the financial statement, in consideration of its introduction subsequent to 31 December 2021, and so it does not affect the results of the period and the Group's equity values.

Section 4 – Other aspects

The Bank's financial statements were submitted to audit by the company Deloitte & Touche s.p.a..

Use of estimates and assumptions in the preparation of the financial statements for the fiscal year

Preparation of the financial statements is also based on estimations and assumptions that may have significant effects on the values registered in the income statement, as well as on the information regarding potential assets and liabilities recorded in the financial statements.
Calculating these estimations implicates the use of the information available and the application of subjective evaluations also based on acquired experience, used for the purpose of formulating reasonable assumptions regarding the relevance of management events. By their very nature, the estimations and assumptions used may vary from one period to another; therefore, it is not inconceivable that in subsequent fiscal years the values registered in the financial statements may differ even significantly, following changes in the subjective evaluations applied.
The main items for which the use of subjective evaluations on the part of the Bank is mostly required are:

- The quantification of losses due to loss in value of receivables and, in general, of other financial assets;
- The determination of the fair value of financial instruments to be used for the purpose of information on the financial statements;
- The use of evaluation models to determine the fair value of financial instruments not traded on an active market;
- The evaluation of the congruity of the value of goodwill and of other intangible assets;
- The quantification of personnel funds and risk and expense funds;
- Estimations and assumptions regarding the recoverability of deferred tax assets.

The description of the accounting policies applied on the main financial statement aggregates provides the details and information necessary to identify the main subjective assumptions and evaluations used to prepare the fiscal year financial statements. For further detailed information regarding the composition and the relative entry values of the items involved in the aforementioned estimations, please refer to the specific sections of the explanatory notes.

Option for the consolidated financial statements

Starting from the 2017 fiscal year, Ente Cambiano exercised the option for the “national consolidated tax return”, disciplined by articles 117-129 of the TUIR (Italian Tax Consolidation Act) and introduced by Legislative Decree n. 344/2003 and subsequent amendments. This is an optional taxation system, which is binding for three years, by virtue of which the subordinate member companies transfer their economic results to the controlling company, only for tax purposes, which then registers a sole taxable income or taxable loss.
The effects of the consolidated tax return are booked in the line item "Other assets - receivables from Group companies due to tax consolidation" as accounting contra-entry for line item “Current tax liabilities” for IRES (income tax) allocations made by the consolidated companies gross of withholdings and pre-paid amounts.
The line item "Other liabilities – payables to Group companies for tax consolidation" represents the accounting contra-entry of line item "Current tax receivables" for pre-paid IRES (income tax) amounts and withholdings paid by companies included in the tax consolidation, who transferred said amounts to the consolidating company.

Risks, uncertainties and effects of the Covid-19 pandemic

Below is the information required by Bank of Italy Communication of 21 December 2021, by means of which the specific information, introduced starting from the 2020 financial statements, regarding the uncertainties and impact of Covid-19, were reconfirmed for the 2021 reporting period as well, due to the continuation of the crisis and of the relative aid measures still in force.
Indeed, the principle factors of uncertainty that could affect the future scenarios in which the Group will operate must include the negative effects on the global and domestic economy that are directly or indirectly associated to the Coronavirus (Covid-19) epidemic.
The spread of the Covid-19 pandemic, and its implications for public health, for business activities and for commerce, almost two years down the line from the start of the health emergency, continue to significantly affect the markets in which the Bank operates.
efforts of the vaccination campaign, the evolution of new variants of the virus during the last quarter has not permitted a significant reduction of those elements of uncertainty associated to the reboot of economic and productive activities, particularly as referred to those sectors most compromised by the health crisis. This recovery, in addition to being influenced by the evolution of the pandemic, will also depend on the efficacy and duration over time of the expansive aid measures – for household and business incomes, for credit to the economy and for market liquidity – undertaken by the competent authorities (governments, ECB, European Union...) in response to the health emergency.
As at the date of preparation of these financial statements, there is, however, significant uncertainty regarding the evolution of the new variants of the virus, and the effective implementation of the National Recovery and Resilience Plan by the federal government.
The extraordinary nature of the crisis underway is manifest in the documents issued, starting in the month of March 2020, by the various regulatory and vigilance authorities (hereinafter, the “Authorities”, for the sake of simplicity) and by standard setters, aimed at providing instructions and interpretations on how to apply the requirements of the

international accounting standards within the context of Covid-19, also with the aim of preventing the development of pro-cyclical effects, but simultaneously ensuring correct and transparent information and risk assessment. The aforementioned documents also highlighted the need to provide updated information regarding the risks associated to Covid-19 that could impact the economical-equity and financial situation and any actions undertaken or planned to mitigate said risks, as well as an indication of potential impacts relevant to the estimation of future trends.

Some concepts regarding the recognition, classification, measurement, and derecognition criteria of "Financial assets measured at amortised cost", represented by issued loans, adopted for the preparation of the financial statements for the fiscal period as at 31 December 2021, which were referred to for the purpose of treating the consequences of the Covid-19 pandemic, are described below. For the other recognition, classification, measurement, derecognition criteria relating to income components for balance sheet line items, please refer to Part A.2 of the Explanatory Notes.

Measurement of expected losses on credit exposures
As regards the calculation of expected losses at 31 December 2021, the Parent Company Bank incorporated the macro-economic scenarios that integrate the effects of the COVID-19 health emergency, into its IFRS impairment model, maintaining the macroeconomic scenarios of 31 December 2020. The estimation of the forward looking elements to be included in the calculation of expected losses, in application of IFRS 9, developed by the IT outsources, and the macro-economic variables underlying the estimation of the base, best case and worst case scenarios used to determine the IFRS 9 ECL, are provided by the external service provider. The model develops 3 scenarios that include the forward looking elements in the calculation of expected losses, and at 31/12/2021 the worst case scenario was applied.
Moreover, on the moratorium positions and on those with moratorium expired from 1 January to 31 December 2021, the write-off add-ons determined during the 2020 fiscal year, as an outcome of the analysis by the Risk Management function, were maintained.
In particular, estimation of the impact of the pandemic was conducted by simulating a "shift" to 12 months in Stage 3 of moratoria loans in Stage 2, applying a Probability of Default (PD) at 12 months, classified by sector.
In particular, estimation of the impact of the pandemic was conducted by simulating a "shift" to 12 months in Stage 3 of moratoria loans in Stage 2, applying a Probability of Default (PD) at 12 months, classified by sector.
In particular: to the sectors considered of greater risk – as defined on the basis of the data contained in the Bank of Italy analysis "Covid-19 Notes-The effects of the pandemic on liquidity needs, on financial statements and on risk profiles of companies" of 13 November 2020 (hereinafter, also "Covid 19 Notes"), and of the specificity of the Bank's lending portfolio (agriculture, artistic activities, commerce, construction, real estate, food industry, textiles, other and accommodation and restaurant services) – a PD at 12 months equal to 100% was applied, therefore hypothesizing that all moratoria loans granted to said sectors will migrate, over the next 12 months, from Stage 2 to Past Due.
In this way, therefore, a migration to Stage 3 was hypothesised for 2021 of 18.76% of the overall amount of loans in Stage 2.
For loans initiated within the scope of government guarantees made possible by the emergency legislation, the Board of Directors, based on a study conducted together with the IT outsourcer and with the aid of the company KPMG, approved a new method to calculate the impairment loss that takes into account the presence of the government backing, also in light of the relevance that said loans have acquired during the 2020-2021 fiscal periods.
In particular, for the part backed by government guarantees, the customer's PD and LGD parameters are replaced by those of the guarantor, that is, the Italian State, while for the part that is not government backed, the customer's parameters continue to be used.
Furthermore, the determination of the government backed part factorised in the so-called residual risk that is prudentially considered equal to 20%; therefore, in calculating the impairment loss, the guaranteed part is reduced by said percent[1].
The application of the new method has entailed lower impairment losses for overall 19 Mln/€, of which 1.5 Mln/€ on loans in Stage 1 and 0.4 Mln/€ on those in Stage 2.
Further, for government backed loans, as for moratoria loans, the add-on determined simulating a "shift" at 12 months to Stage 3 of all said loans in Stage 2, were maintained the same as for the 2020 fiscal year, applying a Probability of Default (PD) of 100% at 12 months to the following sectors: agriculture, artistic activities, commerce, construction, real estate, food industry, textiles, other and accommodation and restaurant services.
In this way, therefore, a migration to Stage 3 was hypothesised for 2021 of 11.98% of the overall amount of loans in Stage 2.
Instead, as regards the subsidiary company, Cabel Leasing, during the course of the 2021 fiscal period, the company continued to monitor the situation, with specific analyses aimed at identifying the best possible method of intervention on credit risk measurement and forecasting systems, adapting them to the evolution of the currently

[1] For example: in case of an 80% government guaranty, the exposure is considered guaranteed for 64% (80%-20%*80%).

developing context, and avoiding excessive pro-cyclicality in the definition of collective allocations, as also recommended by Regulators (among whom, specifically, ESMA and ECB).
Please bear in mind that the Company and Group had implemented various dispositions required by the Italian government (including the suspension of repayment instalments on loans – so-called "Covid-19 moratoria"), affirming its commitment to support Business and Family customers also through its own, special initiatives, and at the same time to identify the best manner to represent said measures in the financial statements, in application of internal accounting policies and Regulatory requirements.
Furthermore, as regards the calculation of the forecasted loss at 31 December 2021, Cabel Leasing continued to apply the IFRS 9 impairment model to macro-economic scenarios integrating the effects of the COVID-19 health emergency. Additionally, positions subject to moratoria, along with loans initiated within the scope of government guarantees provided for by emergency legislation, where examined by the Risk Management Function, that lead to the approval, by the Bank's Board of Directors, of a specific add-on for credit impairment of 708 thousand euro. The estimate of the impact of the pandemic on the 2021 financial statements was calculated by the Parent Company, simulating a "shift" to Stage 3 at 12 months of moratoria loans and government backed loans, both in Stage 2 in the 2020 financial statements, applying a Probability of Default (PD) at 12 months, separated by sector of classification.
The entity of impairment losses thus calculated (+8.15 Mln/€ on moratoria loans, of which 7.5 Mln/€ referred to the Bank and 650 thousand/€ to Cabel Leasing, and +0.958 Mln/€ on government backed loans, of which 0.9 Mln/€ referred to the Bank and 58 thousand/€ referred to Cabel Leasing) was entered as an add-on already in the credit impairment as at 31/12/2021.

Contract modifications deriving from Covid-19

1) Contract modifications and accounting derecognition (IFRS9)
The Group adopted a policy that discipline show to manage contract modifications relative to financial assets.
With the intent of providing aid to counterparties struck by the suspension or limitation of economic activities due to the Covid-19 crisis, the Bank granted various support measures to families and businesses, both as provided for by government interventions and based on bilateral initiatives within the scope of ABI agreements, including the suspension of payments and/or the postponement of the deadlines for existing loans (so-called moratoria).
On this matter, please note that for the classification of moratoria granted starting from the months of March 2020 and up to the month of November 2020, the Bank applied the so-called "*temporary framework*", introduced by the guidelines published by EBA on 2 April 2020, that provides for the exemption from the evaluation of financial difficulty ("*forbearance*") for those measures falling under the scheme of a "general payment moratorium".
From the month of November 2020 and up to 31 March 2021 the Bank took advantage of the postponement granted by the EBA for the application of the aforementioned *"temporary framework"* up to 31 March 2021, provided that the moratoria suspension period was not longer than nine months overall.
Starting from the month of April 2021, the Bank therefore restarted the process for verification of the status of financial difficulty, for the purpose of ascertaining the existence of the prerequisites for the classification of the exposures as "forbearance".
Nevertheless, following EBA clarifications issued on 29/01/2021 - in which, as shown, it is specified that, also for moratoria by law, if the overall duration of the payment suspension periods agreed on for a loan exceeds nine months, the flexibility granted applies only up to the end of the nine months – during the month of April, the Bank started the process to analytically assess all loans with moratoria granted to customer *ex lege* for the purpose of ascertaining the existence of the prerequisites for the classification of the exposures as "forbearance", completing the process in June 2021.

2) Amendment to the IFRS 16 accounting standard
The amendment made to IFRS 16 regarding contract modifications for passive leasing agreements made to take into account the situation caused by the Covid-19 pandemic did not have any significant effects on the Bank, as no modifications were made to passive leasing agreements during the 2021 fiscal year caused by the spread of the pandemic.

Accounting treatment of tax credits related to the "Cura Italia" and "Rilancio" Law Decrees, acquired following transfer by the direct beneficiaries or prior purchasers.
Approach used for the treatment of purchased tax credits (Tax Bonuses).

In order to establish an accounting policy in accordance with IAS 8, it is appropriate to analyse the issue from the point of view of initial recognition, measurement and consequent classification, taking into account the cost sustained by the transferee to purchase the credits, their usability characteristics and the need to recognise, based on accrual, the revenue obtained by the transferee. The transaction generates an asset (receivable) in the financial statements of the transferee, containing the right to avoid future disbursement. The tax credits provided for by the Decrees are, substantially, more akin to financial assets, in that they may be used to compensate a debt normally settled in cash (tax liabilities), or they may also be exchanged with other financial assets, at terms that may potentially be favourable to the entity and framed within a business model (for example, Hold To Collect if held up to expiry), it is our consideration that an accounting model based on IFRS 9 represents the accounting policy most suited to provide relevant and reliable information, as required by paragraph 10 of IAS 8. Indeed, it seems to guaranty a more adequate true representation of the financial, income and cash flow position of the entity, reflecting the economic substance, and not merely the form of the transaction, in a neutral, prudent and complete manner. In order to define the accounting approach to be adopted for the tax credits in question, reference will therefore be made to some of the provisions contained in accounting standard IFRS 9 for financial instruments. The purchase price of the tax receivables must account for a) the time value of money, and b) the possibility of using it within the relative time of expiry. Said price must meet the conditions of IFRS 9, according to which financial assets and liabilities must initially be recognised at fair value and be assimilated, in the hierarchy of fair value provided for by IFRS 13, to a level 3 fair value, as at the moment there are no comparable active markets or transactions. At the moment of initial recognition, the tax receivable is therefore recognised at the price of the transaction. For the subsequent measurement of financial assets at amortised cost, the following factors will be considered: i) the time value of money; ii) the use of an effective interest rate; and iii) the use flows of the tax receivable through netting. The effective interest rate is determined at origin, so that the actualised cash flows connected to future expected netting estimated for the expected duration of the tax receivable are equal to the purchase price of the tax receivables. To calculate the effective interest rate, the entity estimated expected netting, taking into account all the terms relating to the tax receivable, including the fact that the tax receivable not used in each netting period will be lost. The use of the amortised cost method allows spreading the revenues along the entire life of the said tax receivable, as well as immediately recognising any losses from the transaction. It follows that, if the entity reviews its estimations regarding use of the tax receivable through netting, it must adjust the gross accounting value of the tax receivable so as to reflect the estimated, effective and re-determined uses. The entity must recalculate the gross accounting value of the tax receivable as the current value of new estimations of use of the tax receivable through netting actualized at the original effective interest rate. Therefore, said re-determination, taking into account the absence of reimbursability by the counterparty (that is to say, the Revenue Agency), includes an impairment deriving by a possible missed use of purchased tax receivables. The evaluation regarding the missed use of a tax receivable will also reflect the fact that the entity could reasonably defined ceilings for credit purchases, based on the capacity of its debit position vis-à-vis the Revenue Agency. Alternatively, if the transferee should decide to adopt an operational management method, for said tax receivables, typical of a Hold To Collect and Sell business model, or to hold them for trading, both as described in IFRS 9, the subsequent measurement of the receivables would have to made at fair value. Hence, the following approach has been deemed viable:

- in terms of initial recognition: booking of the tax credit at the moment of purchase for a value that corresponds to its fair value;
- in terms of the subsequent measurement: application of the provisions of IFRS 9 relative to the Hold To Collect business model, that provide for measurement at amortised cost. If the transferee should decide to adopt an operational management method, for said tax receivables, typical of a Hold To Collect and Sell business model, or to hold them for other purposes (for example, for trading), as defined by IFRS 9, the receivables would have to be measured at fair value (at the moment, the historical cost is taken as fair value) with offset entry, respectively, in the schedule of overall profitability or in the income statement.

Representation in the financial statements and information to be provided in periodical accounting reports.

Considering that, in accordance with international accounting standards, purchased tax credits do not represent tax receivables, public contributions, intangible assets or financial assets, the most appropriate classification, for the purpose of representation in the financial statements, is the residual "other assets" line item of the balance sheet (assets line item 120), the impact of which amounts to 21,885 thousand euro, in accordance with paragraphs 54 and 55 of IAS 1 "Presentation of the financial statements". As regards representation, in the income statement and/or the overall profitability schedule, of revenues and charges deriving from the purchase and use of tax credits, it will reflect the method used by the transferee (Hold to Collect, Hold to Collect and Sell, Other) and the nature of said revenues and charges (interest, other measurement aspects, such as adjustments for write-backs, profit/loss from transfer), in accordance with paragraphs 82 and 82A of IAS 1 "Presentation of the financial statements".

Merger by incorporation of Invest Banca under e.a.

On 27 November 2021 the transaction for the merger by incorporation of Invest Banca S.p.A. under E.A. into Banca Cambiano 1884 S.p.A. became fully effective. Specifically, the Extraordinary Administration procedure was terminated on 27 November 2021; according to the provisions of the deed of merger, perfected on 18 November 2021, and specifically of article 2 letter d) of said deed, the accounting and taxation effects of said transaction run as of 1

November 2021. Therefore, pursuant to said provision, the acquired assets and liabilities of the incorporated entity (Invest Banca under e.a.) were booked at the inferable fair value at the date of acquisition, in application of the IFRS3 accounting principle, at 1 November 2021. Consequently, operations and the relative economic effects, of a very limited amount, from 1 November 2021 and up to 27 November 2021, were reflected in the financial statements of the Bank.
For greater details regarding the merger transaction, please refer to Part G of the Explanatory Notes – Combination transactions regarding businesses or branch of companies.

A.2 – Part related to the principle line items of the financial statements

1. Financial assets measured at fair value with impact on profit and loss account (FVTPL)

Classification criteria
This line item includes all financial assets other than those classified in the portfolio of financial assets measured at fair value with impact on total profits and in the portfolio of financial assets measured at amortised cost. Specifically, this line item includes:
-financial assets held for trading, represented by debt securities, capital Securities, lending, shares of CIUs and the positive fair value of derivative contracts, purchased and held for sale in the short-term to generate revenue from trading. This category also includes capital instruments, not qualified as control, joint-control or connection and for which were not designated at fair value with impact on total profits on initial measurement;
-assets measured at fair value, such as debt securities or lending, as defined at the moment of initial measurement, were the prerequisites required by IFRS 9 do not exist;
-other financial assets obligatorily measured at fair value, represented by debt securities, lending and shares of CIUs, that do not meet the requirements for measurement at amortised cost or at fair value with impact on total profits. These are, substantially, financial assets with contract terms that do not allow passing the so-called “SPPI test” or that are not held within the framework of a “Held to Collect” or “Held to Collect and Sell” business model.
The general rules regarding the reclassification of financial assets outlined by IFRS 9 do not allow reclassification of financial assets in other categories unless the entity modifies its business model for the management of financial assets. In such cases, not frequent however, the financial assets may be reclassified from the current category in one of the other two categories provided for by the principle (financial assets measured at amortised cost or financial assets measured at fair value with impact on total profits) and the carrying amount will be represented by the fair value at the moment of reclassification. The effects of the reclassification will be prospective starting from the date of reclassification In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the date of reclassification and this date is considered the date of initial measurement for allocation to the various credit risk stages for the purpose of impairment.
For more information regarding financial asset classification criteria, please consult the next section, “Financial asset classification criteria”.

Recognition criteria
Financial assets are initially recognised at the date of settlement for debt Securities, at the date of granting for lending and at the date of undersigning for derivative contracts. Financial assets measured at fair value with recognition of income effects through profit and loss are initially recognised at their fair value, which generally corresponds to the amount paid. Any costs/income for the transaction directly attributable to the instrument itself, incurred or collected in advance and that do not represent recovery of expenses (such as brokerage fees, placement, stamp duties, etc.) are instead recognised in the income statement.

Measurement criteria
Subsequent to initial recognition, financial assets measured at fair value with recognition of income effects through profit and loss are valued at fair value. The effects of the application of this measurement criteria are allocated to the Income Statement. The fair value of financial assets listed in active markets is determined with reference to market listings. In the absence of an active market, estimates and measurement models are used that take into account all the risk factors correlated to the instruments. For capital securities and derivative instruments based on capital securities, that are not listed on an active market, cost is used to estimate fair value only residually and limited to just a few circumstances.

Derecognition criteria
Financial assets are derecognised when the contract rights on cash flows deriving from the assets in question expire, or when the sale of the assets has substantially transferred all the related risks and benefits.

Criteria for recognition of income components
Profit and loss deriving from variations in fair value of financial assets held for trading are recognised for overall “imbalance” at line item 80 “Net trading result” in the income statement, including those relative to derivative instruments, while profit and loss deriving from variations in fair value of financial assets measured at fair value and financial assets obligatorily measured at fair value are recognised for overall “imbalance ” at line item 110, including the results of measurement at fair value of such assets.

2. Financial assets measured at fair value with impact on total profits (FLINE ITEMS)

Classification criteria

This line item includes all financial assets that meet two requirements: they are held based on a "Held to Collect and Sell" business model and the contract terms provide for cash flows represented solely by repayment of principal and interest, so the so-called "SPPI test" is passed. In order for a financial asset to be classified in this category or in the category of financial assets at amortised cost (see the next point), in addition to satisfying the business model requirement for which it was purchased, the contract terms of the asset itself must provide for cash flows represented solely by repayment of principal and interest on principal amount to be repaid at fixed dates ("Solely Payment of Principal and Interest" - SPPI). The SPPI test must be performed on recognition of the asset in the balance sheet while, subsequently to initial recognition and as long as the asset is booked in the balance sheet, it is not longer subject to new measurement for the purpose of the SPPI test. This line item also includes capital instruments not held for trading for which, on initial recognition, the option to recognise at fair value with impact on total profits was exercised.

For greater information regarding the classification criteria for financial instruments, please consult the next section, "Classification criteria of financial assets".

Recognition criteria

Financial assets measured at fair value with impact on total profits are recognised in the balance sheet at fair value, which generally corresponds to the paid amount. Any trading costs/income directly attributable to the asset, incurred or received in advance and that do not represent recovery of expenses, are capitalized on the initial value.

Measurement criteria

Subsequent to initial recognition, assets classified at fair value with impact on total profits continue to be measured at fair value. For capital securities not listed on active markets and included in this category, the cost criterion is used to estimate the fair value only residually and limited to a small number of circumstances.

Derecognition criteria

Financial assets are derecognised when the contract rights on cash flows deriving from the assets in question expire, or when the sale of the assets has substantially transferred all the related risks and benefits.

Criteria for recognition of income components

As regards debt securities, gains/losses are recognised in shareholders' equity reserves until the financial asset is derecognised, save for the effects of impairment and any exchange rate effect, which are recognised in the income statement. On disposal, the cumulative gains or losses are recognised in the income statement under item 100 "Gains/losses from disposal or repurchase". Loss in value is booked at line item 130 of the income statement "Net adjustments/write-backs due to impairment". Increases in value due to the passage of time are booked in the income statement as earned interest. Capital instruments for which the option to classify in this category has been exercised, are recognised at fair value (or, residually, at cost if the fair value cannot be calculated) and the amounts booked as a contra-entry for shareholders' equity will not be transferred to the income statement, even if they are sold. As provided for by IFRS 9, the only component connected to these instruments that is recognised in the income statement is represented by the respective dividends.

3. Financial assets measured at amortised cost

Classification criteria

This category comprises financial assets that meet both the following requirements:

- the objective of the relative business model is the collection of contractual cash flows ("HTC" business model);
- the contractual terms of the financial asset provide solely for repayment of principal and payment of interest on the amount of principal to be repaid at fixed dates (so-called "SPPI test" passed).

More specifically, this line item includes:

- lending to banks that meets the above requirements;
- lending to customers that meets the above requirements;
- debt securities that meet the above requirements.

Based on the general rules set out in IFRS 9 regarding the reclassification of financial assets reclassification to other categories of financial assets is permitted only if the entity changes its business model for management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of financial assets measured at amortised cost to one of the other two categories provided for by IFRS 9, "Financial assets measured at fair value with impact on total profits" or "Financial assets measured at fair value with recognition of income effects through profit and loss". The carrying amount is represented by the fair value at the reclassification date and the effects of the reclassification shall be prospective starting from the reclassification date. Gains and losses resulting from the difference between the amortised cost of the financial asset and the respective fair value are recognised in the income statement in case of reclassification to "Financial assets measured at fair value with recognition of income effects through profit and loss" and in Shareholders' equity, in the specific revaluation reserve, in case of reclassification to "Financial assets measured at fair value with impact on total profits". For more information regarding financial asset classification criteria, please consult the next section, “Financial asset classification criteria”.

Recognition criteria

Financial assets are initially recognised at the date of settlement as regards debt securities and at the date of disbursement as regarding loans. On initial recognition, assets are booked at fair value, comprehensive of transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method. Thus, the asset is recognised in the balance sheet for an amount equal to the initial value of recognition less repayment of principal, plus or minus cumulative amortisation (calculated using the above-mentioned effective interest rate method) of any difference between the amount disbursed and the amount payable on maturity (typically comprising costs/revenues attributable directly to the asset) and adjusted based on any hedging for losses. The effective interest rate is determined by calculating the rate equal to the current value of future cash flows for the asset, both principal and interest, on the sum disbursed, comprehensive of costs/revenues attributable to the asset itself. This accounting method, based on financial logic, allows distributing the economic effect of costs/revenues directly attributable to a financial asset along its entire expected residual life. The amortised cost method is not used for short-term assets measured at historic cost where discounting is deemed to have a negligible effect, for those with a fixed payment date and for those that are repayable on demand. Measurement criteria are closely connected to the inclusion of the instruments in question in one of the three credit risk stages provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets, while the first two (stages 1 and 2) comprise performing financial assets. As regards the booking of the aforementioned measurement effects, the value adjustments related to this type of asset are booked to the income statement:

- on initial recognition, for an amount equal to the expected loss at twelve months;
- on the next valuation of the asset, where the credit risk has not increased significantly with respect to initial recognition, in relation to the amount of value adjustments for expected losses over the next twelve months;
- on the next valuation of the asset, where the credit risk has increased significantly with respect to initial recognition, in relation to the amount of value adjustments for expected losses over the asset’s entire residual contractual life;
- on the next valuation of the asset, where the credit risk has increased significantly with respect to initial recognition, where the “significance” of the increase has subsequently ceased to exist, in relation to the correction of cumulative value adjustments to take into account passing from expected loss over the entire residual life-time of the instrument to expected losses over a period of twelve months. If the financial assets in question are performing assets, they are subject to valuation, aimed at defining the value adjustments to be recognised in the balance sheet, as individual receivables or securities, based on parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD) specifically provided for by the IFRS 9 accounting principle. If, in addition to a significant increase of the credit risk, there is also objective evidence of a loss of value, the amount of the write-down is measured as the difference between the balance sheet value of the asset, classified as “impaired”, as for all other positions with the same counterparty, and the current value of expected future cash flows, discounted by the original effective interest rate. The amount of the write-down, to be recognised in the income statement, is defined based on an analytical measurement process or determined by category and, therefore, analytically attributed to each position and takes into account forward looking information and possible alternative recovery scenarios. Impaired receivables include financial instruments those that are considered non-performing, probably non-performing or overdue/past-due for more than ninety days, as per Bank of Italy regulations, in compliance with IAS/IFRS and European regulatory regulations. Expected cash flows take into account forecast recovery times and the estimated realizable value of any collateral. If the reasons for write-down are removed following an event occurring subsequent to recognition of the write-down, write-backs are entered in the income statement. Value recovery cannot exceed the amortised cost that the financial instrument would have had without the previous adjustments. Reversal of impairment loss due to Value recoveries connected to the passage of time are booked to the income statement. In some cases, during the life of the financial assets in question and, specifically, of receivables, the original contractual conditions are modified by the contract parties. If the contractual clauses are modified during the life-span of a financial instrument, it must be ascertained whether the original asset must continue to be recognised in the balance sheet or if, to the contrary, the original asset should be derecognised, with recognition of a new financial instrument. In general, changes to a financial asset lead to derecognition of the asset and recognition of a new asset when the changes in question are “substantial”. The analyses (qualitative and quantitative) aimed at defining the “substantiality” of contract modifications made to a given financial asset must, therefore, take into account the reason for the changes in question, for example, renegotiation for commercial reasons and renegotiation for financial difficulty of the counterparty. The first type of renegotiation, aimed at “holding onto” the customer, involve a debtor who is not in financial difficulty. These situations include all renegotiations aimed at adjusting the burden of the debt to market conditions. These operations entail a variation of the original contract conditions, usually by requested by the debtor, regarding aspects related to the cost of the debt, with a consequent economic benefit for the same debtor. Generally

speaking, it is our opinion that every time the bank renegotiates in order to avoid losing a customer, the renegotiation should be considered substantial in that, were it not carried out, the customer could seek financing from another broker and the bank would suffer a loss of expected future revenue. The second kind, carried out for “credit risk reasons” (forbearance measures), are the bank’s attempt to maximize recovery of the cash flow of the original receivable- The underlying risks and benefits, subsequent to the changes, are generally not transferred and, consequently, the accounting representation that provides the most relevant information for balance sheet interpretation is through “modification accounting”, that entails recognition in the income statement of the difference between booking value and current value of the modified cash flow discounted by the original interest rate and not through derecognition.

In accordance with provisions outlined by the EBA in the “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis” dated 4 April 2020, moratoria granted to customers *ex lege* and in application of category agreements (ABI agreements), are not considered indicators of financial difficulty for the purpose of the classification of individual exposures within the scope of forborne exposures (and, consequently, for inclusion in Stage 2).

Derecognition criteria

Financial assets are derecognised only if the sale of the assets has substantially transferred all the related risks and benefits. Contrarily, if a significant amount of risks and benefits related to sold financial assets is retained by the transferor, the assets in question will continue to be recognised on the balance sheet, even though the official title has been transferred. If ascertaining the substantial transfer of risks and benefits is not possible, the financial assets are derecognised from the financial statements if no control whatsoever is retained over the assets in question. Contrarily, retention, even in part, of control entails recognition of the assets in the balance sheet for the amount equal to the residual participation, measured by exposure to changes in value of the transferred assets and to the variations of asset cash flows.

Recognition of income components

As regards instruments measured at amortised cost (receivables from banks and receivables from customers), interest is calculated using the effective interest rate, that is, the rate that exactly discounts cash flows during the expected life of the instrument (IRR rate).

The IRR, and therefore the amortised cost, are determined taking into consideration any discounts or premiums on purchase, costs or fees that are an integral part of the amortised cost.

Interest on impaired receivables are calculated on the net exposure of the Expected Credit Losses.

Value adjustments or write-backs, deriving from the Expected Credit Losses model that has been adopted, are booked in the income statement at line item “Net adjustments/write-backs due to impairment”.

Any amounts deriving from adjustments made to book values for financial assets so as to reflect the modifications made to contract cash flows that do not result in booking derecognition, are booked in the income statement within the item “Profits/losses due to contract modifications without derecognition”.

4. Hedges

The Group avails itself of the faculty, provided for on introduction of the IFRS 9 accounting principle, to continue to fully apply the provisions of the IAS 39 accounting principle regarding hedge accounting for all types of hedging transactions.

Classification criteria

Risk hedging transactions are aimed at neutralising potential losses, attributed to a given risk and measured on a given element or group of elements, where the particular risk in question should manifest itself. The following types of hedging transactions are used:

- fair value hedging aims to hedge exposure to changes in the fair value of assets and liabilities entered on the balance sheet, or quotas thereof, as permitted by IAS 39 and approved by the European Commission. General hedging of fair value (“macro hedge”) aims to reduce fluctuations, in the fair value, attributable to interest rate risks, of a monetary amount, deriving from a portfolio of financial assets or liabilities;
- cash flow hedging aims to hedge exposure to variations in future cash flow attributable to specific risks associated to balance sheet items;
- currency investment hedging refers to hedging foreign currency exposure of investments in foreign enterprises.

Recognition criteria

Hedge instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedge instruments are measured at fair value. For fair value hedges, fair value variations of the hedged element are offset by the fair value variations of the hedging instrument. This compensation is recognised by entry in the income statement of the variations in value, of both the hedged element and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. For generic fair value hedges (“macro hedge”), the fair value variations referred to the hedged exposure of the assets and liabilities being hedged are allocated to overall profitability, respectively to line item 60 "Adjustment of value of generic hedges for financial assets" or to line item 50 "Adjustment of value of generic hedges for financial liabilities". As regards cash flow hedges, variations in the fair value of the derivative are allocated to shareholders' equity, for the effective quota of the hedge, and are recognised in the income statement only when, with reference to the hedged item, there are cash flow variations to be offset of if the hedge is ineffective. Currency investment hedges are booked in the same way as cash flow hedges. The derivative instrument is designated as a hedge if the hedge relationship between the hedged instrument and the hedging instrument is formally documented and if it is effective from the time hedging initiates and, prospectively, for its entire duration. Hedge effectiveness depends on the extent to which variations of fair value of the hedged financial instruments of relative expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is determined by comparing the above variations, taking into the account the intent of the company when the hedge was initiated. A hedge is effective when the variations in fair value (or in the cash flows) of the hedge financial instrument almost entirely sterilize, that is within the range of 80-125%, the variations of risk of the hedged instrument. An effectiveness test is conducted at the close of financial statements. The measurement of effectiveness is performed at each balance sheet closing date. If a generic fair value generic hedge relationship is interrupted, cumulative value adjustments/write-downs entered at line item 60 "Adjustments of value of generic hedges for financial assets" or 50 "Adjustment of value of generic hedges for financial liabilities" are recognised in the income statement as earned interest or interest expenses for the residual duration of the original hedging relationship, provided that the hedging requirements continue to exist.

5. Equity investments

Classification criteria

Shareholdings that entail control, joint control or significant influence are allocated to the equity investments portfolio. Control is presumed when more than 50% of the voting rights that can be exercised at shareholders' meetings are held, either directly or indirectly. Significant influence is exercised when the investor company holds, directly or indirectly, a share equal to or greater than 20% of the voting rights. Significant influence is also exercised in the case of a holding of less than 20% when the following circumstances exist: a) representation on the board of directors; b) participation in the decision-making process with reference to decisions regarding dividends; c) there are major operations between the investor and the subsidiary. Joint control is when voting rights and control of the subsidiary is shared with other undertakings.

Recognition criteria

The line item includes equity investments in subsidiaries, jointly held companies or companies subject to significant influence. At the time of initial recognition, such equity investments are recognised at purchase cost, supplemented by directly attributable costs.

Measurement criteria

Equity investments are measured with continuity using the "equity" method. Equity investments in subsidiaries, jointly held companies or companies subject to significant interest are measured at cost, and the accounting value increases or decreases to reflect the share of subsidiary profits or losses, realized after the purchase date, to which the shareholder is entitled. The dividends received from a subsidiary reduce the accounting value of the shareholding. Adjustments to the accounting value might be required due to modifications of the share owned by the investor in the subsidiary, deriving from modifications of the shareholders' equity of the investee.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows deriving from such assets expire or when the financial asset is sold, transferring all of the risks and benefits connected to it.

Criteria for recognition of income components

Dividends paid by the subsidiary and generated subsequent to the purchase date are allocated to line item 250 of the income statement, "Profit/loss from equity investments". The result of the measurement of "shareholders' equity" are recognised in line item 250 of the income statement, "Profit/loss from equity investments" when they were included in the income statement of the subsidiary; when, instead, they were not included in the income statement of the subsidiary, they are allocated to Liability line item 120 "Valuation reserves". Profit or loss deriving from the sale of equity investments are recognised in line item 250 of the income statement, "Profit/loss from equity investments".

6. Property, plants and equipment

Recognition criteria

Property, plants and equipment, both instrumental and not, are initially recognised at a value equal to the cost, comprehensive of all costs directly connected to the putting into use of the asset and non-recoverable purchase taxes and duties. The value is subsequently increased of costs incurred for which future benefits are expected. The costs of ordinary maintenance on the asset are recognised in the income statement of the year during which they are incurred.

Measurement criteria
After initial recognition, property, plant and equipment are recognised in the financial statements at cost net of accumulated depreciation and losses of value. Property, plants and equipment are systematically depreciated in every fiscal year based on their useful life, using the straight-line method. The following categories are not subject to depreciation:
- Land, be it purchased separately or incorporated in the value of buildings, in that considered assets with an indefinite useful life. If the value of the land is incorporated in the value of the buildings, it is considered an asset separable from the real properly; the value of the land is separated from the value of the buildings, determined on the basis of specific independent expert appraisals only for “from the earth to the sky” buildings;
- Art work, which has an indefinite useful life and a value that is generally destined to increase over time.

The depreciation process begins when the asset becomes available for use.
Derecognition criteria
Property plants and equipment are derecognised when sole or retired from use or when subsequent to sale it is not expected to generate future economic benefits.
Criteria for recognition of income components
Systematic depreciation is allocated to the income statement at the line item “Net adjustments/write-backs of value to property, plants and equipment”. In the fiscal period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is available for use. Gains and losses deriving from disposal of property, plant and equipment are calculated as the difference between the net sale price and the asset’s carrying amount, and are recognised in the income statement at the same date as the write-off from accounts. The line item “Gains/losses on disposal of investments” is the balance, positive or negative, between gains and losses from the disposal of property, plant and equipment.

7. Intangible assets
Classification criteria
Intangible assets include non-monetary assets without physical substances held to be used for a multi-year or indefinite amount of time, which meet the following characteristics:
- Identifiable;
- Under control of the company;
- Capable of generating probable future economic benefits for the company;
- The cost of the asset may be measured reliably.

In absence of one of the aforementioned characteristics, the cost to purchase or generate the same internally is registered as a cost in the fiscal year in which it was sustained. Intangible assets include, in particular, application software for multi-year use and other identifiable assets that arise from legal or contractual rights. Expenses for improvements to third party assets (branch offices being rented) were recognised in Asset line item 120 “Other assets”; the relative amortisation was proportional to the duration of the leases. Within the scope of a company merger, the IFRS3 principle establishes that at the date of purchase of the control, the purchaser must classify or designate the purchased intangible assets. As regards the definition of intangible elements, the principle identifies intangible elements purchased in company merger as identifiable non-monetary assets with no physical substance. Goodwill is represented by the positive difference between the purchase cost and the fair value of assets and liabilities acquired within the scope of the company merger.
Recognition criteria
Intangible assets are recognised at cost, adjusted for accessory costs sustained to prepare for use of the asset. Within the scope of a company merger, the purchaser must classify or designate the intangible assets acquired, and recognise them at fair value. Goodwill, recognised in the assets at the date of purchase, is initially valued at cost. On a yearly basis, or any time there is evidence of impairment, an impairment test will be carried out on the adequacy of goodwill, in conformity with the provisions of IAS n. 36. The amount of the impairment loss is calculated as the negative difference, if any, between the goodwill value recorded and its recoverable amount. This recoverable amount is equal to the greater between the fair value of the cash-generating unit, net sale price of the asset, and its usage value. The resulting value adjustment are recognised in the income statement at item “Adjustments to value of goodwill”. Any impairment loss recognised for goodwill cannot be derecognised in the subsequent fiscal year.
Measurement criteria
Subsequent to initial recognition, intangible assets of limited duration are recognised at cost, net of accumulated amortisation and of accumulated impairment loss. Amortisation begins when the asset becomes available for use, that is to say, when it is in the appropriate place and in suitable conditions to operate in the expected manner, and ceases when the asset derecognised. Amortisation is calculated using the straight-line method, so as to reflect the multi-year use of the asset based on the estimate made of the residual useful life. At the end of each fiscal year, if there is evidence of impairment, the recoverable value of the asset is estimated. The write-down, recognised in the income statement, is equal to the difference between the asset’s carrying amount and its recoverable value.

Derecognition criteria

Intangible assets are derecognised from the balance sheet upon disposal or when no future economic benefits are expected.

Criteria for recognition of income components

Both amortisation amounts and any adjustments/write-backs due to the impairment of intangible assets, other than goodwill, are allocated to line item “Net adjustments/write-backs of intangible assets” of the income statement. Value adjustment for goodwill are allocated to line item “Adjustments to value of goodwill”. Gains and losses deriving from disinvestment or disposal of intangible assets are calculated as the difference between the asset’s net sale price and carrying amount and are recognised in the income statement. The item “Gains (losses) from the disposal of investments includes the balance, positive or negative, between gains and losses from the disposal of investments.

8. Other assets

Other assets essentially include items awaiting allocation and entries that cannot be allocated to other line items of overall profitability, among which, receivables deriving from the supply of non-financial goods and services, fiscal entries other than those allocated to the respective line item, and accrued income and prepayments other than those capitalized on the respective financial assets. The Bank has included among other assets tax receivables for tax bonuses purchased on disposal by the direct beneficiaries or previous purchasers, connected to the “Cura Italia” and “Rilancio” decrees (refer to the section “other information”).

9. Noncurrent assets or groups of assets/liabilities in the course of divestment

This item includes non-current assets destined to be sold. These assets are measured at the lesser value between the booking value and fair value, net of sale expenses. If they have been subject to amortisation, this process also ceases with the sale. As they are sold operating elements, balance sheet items and the relative economic results are shown separately in the balance sheet and in the income statement. As at the date of these financial statements, the Bank holds no assets that fall under this category.

10. Current and deferred taxes

The Group calculates current, deferred and pre-paid income tax based on current tax rates, and taxes are recognised in the income statement, with the exception of taxes relative to line items credited or charged directly to shareholders’ equity. Provisions for incomes taxes are calculated based on forecasts of current, pre-paid and deferred tax charges. Pre-paid and deferred taxes are calculated based on the momentary differences and without time limits between the value attributed to an asset or liability according to civilistic criteria and the corresponding values taken for tax purposes. Pre-paid tax assets are booked to the balance sheet to the extent in which there is a possibility of recovery, measured on the basis of the capacity of the company involved or of the controlling company to continue to generate taxable income in future fiscal years, taking into account the effect of the exercising of the option regarding “national tax consolidation”. Deferred tax liabilities are booked in the balance sheet in that the available taxed reserves are such that it may reasonably be held that transactions that require their taxation will not take place Pre-paid and deferred tax assets are recorded in the balance sheet, without offsets, respectively as “Tax receivables” and “Tax liabilities. Assets and liabilities booked for pre-paid and deferred taxes are systematically measured to take into account possible modifications in tax legislation or rates.

11. Risk and expense funds

Risk and expense funds for commitments and issued guarantees

This sub-item includes provisions for commitments to disburse funds and issued guarantees that fall within the perimeter of application of impairment regulations pursuant to IFRS 9. For these cases, le same allocations methods are adopted for the various credit risk stages and calculation of losses as already described in reference to financial assets measured at amortised cost or at fair value with impact on overall profitability. This aggregate also includes risk and expense funds for other types of commitments and issued guarantees which, due to their unique nature, do not fall within the scope of application of impairment according to IFRS 9.

Other risk and expense funds

Provisions regarding legal obligations or obligations connected to work relationships or controversies, including tax claims, originating from a past event and for which the use of economic resources to fulfil the obligations themselves is probable, provided that it is possible to obtain a reliable estimation of the relative amount. Consequently, the recognition of a provision occurs only if:

- there is a current obligation (legal or implicit) resulting from a past event;
- it is probable that, in order to fulfil the obligation, it will be necessary to use resources to produce economic benefits;
- a reliable estimation can be made of the amount deriving from fulfilment of the obligation.

The amount registered as provision represents the best possible estimate of the resources required to settle the existing obligation as at the date of reference of the financial statements and reflects the risks and uncertainties that inevitably characterize a plurality of facts and circumstances. The provision is reversed when the use of resources to produce economic benefits required to fulfil the obligation becomes improbable or when the obligation is extinguished. The line item also comprises long-term benefits to employees, that are determined using the same actuarial criteria as those used for severance funds. Actuarial gains and losses are all immediately recognised in the income statement.

12. Financial liabilities measured at amortised cost

Classification criteria

Payables to banks, payables to customers, outstanding securities and other financial liabilities include the various forms of interbank and customer funding, repurchase transactions with obligation to repurchase at term, certificates of deposit, bond securities and other outstanding deposits, net of repurchases, are included in this line item. The item also comprises payables booked by the company as lessee within the scope of financial lease agreements.

Recognition criteria

These financial liabilities are initially recognised on the date of receipt of the deposited sum or of the issue of the debt securities. The liabilities are initially recognised at their fair value, generally equal to the amount collected or to the issue price, increased by any additional costs or revenues directly attributable to the individual funding or issue transaction and not reimbursed by the creditor. In-house administrative costs are not included in the item. The fair value of financial liabilities issued at conditions inferior to market conditions, relative to listed Securities, is subject to a specific estimation and the difference with respect to the market value is booked directly in the income statement. As regards payables for leases, at the effective as of date for the lease agreement, the Bank measures the financial liability based on the current value of future payments due for the lease. They payments are discounted using the implicit lease interest rate.

Measurement criteria

After initial recognition, financial liabilities are valued at amortised cost using the effective interest rate method, with the exception of short-term liabilities, for which the time factor is negligible and which, therefore, continue to be entered at the collection value and for which any attributable costs are booked in the income statement linearly for the contract duration of the liability.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they are expired or settled. Derecognition occurs also in case of repurchase of previously issued securities. The difference between the book value of the liability and the amount paid to purchase it is recorded in the income statement The reissue on the market of own repurchased securities is considered a new issue, with recognition at the new issue price, without any effects in the income statement.

Criteria for recognition of income components

The negative income components represented by interest expenses are booked by accrual method, in the interest line items of the income statement. Any difference between the repurchase value for own issue securities and the corresponding book value for the liability is recognised in the income statement under the item “gains/losses from disposal or repurchase”.

13. Financial liabilities from trading

Recognition criteria

These financial instruments are recognised on the date of undersigning or of issue, at a value equal to the fair value of the instrument, without considering any transaction costs or revenue directly attributable to the instruments themselves. This line item includes derivative contracts held for trading with a negative value.

Measurement criteria

All trading liabilities are measured at fair value and booked to the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contract rights on the respective cash flows expire or when the financial liability is sold, with substantial transfer of all risks and benefits deriving from property of the liability in question.

14. Financial liabilities measured at fair value

Financial liabilities measured at fair value include liabilities for which the so-called fair value option applies. The Group has no financial liabilities measured at fair value.

15. Transactions in foreign currency

Classification criteria

Transactions in foreign currency consist of all assets and liabilities denominated in currency other than the Euro.

Recognition criteria

Transactions in foreign currency are registered, at the time of initial recognition, in Euro, applying the exchange rate in effect as of the date of the operation to the amount in foreign currency.

Measurement criteria

As of the close of the fiscal year, the conversion of monetary assets and liabilities in foreign currency is done using the spot exchange rate on that date.

Criteria for recognition of income components

Exchange rate differences of operations in foreign currency are recognised in line item 80 of the income statement "Net trading result”.

Other information

Treasury shares

Any treasury shares of the Parent Company held in portfolio are recorded as a reduction to shareholders’ equity. Similarly, the original cost of treasury shares and gains or losses deriving from the subsequent sale thereof are recorded as movement in shareholders’ equity.

Accruals and deferrals

Accruals and deferrals, regarding charges and income competence of the fiscal year accrued on assets and liabilities are attributed to adjustment of the assets and liabilities to which they refer; if they cannot be thus allocated, they will be registered as “Other assets” or “Other liabilities”.

Costs for lease improvements

Costs for restructuring of leasehold property are capitalized taking into consideration the fact that, for the duration of the lease, the user company controls the property and may gain future economic benefits from it. The aforementioned costs, booked among “Other assets”, are amortised for a period no longer than the duration of the lease agreement.

Employee severance pay

Employee severance pay was recorded based on the actuarial value calculated yearly by an independent accountant. To calculate this value, the projected unit credit method is used, which projects future expenses based on historical, statistical and probabilistic analysis, in addition to applying appropriate demographic techniques, and the rate used is the market interest rate. Contributions paid in each fiscal year are considered separate units and measured individually for the purpose of determining the final amount due. Following entry into force of the supplementary social security/pension scheme plan reform, as per Italian Legislative Decree n.252 of 5 December 2005, the severance pay quotas accrued as at 31 December 2006 remain in the company accounts, while quotas accrued subsequently are either destined to supplementary social security plans or to the INPS Treasury Fund, based on the personal choice of each employee. Starting from the 2012 fiscal year, variations to actuarial components relating to severance pay are booked with an impact on net equity and are therefore shown in the schedule of overall profitability.

Issue of Additional Tier 1

As indicated in the section regarding “capital adequacy and regulatory ratios” of the Report on Management, the amount of issued AT1 instruments increased by 17,000,000.00, increasing from 10,000000.00 at 31/12/2020 to 27,000,000.00 at 31/12/2021. The Bank issued Additional Tier 1 instruments in the month of March 2021 for 5,000,000.00, in the month of August 2021 for 5,000,000.00, and in the month of December 2021 for 7,000,000.00. Specifically, these were subordinate instruments classified in Additional Tier 1 capital, pursuant to Regulation n. 575 of 2013 (CRR).

For details regarding this type of transaction, please refer to Part A of the explanatory notes of the Parent Company.

Income Statement

Revenues are measured at fair value of the amount received or due and are recognised when future benefits are likely to be received and such benefits may be reliably measured.

Expenses are recognised when incurred. Expenses that cannot be associated with revenue are immediately recognised in the income statement. Specifically:

- Revenues and expenses directly related to financial instruments measured at amortised cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate;
- Dividends are recognised in the income statement when they are received;
- Revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recorded if

fair value can be determined with reference to parameters or recent transactions observed on the same market on which the instrument is traded;

- Other fees are recognised on an accruals basis.

Expenses directly related to financial instruments measured at amortised cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate, for which definition please refer to the paragraph “Loans and Financing”. Impairment losses are immediately recognised in the income statement. Default interest, where provided for by contract, is entered in the income statement only when paid. Losses in value are recognised in the income statement immediately.

Classification criteria for financial assets

Classification of financial assets in the three categories provided for by the accounting principle depends on two classification criteria: the business model based on which the financial instruments are managed and the contractual characteristics of the cash flows deriving from the financial assets in question (or SPPI Test). The classification of a financial asset is the result of the combination of the two aforementioned criteria, as illustrated here following:

- Financial assets measured at amortised cost: assets that pass the SPPI test and are managed based on an HTC business model;
- Financial assets measured at fair value with impact on total profits (FLINE ITEMS): assets that pass the SPPI test and are managed based on an HTCS business model;
- Financial assets measured at fair value with recognition of income effects through profit and loss (FVTPL): this is a residual category, that includes financial instruments that cannot be classified in the above categories based on the outcome of the business model test or of the test on contractual cash flow characteristics (SPPI test failed).

In order to be able to classify a financial asset at amortised cost or at FLINE ITEMS, in addition to the business model analysis, the contractual terms of the asset in question must provide for payment of principal and interest only, at fixed dates, (“solely payment of principal and interest” - SPPI). This analysis must especially be carried out for loans and debt securities. The SPPI test must be carried out on each and every financial instrument, at the moment of registration in the balance sheet. Subsequent to initial recognition, and for as long as the asset is recorded in the balance sheet, it will no longer be subject to further analysis for the purpose of the SPPI test. If a financial instrument is derecognised and a new financial instrument is recognised, the SPPI test must be carried out on the new asset. For the purpose of application of the SPPI test, the IFRS 9 accounting principles provides the following definitions:

- Principal: is the fair value of the financial asset at initial recognition. This value may change during the life of the financial instrument, for example, due to reimbursement of part of the principal;
- Interest: is the consideration for the time value of money and for the credit risk associated to the existing principal in a given period of time. This may also include remuneration for other basic risks and expenses associated to the asset and with a profit margin.

In terms of evaluating whether contractual flows from a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of “basic lending arrangement”, that is separate from the legal form of the asset. When the clauses of the arrangement introduce exposure to risks or volatility of contractual cash flows that are outside the definition of basic lending arrangement, such as, for example, exposure to variations in prices of shares or goods, the contractual cash flows in review do not meet the definition of SPPI. The application of the classification criterion based on contractual cash flows sometimes requires a subjective judgment and, therefore, the definition of internal policies for application of the criteria. If the time value of money is modified – for example, when the interest rate for the financial asset is periodically recalculated, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (for example, the interest rate is reviewed on a monthly basis based on an annual rate) or when the interest rate is recalculated periodically based on an average of specific short or long-to-medium term rates, the company must evaluated, both quantitatively and qualitatively, if the contractual cash flows still fulfil the requirements of SPPI (benchmark cash flows test). If the outcome of this test shows that the cash flows (not discounted) are “significantly different” from the cash flows (also not discounted) of a benchmark instrument (that is without modification of the time value), the cash flows in question cannot be considered as compliant to SPPI criteria. For the purpose of the SPPI test, as regards debt securities operations, the Group uses external info-provider services. This choice means that, on one hand, front office securities traders can obtain an immediate outcome for execution of the test, which also entails less paperwork during purchasing, and on the other hand it means that the same market benchmarks are shared by multiple traders and auditing companies. Vice versa, as regards the execution of the SPPI test for loan arrangements, a proprietary tool has been developed, based on an methodology developed internally by decision tree.

Business model

As regards the business model, IFRS 9 identifies three types of business model based on the method used to manage cash flows and sales of financial instruments:

- Hold to Collect (HTC): This is a business model whose objective is to hold assets in the related asset portfolios in order collect contractual cash flows. Including an asset portfolio in this business model does not necessarily mean it is impossible to sell the instruments, although it is necessary to take into consideration the frequency, entity of value, reasons for the sale and expectations regarding future sales;
- Hold to Collect and Sell (HTCS): this is a mixed business model, whose objective is to both collect the contractual cash flows and sell the financial asset, where the sale of the asset in an integral part of the strategy. Both activities (collection of cash flows and sale of the asset are indispensible for the purpose of reaching the objective of the business model. Therefore, sales are more frequent and volumes more significant with respect to the HTC business model HTC and are an integral part of the business strategies;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed through a business model that does not meet the qualifying criteria for the aforementioned models (HTC and HTCS). Generally speaking, this classification applies to financial asset portfolios that are managed and performance evaluated on a fair value basis.

Method of calculation of amortised cost

The amortised cost of a financial asset or liability is the value measured for initial recognition, net of principal repayments, plus or minus overall amortisation, determined by applying the effective interest method, the difference between the initial value and the value at maturity and net of any impairment losses. The effective interest rate is the rate that equalizes the current value of the financial asset or liability to the contractual cash flow of future payments or payments received up to the date of maturity or up to the next repricing date. For instruments with a fixed rate or a rate that is fixed for specific time periods, future cash flows are determined based on the known interest rate during the life of the instrument. For financial assets and liabilities with a floating interest rate, the future cash flows are determined based on the last known rate. At each repricing date, the amortisation schedule and the effective rate of return over the entire useful life of the financial instrument, that is up to maturity, are recalculated. Amortised cost is applied is applied to receivables, financial assets held to maturity, those available for sale, liabilities and outstanding securities. Financial assets and liabilities traded at market conditions are initially recognised at fair value, which usually corresponds to the amount paid or disbursed, comprehensive of transactions costs and commissions directly attributable to the asset or liability. Transactions costs include internal marginal costs and revenues attributed at the moment of initial recognition of the instrument and recoverable from customers. These accessory components, which must be attributed to an individual asset or liability, impact the effective performance and modify the effective interest rate with respect to the contractual interest rate.

Classification criteria for financial assets

Classification of financial assets in the three categories outlined by the accounting principle depends on two classification criteria: the business model with which the financial instruments are managed and the contractual characteristics of the financial flows of the financial assets (or SPPI Test). The classification of financial assets is the result of the combined application of the two aforementioned criteria, as follows:

Financial assets measured at amortised cost: assets that pass the SPPI and fall under the HTC business model;

Financial assets measured at fair value with impact on total profits (FVOCI): assets that pass the SPPI test and fall under the HTCS business model;

Financial assets measured at fair value with impact on profit and loss account (FVTPL): is a residual category that comprises financial instruments that cannot be classified in either of the previous categories based on the outcome of the business model test or the test on the characteristics of the contract flow (SPPI test not passed).

In order for a financial asset to be classified at amortised cost or at FVOCI, in addition to the business model analysis, the contractual terms of the asset in question must entail, at specific dates, financial flows represented solely by payments of principal and interest on the amount of the principal to be repaid ("solely payment of principal and interest" - SPPI). Specifically, this analysis must be performed for loans and debt securities. The SPPI test must be conducted on every single financial instrument, at the moment that it is booked to the balance sheet. Subsequent to initial booking, and for as long as it is recognised in the balance sheet, the asset is no longer subject to new measurement for the purpose of the SPPI test.

If a financial instrument is derecognised (accounting derecognition) and a new financial asset recognised, the SPPI test must be conducted on the new asset. For the purpose of the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: is the fair value of the financial asset at initial recognition. This value may change during the life of the financial instrument, for example, due to reimbursement of part of the principal;
- Interest: is the consideration for the time value of money and for the credit risk associated to the existing principal in a given period of time. This may also include remuneration for other basic risks and expenses associated to the asset and with a profit margin.

In terms of evaluating whether contractual flows from a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of "basic lending arrangement", that is separate from the legal form of the asset. When the clauses of the arrangement introduce exposure to risks or volatility of contractual cash flows that are outside the definition of basic lending arrangement, such as, for example, exposure to variations in prices of shares or goods, the contractual cash flows in review do not meet the definition of SPPI. The application of the classification criterion based on contractual cash flows sometimes requires a subjective judgment and, therefore, the definition of internal policies for application of the criteria. If the time value of money is modified – for example, when the interest rate for the financial asset is periodically recalculated, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (for example, the interest rate is reviewed on a monthly basis based on an annual rate) or when the interest rate is recalculated periodically based on an average of specific short or long-to-medium term rates, the company must evaluated, both quantitatively and qualitatively, if the contractual cash flows still fulfil the requirements of SPPI (benchmark cash flows test). If the outcome of this test shows that the cash flows (not discounted) are "significantly different" from the cash flows (also not discounted) of a benchmark instrument (that is without modification of the time value), the cash flows in question cannot be considered as compliant to SPPI criteria. For the purpose of the SPPI test, as regards debt securities operations, Gruppo Ente Cambiano uses external info-provider services. This choice means that, on one hand, front office securities traders can obtain an immediate outcome for execution of the test, which also entails less paperwork during purchasing, and on the other hand it means that the same market benchmarks are shared by multiple traders and auditing companies. Vice versa, as regards the execution of the SPPI test for loan arrangements, a proprietary tool has been developed, based on an methodology developed internally by decision tree.

Transition to the IFRS 16 international accounting principle – Regulatory requirements

Effective 1 January 2019, the new IFRS 16 accounting principle, issued by IASB in January 2016 and approved by the European Commission with EU Regulation n. 1986/2017, has replaced the IAS 17 "Leasing" accounting principle, and now disciplines the booking requirements for lease contracts. The new principle requires identifying if a contract is (or contains) a lease based on the concept of control of the use of a specific asset for a given period of time, and consequently tenancy, hire, rental or loan for use contracts fall within the perimeter of application of the new regulations. In light of the above, the new principle introduces significant changes to the booking of lease transactions in the balance sheet of the lessee/user, entailing the introduction of only one accounting model for lease contracts by the lessee, based on the model of the right of use. In detail, the principle variation consists in the fact that there is no longer a distinction, as was provided for in IAS 17, between operating leases and financial leases. All lease contracts must therefore be booked in the same way, by entering an asset and a liability. The accounting model provides for an entry in the Assets items of the right of use of the asset to which the lease refers, and in the Liabilities items of items representing the liabilities for leasing fees as yet to be paid to the lessee, unlike what was set forth in the principles in force up to 31 December 2018. The methods for booking components to profit and loss account have also changed: while for IAS 17 lease fees were to be booked in the line item referring to administrative costs, in accordance with IFRS 16 instead charges relative to the amortisation of the "right of use" are booked, along with interest payable on debt. Instead, there are no significant changes, aside from requirements relating to additional information to be provided, in the accounting of leases by lessors, where distinctions are maintained between operating and financial leases. Starting 1 January 2019, the effects on the balance sheet resulting from the application of IFRS 16 may be identified for lessees – profitability and cash flow being equal– in an increase of assets booked in the balance sheet (leased asset), an increase of liabilities (payables due for leased assets), a reduction of administrative costs (leasing fees) and an increase in financial costs (payment of booked payables) and amortisation (relative to the right of use). As regards the profit and loss account, considering the entire duration of the contracts, the economic impact does not change the timeline for the lease, applying either previous IAS 17, or IFRS 16, but manifests itself with a different spread over time.

Representation in the financial statements and information to be provided in periodical accounting reports.

Considering that, according to international accounting principles, purchased tax credits do not represent tax receivables, public contributions, intangible assets nor financial assets, the most appropriate classification, for the purpose of representation in the balance sheet, is in the residual item "other assets" of the balance sheet (assets line item 120), in line with paragraphs 54 and 55 of IAS 1 "Presentation of the financial statements". As regards the representation of revenues and charges deriving from purchase and use of tax credits in the income statement and/or in the schedule of overall profitability, it will reflect the management method adopted by the transferee (Hold to Collect, Hold to Collect and Sell, Other) such as is the nature of such revenue and charges (interest, other measurement aspects such as write-back deriving from loss of value, gains/losses from disposal), in line with paragraphs 82 and 82A of IAS 1 "Presentation of the financial statements".

A.3 – Information on financial asset transfers between portfolios

A.3.1. Reclassified financial assets: change of business model, book value and earned interest

Within the Group, the only change of business model occurred in Banca Cambiano 1884 S.p.A.; therefore, for detailed information please refer to the respective section in the individual financial statements of Banca Cambiano 1884 S.p.A.

A.3.2. Reclassified financial assets: change of business model, fair value and effects on overall profitability
Within the Group, the only change of business model occurred in Banca Cambiano 1884 S.p.A.; therefore, for detailed information please refer to the respective section in the individual financial statements of Banca Cambiano 1884 S.p.A.

A.3.3. Reclassified financial assets: change of business model and effective interest
Within the Group, the only change of business model occurred in Banca Cambiano 1884 S.p.A.. Specifically, with resolution of the BOD of 30/01/2019, Banca di Cambiano 1884 s.p.a. decided the reclassification of the following government securities from HTCS to HTC:
- BTP ITALIA 21.05.2026 IL (Isin IT0005332835) for a nominal value of 20,000,000.00;
- CCTS EU 15.09.2025 TV (Isin IT0005331878) for a nominal value of 8,000,000.00.

The decision to change the business model of the aforementioned securities was made so as to realign the HTC and HTCS securities portfolios based on the maturity of the underlying bond securities. Specifically, the HTCS Securities portfolio should aim to include securities with average residual maturities of less than two years, while the HTC portfolio may include securities with longer maturities. This decision for the beginning of 2019 was taken on observing a worsening of the macro-economic context with respect to the 2018 fiscal period. Once the aforementioned change of business model was made, for booking purposes, a reclassification from HTCS to HTC for a booking value of 25.9 million euro was recognised, correlated to a potential gross loss of 2.1 million euro (net of 1.4 million euro). During 2021, in compliance with current internal policies, the securities in question were disposed of, and specifically:
- Sale of security BTP ITALIA 21.05.2026 IL (Isin IT0005332835) for a nominal value of 20,000,000.00 on 08/04/2021 at 104.88 for 20,976,056.81 euro – Recognising a profit of 1,027.194.89;
- Sale of CCTS EU 15.09.2025 TV (Isin IT0005331878) for a nominal value of 8,000,000.00 on 07/04/2021 at 100.92 for 8,073,200.00 – Recognising a profit of 122,881.07.

For detailed information please refer to the respective section in the individual financial statements of Banca Cambiano 1884 S.p.A.
As at 31/12/2021 there are no reclassified financial assets.

A.4 – Information on fair value

IFRS 13 requires that assets and liabilities measured at fair value on a recurring basis are those for which the IAS/IFRS accounting principles require or allow measurement at fair value in the balance sheet. Instead, assets and liabilities measured at fair value on a non recurring basis are those for which the IAS/IFRS accounting principles require or allow measurement at fair value in the balance sheet in specific circumstances. For the purpose of improving transparency of information in the balance sheet regarding the measurement of fair value, IASB has introduced the so-called hierarchy of fair value.

A.4.1 Fair value levels 2 and 3: measurement and input techniques used
In December 2012, through Commission Regulation (EU) n. 1255/2012, the European Commission approved the new IFRS 13 “Fair Value Measurement” principle, effective as of 1 January 2013. IFRS 13 defines fair value as: “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. As far as financial instruments are concerned, this definition of fair value replaces the previous version contained in IAS 39. As regards financial liabilities, the new definition of fair value provided for by IFRS 13 therefore requires identifying as such the value that would be paid to transfer the liability in question (exit price), as opposed to the value required to settle the same liability (definition contained in IAS 39). This serves to reinforce the theme of the recognition of fair value adjustments of financial liabilities – different from derivatives – attributable to the credit rating of the issuer (Own Credit Adjustment - OCA), with respect to the provisions already set forth on the matter in IAS 39. In particular, as regards calculating the fair value of OTC derivatives under assets in the Balance Sheet, IFRS 13 has confirmed the application of the adjustment relative to counterparty risk (Credit Valuation Adjustment - CVA). As regards financial liabilities represented by OTC derivatives, IFRS 13 introduces the so-called Debit Valuation Adjustment (DVA), which is a fair value adjustment aimed at reflecting own credit risk on such instruments, an issue not explicitly dealt with in IAS 39. The fair value of investments listed in active markets is calculated with reference to market listings on the last day of reference for the financial period. For financial instruments listed on active markets, the fair value assessment is based on the listings on the active market of reference even obtained from international providers and registered on the last day of the financial period. A market is defined as active when the listings reflect standard market transactions, are readily and regularly available and express the price of actual and regular market transactions. If the same financial instrument is listed on

more than one market, the listing to be taken into consideration is that on the most advantageous market to which the company has access. The fair value of unlisted financial instruments is calculated by applying valuation methods that aim to determine the price that the instrument would have had on the market at the measurement date in a free exchange motivated by normal commercial considerations. Fair value is obtained using the following methods: use of recent market transactions, reference to the price of financial instruments with the same characteristics as that being measured, and quantitative methods. Specifically, unlisted securities are evaluated by applying models that discount expected future cash flow, using interest rate structures that take into proper consideration the issuer's business sector and, where available, rating class. The fair value of mutual funds that are not traded on active markets is calculated based on the Net Asset Value as published, and adjusted if necessary to take into account possible changes in value occurring between the date of request of redemption and the effective redemption date. Capital shares not traded on an active market, for which the fair value cannot be calculated reliably using the most common methods, are valued at cost, adjusted to take into account possible significant impairment of value. As regards loans and deposits, at sight/revocable, immediate expiry of contract obligations, coinciding with the date of the financial statements, is considered and therefore their fair value is approximated at booking value. Similarly, booking value is considered for short-term loans as well. The fair value of medium to long-term loans to customers is measured by discounting residual contractual cash flows at the effective interest rate, appropriately adjusted to take into account the credit rating of individual borrowers (represented by the probability of default and by the estimated loss in the event of default). The booking value of impaired assets is an approximation of the fair value. For medium to long-term debt positions, represented by securities valued at amortised cost and hedged for interest rate risk, the booking value is adjusted, due to hedging, to fair value attributable to the hedged risk, discounting the respective flows. The fair value of derivative contracts traded on regulated markets is considered the market price of the last listing day of the fiscal period. Over the counter derivative contracts are measured on the basis of a variety of models, based on input factors that affect the relative valuation and taking into account adjustments for counterparty risk. The Group does not calculate and recognise corrections in fair value of derivatives for CVA and DVA if there are formalized and operative agreements for collateralisation of the positions in derivatives with the following characteristics:

- Bilateral and high-frequency exchange of collateral (daily or, at most, mid-week);
- Type of guaranty represented by cash or government bonds with high liquidity and credit quality, subject to an adequate safety margin;
- Absence of a threshold for the fair value of the derivative below which no exchange of guaranty is provided for, or setting of this threshold at a level that allows for an effective and significant mitigation of counterparty risk;
- MTA - Minimum Transfer Amount (that is, the difference between the contract fair value and the value of the guaranty) – below which collateralisation of positions is not adjusted, identified by contract at a level that allows for substantial mitigation of counterparty risk.

Hedges already existing at the date of the financial statements were all collateralised.

A.4.2 Measurement process and sensitivity

At 31 December 2021 there were no assets classified in level 2 of the hierarchy of Fair Value. Financial assets that refer to capital securities "valued at cost" relative to instrumental capital holdings, and for which the fair value cannot be calculated in a reliable or verifiable manner, are conventionally classified at level 3 in the hierarchy of fair value.

A.4.3 Hierarchy of fair value

Hierarchy of fair value, based on the provisions of IFRS 13, must be applied to all financial instruments for which fair value is recognised in the balance sheet. In this regard, for these instruments, maximum priority is given to official prices available on active markets and lower priority to the use of non-observable input, which are more discretional. Consequently, fair value is calculated through the use of prices acquired from financial markets, in the case of instruments listed on active markets or, for other financial instruments, through the use of measurement methods that aim at an estimation of fair value. The levels used for classifications and referred to hereinafter in the explanatory notes are the following:

"Level 1": the fair value of the financial instruments is calculated based on price listings observable on active markets (unadjusted) which may be accessed on the date of assessment;

"Level 2": the fair value of the financial instruments is calculated based on other inputs observable directly or indirectly for the asset or liability, also using measurement techniques;

"Level 3": the fair value of the financial instruments is calculated based on other input not observable for the asset or liability, also using measurement technique.

A price listed on an active market provides the most reliable evidence of the fair value and, when available, must be used without adjustments to measure fair value. If there are not price listing on active markets, the financial instruments must be classified in level 2 or 3. Classification in Level 2 as opposed to Level 3 is determined based on the observability on markets of significant inputs used to calculate fair value.

A.4.4 Other information

There is no other information to be provided.

A.4.5 Hierarchy of fair value

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

Financial assets/liabilities measured at fair value	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value with impact on profit and loss account	56,554	0	109,933	47,711	0	98,092
a) financial assets held for trading	56,554	0	14,880	46,385	0	18,962
b) financial assets measured at fair value	0	0	0	0	0	0
c) other financial assets obligatorily measured at fair value	0	0	95,053	1,325	0	79,130
2. Financial assets measured at fair value with impact on total profits	507,509	0	19,060	173,030	0	18,474
3. Hedges	0	0	0	0	0	0
4. Property, plants and equipment	0	0	0	0	0	0
5. Intangible assets	0	0	0	0	0	0
Total	**564,063**	**0**	**128,993**	**220,741**	**0**	**116,566**
1. Financial liabilities held for trading	0	0	694	0	0	641
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	141	0	0	419
Total	**0**	**0**	**835**	**0**	**0**	**1,060**

Key:
Level 1 = Fair value of a financial instrument listed in an active market;
Level 2 = Fair value measured on the basis of measurement techniques that use parameters that can be observed on the market, other than the listings of the financial instrument;
Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be observed on the market.

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

	Financial assets measured at fair value with impact on profit and loss account				Financial assets measured at fair value with impact on total profits	Hedges	Property, plants and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) other financial assets obligatorily measured at fair value				
1. Initial value	**116,566**	**18,962**	**0**	**79,130**	**18,474**	**0**	**0**	**0**
2. Additions								
2.1. Purchases	32,482	0	0	31,657	824	0	0	0
2.2. Revenues allocated to:	0	0	0	0	0	0	0	0
2.2.1. Profit and loss account	954	304	0	651	0	0	0	0
- of which gains	597	0	0	597	0	0	0	0
2.2.2. Shareholders' equity	108	X	X	X	108	0	0	0
2.3. Transfers from other levels	0	0	0	0	0	0	0	0
2.4. Other additions	13	0	0	0	13	0	0	0
3. Reductions								
3.1. Sales	17,575	1,958	0	15,551	66	0	0	0
3.2. Redemptions	0	0	0	0	0	0	0	0
3.3. Losses allocated to:	0	0	0	0	0	0	0	0
3.3.1. Profit and loss account	3,194	2,429	0	766	0	0	0	0
- of which losses	766	0	0	766	0	0	0	0
3.3.2. Shareholder's equity	294	X	X	X	294	0	0	0
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other reductions	68	0	0	68	0	0	0	0
4. Final values	**128,993**	**14,880**	**0**	**95,053**	**19,060**	**0**	**0**	**0**

A.4.5.3 Annual variations of liabilities measured at fair value on a recurring bases (level 3)

	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedges
1. Initial value	**641**	**0**	**419**
2. Additions	0	0	0
2.1. Issues	31	0	0

2.2. Losses allocated to:	0	0	0
2.2.1. Profit and loss account	663	0	8
- of which losses	663	0	0
2.2.2. Shareholders' equity	X	0	0
2.3. Transfers from other levels	0	0	0
2.4. Other additions	0	0	0
3. Reductions	0	0	0
3.1. Redemptions	641	0	0
3.2. Repurchases	0	0	0
3.3. Revenues allocated to:	0	0	0
3.3.1. Profit and loss account	0	0	0
- of which gains	0	0	0
3.3.2. Shareholders' equity	X	0	275
3.4. Transfers from other levels	0	0	0
3.5. Other reductions	0	0	10
4. Final values	**694**	**0**	**141**

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2021				31/12/2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	3,900,445	366,603	0	3,533,842	3,461,174	291,762	0	3,169,412
2. Property, plants and equipment held as investments	0	0	0	0	0	0	0	0
3. Noncurrent assets and groups of assets in the course of divestment	0	0	0	0	0	0	0	0
Total	**3,900,445**	**366,603**	**0**	**3,533,842**	**3,461,174**	**291,762**	**0**	**3,169,412**
1. Financial liabilities measured at amortised cost	4,597,408	0	0	4,597,408	3,760,873	0	0	3,760,873
2. Liabilities associated to assets in the course of divestment	0	0	0	0	0	0	0	0
Total	**4,597,408**	**0**	**0**	**4,597,408**	**3,760,873**	**0**	**0**	**3,760,873**

Key:
BV = Book value - L1 = Level 1 - L2 = Level 2 - L3 = Level 3

A.5 – Information on so-called "day one profit/loss"

The Group does not present transactions for which, at the moment of initial recognition of the financial instruments not listed in active markets, the component relative to the so-called "day one profit/loss" was measured. Consequently, the information required by paragraph 28 of IFRS 7 is not herein provided.

PART B – Information on the balance sheet

ASSETS

Section 1 - Cash and cash equivalents - Line item 10

1.1. Cash and cash equivalents: breakdown

Line items	31/12/2021	31/12/2020	Var.	% Var.
a) Cash and cash equivalents	13,753	13,910	-157	-1.13%
b) Demand deposits with Central Banks	0	0	0	0.00%
c) Current accounts and demand deposits with banks	91,254	77,801	13,453	17.29%
Total	**105,007**	**91,712**	**13,296**	**14.50%**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262.

Notes

The line item "Demand deposits with central banks" does not include the regulatory reserve that was noted in asset line item 40 a) "Financial assets measured at amortised cost a) receivables from banks".

Section 2 - Financial assets measured at fair value with impact on profit and loss account - Line item 20

2.1 Financial assets held for trading: breakdown by type

Line items/values	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	8,082	0	0	0	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	8,082	0	0	0	0	0
2 Capital securities	912	0	0	0	0	0
3 Shares in mutual funds	47,561	0	14,782	46,385	0	18,148
4 Loans	0	0	0	0	0	0
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	0	0	0	0
Total A	**56,554**	**0**	**14,782**	**46,385**	**0**	**18,148**
B. Derivative instruments						
1 Financial derivatives :	0	0	98	0	0	815
1.1 from trading	0	0	98	0	0	815
1.2 connected to the fair value option	0	0	0	0	0	0
1.3 other	0	0	0	0	0	0
2 Credit derivatives	0	0	0	0	0	0
2.1 from trading	0	0	0	0	0	0
2.2 connected to the fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	**0**	**0**	**98**	**0**	**0**	**815**
Total (A+B)	**56,554**	**0**	**14,880**	**46,385**	**0**	**18,962**

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

Line items/values	31/12/2021	31/12/2020	Var.	% Var.
A. CASH ASSETS				
1. Debt securities	**8,082**	**0**	**8,082**	**0.00%**
a) Central banks	0	0	0	0.00%
b) Public administrations	2,239	0	2,239	0
c) Banks	1,801	0	1,801	0
d) Other financial companies	560	0	560	0
of which: insurance companies	0	0	0	0
e) Non finance companies	3,482	0	3,482	0
2 Capital securities	**912**	**0**	**912**	**0.00%**
a) Banks	0	0	0	0.00%
b) Other financial companies	912	0	912	0.00%

Line items/values	31/12/2021	31/12/2020	Var.	% Var.
of which: insurance companies	0	0	0	0.00%
c) Non finance companies	0	0	0	0.00%
d) Other issuers	0	0	0	0.00%
3 Shares in mutual funds	**62,343**	**64,533**	**-2,190**	**-3.39%**
4 Loans	**0**	**0**	**0**	**0.00%**
a) Central banks	0	0	0	0.00%
b) Public administrations	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
f) Families	0	0	0	0.00%
Total (A)	**71,336**	**64,533**	**6,803**	**10.54%**
B DERIVATIVE INSTRUMENTS				
a) Central counterparties	0	0	0	0.00%
b) Other	98	815	-717	-88.02%
Total (B)	**98**	**815**	**-717**	**-88.02%**
Total (A+B)	**71,433**	**65,348**	**6,086**	9.31%

2.3 Financial assets measured at fair value: breakdown by type

Line items/values	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	0	0	0	0	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	0	0	0
2 Loans	0	0	0	0	0	0
2.1 Structured	0	0	0	0	0	0
2.2 Other	0	0	0	0	0	0
Total	0	0	0	0	0	0

2.5 Financial assets obligatorily measured at fair value: breakdown by type

Line items/values	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	0	0	4,597	1,325	0	4,663
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	4,597	1,325	0	4,663
2 Capital securities	0	0	0	0	0	0
3 Shares in mutual funds	0	0	16,899	0	0	10,517
4 Loans	0	0	73,558	0	0	63,950
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	73,558	0	0	63,950
Total	0	0	95,053	1,325	0	79,130

2.6 Financial assets obligatorily measured at fair value: breakdown by borrower/issuer

Line items/values	31/12/2021	31/12/2020
1 Capital securities	**0**	**0**
of which: Banks	0	0
of which: Other financial companies	0	0
of which: Other non finance companies	0	0

Line items/values	31/12/2021	31/12/2020
2. Debt securities	**4,597**	**5,988**
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	1,042	1,994
d) Other financial companies	1,003	3,994
of which: insurance companies	0	0
e) Non finance companies	2,552	0
3 Shares in mutual funds	**16,899**	**10,517**
2 Loans	**73,558**	**63,950**
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	25	147
d) Other financial companies	7,183	12,268
of which: insurance companies	3,733	8,097
e) Non finance companies	65,780	51,139
f) Families	570	396
Total	**95,053**	**80,455**

Section 3 - Financial assets measured at fair value with impact on total profits - Line item 30

3.1 Financial assets measured at fair value with impact on total profits: breakdown by type

Line items/values	Total at 31/12/2021			Total at 31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	507,509	0	0	173,030	0	0
1.1 Structured securities	4,404	0	0	36,974	0	0
1.2 Other debt securities	503,105	0	0	136,056	0	0
2. Capital securities	0	0	19,060	0	0	18,474
3. Loans	0	0	0	0	0	0
Total	**507,509**	**0**	**19,060**	**173,030**	**0**	**18,474**

3.2 Financial assets measured at fair value with impact on total profits: breakdown by borrower/issuer

Line items/values	Total at 31/12/2021	Total at 31/12/2020	Variation	% Var.
1. Debt securities	**507,509**	**173,030**	**334,479**	**193.31%**
a) Central banks	0	0	0	0.00%
b) Public administrations	490,601	135,805	354,796	261.26%
c) Banks	16,908	37,226	-20,318	-54.58%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
2. Capital securities	**19,060**	**18,474**	**585**	3.17%
a) Banks	7,511	7,511	0	0.00%
b) Other issuers:	11,549	10,963	586	5.34%
- other financial companies	445	458	0	0.00%
of which: insurance companies	0	0	0	0.00%
- non finance companies	11,104	10,506	598	5.70%
- other	0	0	0	0.00%
3. Loans	**0**	**0**	0	0.00%
a) Central banks	0	0	0	0.00%
b) Public administrations	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%

Line items/values	Total at 31/12/2021	Total at 31/12/2020	Variation	% Var.
f) Families	0	0	0	0.00%
Total	**526,569**	**191,505**	**335,064**	**174.96%**

3.3 Financial assets measured at fair value with impact on total profits: gross value and overall value adjustments

	Gross value				Overall value adjustments			Overall partial write-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	492,683	492,683	14,956	0	68	62	0	0
Loans	0	0	0	0	0	0	0	0
Total at 31/12/2021	492,683	492,683	14,956	0	68	62	0	0
Total at 31/12/2020	135,835	135,835	37,307	0	31	82	0	0
of which: Impaired financial assets purchased or originated	X	X	0	0	X	0	0	0

3.3.a Loans measured at fair value with impact on overall profitability subject to Covid-19 aid measures: gross value and overall value adjustments

There are no loans measured at fair value with impact on total profits subject to Covid-19 aid measures.

Section 4 - Financial assets measured at amortised cost - Line item 40

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

Type of transactions / Values	Total at 31/12/2021						Total at 31/12/2020 (*)					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3
A. Receivables from Central banks	**137,936**	**0**	**0**	**0**	**0**	**137,936**						
1. Term deposits	0	0	0	0	0	0	0			0	0	0
2. Regulatory reserve	137,936	0	0	0	0	137,936	234,128			0	0	234,128
3. Repurchase agreements	0	0	0	0	0	0	0			0	0	0
4. Other	0	0	0	0	0	0	0			0	0	0
B. Receivables from banks	85,508	0	0	11,509	0	73,999	65,935			11,378	0	54,011
1. Loans	73,999	0	0	0	0	73,999	54,557			0	0	54,011
1.1. Current accounts and demand deposits	73,999	0	0	0	0	73,999	0			0	0	0
1.2. Term deposits	0	0	0	0	0	0	54,557			0	0	54,011
1.3. Other Loans:	0	0	0	0	0	0	0			0	0	0
- Repurchase agreement receivables	0	0	0	0	0	0	0			0	0	0
- Financial leases	0	0	0	0	0	0	0			0	0	0
- Other	0	0	0	0	0	0	0			0	0	0
2. Debt securities	11,509	0	0	11,509	0	0	11,378			11,378	0	0
2.1 Structured securities	0	0	0	0	0	0	0			0	0	0
2.2 Other debt securities	11,509	0	0	11,509	0	0	11,378			11,378	0	0
Total	**223,443**	**0**	**0**	**11,509**	**0**	**211,935**	**300,064**	**0**	**0**	**11,378**	**0**	**288,140**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262.

4.2 Financial assets measured at amortised cost: breakdown by type of receivables from customers- Part 1

Type of transaction/values	Total at 31/12/2021	
	Book value	Fair value

	First and second stage	Third stage	impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans	**3,175,354**	**145,695**	**859**	**3,321,907**	**X**	**X**	**X**
1.1. Current accounts	339,324	19,188	0	**358,513**	X	X	X
1.2. Repurchase agreement receivables	67,756	0	0	**67,756**	X	X	X
1.3. Mortgage loans	1,451,383	88,031	711	**1,540,125**	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	19,824	720	36	**20,580**	X	X	X
1.5. Financial leases	231,659	16,783	0	**248,442**	X	X	X
1.6. Factoring	0	0	0	**0**	X	X	X
1.7. Other financing	1,065,408	20,973	112	**1,086,493**	X	X	X
2. Debt Securities	355,094	0	0	**355,094**	280,384	0	0
2.1 Structured securities	0	0	0	**0**	0	0	0
2.2 Other debt securities	355,094	0	0	**355,094**	280,384	0	0
Total (book value)	**3,530,449**	**145,695**	**859**	**3,677,002**	**280,384**	**0**	**0**

4.2 Financial assets measured at amortised cost: breakdown by type of receivables from customers- Part 2

Type of transaction/values	Total at 31/12/2020						
	Book value				Fair value		
	First and second stage	Third stage	impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans							
1.1. Current accounts	327,302	29,546	37	**356,886**	X	X	X
1.2. Repurchase agreements - assets	0	0	0	**0**	X	X	X
1.3. Mortgage loans	1,321,712	97,335	674	**1,419,721**	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	15,218	642	55	**15,915**	X	X	X
1.5. Financial leases	194,724	18,332	0	**213,056**	X	X	X
1.6. Factoring	0	0	0	**0**	X	X	X
1.7. Other loans	854,057	21,606	32	**875,695**	X	X	X
2. Debt securities	280,384	0	0	**280,384**	280,384	0	0
2.1 Structured securities	0	0	0	**0**	0	0	0
2.2 Other debt securities	280,384	0	0	**280,384**	280,384	0	0
Total (book value)	**2,993,397**	**167,461**	**797**	**3,161,655**	**280,384**	**0**	**0**

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

Type of transaction/Values	Total at 31/12/2021			Total at 31/12/2020		
	First and second stage	Third stage	of which: impaired purchased or originated	First and second stage	Third stage	of which: impaired purchased or originated
1. Debt securities	**355,094**	**0**	**0**	**280,384**	**0**	**0**
a) Public administrations	355,094	0	0	280,384	0	0
b) Other financial companies	0	0	0	0	0	0
of which: insurance companies	*0*	*0*	*0*	*0*	*0*	*0*
c) Non finance companies	0	0	0	0	0	0
2. Loans to:	**3,175,354**	**146,553**	**859**	**2,713,450**	**167,822**	**797**
a) Public administrations	1,105	0	0	2,029	0	0
b) Other financial companies	199,150	1,490	0	73,659	1,939	0
of which: insurance companies	*0*	*0*	*0*	*0*	*0*	*0*
c) Non finance companies	1,673,736	81,558	172	1,490,752	94,071	175
d) Families	1,301,364	63,505	687	1,147,011	71,811	622
Total	**3,530,449**	**146,553**	**859**	**2,993,834**	**167,822**	**797**

4.4 Financial assets measured at amortised cost: gross value and overall value adjustments

	Gross value			Overall value adjustments			Overall partial write-offs
	First stage	Second	Third stage	First	Second	Third	

		of which: Instruments with a low credit risk	stage		stage	stage	stage	
Debt securities	355,146	355,146	11,677	0	52	168	0	0
Loans	3,129,702	3,092,669	284,346	252,057	8,135	18,624	105,504	0
Total at 31/12/2021	**3,484,848**	**3,447,815**	**296,023**	**252,057**	**8,187**	**18,792**	**105,504**	**0**
Total at 31/12/2020	**3,059,333**	**3,095,742**	**261,463**	**286,894**	**10,753**	**16,691**	**119,073**	**0**
of which: Impaired financial assets purchased or originated	*X*	*X*	*461*	*631*	*X*	*12*	*222*	*0*

4.4a Financial liabilities measured at amortised cost subject to Covid-19 aid measures: gross value and overall value adjustments

Type of transaction/Values	Gross value					Overall value adjustments				Overall partial write-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	
1. Loans subject to forbearance conformant to GL	7,565	7,565	813	760	0	623	46	234	0	0
2. Loans subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0
3. Other loans	0	0	0	0	0	0	0	0	0	0
4. New loans	468,529	468,529	50,274	2,513	60	2,203	5,173	839	5	
Total at 31/12/2021	**476,094**	**476,094**	**51,088**	**3,273**	**60**	**2,826**	**5,219**	**1,073**	**5**	**0**
Total at 31/12/2020	**735,498**	**735,498**	**115,874**	**2,785**	**0**	**5,498**	**13,145**	**856**	**0**	**0**

Section 5 - Hedges - Line item 50

As at 31 December 2021 this line item was not measured.

Section 6 - Adjustments of value of generic hedges for financial assets

As at 31 December 2021 this line item was not measured.

Section 7 – Equity investments - Line item 70

7.1 Equity investments: information on equity investments

Name	Registered offices	Operating offices	% of shareholding	% of votes available
A. Jointly held companies				
B. Companies subject to significant influence				
1. Cabel Holding s.p.a. (1)	Empoli	Empoli	49.60%	29.60%
2. Cabel Industry s.p.a. (2)	Empoli	Empoli	**11.49%**	**11.49%**
3. Gardena Capital LTD (3)	London	London	39.00%	39.00%
4. Cabel IP s.p.a. (3)	Empoli	Empoli	25.48%	25.48%

Notes

(1) During 2019, the Bank assigned 20% of shareholdings in Cabel Holding in USUFRUCT to a Trust. The cost, book value and percent of shareholdings have remained unvaried, while the number of shares (for the purposes of the % of votes available in the Shareholders' Meeting) has decreased from 49.60% to 29.60%.

(2) In December 2021, the percent of Bank shareholdings in the subsidiary decreased from 18% to 11.49%, following the issue of n. 1,700,000 shares wholly subscribed by the parent company Cabel Holding S.p.A.. The percent of shareholdings in Cabel Industry s.p.a. therefore increased to 51.61% by virtue of the Cabel Holding S.p.A. shareholding in Cabel Industry S.p.a. for 79.43%.

(3) During 2021, following the merger, the Banca acquired equity interest in Invest Italy SIM S.p.A. – falling within the scope of the Gruppo Bancario Cambiano – and equity interest in Cabel IP SpA and Gardena Capital LTD.

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

Name	Book value	Fair value	Dividends received
A. Jointly held companies	**0**	**0**	**0**
A. Companies subject to significant influence	**16,400**	**16,400**	**0**
1. Cabel Holding s.p.a.	14,503	14,503	0
2. Cabel Industry s.p.a.	1,591	1,591	0
3. Gardena Capital LTD	261	261	0
4. Cabel IP s.p.a.	45	45	0
Totals	**16,400**	**16,400**	**0**

Notes

The fair value of equity investments in companies solely controlled and subject to significant influence corresponds to the book value in that none of the companies in question is listed on a trade market. Considering the loss recorded by Cabel Holding s.p.a. during the fiscal year, for this company, impairment was analyzed by determining the fair value net of sale costs. The test did not result in value write-downs to be made.

7.3 Significant equity investments: accounting information

Names	Cash and cash equivalents	Financial assets	Non financial assets	Financial liabilities	Non financial liabilities	Total revenue	Interest income
A. Jointly held companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Companies subject to significant influence	x	**15,258**	**87,401**	**1,967**	**48,011**	**27,729**	x
1. Cabel Holding s.p.a.	x	11,507	32,396	0	1,470	1,852	x
2. Cabel Industry s.p.a.	x	697	53,715	0	45,572	25,352	x
3. Gardena Capital LTD	x	723	791	0	390	0	x
4. Cabel IP s.p.a.	x	2,330	499	1,967	579	525	x
Totals		**15,258**	**87,401**	**1,967**	**48,011**	**27,729**	

Names	Value adjustments and write-backs on property, plants and equipment and intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) from groups of assets in course of divestment net of taxes	Profit (loss) for the fiscal year (1)	Other income components net of tax(2)	Overall profitability (3) = (1) + (2)
A. Jointly held companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Companies subject to significant influence	**18**	**-11,834**	**-11,895**	**0**	**-11,895**	**0**	**-11,895**
1. Cabel Holding s.p.a.	x	-8,785	-8,832	0	-8,832	0	-8,832
2. Cabel Industry s.p.a.	x	-2,878	-2,878	0	-2,878	0	-2,878
3. Gardena Capital LTD	0	-209	-209	0	-209	0	-209
4. Cabel IP s.p.a.	18	39	25	0	25	0	25
Totals	**18**	**-11,834**	**-11,895**	**0**	**-11,895**	**0**	**-11,895**

Notes

The above companies carry out activities that are instrumental to Group activities and perform services that are auxiliary to Group activities.
The values shown in the above table refer to 30 September 2021.

The book value was calculated according to the table below:

name	Shareholders' equity	% of shareholding	Purchases/Sales	Dividends received	Book value
1. Cabel Holding S.p.A.	29,239	49.60%	0	0	14,503
2. Cabel Industry S.p.A.	8,840	18.00%	0	0	1,591
3 Gardena Capital LTD	669	39.00%	669	0	261
4 Cabel IP s.p.a.	356	25.48%	0	0	45
Totals	**39,105**		**669**	**0**	**16,400**

7.5 Equity investments: annual variations

Line items	Total at 31/12/2021	Total at 31/12/2020
A. Initial value	**23,993**	**23,693**
B. Additions	**397**	**300**
B.1 Purchases	278	0
B.2 Write-backs of value	0	0
B.3 Revaluations	77	300
B.4 Other variations	42	0
C. Reductions	**7,989**	**0**
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Write-downs	7,989	0
C.4 Other variations	0	0
D. Final values	**16,400**	**23,993**
E. Total revaluations	**13,334**	**13,257**
F. Total adjustments	**0**	**0**

Notes

Line B.1 "Purchases" includes equity investments acquired through the merger transaction with Invest Banca.
Line item B.3 "Revaluations" includes the revaluation of the company Cabel Industry S.p.a. for 77 thousand euro.
Line item C.3 "Write-downs" includes the write-down of the company Cabel Holding S.p.a. for 7,458 million euro and the write-down of the company Cabel Industry S.p.a. for 518 thousand euro. Specifically, as regards the subsidiary Cabel Holding, the variation registered during the fiscal year, equal to an overall amount of 7,458 thousand euro, was allocated for 1.282 million euro to a valuation reserve (OCI) and for 6.176 million euro

to line item 220 of the income statement "Profit (Loss) on equity investments". The share allocated to reserve, equal to 1.282 million euro, is due to value adjustments of the subsidiary relative to revaluations made during the previous years and allocated to the valuation reserve.

7.7 Equity investments: commitments referred to investments in companies subject to significant influence

There are no investments that may generate potential liabilities deriving from any joint investment.

7.8 Equity investments: restrictions

There are no significant restrictions referred to investments in companies subject to significant influence.

Section 8 - Reinsurers' share of technical reserves - Line item 80

There are no technical reserves.

Section 9 - Property, plants and equipment - Line item 90

9.1 Property, plants and equipment with a functional use: breakdown of assets measured at cost

Assets/values	Total at 31/12/2021	Total at 31/12/2020
1. Owned assets	**65,609**	**64,110**
a) land	11,420	12,240
b) buildings	40,290	37,658
c) furniture	9,757	9,613
d) electronic equipment	1,074	983
e) other	3,068	3,616
2. Rights of use acquired through leases	**15,043**	**14,367**
a) land	0	0
b) buildings	14,978	14,316
c) furniture	0	0
d) electronic equipment	0	0
e) other	64	51
Total	**80,652**	**78,477**
of which: obtained by enforcing guarantees received	*0*	*0*

Notes

All the Group's property, plants and equipment are measured at cost; the line item "land" indicates the value of the land, which is separated from the value of the buildings. Sub-line item 2 shows the rights of use purchased with financial leases, subsequent to coming into effect of the new IFRS 16 accounting principle starting 1.1.2019.

9.2 Property, plants and equipment held as investments: breakdown of assets measured at cost

Assets/values	Total at 31/12/2021				Total at 31/12/2020			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**3,717**	**0**	**0**	**3,717**	**3,332**	**0**	**0**	**3,332**
a) land	96	0	0	96	96	0	0	96
b) buildings	3,621	0	0	3,621	3,236	0	0	3,236
2. Rights of use purchased through leases	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) land	0	0	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0	0	0
Total	**3,717**	**0**	**0**	**3,717**	**3,332**	**0**	**0**	**3,332**

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

9.4 Property, plants and equipment held as investments: breakdown of assets measured at fair value

Assets/values	Total at 31/12/2021			Total at 31/12/2020		
	Fair value			Fair value		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**0**	**0**	**3,227**	**0**	**0**	**3,213**
a) land	0	0	0	0	0	0
b) buildings	0	0	3,227	0	0	3,213
2. Rights of use purchased through leases	**0**	**0**	**0**	**0**	**0**	**0**
a) land	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0
Total	**0**	**0**	**3,227**	**0**	**0**	**3,213**

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

Notes

Property, plants and equipment held as investments and measured at fair value are owned buildings not used for the business undertakings of Group companies.

9.6 Property, plants and equipment with a functional use: annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total at 31/12/2021
A. Gross initial value	**12,240**	**72,914**	**14,309**	**3,899**	**13,265**	**116,628**
A.1 Total net reductions of value	0	20,940	4,696	2,916	9,598	38,150
A.2 Net initial value	**12,240**	**51,974**	**9,613**	**983**	**3,667**	**78,477**
A.3 Changes to opening balance (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	**12,240**	**51,974**	**9,613**	**983**	**3,667**	**78,477**
B. Additions:	**953**	**8,836**	**600**	**2,643**	**779**	**13,811**
B.1 Purchases	953	7,672	600	462	779	10,468
B.2 Expenses for capitalised improvements	0	1,151	0	0	0	1,151
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	*0*
b) profit and loss account	*0*	*0*	*0*	*0*	*0*	*0*
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held as investments	0	0	0	0	0	0
B.7 Other variations	0	13	0	2,180	0	2,193
C. Reductions:	**1,774**	**5,541**	**456**	**2,552**	**1,313**	**11,637**
C.1 Sales	1,774	1,414	0	0	0	3,188
C.2 Depreciation	0	3,639	456	372	1,313	5,780
C.3 Value adjustments due to impairment allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	*0*
b) profit and loss account	*0*	*0*	*0*	*0*	*0*	*0*
C.4 Decreases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	**0**	**0**	**0**	**0**	**0**	**0**
a) property, plants and equipment held as investments	*0*	*0*	*0*	*0*	*0*	*0*
b) noncurrent assets and groups of assets in the course of divestment	*0*	*0*	*0*	*0*	*0*	*0*
C.7 Other variations	0	489	0	2,180	0	2,670
D. Final net values	**11,420**	**55,268**	**9,757**	**1,074**	**3,133**	**80,652**
D.1 Total net reductions of value	0	24,566	5,152	1,107	10,911	41,737
D.2 Final gross values	**11,420**	**79,834**	**14,909**	**2,181**	**14,044**	**122,389**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Depreciation is calculated *pro rata* using the following rates:

Type	Average rate
- Land	0.00%
- Buildings	3.00%
- Works of art	0.00%
- Furniture and furnishings	12.00%
- AED plants, machinery and equipment	20.00%
- Technical plants machinery and equipment	15.00%
- Vehicles	20.00%
- Rights of use	Based on the duration of the contract

9.6 bis Of which: Property, plants and equipment with a functional use – Rights of use acquired through leases: annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total at 31/12/2021
A. Gross initial value	**0**	**17,776**	**0**	**0**	**96**	**17,873**
A.1 Total net reductions of value	0	3,460	0	0	45	3,506
A.2 Net initial value	**0**	**14,316**	**0**	**0**	**51**	**14,367**
A.3 Changes to opening balance (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	**0**	**14,316**	**0**	**0**	**51**	**14,367**
B. Additions:	**0**	**3,403**	**0**	**0**	**39**	**3,441**
B.1 Purchases	0	3,403	0	0	39	3,441
of which: company aggregation transactions	0	2,403	0	0	39	2,442
B.2 Expenses for capitalised improvements	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	*0*
b) profit and loss account	*0*	*0*	*0*	*0*	*0*	*0*
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held as investments	0	0	0	0	0	0

B.7 Other variations	0	0	0	0	0	0
C. Reductions:	**0**	**2,740**	**0**	**0**	**25**	**2,766**
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	2,149	0	0	25	2,175
C.3 Value adjustments from impairment allocate to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	*0*
b) profit and loss account	*0*	*0*	*0*	*0*	*0*	*0*
C.4 Decreases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	**0**	**0**	**0**	**0**	**0**	**0**
a) property, plants and equipment held as investments	0	0	0	0	0	0
b) noncurrent assets and groups of assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	591	0	0	0	591
D. Final net values	**0**	**14,978**	**0**	**0**	**64**	**15,043**
D.1 Total net reductions of value	0	5,610	0	0	70	5,680
D.2 Final gross values	**0**	**20,588**	**0**	**0**	**135**	**20,723**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

9.7 Property, plants and equipment held as investments: annual variations

Line items	Land	Buildings	Total at 31/12/2021
A. Gross initial value	**96**	**6,555**	**6,651**
A.1 Total net reductions of value	0	107	**107**
A.2 Net initial value	**96**	**6,449**	**6,544**
B. Additions:	**0**	**399**	**399**
B.1 Purchases	0	5	**5**
of which: company aggregation transactions	*0*	*0*	***0***
B.2 Expenses for capitalised improvements	0	386	**386**
B.3 Write-backs of value	0	0	**0**
B.4 Increases of fair value allocated to:	**0**	**8**	**8**
a) shareholders' equity	*0*	*0*	***0***
b) profit and loss account	*0*	*8*	***8***
B.5 Increases in exchange rates	0	0	**0**
B.6 Transfers from buildings held as investments	0	0	**0**
B.7 Other variations	0	0	**0**
C. Reductions:	**0**	**1**	**1**
C.1 Sales	0	0	**0**
of which: company aggregation transactions	0	0	**0**
C.2 Depreciation	0	1	**1**
C.3 Value adjustments from impairment allocated to:	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	***0***
b) profit and loss account	*0*	*0*	***0***
C.4 Decreases of fair value allocated to:	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	***0***
b) profit and loss account	*0*	*0*	***0***
C.5 Decreases in exchange rates	0	0	**0**
C.6 Transfers to:	**0**	**0**	**0**
a) property, plants and equipment held as investments	*0*	*0*	***0***
b) assets in the course of divestment	*0*	*0*	***0***
C.7 Other variations	0	0	**0**
D. Final net values	**96**	**6,847**	**6,943**
D.1 Total net reductions of value	0	107	**107**
D.2 Final gross values	**96**	**6,955**	**7,050**
E. Measurement at fair value	**0**	**0**	**0**

Section 10 - Intangible assets - Line item 100

10.1 Intangible assets: breakdown by type of asset

Assets/values	Total at 31/12/2021		Total at 31/12/2020	
	Limited duration	Indefinite duration	Limited duration	Indefinite duration
A.1 Goodwill	**0**	**0**	**0**	**0**
A.1.1 Group goodwill				
A.1.2 Third-party goodwill				
A.2 Other intangible assets	**3,782**	**0**	**3,247**	**0**
of which: software	3,774	0	3,234	0
A.2.1 Assets measured at cost:	3,782	0	3,247	0
a) Intangible assets generated internally	0	0	0	0

b) Other assets	3,782	0	3,247	0
A.2.2 Assets measured at fair value:	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	**3,782**	**0**	**3,247**	**0**

Notes
All the Group's intangible assets are measured at cost.

10.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total at 31/12/2021
		limited duration	indefinite duration	limited duration	indefinite duration	
A. Gross initial value	**0**	**0**	**0**	**8,232**	**0**	**8,232**
A.1 Total net reductions of value	0	0	0	4,985	0	**4,985**
A.2 Net initial value	**0**	**0**	**0**	**3,247**	**0**	**3,247**
B. Additions	**0**	**0**	**0**	**1,475**	**0**	**1,475**
B.1 Purchases	0	0	0	1,475	0	**1,475**
B.2 Increases of internal intangible assets	0	0	0	0	0	**0**
B.3 Write-backs of value	0	0	0	0	0	**0**
B.4 Increases of fair value	0	0	0	0	0	**0**
- to shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
- to profit and loss account	*0*	*0*	*0*	*0*	*0*	***0***
B.5 Increases in exchange rates	0	0	0	0	0	**0**
B.6 Other variations	0	0	0	0	0	**0**
C. Reductions	**0**	**0**	**0**	**940**	**0**	**940**
C.1 Sales	0	0	0	0	0	**0**
C.2 Value adjustments	**0**	**0**	**0**	**934**	**0**	**934**
- Depreciation	*0*	*0*	*0*	*934*	*0*	***934***
- Write-downs	***0***	***0***	***0***	***0***	***0***	***0***
+ shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
+ profit and loss account	*0*	*0*	*0*	*0*	*0*	***0***
C.3 Decreases in fair value	**0**	**0**	**0**	**0**	**0**	**0**
- to shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
- to profit and loss account	*0*	*0*	*0*	*0*	*0*	***0***
C.4 Transfers to noncurrent assets in the course of divestment	0	0	0	0	0	**0**
C.5 Decreases in exchange rates	0	0	0	0	0	**0**
C.6 Other variations	0	0	0	6	0	**6**
D. Final net values	**0**	**0**	**0**	**3,782**	**0**	**3,782**
D.1 Total net value adjustments	0	0	0	5,919	0	**5,919**
E. Final gross values	**0**	**0**	**0**	**9,701**	**0**	**9,701**
F. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Notes
At 31 December 2021 other intangible assets consist in expenses for company software in the amount of 3,774 thousand euro, and in other intangible assets for the remaining 8 thousand euro.

Section 11 – Tax assets and liabilities – Assets line item 110 and Liabilities line item 60

11.1 Assets from pre-paid taxes: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020
1. Multi-year costs	0	0
2. Personnel costs	393	444
3. Receivables	16,475	19,143
4. Entertainment expenses	0	0
5. Financial instruments (HTCS securities)	1,131	930
6. Tax losses	8,348	1,843
7. Goodwill	1,589	1,717
8. Other	243	150
Total	**28,178**	**24,226**

Notes
The line item "Financial instruments" shows tax receivables related to financial instruments classified in the portfolio of financial assets measured at fair value with impact on total profits.
The line item "Tax losses" shows tax receivables, for 1,800 thousand euro, calculated on tax losses recognised in the Bank's previous fiscal year, and for 6,648 thousand, the DTA connected to the merger transaction, recognised pursuant to 233 of article 1 of Law n. 178/2020 (6,673 gross tax–1,668 (25%) already transformed into a tax credit during the 2021 fiscal year, in the financial statements of the Parent Company, Banca Cambiano).
This regulation, in case of company mergers, allows the subject resulting from the merger to convert into a tax credit – on payment of a fee – receivables from pre-paid taxes referred to the tax losses accrued up to the tax period prior to that underway at the date that the transaction becomes legally effective and not yet calculated in reduction of taxable income. On this matter, please note that with the appeal, submitted on 15.10.2021, the Revenue Agency was requested to not apply the limitations provided for by article 172, comma 7, of the TUIR, regarding the reporting of previous tax losses, of interest expense surpluses and of the ACE benefit, within the scope of a merger by incorporation as per articles 2501-ter and following, of the Italian Civil Code, between Banca Cambiano 1884 S.p.A. and Invest Banca S.p.A. under extraordinary administration.

On 10 February 2022, the Revenue Agency requested that the appealing company submit additional documentation. On this matter, we can confirm that the interpretation held up by the Bank in the appeal, with the backing of its tax consultants, regarding the reportability of tax losses deriving from the management of former Invest Banca, now incorporated into Banca Cambiano 1884 spa, is founded on the base of reference regulations and the interpretative praxis known to date. Finally, it must be remembered that the filing of an application for the purposes of the reportability of losses in the event of a merger is obligatory pursuant to article 172 comma 7 of the TUIR if the conditions provided for by the provision in question regarding profitability indexes are not exceeded (a condition met in the case in point), and neither are the capitalization indexes (not met in the case in point). The request for additional documentation by the Revenue Agency does not change the above conclusions, in the it is aimed, as is usual, at acquiring additional information that the Agency itself considers necessary for the purpose of the appeal. Lastly, please note that the additional documentation must be submitted by the applicant company within one year of the date of the request and that the Revenue Agency has a term of 60 days from receiving said additional documentation to return a response.

Point 3. – Detail of assets from pre-paid taxes:

N.	Line items/values	Total 31/12/2021	Total 31/12/2020
01.	IRAP (tax on productive activities) scheduled for 2018 - deferred to 2026	0	0
02.	IRES (corporate income tax) scheduled for 2018 - deferred to 2026	0	0
03.	IRAP (tax on productive activities) scheduled for 2019 - deferred to 2027	0	0
04.	IRES (corporate income tax) scheduled for 2019 - deferred to 2027	0	0
05.	IRAP (tax on productive activities) scheduled for 2020	0	0
06.	IRES (corporate income tax) scheduled for 2020	0	0
07.	IRAP (tax on productive activities) scheduled for 2021	0	353
08.	IRES (corporate income tax) scheduled for 2021	0	2,315
09.	IRAP (tax on productive activities) scheduled for 2022	353	353
10.	IRES (corporate income tax) scheduled for 2022	2,315	2,315
11.	IRAP (tax on productive activities) scheduled for 2023	353	353
12.	IRES (corporate income tax) scheduled for 2023	2,315	2,315
13.	IRAP (tax on productive activities) scheduled for 2024	353	353
14.	IRES (corporate income tax) scheduled for 2024	2,315	2,315
15.	IRAP (tax on productive activities) scheduled for 2025	147	147
16.	IRES (corporate income tax) scheduled for 2025	965	965
17.	IRAP (tax on productive activities) scheduled for 2026	294	294
18.	IRES (corporate income tax) scheduled for 2026	1,929	1,929
19.	IRAP (tax on productive activities) scheduled for 2027	353	353
20.	IRES (corporate income tax) scheduled for 2027	2,315	2,315
21.	IRAP (tax on productive activities) on FTA IFRS9 adjustments scheduled for 2028	416	416
22.	IRES (corporate income tax) on FTA IFRS9 adjustments scheduled for 2028	2,052	2,052
	Total	**16,475**	**19,143**

11.2 Liabilities for deferred taxes: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020
1. Property, plants and equipment	114	0
2. Personnel costs	0	0
3. Former credit risk fund	0	0
4. Equity investments	28	46
5. Financial instruments (HTC securities)	0	111
6. Goodwill	0	0
7. Other	446	463
Total	**589**	**620**

Notes

The line item "Equity investments" shows tax liabilities referred to equity investments calculated at the IRES rate (27.50%) on 5.00% of overall capital gain.

The line "Financial instruments" shows tax liabilities related to financial instruments classified in the portfolios of financial assets measured at fair value with impact on total profits.

11.3 Variations to pre-paid taxes (as on offset to the income statement)

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Initial value	**22.852**	**22.761**
2. Additions	**8.604**	**2.852**
2.1 Pre-paid taxes recognised during the fiscal year	8.604	2.852
a) related to previous fiscal years	*0*	*0*
b) due to changes in accounting criteria	*0*	*0*
c) write-backs of value	*0*	*0*
d) other	*8.604*	*2.852*
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**4.802**	**2.761**

3.1 Pre-paid taxes derecognised during the fiscal year	2.948	2.761
a) reversals	*2.948*	*2.761*
b) write-downs for receivables written off as unrecoverable	*0*	*0*
c) changes to accounting policies	*0*	*0*
d) other	*0*	*0*
3.2 Reductions in tax rates	0	0
3.3 Other reductions	1.854	0
a) transformation into tax credits pursuant to Law n. 214/2011	*1.854*	*0*
b) other	*0*	*0*
4. Final value	**26.654**	**22.852**

Notes
The table summarises all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement.
The sub-line item “d) other" under «Additions» includes he recognition of assets from pre-paid taxes on tax losses deriving from the merger transaction, in the amount of 6,648 thousand use, and on tax losses of the Bank for 1,711 thousand euro.

11.4 Variations to pre-paid taxes pursuant to Law 214/2011 (as offset in the income statement)

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Initial value	**16,675**	**19,343**
2. Additions	**0**	**0**
3. Reductions	**2,668**	**2,668**
3.1 reversals	2,668	2,668
3.2 transformation into tax credits	0	0
a) deriving from operating losses	*0*	*0*
b) deriving from tax losses	*0*	*0*
3.3 other reductions	0	0
4. Final value	**14,007**	**16,675**

11.5 Variations to deferred taxes (as on offset to the income statement)

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Initial value	**463**	**2.391**
2. Additions	**114**	**3**
2.1 Deferred taxes recognised during the fiscal year	**114**	**3**
a) related to previous fiscal years	*0*	*0*
b) due to changes in accounting policies	*0*	*0*
c) other	*114*	*3*
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**17**	**1,930**
3.1 Deferred taxes derecognised during the fiscal year	**17**	**1,930**
a) reversals	*17*	*1,930*
b) due to changes in accounting policies	*0*	*0*
c) other	*0*	*0*
3.2 Reductions in tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**560**	**463**

Notes
The table summarises all deferred taxes that will be absorbed during subsequent fiscal years as offsets in the income statement.

11.6 Variations to pre-paid taxes (as on offset to shareholders’ equity)

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Initial value	**1,374**	**892**
2. Additions	**1,060**	**482**
2.1 Pre-paid taxes recognised during the fiscal year	**1,060**	**482**
a) related to previous fiscal years	*0*	*0*
b) due to changes to accounting policies	*0*	*0*
c) other	*1,060*	*482*
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**910**	**0**
3.1 Pre-paid taxes derecognised during the fiscal year	**910**	**0**
a) reversals	*910*	*0*
b) write-downs for receivables written off as unrecoverable	*0*	*0*
c) due to changes to accounting policies	*0*	*0*
d) other	*0*	*0*
3.2 Reductions in tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**1,524**	**1,374**

Notes
The variations are due to pre-paid taxes recorded in movements of reserves of shareholders’ equity relative to financial instruments classified in the portfolios of financial assets measured fair value with impact on total profits.

11.7 Variations to deferred taxes (as on offset to net equity)

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Initial value	**157**	**229**
2. Additions	**0**	**0**
2.1 Deferred taxes recognised during the fiscal year	**0**	**0**
a) related to previous fiscal years	*0*	*0*
b) due to changes to accounting policies	*0*	*0*
c) other	*0*	*0*
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**129**	**72**
3.1 Deferred taxes derecognised during the fiscal year	**129**	**72**
a) reversals	*129*	*72*
b) due to changes to accounting policies	*0*	*0*
c) other	*0*	*0*
3.2 Reductions in tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**28**	**157**

11.8 Other information – Assets due to current taxes– Breakdown

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Advances paid to the tax authority	376	11,128
2. Tax receivables – principal	14,791	4,696
3. Tax receivables - interest	0	0
4. Other withholdings	189	140
Total	**15,356**	**15,964**

Notes

Assets due to current taxes in 2021 are shown on a "closed account basis in the table above.

The sub-line item "Tax receivables - principal " includes credits deriving from tax returns for 5,902 thousand euro (IRAP tax credit equal to 1,212 thousand and IRES tax credit equal to 4,690 thousand euro), the IRES credit deriving from the transformation of DTA as per Law n. 214/2011 equal to 1,668 thousand euro, and tax credits deriving from the merger with Invest Banca S.p.A., equal to 1,100 thousand euro.

11.8 Other information – Liabilities for current taxes– Breakdown

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Fund for IRES tax	535	741
2. Fund for IRAP tax	236	140
3. Fund for stamp duties	0	31
4. Tax fund – substitute tax Law n.244/2007	0	0
5. Tax fund – Other	52	95
Total	**823**	**1,007**

Notes

Liabilities for current taxes in 2020 are shown on a "closed" account basis in the balance sheet and on an "open" account basis in the table above.

Section 13 - Other assets - Line item 130

13.1 Other assets: breakdown

Line items	Total at 31/12/2021	Total at 31/12/2020
01. Other debtors	13,501	5,011
02. Entries in transit	2,188	215
03. Entries being processed	18,616	16,746
04. Various entries to be settled	212	128
05. Stipulated loans to be disbursed	4,705	14,863
06. Checks, bills returned unpaid and protested	33	135
07. Assets sold and not derecognised	0	0
08. Assets for expenses on third party goods	1,059	899
09. Expenses not yet invoiced	125	171
10. Costs to be allocated	0	0
11. Advance operations on securities	591	718
12. Various open entries	7,841	5,616
13. Accrued income and prepayments	1,841	2,142
14. Securities to be settled (Sales)	0	0
15. Loans for tax bonuses	21,885	45
16. Various tax entries	7,706	0
Total	**80,302**	**46,689**

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Line item 10

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

Type of transaction/Values	Total at 31/12/2021				Total at 31/12/2020				Var.	% Var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
1. Payables to central banks	1,066,717	0	0	1,066,717	786,725	0	0	786,725	279,992	35.59%
2. Payables to banks	**133,339**	**0**	**0**	**133,339**	**128,006**	**0**	**0**	**128,006**		
2.1 Current accounts and demand deposits	113,206	0	0	113,206	123,231	0	0	123,231	-10,025	-8.14%
2.2 Term deposits	15,003	0	0	15,003	0	0	0	0	15,003	-
2.3 Loans	4,799	0	0	4,799	4,610	0	0	4,610	189	
2.3.1 Repurchase agreements - payable	0	0	0	0	0	0	0	0	0	
2.3.2 Other	4,799	0	0	4,799	4,610	0	0	4,610	189	
2.4 Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	
2.5 Liabilities for leases	0	0	0	0	0	0	0	0	166	
2.6 Other liabilities	331	0	0	331	165	0	0	165		
Total	**1,200,057**	**0**	**0**	**1,200,057**	**914,731**	**0**	**0**	**914,731**	**285,325**	**31.19%**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes
Payables to banks are all measured at cost or at amortised cost. The line item “Payables to central banks” includes the TLTROII opened by Banca Cambiano 1884 S.p.A. in the 2020 and 2021 fiscal years for overall € 1,066,717 thousand. The amount at 31/12/2021 is less the interest expenses calculated at a -1.00% rate from the date of initiation (€ 8,283 thousand).

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

Type of transaction/Values	Total at 31/12/2021				Total at 31/12/2020				Var.	% Var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
1. Current accounts and demand deposits	2,578,736	0	0	2,578,736	2,102,377	0	0	2,102,377	476,358	22.66%
2. Term deposits	576,660	0	0	576,660	567,949	0	0	567,949	8,711	1.53%
3. Loans	80,763	0	0	80,763	13,675	0	0	13,675	67,088	490.58%
3.1 Repurchase agreements – payables	*80,763*	*0*	*0*	*80,763*	*13,004*	*0*	*0*	*13,004*	*67,759*	*521.08%*
3.2. Other	*0*	*0*	*0*	*0*	*672*	*0*	*0*	*672*	*-672*	*-100.00%*
4. Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	-
5. Liabilities for leases	15,479	0	0	15,479	14,671	0	0	14,671	808	5.51%
6. Other liabilities	4,252	0	0	4,252	831	0	0	831	3,421	411.49%
Total	**3,255,890**	**0**	**0**	**3,255,890**	**2,699,504**	**0**	**0**	**2,699,504**	**556,386**	**20.61%**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes
Payables to customers are all measured at cost or at amortised cost.
Line item 3.2 "Loans - Others" includes transactions with Cassa Depositi e Prestiti s.p.a..
Line item 5 "Liabilities for leases" includes liabilities for leases booked in accordance with the new IFRS16 accounting standard.

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

Type of securities/Values	Total at 31/12/2021				Total at 31/12/2020			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								

Type of securities/Values	Total at 31/12/2021				Total at 31/12/2020			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Bond securities	141,372	0	0	141,372	146,523	0	0	146,523
1.1 structured	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
1.2 other	*141,372*	*0*	*0*	*141,372*	*146,523*	*0*	*0*	*146,523*
2. Other Securities	89	0	0	89	115	0	0	115
2.1 structured	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
2.2 other	*89*	*0*	*0*	*89*	*115*	*0*	*0*	*115*
Total	**141,462**	**0**	**0**	**141,462**	**146,638**	**0**	**0**	**146,638**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes
The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.
Liabilities are indicated net of repurchased bonds.
All of the liabilities are measured at cost or at amortised cost, with the exception of entries that are the object of specific hedges of the interest rate risk on which the effect of the Swap was capitalised.

1.4 Financial liabilities measured at amortised cost: detail of subordinate liabilities/securities

ISIN	Date of issue	Date of redemption	Issue value	Amount attributable to own funds
- IT0005337719	28/06/2018	28/06/2025	45,000	31,421
- IT0005371270	10/06/2019	10/06/2029	5,000	5,000
- IT0005376287	20/06/2019	20/06/2029	1,000	1,000
- IT0005385668	25/09/2019	25/09/2029	2,000	2,000
- IT0005391518	05/12/2019	05/12/2029	1,000	1,000
- IT0005396426	20/12/2019	20/12/2024	3,000	1,782
- IT0005253148	01/06/2017	01/06/2024	4,700	2,272
Total			**61,700**	**44,474**

Notes
The securities shown in the table are “T2” type subordinate debenture loans issued by Banca Cambiano 1884 S.p.A. for an overall nominal value of 61,700 thousand euro. At 31 December 2020, the loans in question are eligible for allocation to Own Funds in the amount of 44,474 thousand euro, pursuant to regulatory legislation.

1.6 Financial liabilities measured at amortised cost: liabilities for leases

TIME BRACKETS	31/12/2021		31/12/2020	
	Payments due		Payments due	
	Financial leases	Operating leases	Financial leases	Operating leases
Up to 1 year	0	21	0	13
From over 1 year to 2 years	0	192	0	56
From over 2 years to 3 years	0	342	0	198
From over 3 years to 4 years	0	1,310	0	227
From over 4 years to 5 years	0	1,744	0	1,664
Over 5 years	0	11,844	0	12,487
All payments due for the lease	0	15,453	0	14,646
RECONCILIATION WITH LIABILITIES:				
Financial profits not accrued (-) (discount effect)	0	26	0	25
Liabilities for leases	**0**	**15,479**	**0**	**14,671**

Notes
Please note that Table “1.6 Liabilities for leases” shows an analysis by time brackets of liabilities referred to leases, as required by the IFRS16 accounting standard and by the 6th update of Bank of Italy Circular n. 262.

Section 2 - Financial liabilities from trading - Line item 20

2.1 Financial liabilities from trading: breakdown by type

Type of transaction/Values	Total at 31/12/2021					Total at 31/12/2020				
	Notional value	Fair value			Fair Value (*)	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Payables to banks	0	0	0	0	0	0	0	0	0	0
2. Payables to customers	0	0	0	0	0	0	0	0	0	0
3. Debt securities	0	0	0	0	0	0	0	0	0	0
3.1 Bond securities	0	0	0	0	0	0	0	0	0	0

Type of transaction/Values	Total at 31/12/2021					Total at 31/12/2020				
	Notional value	Fair value			Fair Value (*)	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
3.1.1 Structured	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
3.1.2 Other debt securities	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
3.2 Other securities	0	0	0	0	0	0	0	0	0	0
3.2.1 Structured	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
3.2.2 Other	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total A	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Derivative instruments	**0**	**0**	**0**	**694**	**0**	**0**	**0**	**0**	**641**	**0**
1. Financial derivatives	0	0	0	694	0	0	0	0	641	0
1.1 From trading	*0*	*0*	*0*	*694*	*0*	*0*	*0*	*0*	*641*	*0*
1.2 Connected to the fair value option	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
1.3 Other	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
2. Credit derivatives	0	0	0	0	0	0	0	0	0	0
2.1 From trading	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
2.2 Connected to the fair value option	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
2.3 Other	0	0	0	0	0	0	0	0	0	0
Total B	**0**	**0**	**0**	**694**	**0**	**0**	**0**	**0**	**641**	**0**
Total A + B	**0**	**0**	**0**	**694**	**0**	**0**	**0**	**0**	**641**	**0**

Key:
FV (*) - fair value calculated excluding the value adjustments due to changes in the creditworthiness of the issuer with respect to the date of issue.

Section 3 - Financial liabilities measured at fair value - Line item 30

There are no financial liabilities measured at fair value.

Section 4 - Hedges - Line item 40

4.1 Hedges: breakdown by type of hedge and by hierarchical level

Line items	Fair value 31/12/2021			Notional value 31/12/2021	Fair value 31/12/2020			Notional value 31/12/2020
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**0**	**0**	**141**	**20,000**	**0**	**0**	**419**	**20,000**
1) Fair value	0	0	141	20,000	0	0	419	20,000
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	**0**	**0**	**141**	**20,000**	**0**	**0**	**419**	**20,000**

Notes
e table shows the negative balance sheet value (fair value) of hedge contracts, using the hedge accounting instruments. Specifically, the transaction refers to the hedging of interest rate risk for a bond issued by Banca Cambiano 1884S.p.A.

4.2 Hedges: breakdown by hedged portfolio and by type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Capital securities and equity indexes	Currency and gold	Credit	Goods	Other				
1. Financial assets measured at fair value with impact on total profits	141	0	0	0	0	0	0	0	0	0
2. Financial assets measured at amortised cost	0	0	0	0	0	0	0	0	0	0
3. Portfolio	0	0	0	0	0	0	0	0	0	0
4. Other transactions	0	0	0	0	0	0	0	0	0	0
Total assets	**141**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	0	0	0	0	0	0	0	0	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Expected transactions	0	0	0	0	0	0	0	0	0	0
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0	0

Section 8 - Other liabilities - Line item 80

8.1 Other liabilities: breakdown

Line items	Total at 31/12/2021	Total at 31/12/2020
01. Various tax entries	9,514	5,192
02. Entries in transit	12,150	5,722
03. Differences receivable on offsets of third party portfolios	48,903	39,936
04. Suppliers	6,445	4,638
05. Entries being processed and other creditors	11,271	31,820
06. Accrued liabilities and deferred income	4,558	3,484
07. Borrower accounts for stipulated loans to be disbursed	4,705	14,863
08. Securities to be settled (purchases)	1	12,515
Total	**97,548**	**118,169**

Section 9 - Employee severance pay - Line item 90

9.1 Employee severance pay: annual variations

Line items	Total at 31/12/2021	Total at 31/12/2020
A. Initial value	**4,243**	**4,049**
B. Additions	**1,414**	**1,430**
B.1 Allocations during the fiscal year	1,245	1,164
B.2 Other variations	169	266
C. Reductions	**1,753**	**1,237**
C.1 Payments made	340	93
C.2 Other variations	1,413	1,144
D. Final values	**3,903**	**4,243**
Total	**3,903**	**4,243**

Notes

Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1,244 thousand euro.

Line item B.2 "Other variations" includes the “Service Cost” in the amount of 44 thousand and the severance pay Fund relative to Invest Banca employees, acquired with the merger transactions, for 125 thousand euro.

Line item C.1 "Payment made" includes the "Benefit Paid" for the IAS purposes of employee severance pay, for 340 thousand euro.

Line item C.2 "Other variations" includes the Interest Cost", in the amount of 7 thousand euro, Actuarial Gains/Losses in the amount of 186 thousand euro, and severance pay reversed into the Integrative Pension Fund for employees (external) or Inps Treasury, in the amount of 1,193 thousand euro.

9.1 Other information

In accordance with IAS 19, employee severance pay was measured by applying specific actuarial estimation for the treatment of defined benefit funds.

More detailed information regarding the criteria used for these estimations is provided in the explanatory notes of the various Bank Group companies.

Section 10 - Risk and expense funds - Line item 100

10.1 Risk and expense funds: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020
1. Funds for credit risk related to commitments and guarantees issued	1,896	2,450
2. Funds for other commitments and other guarantees issued	0	0
3. Funds for company pensions	0	0
4. Other risk and expense funds	6,063	183
4.1 lawsuits	*5,308*	*170*
4.2 personnel costs	*0*	*0*
4.3 other	*755*	*13*
Total	**7,959**	**2,633**

10.2 Risk and expense funds: annual variations

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total at 31/12/2021
A. Initial value	**2,450**	**0**	**183**	**2,633**
B. Additions	**359**	**0**	**6,032**	**6,391**
B.1 Allocations during the fiscal year	359	0	2,294	**2,654**
B.2 Variations due to the passage of time	0	0	0	**0**
B.3 Variations due to changes to the discount rate	0	0	0	**0**
B.4 Other variations	0	0	3,738	**3,738**
C. Reductions	**913**	**0**	**153**	**1,066**
C.1 Use during the fiscal year	913	0	153	**1,066**
C.2 Variations due to changes to the discount rate	0	0	0	**0**
C.3 Other variations	0	0	0	**0**
D. Final values	**1,896**	**0**	**6,063**	**7,959**

10.3 Fund for credit risk related to issued commitments and financial guarantees

	Funds for credit risk related to issued commitments and financial

	guarantees			
	First stage	Second stage	Third stage	Total at 31/12/2021
1. Commitments to disburse funds	14	0	0	14
2. Financial guarantees issued	310	51	1,521	1,882
Total	**324**	**51**	**1,521**	**1,896**

10.4 Funds for credit risk related to other issued commitments and guarantees

	Funds for credit risk related to other issued commitments and guarantees			
	First stage	Second stage	Third stage	Total at 31/12/2021
1. Other commitments	0	0	0	0
2. Other issued guarantees	0	0	0	0
Total	**0**	**0**	**0**	**0**

Section 13 – Shareholders' equity - Line items 120, 130, 140, 150, 160, 170, and 180

13.2 Share capital – Number of Parent Company shares: annual variations

Line items/Types	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	**232,800**	**0**
- entirely unrestricted	232,800	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
A.2 Outstanding shares: initial value	**232,800**	**0**
B. Additions	**0**	**0**
B.1 New issues	**0**	**0**
- for payment:	0	0
- corporate merger operations	0	0
- conversion of securities	0	0
- exercise of warrants	0	0
- other	0	0
- with no charge:	0	0
- to employees	0	0
- to directors	0	0
- other	0	0
B.2 Sale of treasury shares	0	0
B.3 Other variations	0	0
C. Reductions	**0**	**0**
C.1 Derecognition	0	0
C.2 Purchase of treasury shares	0	0
C.3 Sale of companies	0	0
C.4 Other variations	0	0
D. Outstanding shares: final values	**232,800**	**0**
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	**232,800**	**0**
- entirely unrestricted	232,800	0
- with restrictions	0	0

13.3 Share capital: other information - annual variations

Line items	Amounts	Number of shares	Number of shareholders
A. Initial value	**232,800**	**232,800**	**276**
B. Additions	**1,150**	**1,150**	**2**
B.1 Purchase of shares – New shareholders	58	58	2
B.2 From other additions	1,092	1,092	0
C. Reductions	**1,150**	**1,150**	**6**
C.1 Redemptions – extinct shareholders	1,140	1,140	6
C.2 From other reductions	10	10	0
D. Final values	**232,800**	**232,800**	**272**

13.4 Reserves from gains: other information

Line items	Total at 31/12/2021	Total at 31/12/2020
1. Share capital	232,800	232,800
2. Premiums on the issue of new shares	803	803

Line items	Total at 31/12/2021	Total at 31/12/2020
3. Reserves	-49,106	-53,617
3.1 Ordinary/extraordinary reserve	30,505	21,378
3.2 Regulatory reserve	0	0
3.3 Reserves - First Time Adoption IAS/IFRS	-78,146	-78,146
3.4 Reserves - Way Out	3,425	3,425
3.5 Reserve for sale/redemption of FOE securities	-4,268	-275
3.6 Reserve for payment of coupons on capital instruments	-623	
4. (Treasury shares)	0	0
5. Valuation reserves	-1,161	584
5.1 Financial assets from trading	0	0
5.2 Financial assets measured at fair value with impact on total profits	-2,159	-1,544
5.3 Financial assets measured at amortised cost	0	0
5.4 Property, plants and equipment	0	0
5.5 Intangible assets	0	0
5.6 Hedging of foreign investments	0	0
5.7 Hedging of cash flows	0	0
5.8 Exchange rate differences	0	0
5.9 Noncurrent assets in the course of divestment	0	0
5.10 Actuarial profit (loss) on defined benefit assets	-1,036	-1,171
5.11 Share of valuation reserves of equity investments measured on the basis of shareholders' equity	2,035	3,298
5.12 Special revaluation laws	0	0
6. Capital instruments	27,000	10,000
7. Profit (loss) for the fiscal year	8,184	8,670
Total	**218,521**	**199,241**

13.5 Capital instruments: breakdown and annual variations

ISIN	Date of issue	Date of redemption	Issue value	Amount booked in own funds
- IT0005427023	23/11/2020	31/12/2099	1,500	1,500
- IT0005429375	15/12/2020	15/12/2099	3,500	3,500
- IT0005429755	21/12/2020	21/12/2099	1,000	1,000
- IT0005431777	21/12/2020	21/12/2099	500	500
- IT0005432130	28/12/2020	28/12/2099	3,500	3,500
- IT0005439846	30/03/2021	30/03/2099	5,000	5,000
- IT0005454076	11/08/2021	11/08/2099	5,000	5,000
- IT0005475055	28/12/2021	28/12/2099	7,000	7,000
Total			**27,000**	**27,000**

Notes

Line item "140. Capital instruments" of the balance sheet includes new Additional Tier1 capital instruments issued in 2020 and 2021 by Banca Cambiano 1884 S.p.A. for an overall nominal value of 27,000 thousand euro, and classified in Additional Tier 1 capital, in accordance with Regulation n. 575 of 2013 (CRR).

For detailed information regarding the accounting treatment of in instruments in question, please consult the contents of "Part A – Accounting policies" of the Explanatory Notes.

Section 14 - Equity pertaining to minority interest - Line item 190

14.1 Detail of line item 190 "Equity pertaining to minority interest"

Company name	Total at 31/12/2021	Total at 31/12/2020
Equity investments in consolidated companies with significant third-party shareholdings	2,355	2,032
1. Immobiliare 1884 s.r.l.	0	0
2. Cabel Leasing S.p.A.	2,090	2,032
3. Invest Italy SIM S.p.A.	265	
Other shareholdings	0	0
Total	**2,355**	**2,032**

Other information

1. Issued commitments and financial guarantees (other than those measured at fair value)

	Nominal value on issued commitments and financial guarantees				Total at 31/12/2021	Total at 31/12/2020
	First stage	Second stage	Third stage	Impaired purchased and/or originated		
1) Commitments to disburse funds	**906,124**	**64,598**	**9,677**		**980,399**	**1,011,293**
a) Central banks	0	0	0		0	0
b) Public administrations	1,089	0	0		1,089	680
c) Banks	2,500	0	0		2,500	2,500
d) Other financial companies	25,673	11	0		25,684	104,992
e) Non finance companies	790,719	61,595	9,259		861,573	822,684

	Nominal value on issued commitments and financial guarantees				Total at 31/12/2021	Total at 31/12/2020
	First stage	Second stage	Third stage	Impaired purchased and/or originated		
f) Families	86,143	2,993	417		89,553	80,437
2) Issued financial guarantees	**101,550**	**0**	**0**		**101,550**	**100,601**
a) Central banks	0	0	0		0	0
b) Public administrations	3	0	0		3	123
c) Banks	0	0	0		0	0
d) Other financial companies	2,410	0	0		2,410	1,588
e) Non finance companies	87,951	0	0		87,951	87,765
f) Families	11,187	0	0		11,187	11,124
Total	**1,007,675**	**64,598**	**9,677**		**1,081,950**	**1,111,894**

2. Other commitments and other issued guarantees

Portfolios	Nominal value	
	Amount 31/12/2021	Amount 31/12/2020
1. Other issued guarantees	**18,661**	**14,663**
of which: impaired	*0*	*0*
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	8,865	8,317
d) Other financial companies	0	0
e) Non finance companies	9,796	6,346
f) Families	0	0
2. Other commitments	**0**	**0**
of which: impaired	*0*	*0*
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	0	0
d) Other financial companies	0	0
e) Non finance companies	0	0
f) Families	0	0

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2021	Amount 31/12/2020
1. Financial assets measured at fair value with impact on profit and loss account	0	0
2. Financial assets measured at fair value with impact on total profits	22,685	23,083
3. Financial assets measured at amortised cost	953,814	616,189
4. Property, plants and equipment	0	0
Of which property, plants and equipment that constitute inventories	0	0

5. Management and trading on behalf of others

Type of service	Amount
1. Execution of trading on behalf of customers	**0**
a) purchases	0
settled	0
not settled	0
b) sales	0
settled	0
not settled	0
2. Asset management	**66,946**
3. Custody and management of securities	**5,811,938**
a) third party securities in deposit: related to bank performance as depository bank (excluding asset management)	0
1. securities issued by the bank that prepares the balance sheet	0
2. other securities	0
b) third party securities on deposit (excluding asset management): other	2,229,505
1. securities issued by the bank that prepares the balance sheet	361,640
2. other securities	1,867,865
c) third party securities deposited with third parties	1,211,624
d) treasury securities deposited with third parties	2,370,809
4. Other transactions	**0**

6. Financial assets subject to on-balance sheet netting, or subject to master netting agreements or similar agreements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities netted on-balance sheet (b)	Amount of financial assets booked in the balance sheet (c = a - b)	Correlated amounts not subject to on-balance sheet netting		Net amount at 31/12/2021 (f = c - d - e)	Net amount at 31/12/2020
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	67	0	67	0	0	**67**	**8**
2. Repurchase agreements	0	0	0	0	0	**0**	**0**
3. Loan securities	0	0	0	0	0	**0**	**0**
4. Other	0	0	0	0	0	**0**	**0**
Total at 31/12/2021	**67**	**0**	**67**	**0**	**0**	67	**0**
Total at 31/12/2020	**8**	**0**	**8**	**0**	**0**		**8**

Financial assets – List of transactions subject to netting agreements - Derivatives:

Counterparty	Derivative used	Deposit received	Net amount
Banca IMI S.p.A.	67	180	**-113**
Totals	**67**	**180**	**-113**

7. Financial liabilities subject to on-balance sheet netting, or subject to master netting agreements or similar agreements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets booked in the balance sheet (c = a - b)	Correlated amounts not subject to on-balance sheet netting		Net amount at 31/12/2021 (f = c - d - e)	Net amount at al 31/12/2020
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	141	0	141	0	0	**141**	**419**
2. Repurchase agreements	0	0	0	0	0	**0**	**0**
3. Loan securities	0	0	0	0	0	**0**	**0**
4. Other	0	0	0	0	0	**0**	**0**
Total at 31/12/2021	**141**	**0**	**141**	**0**	**0**	141	
Total at 31/12/2020	**419**	**0**	**419**	**0**	**0**		419

Financial liabilities – List of transactions subject to netting agreements - Derivatives:

Counterparty	Derivative used	Deposit given	Net amount
Banca MPS s.p.a.	0	0	**0**
Iccrea Banca s.p.a.	141	150	**-9**
Totals	**141**	**150**	**-9**

PART C – Information on the consolidated income statement

Section 1 – Interest - Line items 10 and 20

1.1 Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other transactions	Total at 31/12/2021	Total at 31/12/2020	Var.	% Var.
1. Financial assets measured at fair value with impact on profit and loss account:	**267**	**0**	**127**	**394**	**437**	**-43**	-9.88%
1.1 Assets held for trading	39	0	0	39	437	-398	-91.04%
1.2 Financial assets measured at fair value	0	0	0	0	0	0	-
1.3 Other financial assets obligatorily measured at fair value	228	0	127	355	0	355	-
2. Financial assets measured at fair value with impact on total profits	**0**	**0**	**X**	**0**	**639**	-639	-100.00%
3. Financial assets measured at amortised cost:	**1,523**	**70,991**	**X**	**72,514**	**72,488**	**25**	
3.1 Receivables from banks	0	69	X	69	173	-104	-60.18%
3.2 Receivables from customers	1,523	70,922	X	72,445	72,315	130	0.18%
4. Hedges	X	X	0	0	0	0	-
5. Other assets	X	X	301	301	19	281	1448.26%
6. Financial liabilities	X	X	X	8,900	4,657	4,242	91.09%
Total	**1,790**	**70,991**	**428**	**82,108**	**78,242**	**3,867**	**4.94%**
of which: earned interest on impaired financial assets	***0***	***4,480***	***0***	***4,480***	***5,033***	***-554***	***-11.00%***
of which: earned interest on financial leases	***0***	***548***	***0***	***548***	***395***	***152,80***	***38.70%***

Notes

The line item "earned interest on financial liabilities" includes interest on the TLTRO III transaction accrued during the fiscal year, for a total of 8,898 thousand euro.

The line item "earned interest on impaired financial assets" includes both interest on impaired loans, in the amount of 2,869 thousand euro, and interest on other impaired exposures, in the amount of 1,610 thousand euro. Interest on impaired loans includes interest collected, in the amount of 477 thousand euro and interest due to the passing of time, booked in this line item in application of the IFRS9 accounting standard, and in the amount of 2,393 thousand euro. The reduction of this component, as compared to the previous year, is due to both the decrease of impaired financial assets and to the drop in interest rates.

1.2 Earned interest and similar income: other information

There are no additions or reductions from hedging operations.

1.2.1 Earned interest on financial assets in foreign currency

Line items/values	Total at 31/12/2021	Total at 31/12/2020
Earned interest on financial assets in foreign currency	579	628

1.3 Interest expenses and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other transactions	Total at 31/12/2021	Total at 31/12/2020	Var.	% Var.
1. Financial liabilities measured at amortised cost	-6,882	-4,664	-2	-11,547	-12,600	1.053	-8.36%
1.1 Payables to central banks	0	X	X	0	0	0	-
1.2 Payables to banks	-1,130	X	X	-1,130	-1,244	115	-9.22%
1.3 Payables to customers	-5,752	X	X	-5,752	-6,556	802	-12.23%
1.4 Outstanding securities	X	-4,664	X	-4,664	-4,800	136	-2.84%
2. Financial liabilities from trading	0	0	0	0	0	0	-
3. Financial liabilities measured at fair value	0	0	0	0	0	0	-
4. Other liabilities and funds	X	X	-140	-140	-157	17	-10.74%
5. Hedges	X	X	-273	-273	-267	**-7**	2.44%
6. Financial assets	X	X	X	-741	-260	**0**	0.00%
Total	**-6,882**	**-4,664**	**-415**	**-12,702**	**-13,283**	**582**	**-4.38%**
of which: interest expenses related to lease liabilities	**0**	**0**	**159**	**159**	**156**	**2**	**1.42%**

1.4 Interest expenses and similar expenses: other information

1.4.1. Interest expenses on liabilities in foreign currency

Line items/values	Total at 31/12/2021	Total at 31/12/2020
Interest expenses on financial liabilities in foreign currency	-735	-795

1.5 Interest expenses and similar expenses: differences related to hedges

Line items	Total at 31/12/2021	Total at 31/12/2020
A. Positive differences related to hedges:	0	0
B. Negative differences related to hedges:	273	267
C. Balance (A-B)	**-273**	**-267**

Section 2 – Commission - Line items 40 and 50

2.1 Commission income: breakdown

Type of service/Values	Total at 31/12/2021	Total at 31/12/2020 (*)	Var.	% Var.
a) Financial instruments	**1,989**	**1,117**	872	78.10%
1. Trading of financial instruments	**899**	**621**	277	44.66%
1.1 with underwriting and/or on the basis of an irrevocable commitment	889	621	267	43.05%
1.2 without an irrevocable commitments	10	0	10	-
2. Receipt and transmission of orders and execution of order on behalf of customers	**198**	**236**	-38	-16.23%
2.1 Receipt and transmission of orders on one or more financial instruments	0	236	-236	-100.00%
2.2 Execution of orders on behalf of customers	198	0	198	-
3. Other commissions connected to activities related to financial instruments	**892**	**259**	633	244.35%
of which: own trading	169	0	169	462627.53%
of which: asset management	724	259	464	179.22%
b) Corporate Finance	**0**	**0**	0	-
1. Consultancy regarding mergers and acquisitions	0	0	0	-
2. Treasury services	0	0	0	-
3. Other commissions connected to corporate finance services	0	0	0	-
c) Investment consultancy services	3	0	3	-
d) Compensation and regulation	0	0	0	-
e) Custody and management of securities	**127**	**128**	-1	-0.52%
1. Depository bank	0	0	0	-
2. Other commissions connected to custody and management of securities	127	128	-1	-0.52%
f) Central administrative services for collective asset management	0	0	0	-
g) Fiduciary services	0	0	0	-
h) Payment services	**19,927**	**19,849**	78	0.39%
1. Current accounts	15,217	15,459	-241	-1.56%
2. Credit cards	929	1,067	-138	-12.97%
3. Debit cards and other payment cards	1,940	1,634	306	18.75%
4. Bank transfers and other payment orders	1,568	1,430	138	9.66%
5. Other commissions connected to payment services	273	259	14	5.23%
i) Distribution of third party services	**3,917**	**3,428**	489	14.25%
1. collective asset management	0	0	0	-
2 insurance products	3,234	2,841	393	13.84%
3 other products	682	587	95	16.26%
of which: individual asset management	0	0	0	-
j) Structured finance transactions	0	0	0	-
k) Servicing for securitisation transactions	175	199	-23	-11.78%
l) Commitments to disburse funds	0	0	0	-
m) Issued financial guarantees	565	468	98	20.88%
of which: credit derivatives	0	0	0	-
n) Funding transactions	1,106	1,276	-170	-13.34%
of which: factoring transactions	0	0	0	-
o) Trading in foreign currency	839	660	179	27.09%
p) Goods	0	0	0	-
q) Other commission income	2,419	2,308	111	4.80%
of which: for asset management of multilateral exchange systems	0	0	0	-
of which: for asset management of organised trading systems	0	0	0	-
Total	**31,068**	**29,433**	**1,635**	**5.56%**

(*)Data from the previous year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

2.2 Commission expenses: breakdown

Services/Values	Total at 31/12/2021	Total at 31/12/2020 (*)	Var.	% Var.
a) Financial instruments	-153	-131	-21,11	16.06%
of which: Trading of financial instruments	-59	-8	-50,95	646.83%
of which: placement of financial instruments	-18	0	-18,10	-
of which: asset management	-76	-124	47,94	-38.79%
- own portfolio	-76	0	-75,64	-
- delegated by third parties	0	-124	123,58	-100.00%
b) Compensation and settlement	-198	0	-198,02	-
c) Custody and management of Securities	-82	0	-81,74	-
d) Collection and payment services	-1,519	-1,594	75,38	-4.73%

Services/Values	Total at 31/12/2021	Total at 31/12/2020 (*)	Var.	% Var.
of which: credit cards, debit cards and other payment cards	-1,059	-830	-229,03	27.59%
e) Servicing activities for securitisation transactions	0	0	0,00	-
f) Commitments to receive funds	0	0	0,00	-
g) Received financial guarantees	-603	-803	199,78	-24.89%
of which: derivatives on receivables	0	0	0,00	-
h) off-site offer of financial instruments, products and services	0	0	0,00	-
i) Trading in foreign currency	-312	-261	-50,83	19.45%
j) Other commission expenses	-17	0	-16,57	-
Total	**-2,882**	**-2,789**	**-93,11**	**3.34%**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

Section 3 - Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total at 31/12/2021		Total at 31/12/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1.122	0	835	0
B. Other financial assets obligatorily measured at fair value	28	0	0	0
C. Financial assets measured at fair value with impact on total profits	352	0	359	0
D. Equity investments	0	0	0	0
Total	**1.502**	**0**	**1.194**	**0**

Section 4 - Net trading result - Line item 80

4.1 Net trading result: breakdown

Transactions/Income components	Capital gains (A)	Trading profit (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	**0**	**4,569**	**0**	**842**	**3,727**
1.1 Debt securities	0	0	0	842	-842
1.2 Capital securities	0	0	0	0	0
1.3 Shares in mutual funds	0	0	0	0	0
1.4 Loans	0	0	0	0	0
1.5 Other	0	4,569	0	0	4,569
2. Financial liabilities from trading	**0**	**0**	**0**	**0**	**0**
2.1 Debt securities	0	0	0	0	0
2.2 Liabilities	0	0	0	0	0
2.3 Other	0	0	0	0	0
3. Financial assets and liabilities: exchange rate differences	**0**	**0**	**0**	**0**	**0**
4. Derivative instruments	**0**	**76**	**0**	**0**	**76**
4.1 Financial derivatives	0	76	0	0	76
- on debt securities and interest rates	0	76	0	0	76
- on capital securities and equity indexes	0	0	0	0	0
- on currency and gold	0	0	0	0	0
- Other	0	0	0	0	0
4.2 Credit derivatives	0	0	0	0	0
of which: natural hedges connected to the fair value option	X	X	X	X	0,00
Total	**0**	**4,645**	**0**	**842**	**3,803**

Notes

The table shows the economic result from the portfolio of financial assets held for trading.

Section 5 - Net hedging result - Line item 90

5.1 Net hedging result: breakdown

Income components/Values	Total at 31/12/2021	Total at 31/12/2020
A. Income related to:		
A.1 Hedges of fair value	0	0
A.2 Hedged financial assets (fair value)	0	0
A.3 Hedged financial liabilities (fair value)	0	0
A.4 Hedges of cash flows	0	0
A.5 Assets and liabilities in foreign currency	0	0
Total income from pledged assets (A)	**0**	**0**
B. Expenses related to:		
B.1 Hedges of fair value	-8	-59
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	0	0
B.4 Hedges of cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total expenses from pledged assets (B)	**-8**	**-59**

Income components/Values	Total at 31/12/2021	Total at 31/12/2020
C. Net hedging result (A-B)	**-8**	**-59**
of which: income from hedges on het positions	0	0

Notes

The table shows the net income from hedges.

Therefore, the table details the income components recognised in the income statement, that derive from the measurement of the difference between liabilities that are hedged and the relative hedging contract.

Section 6 - Gains (Losses) from disposals/repurchases - Line item 100

6.1 Gains (Losses) from disposals/repurchases: breakdown

Line items/Income components	Total at 31/12/20201			Total at 31/12/2020		
	Gains	Loses	Net income	Gains	Losses	Net income
A. Financial assets						
1. Financial assets measured at amortised cost	4,149	3,414	734	8,618	50	8,567
1.1 Receivables from banks	4,149	0	4,149	178	0	178
1.2 Receivables from customers	0	3,414	-3,414	8,439	50	8,389
2. Financial assets measured at fair value with impact on total profits	2,472	0	2,472	330	0	330
2.1 Debt securities	2,472	0	2,472	330	0	330
2.2 Loans	0	0	0	0	0	0
Total assets	**6,621**	**3,414**	**3,206**	**8,947**	**50**	**8,897**
B. Financial liabilities measured at amortised cost						
1. Payables to banks	0	0	0	0	0	0
2. Payables to customers	0	0	0	0	0	0
3. Outstanding securities	25	0	25	78	0	78
Total liabilities	**25**	**0**	**25**	**78**	**0**	**78**

Notes

The table shows the economic result deriving from the divestment of financial assets other than those held for trading.

Gains, amounting to 6,621 thousand euro derive from disposals of financial assets measured at amortised cost carried out during 2021 for 4,149 thousand euro and the disposal of financial assets measured at fair value with impact on overall income for 2,472 thousand euro.

Losses, amounting to 3,414 thousand euro derive from the disposal of NPL receivables for overall 42 million euro in gross value, during 2021.

Section 7 – Net result from financial assets and liabilities measured at fair value

7.1 Net value variation of other financial assets and liabilities measured at fair value with recognition of income through profit and loss: breakdown of other financial assets and liabilities measured at fair value

Transactions/Income components	Capital gains (A)	Gains from disposal (B)	Losses (C)	Losses from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	0	0	0	0	0
1.1 Debt securities	0	0	0	0	0
1.2 Loans	0	0	0	0	0
2. Financial liabilities	0	0	0	0	0
2.1 Outstanding securities	0	0	0	0	0
2.2 Payables to banks	0	0	0	0	0
2.3 Payables to customers	0	0	0	0	0
3. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	0
Total	**0**	**0**	**0**	**0**	**0**

7.2 Net value variation of other financial assets and liabilities measured at fair value with recognition of income through profit and loss: breakdown of other financial assets and liabilities obligatorily measured at fair value

Transactions/Income components	Capital gains (A)	Looses from disposal (B)	Capital Losses (C)	Losses from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**86**	**0**	**376**	**0**	**-289**
1.1 Debt securities	0	0	237	0	-237
1.2 Capital securities	0	0	0	0	0
1.3 Shares in mutual funds	0	0	0	0	0
1.4 Loans	86	0	139	0	-53
2. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	0
Total	**86**	**0**	**376**	**0**	**-289**

Section 8 - Net adjustments/write-backs due to impairment - Line item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown - Part 1

Transactions/Income components	Value adjustments (1)			
	First stage	Second stage	Third stage	Impaired Purchased or originated

			Write-off	Other	Write-off	Other
A. Receivables from banks						
- Loans	-162	-38	-	0	0	0
- Debt securities	-	-	-	0	0	0
B. Receivables from customers			-	0	0	0
- Loans	-4,030	-7,487	- 0,12	-51,165	0	0
- Debt securities	-43	0	-	0	0	0
Total	**-4,234**	**-7,525**	- 0,12	**-51,165**	**0**	**0**

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown - Part 2

Transactions/Income components	Write-backs of value (2)						Total at 31/12/2021	Total at 31/12/2020
	First stage	Second stage	Third stage		Impaired Purchased or originated			
			Write-off	Other	Write-off	Other		
A. Receivables from banks								
- Loans	191	101		0	0	0	92	-63
- Debt securities	0	167		0	0	0	167	12
B. Receivables from customers	0	0		0	0	0	0	-29,412
- Loans	6,360	5,218		31,740	0	0	-19,362	-29,687
- Debt securities	55	0		0	0	0	13	275
Total	**6,606**	**5,485**		**31,740**	**0**	**0**	**-19,091**	**-29,464**

Notes

The table summarises value adjustments and write-backs of value recognised due to the impairment of receivables from customers.

Transactions/Income components	Net value adjustments						Total at 31/12/2021	Total at 31/12/2020
	First stage	Second stage	Third stage		Impaired purchased or originated			
			Write-off	Other	Write-off	Other		
1. Loans subject to forbearance conformant to GL	1,510	-26	0	-219	0	0	1,265	-9,950
2. Existing loans subject to moratoria measures no longer conformant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0
3. Loans subject to other forbearance measures	0	0	0	0	0	0	0	0
4. New loans	1,469	-3,396	0	-717	0	0	-2,645	-5,555
Total at 31/12/2021	**2,979**	**-3,423**	**0**	**-936**	**0**	**0**	**-1,380**	
Total at 31/12/2020	**-3,609**	**-11,131**	**0**	**-766**	**0**	**0**	**0**	**-15,505**

Notes:

The table summarises the net value adjustments booked for potential impairment of loans granted under Covid-19 aid measures.

8.2 Net value adjustments for credit risk relative to financial assets measured at fair value with impact on total profits: breakdown

Transactions/Income components	Value adjustments (1)							Write-backs of value (2)			Total at 31/12/2021	Total at 31/12/2020
	First stage	Second stage	Third stage		Impaired purchased or originated		First stage	Second stage	Third stage	Impaired Purchased or originated		
			Write-off	Other	Write-off	Other						
A. Debt securities	**-60**	**-54**	**0**	**0**	**0**	**0**	**23**	**74**	**0**	**0**	**-17**	**108**
B. Loans												
- to customers	0	0	0	0	0	0	0	0	0	0	0	0
- to banks	0	0	0	0	0	0	0	0	0	0	0	0

Transactions/Income components	Value adjustments (1)						Write-backs of value (2)				Total at 31/12/2021	Total at 31/12/2020
	First stage	Second stage	Third stage		Impaired purchased or originated		First stage	Second stage	Third stage	Impaired Purchased or originated		
			Write-off	Other	Write-off	Other						
of which: impaired purchased or originated	0	0	0	0	0	0	0	0	0	0	0	0
Total	**-60**	**-54**	**0**	**0**	**0**	**0**	**23**	**74**	**0**	**0**	**-17**	**108**

Notes

The table summarises the value adjustments and write-backs of value recognised due to the impairment of financial assets measured at fair value with impact on total profits.

8.2a Net value adjustments due to credit risk relative to financial assets measured at fair value with impact on total profits subject to Covid -19 aid measures: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs of value (2)				0	0
	First stage	Second stage	Third stage		Impaired purchased or originated		First stage	Second stage	Third stage	Impaired Purchased or originated		
			Write-off	Other	Write-off	Other						
A. Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Loans												
- to customers	0	0	0	0	0	0	0	0	0	0	0	0
- to banks	0	0	0	0	0	0	0	0	0	0	0	0
of which: impaired purchased or originated	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Section 9 – Profit (Loss) from contract modifications without derecognition - Line item 140

9.1 Profit (Loss) from contract modifications: breakdown

Line items/Income components	31/12/2021			31/12/2020		
	Profit	Loss	Net income	Profit	Loss	Net income
A. Financial assets						
1.1 Receivables from customers	0	-71	-71	47	0	47
Total	**0**	**-71**	**-71**	**47**	**0**	**47**

Notes

The table shows the net income deriving from contract modifications on financial instruments that do not require derecognition from the balance sheet of the assets, but only a different accounting method that entails recognition in the income statement of the difference between the booking value and the current value of the modified cash flow, discounted at the original interest rate.

Section 12 - Administrative costs - Line item 190

12.1 Personnel costs: breakdown

Type of expense/Values	Total at 31/12/2021	Total at 31/12/2020
1) Employees	-30,238	-27,727
a) salaries and wages	-20,908	-19,182
b) social security expenses	-5,469	-5,043
c) severance pay	0	0
d) pension costs	-1	0
e) allocation to employee severance pay	-1,282	-1,234
f) allocation to pension funds and similar commitments:	-11	0
- defined contribution plans	0	0
- defined benefit plans	-11	0
g) payments to external complementary pension funds	-849	-777
- defined contribution plans	-849	-777
- defined benefit plans	0	0
h) costs deriving from payment agreements based on own equity instruments	0	0
i) other employee benefits	-1,718	-1,490
2) Other personnel	-54	-117
3) Directors and Statutory Auditors	-766	-670
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	0	252
6) Recovery of expenses for third party personnel temporarily transferred to the company	0	-128
Total	**-31,058**	**-28,390**

The line item includes costs sustained for personnel acquired through the merger transaction – starting from the effective accounting date of the transaction (01/11/2021), for overall 557 thousand euro.

12.2 Average number of employees by category

Description	Values at 31/12/2021	Values at 31/12/2020
Employees	**400**	**385**
a) Managers	5	4
b) Middle management	105	88
c) Remaining employees	290	293
Other personnel	**3**	**10**
Total	**403**	**395**

Precise number of employees per category

Description	Values at 31/12/2021	Values at 31/12/2020
Employees	**438**	**395**
a) Managers	6	4
b) Middle management	111	80
c) Remaining employees	321	311
Other personnel	**4**	**10**
Total	**442**	**405**

12.4 Personnel costs: other employee benefits

Type of expense/Values	Total at 31/12/2021	Total at 31/12/2020
1) Meal vouchers for employees	-609	-523
2) Loyalty bonus for employees	0	0
3) Other employee costs	-1,109	-967
Total	**-1,718**	**-1,490**

12.5 Other administrative costs: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020*	Var.	% Var.
1. Insurance and security	-570	-683	113	-16.51%
2. Advertising and entertainment	-1,251	-1,175	-76	6.48%
3. Rent for real property	-179	-69	-110	160.02%
4. Maintenance, repairs, transformation of real and personal property	-1,405	-5,911	4,506	-76.22%
5. Electricity, heating and cleaning services	-912	-942	30	-3.23%
6. Telex, telephone and postage	-1,041	-946	-95	10.05%
7. Costs for data processing	-5,308	-3,365	-1,943	57.74%
8. Stamped paper and stationary	-324	-307	-17	5.37%
9. Fees to outside professionals	-5,547	-2,866	-2,680	93.50%
10. Costs for credit recovery	0	0	0	0.00%
11. Technical assistance and maintenance of software products	-7,166	-3,162	-4,004	126.61%
12. Information and registry searches	-1,821	-1,530	-291	19.02%
13. Charitable contributions allocated to the income statement	-146	-7	-139	1990.00%
14. Expenses for treasury assets	-7	-1	-6	600.00%
15. Travel and transportation expenses	-316	-259	-57	22.00%
16. Indirect duties and taxes	-6,886	-4,810	-2,076	43.16%
17. Other costs	-5,461	-4,540	-922	20.30%
- Contribution in favour of the Resolution Fund – Ordinary	-1,757	-1,542	-215	13.94%
- Contribution in favour of the Resolution Fund - Additional	-572	-487	-85	17.49%
- Contribution to the Interbank Deposit Protection Fund	-3,132	-2,511	-621	24.75%
18. Other different costs	-1,880	-3,728	1,849	-49.59%
Total	**-40,220**	**-34,302**	**-5,918**	**17.25%**

(*)Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262.

Notes

The increase of other administrative costs is impacted by the costs related to the merger, equal to an overall 3,429 thousand euro, detailed in the table below, and the expenses for Invest Banca operations during the period subsequent to the date of acquisition (01/11/2021), equal to 884 thousand euro. The increase of the line item, net of said expenses, equal to 1,316 thousand euro (+3.92%), is prevalently due to higher expenses for consultancy services and higher contributions, both ordinary and extraordinary, required by the Resolution Fund for banking crises and the Interbank deposit guaranty Fund, for an overall amount equal to 922 thousand euro.

Expenses related to the merger transaction	31/12/2021
Expenses for conversion of DTA into tax credit	-27
IT expenses related to migration activities for Invest Banca	-5,733
Expenses for consultancy	-939
TOTAL	**-6,699**

Section 13 - Net allocations to risk and expense funds - Line item 200

13.1 Net allocations for credit risk relative to commitments to disburse funds and issued financial guarantees: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total at 31/12/2021	Total at 31/12/2020
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Commitments to disburse funds	0	0	0	0	0	0	-2
B. Issued financial guarantees	-112	0	-383	87	971	563	-349
Total	**-112**	**0**	**-383**	**87**	**971**	**563**	**-351**

13.2 Net allocations relative to other commitments and other issued guarantees: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total at 31/12/2021	Total at 31/12/2020
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Lending	0	0	0	0	0	0	0.00
B. Issued guarantees	0	0	0	0	0	0	0.00
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**

13.3 Net allocations to risk and expense funds: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020
1. Allocations to pending litigation	-791	-139
2. Allocations to interest expenses on IRES for taxation year 2009	0	0
3. Other allocations	-9	-13
4. Write-backs of provisions for pending disputes	153	24
Total	**-647**	**-129**

Section 14 - Net adjustments/write-backs to property, plants and equipment - Line item 210

14.1 Net value adjustments to property, plants and equipment: breakdown

Asset/Income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net result (a+b-c)
A. Property, plants and equipment	-5,540	0	0	**-5,540**
1. With a functional use	-5,540	0	0	**-5,540**
- Owned	-3,308	0	0	**-3,308**
- Right of use purchased through leasing	-2,232	0	0	**-2,232**
2. Held as investments	-1	0	0	**-1**
- Owned	-1	0	0	**-1**
- Right of use purchased through leasing	0	0	0	**0**
3. Inventories	X	0	0	**0**
Total	**-5,540**	**0**	**0**	**-5,540**

Section 15 - Net adjustments/write-backs to intangible assets - Line item 220

15.1 Net value adjustments to intangible assets: breakdown

Asset/Income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income(a+b-c)
A. Intangible assets	-934	0	0	**-934**
of which: software	-929			**-929**
A.1 Owned	-934	0	0	**-934**
- Generated internally by the company	0	0	0	**0**
- Other	-934	0	0	**-934**
A.2 Rights of use acquired through leases	0	0	0	**0**
Total	**-934**	**0**	**0**	**-934**

Section 16 – Other management income and expenses - Line item 230

16.1 Other management expenses: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020
1. Contingent liabilities and non-existent assets	-921	-1.176
2. Use of guarantee funds	0	0
3. Depreciation of third party assets	-216	-202
Total	**-1,138**	**-1,377**

16.2 Other management income: breakdown

Line items/values	Total at 31/12/2021	Total at 31/12/2020

1. Recovery of expenses	4,997	4,107
2. Contingent assets and non-existent liabilities	160	101
3. Other income	3,365	1,507
Total	**8,522**	**5,715**

Section 17 – Profit (Loss) from equity investments - Line item 250

17.1 Profit (loss) from equity investments: breakdown

Income component/Values	Total at 31/12/2021	Total at 31/12/2020
A. Income	0	0
1. Revaluations	77	300
2. Gains from disposal	0	0
3. Write-backs of value	0	0
4. Other income	0	0
B. Expenses	0	0
1. Write-downs	6,708	0
2. Value adjustments from impairment	0	0
3. Losses from disposals	0	0
4. Other expenses	0	0
Net income	**-6,631**	**300**

Notes:

Line item B.1 "Write-downs" includes the variation in shareholders' equity of subsidiaries – related to the share held by the Bank in – both due to the capitalisation of the results for the 2020 fiscal year, approved by the respective Shareholders' Meetings, and to the results recorded during the first 9 months of 2021 approved by the Board of Directors of the companies. In particular, the overall amount is due to the following components:

- Write-down of the share held in the subsidiary Cabel Holding s.p.a. in the amount of 6,178 thousand euro, for losses incurred by the subsidiary;
- Write-down of the share held in the company Cabel Industry s.p.a. in the amount of 518 thousand euro, for losses incurred by the subsidiary;
- Write-down of the share held in the company Cabel Ip s.p.a. in the amount of 13 thousand euro, for value adjustments of the shareholding acquired during the merger, to fair value.

In particular, as regards the subsidiary Cabel Holding, the variation recognised during the fiscal year, equal to overall 6.840 million, was allocated in the amount of 1.282 million euro to a valuation reserve (OCI) and in the amount of 5.558 million euro to line item 220 of the income statement "Profit (Loss) on equity investments". The amount allocated to reserve, equal to 1.263 million euro, is due to increase in value of the subsidiary related to revaluations made during the previous fiscal years and allocated to valuation reserve.

The write-down recognised as at 31 March 2021 is largely due to the full write-down of the payment in capital account, equal to 7 million euro, made by Cabel Holding in favour of Invest Banca, on the basis of the last valuations of the latter.

Section 18 – Net income from fair value measurement of property, plants and equipment and intangible assets - Line item 260

18.1 Net income from fair value measurement (or revaluation measurement) or at the probable realizable value of property, plants and equipment and intangible assets: breakdown

Asset / Income component	Revaluations (a)	Write-downs (b)	Exchange rate differences		Net income (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plants and equipment	8	0	0	0	**8**
A.1 With a functional use	0	0	0	0	**0**
- Owned	0	0	0	0	**0**
- Rights of use acquired through leases	0	0	0	0	**0**
A.2 Held as investments	8	0	0	0	**8**
- Owned	8	0	0	0	**8**
- Rights of use acquired through leases	0	0	0	0	**0**
A.3 Inventories	0	0	0	0	**0**
B. Intangible assets	0	0	0	0	**0**
B.1 Owned	0	0	0	0	**0**
B.1.1- Generated internally by the company	0	0	0	0	**0**
B.1.2- Other	0	0	0	0	**0**
Total	**8**	**0**	**0**	**0**	**8**

Section 19 - Adjustments to value of goodwill - Line item 270

19.1 Adjustments to value of goodwill: breakdown

Income component/Values	Total at 31/12/2021	Total at 31/12/2020
Pistoia branch	0	0
San Giovanni Valdarno branch	0	0
Bologna branch	0	-1,772
Turin branch	0	0
Rome branch	0	-1,368
Total	**0**	**-3,140**

Section 20 - Gains (losses) from disposal of investments - Line item 280

20.1 Gains (losses) from disposal of investments: breakdown

Income component/ Values	Total at 31/12/2021	Total at 31/12/2020
A. Property, plants and equipment	100	15

- Gains from disposal	100	15
- Losses from disposals	0	0
B. Other assets	-73	-8
- Gains from disposal	0	0
- Losses from disposals	-73	-8
Net income	**28**	**7**

Section 21 - Fiscal year income tax on current operations - Line item 300

21.1 Fiscal year income tax on current operations: breakdown

Income components/Values	Total at 31/12/2021	Total at 31/12/2020
1. Current income tax (-)	-364	-146
2. Variation of current income tax for previous fiscal years (+/-)	0	0
3. Reduction of current income tax for this fiscal year (+)	0	0
3 bis. Reduction of current income tax for the fiscal year for tax credits as per Law L. n. 214/2011 (+)	0	0
4. Variation of pre-paid taxes (+/-)	-1,053	86
5. Variation of deferred taxes (+/-)	-97	1,927
6. Fiscal year income tax (-) (-1+/-2+3+3 bis+/-4+/-5)	**-1,513**	**1,867**

Notes

Current taxes are measured in accordance with current tax legislation.

Summary of fiscal year income taxes by type of tax

Income components/Values	Total at 31/12/2021
- IRES (corporate income tax)	-932
- IRAP (tax on productive activities)	-582
- Other taxes	0
Total	**-1,513**

21.2 Reconciliation between theoretical tax burden and effective tax burden on the balance sheet

Line items/values	Ires	Tax rate	Irap	Tax rate
(A) Gain (Loss) from current operations before taxes	9,605		9,605	
(B) Income taxes – Theoretical burden	2,641	27.50%	535	5.57%
Reductions of tax base	28,489	27.50%	19,818	5.57%
Additions to tax base	12,810	27.50%	13,397	5.57%
Tax base	-6,074		3,184	
Income taxes – effective tax burden	-151	27.50%	-177	5.57%
Pre-paid/deferred taxes	-773	27.50%	-411	5.57%
Total taxes	**-925**		**-589**	
Overall tax	**-1,513**			
Effective tax rate	**-15.76%**			

Section 23 - Profit (loss) for the fiscal year attributable to third parties - Line item 340

23.1 Detail of line item 330 "Profit (loss) for the fiscal year attributable to third parties"

Company name	Total at 31/12/2021	Total at 31/12/2020
Consolidated equity investments with significant third party shareholdings	**-92**	**38**
1. Immobiliare 1884 s.r.l.	0	0
2. Cabel Leasing S.p.A.	57	38
3. Invest Italy SIM S.p.A.	-149	0
Other equity investments	**0**	**0**
Total	**-92**	**38**

PART D – Overall consolidated profitability

Analytical schedule of overall profitability

	Line items	31/12/2021	31/12/2020
10	**Profit (loss) for the fiscal year**	**8,092**	**8,708**
	Other income components without reversal to the income statement		
20	Capital securities measured at fair value with impact on total profits:	**2,321**	**-1,559**
	a) variations of fair value	**2,321**	**-1,559**
	b) transfer to other components of shareholders' equity	**0**	**0**
30	Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) transfer to other components of shareholders' equity	**0**	**0**
40	Hedges on capital securities measured at fair value with impact on total profits	**0**	**0**
	a) variations of fair value (hedged instrument)	**0**	**0**
	b) variations of fair value (hedging instrument)	**0**	**0**
50	Property, plants and equipment	**0**	**0**
60	Intangible assets	**0**	**0**
70	Defined benefit plans	**186**	**-200**
80	Noncurrent assets and groups of assets in the course of divestment	**0**	**0**
90	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	**0**	**0**
100	Income taxes related to other income components without reversal to the income statement	**-819**	**571**
	Other income components with reversal to the income statement		
110	Hedging of foreign investments :	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to the income statement	**0**	**0**
	c) other variations	**0**	**0**
120	Exchange rate differences:	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to the income statement	**0**	**0**
	c) other variations	**0**	**0**
130	Hedging of cash flows:	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to the income statement	**0**	**0**
	c) other variations	**0**	**0**
	of which: result of net positions	**0**	**0**
140	Hedging instruments (unmeasured instruments)	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to the income statement:	**0**	**0**
	c) other variations	**0**	**0**
150	Financial assets (other than capital securities) measured at fair value with impact on overall profitability:	**-3,249**	**-57**
	a) variations of fair value	**-3,266**	**51**
	b) reversal to the income statement:	**0**	**0**
	- adjustments due to impairment	**0**	**0**
	- gains/losses from use	**0**	**0**
	c) other variations	**17**	**-108**
160	Noncurrent assets and groups of assets in the course of divestment:	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to the income statement	**0**	**0**
	c) other variations	**0**	**0**
170	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	**-1,282**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to the income statement:	**0**	**0**
	- adjustments due to impairment	**0**	**0**
	- gains/losses from use	**0**	**0**
	c) other variations	**-1,282**	**0**
180	Income tax related to other income components with reversal to the income statement	**1,098**	**-17**
190	**Total other income components**	**-1,744**	**-1,263**
200	**Overall profitability (Line item 10 + 190)**	**6,347**	**7,446**
			0
210	**Overall consolidated profitability attributable to minority interest**	**-92**	**-53**
220	**Overall consolidated profitability attributable to the Parent Company**	**6,439**	**7,499**

Notes

IAS/IFRS international accounting standards allow allocating financial instruments to different portfolios to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement.
The chart shows the overall result, considering income items accrued and realized in the fiscal year that were recognised directly in shareholders' equity, sterilizing components that were already accrued and thus booked to shareholders' equity in previous fiscal years, but which are subject to a second and definitive allocation to the income statement (so-called reversal) at the time effectively realized.

PART E – Information on risks and the relative hedging policies

Introduction

The Group out its activities according to sound and prudent management principles, with a moderate risk propensity, in respect of stability requirements connected to the banking and financial business.
Overall risk propensity is measured synthetically by identifying, within the scope of the Bank's asset resources ("own funds"), a capital component that is not eligible for risk assumption (unexpected losses), held for medium-long term to cover capital against impact in the event of unexpected stress events.
The Group's internal control system ensures implementation of corporate strategies and policies and is composed of all the regulations, procedures and organisational structures aimed at compliance with sound and prudent management principles.
Corporate Bodies have the primary responsibility for ensuring, in line with their respective specific competencies, the completeness, adequacy, efficiency and reliability of the internal control system.
The Group has implemented a traditional type of governance model that entails a Board of Directors, a Board of Statutory Auditors and General Management.
The Board of Directors, within the scope of the guidelines set out by the Parent Company, defines the business model by approving an annual strategic business plan and budget, aware of the risks to which this model exposes the Bank and comprehending the processes by means of which such risks are identified and measured. The Board of Directors, again, following the guidelines decided at Group level, defines and approves strategic policies and periodically reviews them, decides on risk propensity and the relative tolerance levels as well as the risk management policies, ensuring that the Bank's structure is consistent with the business carried out and with the business model adopted.
Risk government policies are set forth in specific regulations/policies that are subject to approval by the Board of Directors.
Uptake of new products and services, launching of new activities, introduction into new markets and, in general, all more significant activities are always subject to approval by the Board of Directors.
Periodically, the Board of Directors verifies that the risks assumed by the Bank in terms of capital adequacy, liquidity and risk-return ratio for management activities are consistent with the risk propensity defined in strategic planning and with regulatory levels.
Furthermore, the Board of Directors verifies compliance with operating limits defined for the assumption of the various types of risk. The Board of Directors ensures consistency between the strategic plan, the business model, the Risk Appetite Framework, the ICAAP process, the budget and the corporate organisation and the internal control system, taking in consideration the evolution of the internal and external conditions within which the Group operates.
The Board of Directors is aided by the Risk Committee, a committee within the Board itself that provides the Board with advisory support and proposal regarding risks and the internal control system.
General Management fully comprehends corporate risks and is responsible for implementing the strategic policies and risk management policies defined by the Board of Directors. In particular, General Management proposes the operating limits with respect to the assumption of the various types of risk, taking into account the stress tests carried out by the various designated function, in accordance with internal policies.
For the purpose of facilitating the development and awareness at all company levels, of a risk control culture, General Management plans training programs for Group personnel, based on the proposals made.
The Board of Statutory Auditors carries out periodical inspections to ascertain the completeness, adequacy, efficiency and reliability of the internal control system.
In carrying out its tasks, the Board of Statutory Auditors is provided with appropriate information from the other Corporate Bodies and control functions. The regular presence of the Board of Statutory Auditors at BoD meetings, which are held twice weekly, represents a guarantee with respect to timely information of the Control Body regarding management issues.
Sound and prudent bank management is ensured by an appropriate corporate organisation that provides for a complete and functional internal control system.
In particular, the Group's internal control system is composed of three different levels:

- First level controls (line): aimed at ensuring that operations are carried out correctly. These controls are performed by operating structures or incorporated into the procedures and information technology systems, or carried out during back office activities.
- Second level controls on risks and conformity, also aimed at ensuring, among other things:
  - correct implementation of the risk management process;
  - respect of operating limits assigned to the various functions;
  - conformity of corporate operations to standards, including self-governance regulations.

  Second level controls as assigned to the Risk Management Service, the Compliance Service and the Anti-Money Laundering Service. Given the size and in compliance with the "principle of proportionality", the

Compliance function is carried out in co-sourcing with META Srl, a company that meets all the prerequisites in terms of professional qualification and independence. The functions designated to controls are separate from production functions; they contribute to defining the risk management policies and the risk management process.

- Third level controls (internal auditing): aimed at identifying violations of procedures and regulations, and at periodically evaluating the completeness, adequacy, efficiency and reliability of the internal control system and the information technology system.

This activity is carried out by the Internal Audit Service based on the yearly auditing plan approved by the Board of Directors or through spot checks on the operations of the functions involved, requested during the year. Subsequent to the restructuring of the Bank Group, the Internal Audit office has been brought back within the structure of the Bank parent company. Given the size and in accordance with the "proportionality principle", the internal audit function is carried out in co-sourcing with META S.r.l., a company that meets all the prerequisites in terms of professional qualification and independence.
Corporate control functions in charge of second and third level controls have the authority, resources and competencies required to carry out their tasks.
In conformity with Vigilance provisions, the company organisational structure requires that company control functions report back to the Board of Directors in terms of both hierarchy and functions.
Control functions have access to all the activities carried out by the Bank, both in the central offices and in peripheral offices, as well as to any information relevant to carry out controls.
In accordance with Law 231/01, there is a Vigilance Committee, which is a collective body in charge of assessing the efficiency of organisational measures adopted by the Group to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.
As set forth in the Organisational Model, the committee periodically reports to the Board of Directors.
In compliance with the III Tier provisions, the Cambiano Banking Group has written up the Information Document regarding the 2020 Consolidated financial statements, published on the web site www.bancacambiano.it.

Section 1 – Risks of accounting consolidation

Quantitative information

A. Credit quality

A.1 Exposures for impaired and in bonis receivables: amounts, value adjustments, dynamics and economic distribution

A.1.1 Distribution of financial assets by portfolio to which they belong and by credit quality (balance sheet values)

Portfolios/quality	Non-performing loans	Probable defaults	Impaired overdue positions	In bonis overdue positions	Other in bonis positions	Total at 31/12/2021
1. Financial assets measured at amortised cost	73,657	69,608	3,287	36,614	3,808,532	3,991,699
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	507,509	507,509
3. Financial assets measured at fair value	0	0	0	0	0	0
4. Financial assets obligatorily measured at fair value	0	0	0	0	78,154	78,154
5. Financial assets in the course of divestment	0	0	0	0	0	0
Total at 31/12/2021	**73,657**	**69,608**	**3,287**	**36,614**	**4,394,196**	**4,577,363**
Total at 31/12/2020 (*)	**97,542**	**66,632**	**3,648**	**32,173**	**3,660,361**	**3,860,355**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

Notes

The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 35.959 thousand euro. The values shown are the balance sheet values, net of the relative write-downs.

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

Portfolios/quality	Impaired				In bonis			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	251,773	105,219	146,553	0	3,872,125	26,979	3,845,146	**3,991,699**
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	507,639	130	507,509	**507,509**

Portfolios/quality	Impaired				In bonis			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs	Gross exposure	Overall value adjustments	Net exposure	
3. Financial assets measured at fair value	0	0	0	0	0	0	0	**0**
4. Financial assets obligatorily measured at fair value	0	0	0	0	0	0	78.154	**78.154**
5. Financial assets in the course of divestment	0	0	0	0	0	0	0	**0**
Total at 31/12/2021	**251,773**	**105,219**	**146,553**		**4,379,764**	**27,108**	**4,430,810**	**4,577,363**
Total at 31/12/2020 (*)	**286,894**	**119,073**	**167,822**		**3,650,127**	**27,596**	**3,692,534**	**3,860,355**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262.

Notes

The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 35,959 thousand euro.

The values shown are the balance sheet values, net of the relative write-downs.

A.1.2 bis Distribution of credit exposure by assets with poor credit quality

Portfolio quality	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	0	0	8,082
2. Hedges	0	0	0
Total	**0**	**0**	**8,082**

Section 2 – Risks of prudential consolidation

Qualitative information

1. General information

The Group's strategies, the Risk Appetite Framework, and the faculties and rules for loan disbursement and credit management are aimed at:

– meeting the objective of increasing sustainable credit activities, consistently with risk propensity and creation of value;

– portfolio diversification, limiting the concentration of exposures on single counterparties/groups, on single sectors of economic activity;

– an efficient selection of economic groups and individuals borrowers, through an accurate analysis of creditworthiness aimed and limiting the risk of insolvency;

– favouring credit interventions aimed at supporting the real economy and the production system;

– constantly monitoring loan relations, both through IT procedures and by means of the systemic monitoring positions, in order to be able to immediately grasp any symptoms of imbalance and promote corrective actions aimed at preventing possible impairment.

The quality of the credit portfolio is constantly monitored by implementing precise operational methods in each stage of credit management.

2. Credit risk management policies

2.1 Organisational aspects

The factors that generate credit risk are tied to the possibility that an unexpected variation in the creditworthiness of a counterparty, to which the Bank has an exposure, may generate a corresponding unexpected variation of the current value of the respective credit exposure.

Therefore, credit risk is not limited only to the counterparty's insolvency, but also includes the mere deterioration of its creditworthiness.

Taking on credit risk and risk management are governed by formalizing the underlying process, detailing the roles of the corporate bodies involved, operations of all subjects involved, defining the first controls and rendering explicit the roles of all control functions. During the 2020 fiscal year, the foundations of the entire credit process were revised, with the following specific modifications: (i) creation of the Credit Management Office, that unifies all of the various credit functions (including the office for Non-Performing Loans), previously subdivided – also in terms of organisational location – on multiple hierarchical levels; (ii) updating of the regulations regarding "Credit Risk" and "Proxies and Powers – regarding credit lines and loan disbursements"; (iii) updating of the criteria and the process for granting forbearance measures, by adopting the new Policy regarding forbearance, and iv) updating of the Policy for the classification and evaluation of the credit portfolio.

The Non-Performing Loans office, reporting to Credit management, is composed of the Legal and Litigation Services Offices and the Problem Debts Management offices and Credits under Special Administration office. The Problem Debts Management Office manages, at a corporate level and according to methods defined by internal regulations, every single problem debt and loans that present anomalous situations, regardless of their classification as performing

or non performing, with the exception of non-performing loans that are managed by the Legal and Litigation Services Office. Problem Debts Management also Supports the Network in carrying out peripheral monitoring activities on single anomalies and problem loans, as well as in defining and implementing corrective actions aimed at ensuring sound administration of the credit process. This activity is aimed at favouring an anticipatory management of credit risk and implementing management strategies aimed at improving the Bank's credit quality. The corporate organisation system assigns management of relationships classified as Probable Default and Non-Performing respectively to the Problem Debt Monitoring Office and the Legal and Litigation Services Office. Impaired loans are managed based on Service regulations and in accordance with the specific impaired loan assessment policy (updated during the meeting of the Board of Directors held on 26/03/2021).
An office to manage credits in special administration has been created within the Problem Debt area, tasked with managing, based on methods set forth by internal regulations and corporate bodies, those exposures with peculiar characteristics that qualify them for management by this specific function. Exposures are assigned to this office regardless of the specific classification, but taking into account the significance that they have within bank exposures, in terms of risk profile and of the actions to be taken.
The Credit Control Office, reporting to Credit Management, oversees the credit risk monitoring process, in order to detect, even in advance, possible critical evolutions; this activity is carried out within the scope of second instance first level controls and with the aim of providing credit manager and the Problem Debt Management function with all the information required to take necessary measures, and the Risk Management function with all the information required to carry out second level control on credit risks.
During the 2020 fiscal, the Early Management Office was created, reporting to Credit Management, with the aim of controlling the process for concession of forbearance measures, in order to allow identifying forbearance measures that are "economically sustainable", as well as ensuring the pro-active management of the first signs of default and weakness of the borrowing counterparty. This function is also tasked with verifying the existence of requirements confirming "financial difficulty" and the economic sustainability of the exposures in moratorium subsequent to the Covid-19 pandemic for all companies in the Group.
Within the scope of the risk taking and management procedures adopted, the first safeguard filter takes place in the Branch office, through constant and ongoing dialogue with the customers, by means of both internal and external information sources and with the aid of information technology procedures.
During the credit preliminary assessment and review processes, the Bank analyzes the customer's financial needs and the documents required to carry out an adequate assessment of the creditworthiness. The decision to grant a loan is therefore based both on the analysis of all the information regarding the economic entity, and on the basis of direct knowledge of the customer and of the economic operating context. All preliminary activities regarding the operational process that lead up to disbursement and periodic review of the loan, are developed with the aim of granting a congruous loan to each individual applicant (and/or group), providing for the most appropriate types of loan and a adequate remuneration for the risk taken.
Within the scope of the "Credit Risk Regulations", the Board of Directors has defined the decision-making autonomy of each body delegated to granting loans within the Group. Observance of the powers authorised by the Board of Directors is guaranteed by automatic controls provided for in the IT procedure recently implemented with the new "Easy Loans" application used to manage the preliminary process for loan disbursement.

Effects deriving from the Covid-19 pandemic
As regards credit risk, the Parent Company was favourable to all the initiatives aimed at supporting the real economy set forth by the Government.
All forbearance is defined to respond to the disadvantage deriving from the temporary slowdown of the economic cycle and any possible effects on liquidity, as rapidly as possible.
The potential effects on the Bank's credit risk profile are mitigated by:
- the acquisition of government guarantees in compliance with the mechanisms set forth by the various governments;
- the *ex ante* and on-going evaluation of the customer's risk profile.

2.2 Management, measurement and control systems
Risk management, measurement and control systems are formalized within an organisational structure that involves the entire credit process, from the initial preparatory stage to the periodical re-examination, and up to the revocation and recovery.
The Group carries out quantitative and qualitative analyses to periodically measure and control Credit Risk. Specifically, quantitative assessments use various instruments that provide customer economic, financial and equity information.
The Credit Area, reporting to Credit Management, ensures supervision and coordination of the operational stages of the performing loan process, carries out the credit application and, within the scope of its competencies, disbursement process and performs first level controls, again within the scope of its competencies. The Non-

Performing Loans office, also reporting to Credit Management, monitors and coordinates all the operational stages of the non-performing loans process.
To support this activity, the Bank adopts specific procedures for the preliminary application/deliberation, credit line renewal and credit risk monitoring stages at a Group level.
In these stages, the Bank uses qualitative and quantitative methods to measure creditworthiness, supported by information technology procedures subject to periodic verification and maintenance.
The preliminary application, deliberation and review of credit lines are governed by a decision-making procedure supported by the PEF "Easy Loans" information technology procedure, that allows verifying (on behalf of all the departments involved in credit management) the status of each borrower or potential borrower. This procedure also allows reconstructing the credit deliberation process by tracking the various steps of the process and the types of analyses carried out.
Two review levels are provided for, in order to keep the procedures slim: one is a simplified review, with limited formalities, which is reserved to the renewal of small credit lines with a regular performance; the other is an ordinary review applied to all other situations.
The objective of defining the classification, evaluation and management criteria for impaired positions, and the methods to control the credit risk trend is also the implementation of a systemic control activity on credit exposures, by the Credit Control Office, in close collaboration with the companies in the Group.
This activity is supported by an electronic procedure that allows for periodic extrapolation of all relations that may show signs of anomalous performance, both internally and externally.
Hence, constant monitoring of the reports provided by the procedure, along with the measurement of other types of events allows for rapid intervention as soon as irregular positions arise, in order to take the necessary measures for problem loans.
All loan positions are also subject to periodical review, carried out individually of each counterparty or group of connected customers.
The entire credit and counterparty risk management process (risk measurement, application and appraisal, disbursement, performance control and monitoring of exposure, review of credit lines, classification of risk positions, intervention in case of anomalies, classification criteria, evaluation and management of impaired exposures), is formalised in the internal regulations of both Banca Cambiano 1884 S.p.a. and Cabel Leasing S.p.a. Second level controls are ensured by the Risk Management office of Banca Cambiano 1884 S.p.a., to which risk management for Cabel Leasing has also be outsourced, as of November 2018; is responsible for second level controls; this function carries out controls aimed at periodically ascertaining that credit granting, monitoring and classification of credit exposures, the process for recovery and calculation of provisions for impaired loans, are all carried out in compliance with internal and supervisory regulations, and that they are efficacious and reliable as regards the capacity for timely detection and notification of problem loans, and for ensuring the adequacy of value adjustments and the relative writing-off.
Credit risk, like other risks, is mapped in the RAF process, defined by specific objectives and tolerance thresholds. Hence, the Risk Management function monitors credit risk management processes, periodically checking and verifying compliance to risk objectives, operating limits and the risk indicators defined by the Board of Directors, according to the methods and schedules defined in the RAF Regulations and in the risk management processes.
For detailed information regarding the individual management, measurement and control systems, please refer to the contents of Section 1.4 of Part E of the explanatory notes of the Banca Cambiano 1884 S.p.a. financial statements and in Section 3.2.2 of Part D of the explanatory notes of the Cabel Leasing S.p.a. financial statements.

The Bank Group adopts standards methods to determine the minimum capital requirement for credit risk.
As regards the internal capital adequacy evaluation process (ICAAP), the Group uses the so-called Granularity Adjustment simplified algorithm (ref. Annex B, Title III, Chapter 1 Circ. 285/2013) to quantify internal capital vis-à-vis concentration risk for exposure to single counterparties or groups of connected customers.
As regards operations on Securities markets, the Financial Area of the Parent Company conducts evaluations and controls both during the financial instruments acquisition stage, and at subsequent times, during which the breakdown of the area by IAS/IFRS asset class/portfolio is analysed, the counterparty or specific risk level is identified and determined, and compliance with limits and assigned proxies is verified. The outcomes of said analyses are discussed periodically by the Finance Committee, during which time Risk Management submits its own evaluations, consistent with the Risk Appetite Framework.

Effects deriving from the Covid-19 pandemic

In line with the forecasts outlined by European and Italian Supervisory Authorities, from the start of the crisis caused by the Covid-19 pandemic, the Group has seen the need to closely monitor and evaluate counterparties who benefited from the aid measures made available through government decrees. In fact, the concession of moratoria on payments has created a difficulty in terms of intercepting some anomalies and triggers for potential difficulty or

deterioration of the counterparty for the main monitoring systems (for example: Early Warning and Internal Rating System.
As it was impossible to revise the software quickly, appropriate management actions were implemented to intercept possible future customer difficulties, both in the Corporate and in the Retail sector, and, specifically, an analytical assessment process was started for exposures benefitting from moratoria, in order to assess the significant increase in credit risk and, in particular, the forbearance measures, in compliance with current regulations and European supervisory recommendations, and to continue actively supporting counterparties in temporary difficulty due to the consequences of Covid-19.
Finally, during 2021 the other actions undertaken to safeguard credit risk and simultaneously support SME and Corporate customers continued, pro-actively offering government-backed loans with the access procedures set out in the government decrees.

2.3 Methods for the measurement of expected losses
Expected loss is the product of exposure, probability of default and Loss Given Default.
IFRS 9 provides for a single impairment model, to be applied to financial assets measured at amortised cost and those measured at fair value with contra-entry in OCI (Other Comprehensive Income 16, which is shareholders' equity) as well as to financial guarantees and other commitments to disburse loans, characterized by a prospective view, which requires immediate recognition of losses on receivables even if they are only expected.
The Parent Company Bank's stage allocation model, based on individual exposures or tranches of exposures in case of debt securities, applies both qualitative and quantitative criteria to measure significant increase of credit risk from the date of initial recognitions of the financial instrument to the evaluation date.
More specifically, a financial instrument may be moved from stage 1 to stage 2 if one of the following variables occurs:

- Variation of the probability of default used for internal management purposes. Therefore, this assessment is made adopting a "relative" criterion. This criterion, effective as of the month of October 2019, in conformity with the current internal Bank rating system, requires that exposures that have jumped 6 classes from the moment of origin of the probability of default used for internal management purposes, with final classification in level 11 probability of default, be passed to Stage 2;
- The presence of a position that is overdue/overdrawn– without varying the thresholds of significance provided for by regulations – and has been so for at least 30 days. In this case, in other terms, the credit risk of the exposure is presumed to be "significantly increased" and, therefore it is moved to stage 2 (if the previous exposure was classified in 1);
- The presence of forbearance measures, which – again, presumably – entail classification of the exposures among those for which credit risk is "significantly increased" with respect to initial recognition;
- Finally, specific indicators of the credit monitoring system are taken into consideration for the purpose of assessing the movement of exposures from one stage to another. Specifically, this refers to so-called "watch-list" positions, that is, positions subject to monitoring regimes due to individual evidence of criticality.

The Stage Allocation model is a symmetric model, in that it provides for exposures passing from Stage 1 to Stage 2 and vice versa. Specifically, if at the previous balance sheet date a financial instrument was classified in Stage 2, but at the current balance sheet date it no longer meets the requirements for recognition of a fund equal to expected losses for the duration of the instrument, the position is reclassified in Stage 1. Therefore, no specific permanence criteria are applied in Stage 2, other than those inherent to the quantitative and qualitative parameters that determine the staging (for example, as regards forborne exposures). Consequently, if the parameters in question change and the instrument may be reallocated to stage 1, further permanence in stage 2 is not considered necessary, as the sustainability of the improvement if the customer's creditworthiness is already evaluated during the processes required by the reference regulations of each staging parameter.
For the purpose of allocating exposures to the various stages on the date of first application of the principle, performing exposures were classified in stages 1 and 2, unlike non performing exposures that were allocated in stage 3.
As regards these latter exposures, please note that the Group complies with the definition contained in Bank of Italy Circular n. 262/2005, meaning that they correspond to the total amount of impaired overdue/overdrawn exposures, Probable defaults and non-performing loans, such as defined by current Vigilance regulations.
The Group's overall approach to the quantification of expected credit losses is to ensure alignment with regulatory risk parameters.
Once the exposures have been allocated in the various credit risk stages, expected loss, which is the estimated losses on receivables, weighted for the relative probability of occurrence, is calculated along a 12 month period for Stage 1 financial instruments or for the entire residual life of the financial instrument for those classified in Stage 2.
Therefore, as similar evaluation model is applied to all Stage 1 and Stage 2 exposures, the only distinguishing element being the time frame for estimation of expected loss. The evaluation model takes into consideration the following risk factors:

- PD (Probability of Default) – probability of insolvency, a parameter that represents the probability that a counterparty will pass from a “bonis” condition to an “insolvency” condition within the time frame of 1 year (Stage 1) or during the expected life of the financial instrument (Stage 2). The probability of insolvency is calculated based on parameters decided internally by Group companies, and then subsequently including appropriate corrective factors that allow taking into consideration the effects of so-called forward looking information regarding the macro-economic reference scenarios;
- LGD (Loss Given Default) – rate of loss in case of insolvency, a parameter that expresses the incidence of the loss, net of recovery, as a percent value, with respect to the amount of the exposure that has become insolvent, measured based on specific internal Group models. This parameter also includes the expected direct costs of recovery;
- EAD (Exposure at Default) - EAD is treated differently based on the type of exposure and maturity: exposures with a “deterministic” repayment schedule with a known cash flow and maturity and “stochastic” exposures with an unknown cash flow and/or unknown maturity. For exposures with a deterministic repayment schedule EAD is defined by using the repayment schedule based on the evolution of contractual cash flows. For exposures with an unknown repayment plan (for example, not based on instalments, such as bank accounts) EAD is calculated based on special models that take into account both the so-called “on balance” value of the exposure and the “off balance” component considered potentially risky due to the possibility of the counterparty of increasing its borrowing position.

All reasonable and demonstrable information available at the balance sheet date, without incurring excessive cost or effort, are is taken into consideration for the purpose of calculating expected losses. The information used must include past events, current conditions and forecasts regarding future economic conditions.

Assessment of significant increase of credit risk (SICR)

As regards the assessment of significant increase of credit risk (SICR), it must be noted that for the classification of moratoria granted starting from the month of March 2020 and up to the month of November 2020, the Group applied the so-called “*temporary framework*”, introduced by the EBA guidelines issued 2 April 2020, which provided for an exemption from the assessment of financial difficulty (“forbearance”) for measures within the scope of a “general payment moratoria”.
Starting November 2020 and up to 31 March 2021, the Group availed itself of the extension granted by the EBA guidelines for application of the aforementioned “*temporary framework*” up to 31 March 2021, provided that the moratoria suspension period was no longer than nine months overall.
Starting in April 2021, the Group therefore restarting the regular verification process regarding the status of financial difficulty, in order to ascertain the existence of indicators for classification of exposures as “forborne”.
However, subsequent to EBA clarifications of 29/01/2021 – in which, as shown, it is specified that the granted flexibility applies only up to the end of the nine months, also for moratoria *ex lege*, if the overall duration of the payment suspension periods granted on a loan exceeds nine months – starting in the month of April and ending in June 2021, the Group initiated the analytical assessment process for all loans with moratoria granted to customers *ex lege* in order to ascertain the existence of indicators for classification of the exposure as “forborne”.

Measurement of expected losses

As regards the estimation of expected losses at 31 December 2021, the Group incorporated macro-economic scenarios that included the effects of the COVID-19 health emergency into its IFRS impairment model, as required by Vigilance authorities keeping the macro-economic scenarios used as regards the financial statements closed at 31 December 2020. The estimation of forward looking elements to be included in the calculation of expected losses, in application of IFRS 9 and the macro-economic variables at the basis of the satellite model for the definition of base, best and worst case scenarios used to determine the IFRS 9 ECL, are provided by the IT outsourcer.
The satellite model used develops 3 scenarios that include forward looking elements in the calculation of expected losses, and as at 31/12/2021 the worst case scenario was used.
As for the 2020 reporting period, regarding exposures for which moratoria were extended, and those with moratoria expiring from 1 January to 31 December 2021, the write-back add-ons decided for the 2020 reporting period were also maintained, subsequent to the analysis made by the Risk Management office.
Specifically, the estimate of the impact of the pandemic was calculated simulating a 12 month "shift" into Stage 3 of moratoria loans classified in Stage 2, applying a Probability of Default (PD) at 12 months divided by sector.
Specifically: to the sectors considered at greatest risk – as defined on the basis of data contained in the Bank of Italy analysis “Covid-19 Notes - The effects of the pandemic on liquidity requirements, financial statements and risk level of businesses” dated 13 November 2020 (hereinafter also referred to as "Covid 19 Notes"), and of the specificity of the Bank’s lending portfolio (agriculture, artistic activities, trade, construction, real estate, food industry, textiles, other, and accommodations and restaurant services) – a PD at 12 months equal to 100% was applied, therefore

hypothesizing that all the moratoria loans granted to the above sectors will migrate within the next 12 months from Stage 2 to Past Due.
Therefore, in this way, a migration to Stage 3 in 2021 of 18.76% of the overall moratoria loan amount of loans in stage 2 was estimated.
As regards loans granted within the scope of government guarantees provided for in emergency legislative measures, based on a study conducted along with the IT outsources and with the aid of the company KPMG, the Board of Directors approved a new method to calculate write-downs, that takes into account the presence of government backing, also in light of the relevance of the loans in question during the 2020-2021 reporting periods.
In particular, as regards the government-backed portion, the PD and LGD parameters of the customer are replaced by those of the guarantor, that is, the Italian Government, while customer parameters continue to be applied to the un-backed portion.
Moreover, the determination of the government-backed portion factors in the so-called residual risk, that was prudentially considered equal to 20%; therefore, in calculating the write-down, the government-backed portion was reduced by said percent[2].
The application of this new estimation model entailed lower write-downs for overall 1.9 Mln/€, of which 1.5 Mln/€ on loans in stage 1 and 0.4 Mln/€ on loans in stage 2.
Similarly to moratoria loans, add-ons decided in for 2020 continued to be applied to government-backed loans as well, simulating a 12 months "shift" into Stage 3 of loans classified in Stage 2, applying a Probability of Default (PD) at 12 months equal to 100% to the following sectors: agriculture, artistic activities, trade, constructions, real estate, food industry, textiles, other and accommodation and restaurant services.
In this way, therefore, a migration to Stage 3 in 2021 of 11.98% of the overall amount of loans classified in stage 2 was hypothesised.
Specifically, as regards the measurement of expected losses at 31 December 2021, Cabel Leasing continued to apply the IFRS 9 impairment model macro-economic scenarios that integrate the effects of the COVID-19 health emergency. Moreover, the exposures for which moratoria were extended, along with government-backed loans disbursed (in the measure of 80%, 90% or 100%) as per emergency legislation, were subject to analysis by the Risk Management office, resulting in the approval on the part of the Bank's Board of Directors of a specific ECL add-on of 708 thousand euro.
The estimate of the impact of the pandemic on the 2021 financial statements was conducted by the Parent Company, simulating a 12 months "slide" into Stage 3 of moratoria loans and government-backed loans, both in Stage 2 in the 202 financial statements, applying a Probability of Default (PD) at 12 months, divided by sector.

The amount of write-downs thus calculated (+8.15 mln/€ on moratoria loans, of which 7.5 mln/€ for the Bank and 650 thousand/€ for Cabel Leasing, and +0.958 mln/€ on government-backed loans, of which 0.9 mln/€ for the Bank and 58 thousand/€ for Cabel Leasing) was already entered as an add-on to write-downs on receivables on 31/12/2021.

As regards the subsidiaries Invest Italy SIM S..A and Immobiliare 1884 S.p.A., please note that the companies in question are not affected by the phenomenon illustrated above, due to both the corporate situation and the type of business carried out.

2.4 Techniques for mitigating credit risk

The main levers for mitigating credit risk are represented by the system of guarantees that accompany loan exposure, by a limited degree of concentration on specific borrowers, as well as an adequate level of diversification of loans by type and by industry.
In particular, with reference to concentration risk, please note that within the scope of its "credit policies", the Group has set forth a series of limits regarding credit exposure towards single counterparties or groups of connected customers and towards counterparties belonging to the same economic sector. These limits are constantly monitored by the Risk Management Services.
The methods used to manage guarantees and the relative operating processes are set forth in the Bank's internal regulations.
The guaranty management process is incorporated in the IT system, which may be accessed to obtain all related information.
In order to mitigate credit risk, the Group uses collateral security and personal guarantees. In particular, the main types of real guarantees used are mortgages on property and financial pledges.
The IT management application allows monitoring the entire mortgage guarantee acquisition, assessment, verification and realization efficaciously, identifying all inherent information. The procedure also allows periodically "updating" the current value of the guarantee itself and monitoring the consistency of the value of the guaranty with respect to

[2] For example: for 80% government-backing, the exposure is considered backed for 64% of the amount (80%-20%*80%).

the risk. The ratio between the loan and the value of the collateral property is monitored constantly in order to intervene appropriately in the event of drops in the real estate market.
The organisational processes and operating guidelines applied to monitoring financial instruments safeguard loans against fluctuations in securities market trends.
Personal guarantees consist mainly of sureties given by individuals or companies. Guarantees issued by specialized bodies (for example: Confidi) and by Financial institutions (for example: government guarantee through Mediocredito Centrale pursuant to law 662/1996) are also used and, lastly, so are the government guarantees issued following the crisis engendered by the Covid-19 pandemic.
To date, the Group does not use credit derivatives to cover or transfer the risk for credits in portfolio.
The above controls are performed by centralized structures that are separate from those that disburse and review the loan; the Internal Auditing Office ensures that assets are managed properly and prudently by means of periodic controls.
No significant changes were registered with respect to the information provided above during the course of the fiscal year.

3. Impaired receivables
3.1 management strategies and policies
On 26 March 2021, the Board of Directors approved the update to the NPL Operational Plan (2021-2023) of the Bank and of the Group, based on the Bank of Italy Guidelines for impaired receivables, which was sent to Bank of Italy on 31 March 2021. Moreover, on 30 December 2020, the Board of Directors updated the Business Plan for 2021-2022. The plan was later updated on occasion of the filing of the application for merger by incorporation of Invest Banca into Banca Cambiano, sent to the Supervisory Authority in August 2021, and finally revised in the meeting held on 25/02/2022, in which the Board of Directors approved the strategic guidelines for 2022-2024
Hence, on 30/03/2022, the Group's NPL Operational Plan (2022-2024) was updated once again, in light of the approved strategic guidelines.
In the Business Plan for 2022-2024, consolidation of the de-risking policy represents the First Pillar, by means of which the Bank intends to limit the burden of impaired receivables on overall receivables. The aim of the Plan is for the Bank to maintain a gross incidence of impaired receivables on overall receivables that is lower than 7%, despite the effect of the Covid-19 pandemic.
During the 2018-2019 fiscal years, transactions were executed to dispose of a significant portion of the NPS portfolio, for a total of 156 million euro.
In December 2020, the Bank underwrote shares of the VIC3 Fund for an overall value of 6.5 million euro, by conferment in kind of a portfolio of non-performing receivables for an overall Gross Book Value of 9,148,020.95 million euro.
During the 2021 fiscal years, two transactions regarding the *pro soluto* disposal of non-performing loan portfolios were carried out: one in February 2021, for overall € 10.1 million of gross non-performing loans, and one in October 2021, for overall € 18.6 million of gross non-performing loans.
The Bank's asset quality is characterized by an incidence of gross impaired receivables at 31.12.2021 of 7%, lower than the 9% (-200 b.p.) measured in December 2020.
Impaired receivables include receivables classified as non-performing, probable defaults and overdue and/or overdrawn for more than ninety days, in accordance with Bank of Italy regulations and in accordance with IAS/IFRS and European Vigilance provisions. The definition of impaired receivables, as set forth by Bank of Italy in Circular 272/2008 (and subsequent updates) is also consistent with the definition of impaired financial assets contained in the IFRS9 accounting principle, with consequent classification of all impaired receivables within Stage 3.
During 2015, Bank of Italy issued the 7th Update of Circular n. 272/2008, which revised previous classifications for impaired credits and introduced the so-called forbearance concept, transposing the definitions introduced by the Implementing Technical Standards (abbreviated to ITS) issued by the European Banking Authority (EBA). The update aims to reduce the existing discretionary margins in accounting and prudential definitions applied in the various member countries, and facilitate data comparability at a EU level.
In particular, the regulations requires the identification, as regards both performing and non-performing loans, call for identification of loan disbursement relations respectively defining the categories of "Forborne performing exposures" (performing loans granted) and "Non-performing exposures with forbearance measures" (impaired loans subject to forbearance).
The regulations define as "forbearance measures" changes to the original contract terms and conditions or total or partial loan refinancing, granted to a debtor who is or is about to enter into difficulty in terms of respecting financial obligations.
In terms of classification of impaired loans, the Bank has also transposed the changes made to definitions introduced by the 7th Update of Bank of Italy Circular n. 272/2008. Specifically, impaired financial assets are divided into the

categories “non-performing”, “probable default” and “overdue/overdrawn exposures”, based on the following criteria:

- **Non-performing loans:** the overall on-balance sheet and off-balance sheet exposures vis-à-vis a customer in a state of insolvency (even if not judicially ascertained) or in essentially comparable situations, regardless of any loss forecasts formulated by the bank.
- **Probable defaults watchlist (“Unlikely to pay):** classification in this category is, first of all, the result of the Bank’s judgment regarding the unlikelihood that, without recourse to measures such as enforcement of guarantees, the debtor fully pays back the credit (the principal and/or the amount of interest payable). This evaluation must be made aside from the presence of any amounts (or instalments) overdue and not paid. Therefore, it is not necessary to wait for an explicit sign of anomaly (failure to pay), if there are elements that imply a situation of probable default on the part of the debtor (for example, a crisis in the debtor’s industry sector).
- **Overdue and/or past due impaired accounts:** cash loans, other than those classified as non-performing or probable defaults, which, at the date of reference of the notification have been overdue or overdrawn for over 90 days.

On this matter, please note that starting 1 January 2021, for regulatory purposes, the application of the New Definition of Default (DoD) became obligatory, which derives from the implementation of the “RTS on the materiality threshold for credit obligations past due under Article 178 of the CRR (EU Delegated Regulation 2018/171)” and from the correlated EBA guidelines, “EBA Guidelines on the application of the definition of default under Article 178 of the CRR”.

The regulations in question, while confirming the basis of default in a delay in payments and in the probable non-fulfilment of obligations on the part of the borrower, also introduces some more stringent criteria for the identification of impaired exposure and for the subsequent re-entry into the in bonis classification. Specifically, the new Definition of Default establishes the criteria for the identification of past due loans, the method for management of the indicators to be considered for the purpose of identifying probable defaults, the specific aspects of retail exposures, and the criteria for the return of a position to the in bonis condition.

In detail, the main novelties introduced, with respect to the regulations previously in force, regard the following:

• new definition of past due:

- Lowering of the “relative” relevance threshold from 5% to 1% (threshold calculated as a ratio between the past due and/or overdue amount and the overall exposure of the customer, both determined at a Banking Group level, without offset of any margins available from other credit lines);
- Introduction of an “absolute” relevance threshold, differentiated by type of exposure (100 euro for retail and 500 euro for non retail, to be compared to the overall past due and/or overdue amount of the borrower);
- Classification of a borrower as default (NPE) on exceeding both the relevance thresholds for 90 consecutive days;

• introduction of a period of observation of at least 3 months for reclassification as performing for borrowers previously classified as defaults (Non Performing Exposure) who settle their positions;

• classification of a borrower as default in a uniform manner at a Banking Group level, that is, for all active credit obligations vis-à-vis all the companies in the Group;

• classification of a borrower as default if the credit restructuring entails a reduced financial obligation, greater than 1% with respect to the previous one (i.e. Δ NPV > 1%);

• introduction of new rules for the propagation/evaluation of the propagation of the default condition of a position, based on the connection that exists with other positions that have become non performing;

• impossibility on the Bank’s part to offset existing past due/overdue amounts on certain credit lines of the borrower, with other credit lines that have been opened and not used by the same borrower (so-called available margins).

The criteria introduced by the supervisory regulation have affected the accounting classification of impaired credit exposures (Stage 3), in that the vigilance provisions are deemed consistent with the accounting regulations provided for by IFRS 9, in terms of objective evidence of impairment.

Within the scope of the three categories of impaired loans, in conformity with the regulations, “Non-performing exposures with forbearance measures” are identified.

Therefore, the classification “forborne non-performing” is not a category of impaired loans in itself, but is instead an additional attribution, applicable to positions in any one of the above-mentioned three categories.

Information regarding impaired loans has been integrated into the information technology system with the aid of specific instruments that support management of irregular exposures and track their conditions.

Based on specific irregularity indicators, monitored by means of both information technology procedures and internal evaluations, and in light of the provisions contained in specific internal regulations that govern exposure classification and variations of the relative exposure “status”, the Credit Control Office monitors the risk classification of exposure positions and formulates proposals to the corporate structures of reference for possible status changes or recalculation of expected loss.

With respect to *in bonis* loans, for management purposes, the Bank has defined the sub-class of credits called Bonis C (watch list), Bonis D (forborne performing under probation) and Bonis E (forborne performing under probation, ex cure period), in which exposures showing a not fully regular trend are classified.
The Problem Debts Management Office is responsible for managing positions classified as probable defaults, promoting initiatives aimed at safeguarding the Group's credit claims.
Non-performing loans are managed by the Legal and Litigation Services office, which evaluate the actions to be taken to maximize credit recovery, also taking action vis-à-vis any guarantors and realizing any guarantees
The possibility of payment of impaired loans is calculated based on criteria defined by the Board of Directors and contained in the specific evaluation policy, currently being updated.
Exposures classified in Stage 3 are classified in the various risk conditions and, consequently, subjected to an analytical or flat-rate analysis. The value adjustments on Stage 3 exposures reflect the expected loss calculated over a time frame equal to the entire life of the respective exposure. Within the framework of its evaluation policies, the Bank has used assessment processes and methods characterized by subjective and estimation elements for some variables such as, mainly, expected cash flows, expected recovery times and the likely realizable value of guarantees, where present, which, if modified, could vary the final recoverable value; this determination was based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crisis. Impaired receivables that are considered "in bonis" for an amount that is lower than a pre-set threshold, for which there is no objective evidence of expected loss, are not subjected to the flat-rate analysis, which entails the statistical calculation of expected loss and therefore of the respective value adjustments for homogenous categories of exposures (defined based on the counterparty segment and the technical type of the instrument).
Analytical impairment, however, must still be assessed whenever there is objective evidence of degradation which requires a precise analysis.
Specifically, with respect to the concept of significance expounded in the current accounting principles, impaired overdue exposures and probable default exposures for individual amounts lower than the threshold of significance set at € 300,000 were subjected to impairment using the flat-rate method.
The evaluation of non-performing exposures is updated periodically in order to allow for timely transposition of any events that may modify prospects for credit recovery.
Non-performing loans are evaluated analytically, that is, based on an accurate study of the recoverability of each position, taking into account all elements that may be useful in terms of defining the probability of repayment.
Probable defaults are updated periodically in order to allow for timely transposition of any events that may modify prospects for credit recovery, and ascertain whether they meet the requirements for transfer to impairment.
Value adjustments for this category are evaluated based on the criteria below:

- For exposures greater than the € 300,000 threshold, analytically;
- For exposures less than or equal to the € 300,000 threshold, for which there is no objective evidence of loss, using the flat-rate method in similar types of exposures.

The evaluation is aimed at calculating any expected losses, while taking into account that exposures are classified in this risk class based on the Bank's assessment of the unlikelihood that, without recourse to measures such as the enforcement of guarantees, the debtor will meet payment obligations fully; evidently, this evaluation must be made regardless of any amounts (or instalments) overdue or not.
Therefore, as regards cases of positions classified as probable defaults, the presumed value of repayment of the receivable is estimated by evaluating the capacity of the borrower to meet all repayment obligations, measured on the basis of all the information available regarding the borrower's financial and economic situation, and the value of any existing collateral underlying the receivable/s in question.
The salvage value is determined, based on the foreseen recovery strategy (distinguishing between management for "business continuity" and management "for disposal"), that reflects the overall degree of risk, by evaluating the capacity to generate cash flows sufficient for repayment and/or on the mere enforcement of collateral and guarantees.
For exposures less than or equal to the € 300,000 threshold, for which there is no objective evidence of loss, value write-downs are calculated using the flat-rate method for similar types of exposures.
Exposures classified ad overdue/overdrawn, for which there is no objective evidence of loss, are evaluated using the flat-rate method for similar types of exposures.
The flat-rate method estimation entails a statistical calculation of expected loss and, therefore, of the respective write-downs in value.
As regards the company Cabel Leasing, Management quantifies adjustments/write-backs due to impairment on a quarterly basis. For stage 1 exposures, the overall value adjustments are equal to the expected losses calculated on a time horizon of up to 1 year, while for stage 2 or 3 exposures, overall value adjustments are equal to expected losses calculated on a time horizon equal to the entire duration of the respective exposure. Such calculations, and the respective hypotheses, are based on previous experience and other factors considered reasonable for the cases in question; they are nonetheless reviews regularly, taking into consideration the macro-economic and context. The

results of the above activities are submitted to Board of Directors by the General Manager, for approval of the proposals to write-down impaired receivables. Stage 3 impaired receivables, and more precisely, non-performing loans, probable defaults and impaired overdue positions, are subject to analytical evaluation.

For impaired receivables, when the sum of the estimated value of the asset to which the contract and the bank guaranty refer is lower than the receivable booked in the financial statements, the value adjustment/write-back due to impairment is calculated. Said adjustment/write-back is calculated as the difference between the book value and actual value of estimated future cash flows, discounted at the original effective interest rate of the loan; for loan at floating rates, discount rate will be the effective current rate as at the date the credit becomes impaired.
Also for probable defaults and impaired overdue receivables, a value adjustment is made when the booked receivable is greater than the sum of the estimated value of the asset and the guarantee.
For detailed information regarding the impaired financial assets of Group companies, please refer to the contents of Section 1, Part E of the Explanatory Notes of Banca Cambiano 1884 S.p.a., and Section 3, Part D of the Explanatory Notes of to the Financial Statements of Cabel Leasing S.p.a.

3.2 Write-offs
As regards impaired receivables, the Group writes off/derecognises – in whole or in part - uncollectable accounting entries (so-called write-off) and consequently allocates the residual unadjusted amount to losses in the following cases:
a) non-recoverability of the receivable, resulting from certain and specific elements (such as, for example, borrower is untraceable or destitute, failed recovery from enforcement action on movable and immovable property, negative foreclosures, insolvency procedures terminated with incomplete recovery for the Bank, if there are no additional guarantees that may be enforced, etc.);
b) debt waiver, following unilateral remission of the loan or residual amount pursuant to agreements;
c) transfer of receivables.
In some circumstances, it also becomes necessary to partially write off gross receivables in order to adjust them to the Group's effective interests. This is the case, for example, in the event of measures that are not under appeal, within the scope of insolvency procedures, based on which a receivable amount lower than the book amount is recognised as due.
Furthermore, the Group has provided for the possibility, on an annual basis, of defining portfolios of impaired receivables to be written off, partially or totally, which collectively have the following macro-characteristics:
– hedging percent > 95%
– average seniority (intended as the period of time passed in a "non-performing" conditions) greater than 6 years.
The company Cabel Leasing write-offs receivables fully when the they are considered non recoverable or have been fully derecognised. Derecognitions are allocated directly to line item 130 a) "Net adjustments/write-backs due to the impairment of financial assets measured at amortised cost" in the income statement.

3.3 Impaired purchased or originated financial assets

Based on the IFRS9 accounting principle, receivables that are considered already impaired on initial recognition in the balance sheet, due to the respective high risk level, are defined as Purchased or Originated Credit Impaired Asset (POCI). These receivables, if they fall within the scope of application of impairment pursuant to IFRS9, are measured by allocating – starting from initial recognition – a provision to hedge losses for the entire residual life of the credit (so-called Expected Credit Loss Lifetime). As these are impaired receivables, they must be initially classified in Stage 3, although they may be moved, during their lifetime, to Stage 2 if they are considered no longer impaired based on the credit risk analysis.
The Group identifies as "Impaired purchased or originated financial assets":
• credit exposures already impaired at the moment of purchase, and;
• credit exposures originated in the event of restructuring transaction of impaired exposures that determined the disbursement of new funding, or introduced substantial changes to the original contract conditions.

4. Financial assets subject to commercial renegotiation and exposures covered by forbearance
The new policy for the management of exposures covered by forbearance (Forbearance Policy) was approved on 27/01/2020.
Regulations implemented by the Group provide for clear lines being drawn between commercial renegotiation measures and forbearance on existing loans (so-called forbearance measures).
Commercial renegotiations aim to consolidate the relation with the borrower counterparty who, on in-depth assessment, is nonetheless capable of timely fulfilment of all financial obligations originally taken on.

Instead, a forbearance measure is a variation of contract terms in favour of borrower customers who, even if as a result of temporary events, are no longer capable of meeting the financial obligations originally agreed upon. Therefore, ascertained financial difficulty is a decisive requirement to qualify changes in the value, times and terms of credit repayment, as forbearance measures. The subjective assessment (judgmental) of the customer on the part of the credit manager is supported by any objective anomalies in the credit exposure detected by the system. Objective financial difficulty is always subjected to a subsequent subjective assessment, which may result in the confirmation of the exclusion of the existence of financial difficulties. The subjective evaluation is nonetheless carried out, regardless of the observance of objective anomalies.
Financial difficulty is considered confirmed if the counterparty is classified as non-performing.
Approval of a forbearance measure:

- involves the completion of procedures that implicate an assessment aimed at verifying the efficacy of the measure in question for the purpose of re-establishing the borrower's autonomous compliant conduct, without the need for further, subsequent support, returning the exposure to a situation of sustainable repayment and, as regards non-performing loans, with the key objective of laying the bases for return to in bonis status. The analysis in question is made up of various stages that elaborate both objective and subjective information;
- involves qualifying the position involved in the measure in question as forborne. A performing counterparty that receives forbearance may conserve the administrative conditions. Nevertheless, the obligation must be met for the entire time that the credit exposure to which forbearance has been applied is qualified as forborne.

When the forbearance measure is perfected, a monitoring period begins, which is called, based on the case, Probation Period (two years of forborne performing exposures) and Cure Period (one year for forborne non-performing exposures). At the end of these periods of time, the possibility of improving the classification of the status or, for performing exposures, the cancellation of the qualification as forborne, may be taken into consideration, but only if the borrower's conduct is compliant and all the conditions provided for by the reference regulations are met.
The above being given, please note that if the contract modifications granted to customers are considered "substantial", based on differentiation for commercial modifications and modifications resulting from forbearance measures, they may result in derecognition of the financial asset from the balance sheet and re-recognition of a new asset (so-called "derecognition accounting"). In this situation, and specifically as regards positions that pass the SPPI test, for the purpose of impairment, the Bank considers the date of initial recognition as the date on which the asset is modified. To the contrary, as regards contract modifications that are considered "not substantial", and therefore not subject to "derecognition accounting", for the purpose of impairment, the Group considers the date of initial recognition as the date on which the instrument is originated.

Cabel Leasing has analysed counterparties applying for moratoria measures or renewal of existing moratoria measures, with respect to the precise updates of EBA publications, in April, September and December 2020. Consequently, the processes required to identify forbearance measures case-by-case, that had been suspended only for moratoria covered by "legislation" and bank system moratoria, were re-implemented.

Effects of the Covid-19 pandemic

In accordance with EBA provisions contained in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers *ex lege* and in application of category agreements (ABI agreements), were not considered indicators of financial difficulty for the purposes of classification of individual exposures within the scope of forborne exposures (and consequent inclusion in Stage 2).
On this matter, therefore, please bear in mind that for the classification of moratoria granted from the month of March 2020 to the month of November 2020, the Bank availed itself of the so-called "*temporary framework*", introduced by the guidelines published by the EBA on 2 April 2020, based on which, measures falling within the scope of an "overall moratoria on payments" were exempt from an evaluation of financial difficulty ("forbearance").
From November 2020 to 31 March 2021, the Bank availed itself of the extension granted by the EBA guidelines for application of the so-called "*temporary framework*" up to 31 March 2021, provided that the suspension period of the moratoria was not longer than nine months overall.
Starting in the month of April 2021, the Bank therefore re-started the standard process for the evaluation of financial difficulty, in order to ascertain the existence of requirements for classification of the exposures as "forborne".
However, following the clarifications issued by the EBA on 29/01/2021 – in which, as shown, it is specified that, even for moratoria provided for by law, if the overall duration of the payment suspension periods granted for a loan exceeds nine months, the flexibility allowed for is applicable only up to the end of the nine months – in April the Bank started the analytical evaluation of all loans with moratoria granted to customers, as provided for by law, in order to ascertain the existence of requirements for classification of the exposures as "forborne".
Please refer to the contents of Part A, Section 4 – Other aspects, regarding the methods used to book moratoria granted to customers struck by the economic consequences of the Covid-19 pandemic.

A. Credit quality

A.1 Exposures to impaired and in bonis receivables: amounts, value adjustments, dynamics and economic distribution

A.1.1 Prudential consolidation – Distribution of financial assets by time overdue (balance sheet values)

Portfolios/Risk stages	First stage			Second stage			Third stage			Impaired purchased or originated		
	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	9,321	7	0	4,410	9,940	8,335	3,154	1,357	142,042	0	0	160
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	0	0	0	0	0	0	0	0
3. Financial assets in the course of divestment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL AT 31/12/2021	**9,321**	**7**	**0**	**4,410**	**9,940**	**8,335**	**3,154**	**1,357**	**142,042**	**0**	**0**	**160**
TOTAL AT 31/12/2020	**4,562**	**0**	**6**	**11,857**	**5,825**	**9,924**	**823**	**1,429**	**134,853**	**0**	**0**	**0**

The values shown are the balance sheet values, net of doubtful loans.

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and total provisions – part 1

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage 1					
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	**0**	**10,753**	**31**	**0**	**95**	**10,689**
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	0	-2,567	37	0	24	-2,244
Contract modifications without derecognitions	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-offs non recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	**0**	**8,187**	**68**	**0**	**120**	**8,445**
Recoveries from collection on written-off financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions– part 2

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage 2					
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage 2					
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	**0**	**16,691**	**82**	**0**	**82**	**16,691**
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	0	2,101	-20	0	-20	2,101
Contract modifications without derecognitions	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-offs non recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	**0**	**18,792**	**62**	**0**	**62**	**18,792**
Recoveries from collection on written-off financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions – part 3

Causal factors/risk stages	Overall value adjustments						
	Asset classified in stage 3						of which: impaired financial assets purchased or originated
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs	
Initial overall adjustments	**0**	**119,073**	**0**	**0**	**119,073**	**0**	**0**
Value increases from financial assets purchased or originated	0	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	0	14,957	0	0	14,957	0	0
Contract modifications without derecognitions	0	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0	0
Write-offs non recognised directly in the income statement	0	-29,787	0	0	-29,787	0	0
Other variations	0	977	0	0	977	0	0
Overall final adjustments	**0**	**105,219**	**0**	**0**	**105,219**	**0**	**0**
Recoveries from collection on written-off financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions– part 4

Causal factors/risk stages	Overall provisions on commitments to disburse funds and issued financial guarantees			Total
	First stage	Second stage	Third stage	

Initial overall adjustments	**298**	**43**	**2,110**	**149,081**
Value increases from financial assets purchased or originated	0	0	0	0
Derecognition other than write-offs	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	26	8	-589	13,953
Contract modifications without derecognitions	0	0	0	0
Changes in the method of estimation	0	0	0	0
Write-offs non recognised directly in the income statement	0	0	0	-29,787
Other variations	0	0	0	977
Overall final adjustments	**324**	**51**	**1,521**	**134,224**
Recoveries from collection on written-off financial assets	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: transfers between the various risk stages (gross and nominal values)

Portfolios/risk stages	Gross value / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
1. Financial assets measured at amortised cost	122,443	60,987	23,172	2,149	6,043	142
2. Financial assets measured at fair value with impact on total profits	0	11	0	0	0	0
3. Financial assets in the course of divestment	0	0	0	0	0	0
4. Commitments to disburse funds e issued financial guarantees	69,305	16,301	7,426	112	5,504	133
Total at 31/12/2021	**191,748**	**77,299**	**30,598**	**2,261**	**11,546**	**275**
Total at 31/12/2020	**52,833**	**102,287**	**5,215**	**4,301**	**4,824**	**1,257**

A.1.3a Prudential consolidation - Loans subject to Covid-19 aid measures: transfers between various credit risk stages (gross value)

Portfolios/risk stages	Gross value / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
A. Loans measured at amortised cost						
A.1 Subject to forbearance conformant to GL	402	39	5	0	747	0
A.2 Subject to existing moratoria measures no longer conformant to GL and not measured as subject to forbearance	0	0	0	0	0	0
A.3 Subject to other forbearance measures	0	0	0	0	0	0
A.4 New loans	12,752	14,259	1,152	0	855	23
B. Loans measured at fair value with impact on overall profitability						
B.1 Subject to forbearance conformant to GL	0	0	0	0	0	0
B.2 Subject to existing moratoria measures no longer conformant to GL and not measured as subject to forbearance	0	0	0	0	0	0
B.3 Subject to other forbearance measures	0	0	0	0	0	0
B.4 New loans	0	0	0	0	0	0
Total at 31/12/2021	**13,154**	**14,298**	**1,157**	**0**	**1,602**	**23**
Total at 31/12/2020	**37,030**	**24,251**	**710**	**32**	**1,564**	**262**

A.1.4 Prudential consolidation - Cash and off-balance sheet exposures to banks: gross and net values – Part 1

Type of exposure/values	Gross exposure				
		First stage	Second stage	Third stage	Impaired purchased or originated
A. Cash credit exposures					
A.1 Demand	91,254	91,254	0	0	0
a) Impaired	0	X	0	0	0
b) In bonis	91,254	91,254	0	X	0
A.2 Other	241,687	241,687	0	0	0
a) Non-performing loans	0	X	0	0	0
- of which: subject to forbearance	0	X	0	0	0
b) Probable defaults	0	X	0	0	0
- of which: subject to forbearance	0	X	0	0	0
c) Impaired overdue positions	0	X	0	0	0
- of which: subject to forbearance	0	X	0	0	0
d) In bonis overdue positions	0	0	0	X	0
- of which: subject to forbearance	0	0	0	X	0
e) Other in bonis positions	241,687	241,687	0	X	0
- of which: subject to forbearance	0	0	0	X	0
TOTAL A	**332,941**	**332,941**	**0**	**0**	**0**
B. Off-balance sheet exposures					
a) Impaired	0	X	0	0	0
b) In bonis	11,459	11,459	0	X	0
TOTAL B	**11,459**	**11,459**	**0**	**0**	**0**
TOTAL A + B	**344,400**	**344,400**	**0**	**0**	**0**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

A.1.4 Prudential consolidation - Cash and off-balance sheet exposures to banks: gross and net values – Part 2

Type of exposure/values	Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs (*)
		First stage	Second stage	Third stage	Impaired purchased or originated		
A. Cash credit exposures							
A.1 Demand	0	0	0	0	0	91,254	0
a) Impaired	0	X	0	0	0	0	0
b) In bonis	0	0	0	X	0	91,254	0
A.2 Other	267	267	0	0	0	241,419	0
a) Non-performing loans	0	X	0	0	0	0	0
- of which: subject to forbearance	0	X	0	0	0	0	0
b) Probable defaults	0	X	0	0	0	0	0
- of which: subject to forbearance	0	X	0	0	0	0	0
c) Impaired overdue positions	0	X	0	0	0	0	0
- of which: subject to forbearance	0	X	0	0	0	0	0
d) In bonis overdue positions	0	0	0	X	0	0	0
- of which: subject to forbearance	0	0	0	X	0	0	0
e) Other in bonis positions	267	267	0	X	0	241,419	0
- of which: subject to forbearance	0	0	0	X	0	0	0
TOTAL A	**267**	**267**	**0**	**0**	**0**	**332,674**	**0**
B. Off-balance sheet exposures							
a) Impaired	0	X	0	0	0	0	0
b) In bonis	0	0	0	X	0	11,459	0
TOTAL B	**0**	**0**	**0**	**0**	**0**	**11,459**	**0**
TOTAL A + B	**267**	**267**	**0**	**0**	**0**	**344,132**	**0**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262

Notes

The table shows the breakdown by credit quality of exposures to banks.

Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets held for trading", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortised cost a) receivables from banks".

The table does not include equity investments and shares in mutual funds for a total of 35,959 thousand euro and securities issued by non-bank counterparties, for 573,968 thousand euro.

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers: gross and net values – part 1

Type of exposure/values	Gross exposure

		First stage	Second stage	Third stage	Impaired purchased or originated
A. Cash exposures					
a) Non-performing loans	144,383	X	0	144,383	0
- of which: forbearance	1,704	X	0	1,704	0
b) Probable defaults	103,701	X	0	103,069	631
- of which: forbearance	77,594	X	0	77,115	479
c) Impaired overdue positions	3,973	X	0	3,973	0
- of which: forbearance	37	X	0	37	0
d) In bonis overdue positions	39,797	9,434	30,362	X	0
- of which: forbearance	7,900	0	7,900	X	0
e) Other in bonis positions	4,085,484	3,831,549	253,687	X	461
- of which: forbearance	88,383	184	87,930	X	434
TOTAL A	**4,377,337**	**3,840,984**	**284,049**	**251,426**	**1,092**
B. Off balance sheet exposures					
a) Impaired	9,677	X	0	9,677	
b) In bonis	1,079,573	1,014,975	64,598	X	
TOTAL B	**1,089,250**	**1,014,975**	**64,598**	**9,677**	
TOTAL A + B	**5,466,587**	**4,855,959**	**348,648**	**261,102**	**1,092**

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers: gross and net values – part 2

Type of exposure/values	Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs (*)
		First stage	Second stage	Third stage	Impaired purchased or originated		
A, Cash exposures							0
a) Non-performing loans	70,726	X	0	70,726	0	73,657	0
- of which: forbearance	19	X	0	19	0	1,685	0
b) Probable defaults	34,092	X	0	33,871	222	69,608	0
- of which: forbearance	24,939	X	0	24,763	176	52,655	0
c) Impaired overdue positions	686	X	0	686	0	3,287	0
- of which: forbearance	3	X	0	3	0	33	0
d) In bonis overdue positions	2,975	107	2,869	X	0	36,821	0
- of which: forbearance	1,041	0	1,041	X	0	6,859	0
e) Other in bonis positions	24,169	8,462	15,694	X	12	4,061,315	0
- of which: forbearance	7,766	3	7,751	X	12	80,617	0
TOTAL A	**132,648**	**8,569**	**18,563**	**105,282**	**233**	**4,244,689**	**0**
B, Off balance sheet exposures							
a) Impaired	1,521	X	0	1,521	0	8,155	0
b) In bonis	375	324	51	X	0	1,079,199	0
TOTAL B	**1,896**	**324**	**51**	**1,521**	**0**	**1,087,354**	**0**
TOTAL A + B	**134,544**	**8,893**	**18,614**	**106,804**	**233**	**5,332,044**	**0**

Notes

The table shows the breakdown by credit quality of exposures customers.

Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets measured at fair value with recognition of income effects through profit and loss", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortised cost a) receivables from customers".

The table does not include equity investments and shares in mutual funds for 35,959 thousand euro, and securities issued by banks for 17,976 thousand euro.

A.1.5a Prudential consolidation - Cash credit exposures towards customers, subject to Covid-19 aid measures: gross and net values

Type of exposure/values	Gross exposure					Overall value adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		First stage	Second stage	Third stage	Impaired purchased or originated		First stage	Second stage	Third stage	Impaired purchased or originated		
A. Non-performing loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	**0**	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	0	0	0	0	0	0	0	0	0	0	**0**	0
B. Loans to probable defaults	**2,292**	**0**	**0**	**2,292**	**0**	**856**	**0**	**0**	**856**	**0**	**1,436**	0
a) Subject to forbearance in compliance with GL	682	0	0	682	0	223	0	0	223	0	**459**	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	1,610	0	0	1,610	0	633	0	0	633	0	**978**	0
C. Impaired overdue loans	**1,041**	**0**	**0**	**1,041**	**0**	**222**	**0**	**0**	**222**	**0**	**819**	0
a) Subject to forbearance in compliance with GL	78	0	0	78	0	11	0	0	11	0	**67**	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	963	0	0	963	0	211	0	0	211	0	**752**	0
D. Other in bonis overdue loans	**1,190**	**736**	**454**	**0**	**0**	**61**	**12**	**49**	**0**	**0**	**1,129**	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	**0**	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	1,190	736	454	0	0	61	12	49	0	0	**1,129**	0
E. Other in bonis loans	**525,992**	**475,359**	**50,633**	**0**	**0**	**7,985**	**2,814**	**5,171**	**0**	**0**	**518,007**	0
a) Subject to forbearance in compliance with GL	8,379	7,565	813	0	0	669	623	46	0	0	**7,710**	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	517,613	467,793	49,820	0	0	7,316	2,191	5,125	0	0	**510,298**	0
TOTAL A+B+C+D+E	**530,515**	**476,094**	**51,088**	**3,333**	**0**	**9,123**	**2,826**	**5,219**	**1,077**	**0**	**521,392**	**0**

A.1.7 Prudential consolidation - Cash exposures to customers: dynamics of gross impaired accounts

Causal factors/Categories	Non-performing loans	Probable defaults	Impaired overdue positions
A. Initial gross exposures	**189,137**	**93,472**	**4,285**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*
B. Additions	**16,759**	**0**	**0**
B.1 entries from in bonis receivables	4,090	28,617	3,617
B.2 entries from impaired financial assets purchased or originated	0	0	0
B.3 transfers from other categories of impaired exposures	11,304	2,040	1
B.4 contract modifications without derecognition	0	0	0
B.5 other additions	1,365	3,157	416
C. Reductions	**0**	**0**	**0**
C.1 transfers to in bonis receivables	0	2,633	154
C.2 write-offs	12,593	0	0
C.3 collections	11,056	4,068	1,871
C.4 income from disposals	6,679	0	0
C.5 losses from disposals	22,050	0	0
C.6 transfers to other categories of impaired exposures	208	10,835	2,321
C.7 contract modifications without derecognition	0	0	0
C.8 other reductions	8,927	6,049	0
D. Final gross exposure	**144,383**	**103,701**	**3,973**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*

A.1.7 bis Prudential consolidation - Cash credit exposures to customers: dynamics of gross forbearance exposure subdivided by credit quality

Causal factors/Categories	Forbearance: impaired	Forbearance: in bonis
A. Initial gross exposures	**64,083**	**53,261**
- of which: accounts disposed of but not derecognised	*0*	*0*
B. Additions	**37,589**	**64,695**
B.1 entries from in bonis receivables without forbearance	5,287	57,267
B.2 entries from in bonis receivables with forbearance	13,570	0
B.3 entries from impaired receivables with forbearance	0	2,133
B.4 other additions	482	0
C. Reductions	**22,337**	**21,673**
C.1 transfers to in bonis receivables without forbearance	0	2,873
C.2 transfers to in bonis receivables with forbearance	2,192	0
C.3 transfers to impaired receivables with forbearance	0	13,554
C.4 write-off	0	0
C.5 collections	107	131
C.6 income from disposals	0	0
C.7 losses from disposals	0	0
C.8 other reductions	20,038	5,115
D. Final gross exposure	**79,335**	**96,283**
- of which: accounts disposed of but not derecognised	*0*	*0*

A.1.9 Prudential consolidation – Impaired cash exposures to customers: dynamics of overall value adjustments

Casual factors/Categories	Non-performing loans		Probable defaults		Impaired overdue positions	
	Total	of which: forbearance	Total	of which: forbearance	Total	of which: forbearance
A. Initial overall adjustments	**91,595**	**24**	**26,840**	**16,700**	**638**	**1**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*	*0*	*0*	*0*
B. Additions	**16,132**	**0**	**12,089**	**8,432**	**1,023**	**3**

B.1 value adjustments from impaired financial assets purchased or originated	0	0	0	0	0	0
B.2 other value adjustments	8,730	0	10,444	8,302	738	0
B.3 losses from disposals	3,369	0	0	0	0	0
B.4 transfers from other categories of impaired accounts	4,034	0	378	130	0	0
B.5 contract modifications without derecognition	0	0	0	0	0	0
B.6 other additions	0	0	1,268	0	284	3
C. Reductions	**37,002**	**6**	**4,837**	**193**	**975**	**1**
C.1 write-backs of value from measurement	4,407	2	471	2	10	0
C.2 write-backs of value from collection	0	0	0	0	19	0
C.3.gains from disposals	0	0	0	0	0	0
C.4 write-off	29,124	0	544	0	119	0
C.5 transfers to other categories of impaired accounts	99	0	3,564	0	749	0
C.6 contract modifications without derecognition	0	0	0	0	0	0
C.7 Other reductions	3,372	4	258	191	77	1
D. Final overall adjustments	**70,726**	**19**	**34,092**	**24,939**	**686**	**3**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*	*0*	*0*	*0*

A.2 Classification of financial assets, of commitments to disburse funds and of financial guarantees issued based on internal and external ratings

A.2.1 Distribution of financial assets, of commitments to disburse funds and of financial guarantees issued: by class of external ratings (gross value)

Exposures	Class of external rating						Without rating	Total at 31/12/2021
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost								
- First stage	0	0	355,146	0	0	0	3,219,974	3,575,119
- Second stage	0	0	0	5,980	5,697	0	284,346	296,023
- Third stage	0	0	0	0	0	0	251,663	251,663
- Impaired purchased or originated	0	0	0	0	0	0	1,092	1,092
B. Financial assets measured at fair value with impact on total profits								
- First stage	0	0	492,683	0	0	0	0	492,683
- Second stage	0	0	0	14,956	0	0	0	14,956
- Third stage	0	0	0	0	0	0	0	0
-Impaired purchased or originated	0	0	0	0	0	0	0	0
Total (A + B)	**0**	**0**	**847,828**	**20,937**	**5,697**	**0**	**3,757,075**	**4,631,536**
C. Commitments to disburse funds and issued financial guarantees								
- First stage	0	0	0	0	0	0	1,007,675	1,007,675
- Second stage	0	0	0	0	0	0	64,598	64,598
- Third stage	0	0	0	0	0	0	9,677	9,677
- Impaired financial assets purchased or originated	0	0	0	0	0	0	0	0
Total (C)	**0**	**0**	**0**	**0**	**0**	**0**	**1,081,950**	**1,081,950**
Total (A + B + C)	**0**	**0**	**847,828**	**20,937**	**5,697**	**0**	**4,839,025**	**5,713,486**

Key:
Class 1 = AAA/AA-
Class 2 = A+/A-
Class 3 = BBB+/BBB-
Class 4 = BB+/BB-
Class 5 = B+/B-
Class 6 = inferior to B-

A.3 Distribution of secured exposures by type of guarantee

A.3.2 Prudential consolidation – Secured cash and off-balance sheet exposures to customers - part 1

Line items	Gross exposure	Net exposure	Collateral (1)			
			Real property for mortgage	Real property – loans for leases	Securities	Other collateral
1. Secured cash exposures:						
1.1 fully secured	2,267,689	2,198,264	1,535,535	0	76,587	15,549
- of which impaired	*160,717*	*110,477*	*89,983*	*0*	*0*	*47*
1.2 partially secured	436,511	429,674	737	0	17,390	5,825

- of which impaired	*7,843*	*4,505*	*33*	*0*	*0*	*73*
2 Secured off balance sheet exposures:						
2.1 fully secured	167,556	167,556	10,447	0	850	9,881
- of which impaired	*5,666*	*5,666*	*15*	*0*	*0*	*226*
2.2 partially secured	57,522	57,522	0	0	185	2,949
- of which impaired	*450*	*450*	*0*	*0*	*0*	*13*

A.3.2 Secured exposures to customers - part 2

Line items	Personal security (2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other parties	
		Central counterparties	Banks	Other financial companies	Other parties					
1. Secured cash exposures:										
1.1 fully secured	0	0	0	0	0	304,712	1,603	6,978	252,222	**2,193,185**
- of which impaired	0	0	0	0	0	4,661	0	625	14,736	**110,053**
1.2 partially secured	0	0	0	0	0	261,369	0	2,786	76,938	**365,045**
- of which impaired	0	0	0	0	0	1,185	0	543	1,833	**3,668**
2. Secured off-balance sheet exposures:										
2.1 fully secured	0	0	0	0	0	15,168	162	1,415	129,636	**167,559**
- of which impaired	0	0	0	0	0	184	0	352	4,890	**5,666**
2.2 partially secured	0	0	0	0	0	19,922	0	361	19,431	**42,849**
- of which impaired	0	0	0	0	0	0	0	0	388	**401**

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation – Sector distribution of cash and off-balance sheet credit exposures to customers (book value) - part 1

Exposures/counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures						
A,1 Non-performing loans	0	0	1,429	1,749	0	0
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
A,2 Probable defaults	0	0	61	33	0	0
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
A,3 Impaired overdue positions	0	0	0	0	0	0
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
A,4 In bonis positions	849,038	119	207,977	198	3,733	19
- of which: forbearance	*0*	*0*	*263*	*5*	*0*	*0*
TOTAL A	**849,038**	**119**	**209,467**	**1,980**	**3,733**	**19**
B, Off balance sheet exposures						
B,1 Impaired positions	0	0	0	0	0	0
B,2 In bonis positions	1,092	0	28,092	1	0	0
TOTAL B	**1,092**	**0**	**28,092**	**1**	**0**	**0**
TOTAL (A+B) 31/12/2021	**850,130**	**119**	**237,559**	**1,981**	**3,733**	**19**
TOTAL (A+B) 31/12/2020	**419,750**	**95**	**195,898**	**1,493**	**8,097**	**41**

B.1 Prudential consolidation – Sector distribution of cash and off balance sheet exposures to customers (book value) - part 2

Exposures/counterparties	Non finance companies		Families		TOTAL	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure						
A.1 Non-performing loans	43,815	55,945	28,413	13,031	73,657	70,726
- of which: forbearance	*1,685*	*19*	*0*	*0*	*1,685*	*19*

A.2 Probable defaults	37,034	19,881	32,514	14,178	69,608	34,092
- of which: forbearance	*26,773*	*12,235*	*25,882*	*12,704*	*52,655*	*24,939*
A.3 Impaired overdue positions	1,273	425	2,015	260	3,287	686
- of which: forbearance	*33*	*3*	*0*	*0*	*33*	*3*
A.4 In bonis positions	1,757,058	23,873	1,284,063	2,954	4,098,136	27,144
- of which: forbearance	*57,006*	*7,796*	*30,207*	*1,006*	*87,476*	*8,807*
TOTAL A	**1,839,179**	**100,125**	**1,347,005**	**30,424**	**4,244,689**	**132,648**
B. Off balance sheet exposures						
B.1 Impaired positions	7,115	1,521	1,040	0	8,155	1,521
B.2 In bonis positions	950,425	362	99,589	12	1,079,199	375
TOTAL B	**957,541**	**1,883**	**100,629**	**12**	**1,087,354**	**1,896**
TOTAL (A+B) 31/12/2021	**2,796,720**	**102,008**	**1,447,634**	**30,436**	**5,332,044**	**134,544**
TOTAL (A+B) 31/12/2020	**2,564,607**	**116,480**	**1,316,062**	**30,829**	**4,496,317**	**148,897**

B.2 Prudential consolidation - Territorial distribution of cash and off balance sheet exposures to customers (book value)

Exposure/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure										
A.1 Non-performing loans	73,631	70,671	26	54	0	0	0	0	0	0
A.2 Probable defaults	69,608	34,092	0	0	0	0	0	0	0	0
A.3 Impaired overdue positions	3,287	686	0	0	0	0	0	0	0	0
A.4 Exposure in bonis	4,083,353	27,127	11,292	15	1,870	0	670	0	952	1
TOTAL (A)	**4,229,879**	**132,576**	**11,318**	**70**	**1,870**	**0**	**670**	**0**	**952**	**1**
B. Off balance sheet exposures										
B.1 Impaired positions	8,155	1,521	0	0	0	0	0	0	0	0
B.2 In bonis positions	1,078,873	375	326	0	0	0	0	0	0	0
TOTAL (B)	**1,087,028**	**1,896**	**326**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2021	**5,316,908**	**134,472**	**11,644**	**70**	**1,870**	**0**	**670**	**0**	**952**	**1**
TOTAL (A + B) 31/12/2020	**4,488,374**	**148,828**	**6,564**	**66**	**510**	**0**	**319**	**0**	**550**	**2**

Exposure/Geographical areas	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non-performing loans	73,657	70,726
A.2 Probable defaults	69,608	34,092
A.3 Impaired overdue positions	3,287	686
A.4 Exposure in bonis	4,098,136	27,144
TOTAL (A)	**4,244,689**	**132,648**
B. Off balance sheet exposures		
B.1 Impaired positions	8,155	1,521
B.2 In bonis positions	1,079,199	375
TOTAL (B)	**1,087,354**	**1,896**
TOTAL (A + B) 31/12/2021	**5,332,044**	**134,544**
TOTAL (A + B) 31/12/2020	**4,496,317**	**148,897**

Notes

The cash exposures shown in the table include all financial assets to customers measured in the financial statements at line items "20 - Financial assets measured at fair value with impact on profit and loss account", "30 - Financial assets measured at fair value with impact on total profits" and "40 Financial assets measured at amortised cost b) receivables from customers".
Equity investments and shares in mutual funds, for a total of 35,959 thousand euro, and bank securities, for a total of 17,976 thousand euro, are not included.

B.3 Prudential consolidation - Territorial distribution of cash and off balance sheet credit exposure to banks (book value)

Exposure/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure										
A.1 Non-performing loans	0	0	0	0	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0	0	0	0	0
A.3 Impaired overdue positions	0	0	0	0	0	0	0	0	0	0
A.4 Exposure in bonis	274,496	240	57,017	28	0	0	0	0	1,160	0
TOTAL (A)	**274,496**	**240**	**57,017**	**28**	**0**	**0**	**0**	**0**	**1,160**	**0**
B. Off balance sheet exposures										
B.1 Impaired positions	0	0	0	0	0	0	0	0	0	0
B.2 In bonis positions	9,532	0	1,927	0	0	0	0	0	0	0
TOTAL (B)	**9,532**	**0**	**1,927**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2021	**284,028**	**240**	**58,944**	**28**	**0**	**0**	**0**	**0**	**1,160**	**0**
TOTAL (A + B) 31/12/2020 (*)	**288,717**	**414**	**62,209**	**30**	**55**	**0**	**41**	**0**	**0**	**0**

Exposure/Geographical areas	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non-performing loans	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue positions	0	0
A.4 In bonis positions	332,674	267
TOTAL (A)	**332,674**	**267**
B. Off balance sheet exposures		
B.1 Impaired positions	0	0
B.2 In bonis positions	11,459	0
TOTAL (B)	**11,459**	**0**
TOTAL (A + B) 31/12/2021	**344,132**	**267**
TOTAL (A + B) 31/12/2020 (*)	**351,023**	**444**

(*) Data from the previous fiscal year are shown in consideration of the changes introduced by the 7th update of Bank of Italy Circular n. 262
The cash exposures shown in the table (332,674 thousand euro) are those measured in the financial statements net of impaired receivables.
Specifically, the table shows financial assets relating to banks, deriving from line items "20 - Financial assets measured at fair value with impact on profit and loss account", "30 - Financial assets measured at fair value with impact on total profits" and "40 Financial assets measured at amortised cost a) receivables from banks" of the financial statements. Equity investments and shares in mutual funds, for 35,959 thousand euro, and securities issued by non banking counterparties, for 573,968 thousand euro, are not included.
Data are distributed geographically based on the country/state of residence of the counterparty.

INFORMATION OF SELF-SECURITISATION TRANSACTIONS – PONTORMO RMBS 2017

Since end of November 2017, Banca Cambiano has been involved as Originator, Servicer and Noteholder in the "Pontormo RMBS 2017" self-securitization transaction (the "Transaction"), with the special purpose vehicle company Pontormo RMBS s.r.l. The exclusive corporate purpose of the latter, registered at n. 35038.9 in the list of securitization vehicles, is the realization of more various securitizations of receivables. During the second semester of 2019, the Transaction was subjected to a restructuring operation (the "Restructuring") that, in short, consisted in the transfer of a second portfolio of credits by Banca Cambiano and the simultaneous issue of two additional asset-backed securities, a senior Note and a junior Note, with the same characteristics as the previously issued securities. The objectives of the Pontormo RMBS 2017 transaction, the main characteristics of the issued Notes, a selection of quantitative information regarding the 2021 fiscal year and the description of the booking methods in the Bank balance sheet, are illustrated below.

Objectives and structure of the Pontormo RMBS 2017 transaction

The Bank's objective, in initiating the transaction, was to transform part of the assets used (mortgage loans) in an asset backed security type of note (Pontormo RMBS Class A) to be used in a series of activities aimed at further facilitating any needs for liquidity, and specifically:

- to collect short/medium term liquidity through transactions with the Eurosystem;
- to collect medium term liquidity through REPOs (at 2-3 years);
- to perfect refinancing transactions on the New Collateralised Interbank Market (New Mic);
- If the market opportunity arises, and consistently with the average weighted cost of the Bank's funding, the sale of the ABS on the market.

The transaction was concluded obtaining an ABS instrument (with underlying loans issued by the Bank) with a high credit rating: in fact, on issue, the Note had a rating of AA for S&P and AA- for FITCH, higher than the Italian sovereign debt rating (which was, at the same moment, Baa2 for Moody's, BBB for S&P and BBB for Fitch). On 23/10/2018, Fitch reviewed and raised the rating of the Class "A" securities, increasing it from AA- (rating at issue) to AA, the maximum rating obtainable for Italian structured finance transactions. At the moment of the Restructuring in 2019, both rating agencies confirmed the AA rating for the senior Note issued in 2017 and assigned the same rating to the new senior Note issued within the scope of the Restructuring. At the end of April 2020, following the downgrade by Fitch of the rating for Italy, the agency lowered the rating of senior notes to AA- (the agency policy requires a maximum rating on structured finance transactions 6 notches higher than the sovereign rating of reference, so the downgrading of the notes is due solely to the lowered sovereign rating). Finally, in December 2021, following the rating upgrade for Italy, Fitch revised the rating for the senior notes in question, raising it back to AA. Currently, therefore, the senior notes are rated AA by both S&P and Fitch. Thus, it was possible to transform part of the Bank's assets, which were otherwise not liquid (the real estate mortgage portfolio), into a financial instrument (the two senior notes) that is rated, transparent, held by the ECB, and, potentially tradable. This transaction stands out due to its "multi-originator" nature, in that it involves the participation of Banca di Pisa e Fornacette Credito Cooperativo ("Banca di Pisa e Fornacette") along with Banca Cambiano. Each Bank, by means of a sales contract stipulated on 14 November 2017, sold a portfolio of loans (each of which was separate and independent with respect to the other) consisting of receivables, in accordance with the Securitization Law, classified as "*in bonis*" in conformity with current supervisory regulations, and deriving from mortgage loans secured by voluntary mortgages on real property. Within the scope of the Restructuring, each Bank sold, in the same manner described above, a second portfolio of mortgages, again, each of which was separate and independent with respect to the other. Below are some of the principal general criteria for eligibility of the transferred loans, valid for both transfer agreements:

- loans must be in Euro;
- Loans issued to physical persons residing in Italy who, in conformity with the classification criteria adopted by Bank of Italy with Circular. n 140 dated 11 February 1991 (as subsequently amended), fall under one of the following categories for sector of economic activity: n. 600 ("consumer households"); n. 614 ("artisans") or n. 615 ("producer families");
- Mortgage loans secured by voluntary mortgage on one or more real properties located on the Italian territory and with respect to which the real property on which the mortgage is secured (or, in case of one or more mortgages on more than one real property as guarantee for the same loan, the principal real property) is a residential property used as a dwelling;
- None of the borrowers is an employee, manager, statutory auditor or director of the Bank;
- None of the borrowers is a public administration or similar entity, nor a company that is directly or indirectly controlled by a public administration, nor a religious or ecclesiastic entity.

The above-mentioned banks act as Servicers of their own portfolios transferred to the Vehicle Company

The SPV paid the selling banks the price of 695,618,219.29 euro within the scope of the first transaction, and 447,699,408.76 euro within the scope of the second transactions, corresponding to the total of the individual purchase prices for the receivables sold each time, as specified below:

- First transaction - Banca di Pisa e Fornacette: 232,893,077.48 euro;
- First transaction - Banca Cambiano: 462,725,141.81 euro;
- Second transaction - Banca di Pisa e Fornacette: 160,485,163.54 euro;
- Second transaction - Banca Cambiano: 287.214.245.22 euro.

The purchase of the first portfolio was financed by the SPV, in accordance with articles 1 and 5 of the Securitisation Law, by issuing on 27 November 2017, the classes of Notes specified here following:
Senior – (Class A notes)
- Euro 181,656,000 Class A1-2017;
- Euro 360,925,000 Class A2-2017;

Junior – (Class B notes)
- Euro 54,137,000 Class B1-2017;
- Euro 107,562,000 Class B2-2017.

Similarly, the second portfolio of receivables sold within the scope of the Restructuring operation was financed on 6 December 2019 by issuing the following securities:
Senior – (Class A notes)
- Euro 157,866,000 Class A1-2019;
- Euro 285,773,000 Class A2-2019;

Junior – (Class B notes)
- Euro 3,380,000 Class B1-2019;
- Euro 1,330,000 Class B2-2019.

Subscriber	Isin	Class	Senior tranching	Rating at issue	Rating at 31.12.2021	Nominal	Amount outstanding at 31.12.2021	Amount outstanding after repayment 25.01.2022
Banca di Pisa e Fornacette	IT0005315210	Class A1 - 2017	84.00%	AA / AA-	AA / AA	181,656,000	73,859,428	72,666,638
Banca di Pisa e Fornacette	IT0005391237	Class A1 - 2019	84.00%	**AA / AA**	**AA / AA**	157,866,000	102,017,063	100,369,878
Banca Cambiano	**IT0005315228**	**Class A2 - 2017**	**84.00%**	**AA / AA-**	**AA / AA**	**360,925,000**	**162,824,550**	**160,386,368**
Banca Cambiano	**IT0005391245**	**Class A2 - 2019**	**84.00%**	**AA / AA**	**AA / AA**	**285,773,000**	**203,881,815**	**200,828,596**
		Class A Notes	**84.00%**			**986,220,000**	**542,582,856**	**534,251,481**
Banca di Pisa e Fornacette	IT0005315236	Class B1 - 2017	16.00%			54,137,000	54,137,000	54,137,000
Banca di Pisa e Fornacette	IT0005391252	Class B1 - 2019	16.00%			3,380,000	3,380,000	3,380,000
Banca Cambiano	**IT0005315244**	**Class B2 - 2017**	**16.00%**			**107,562,000**	**107,562,000**	**107,562,000**
Banca Cambiano	**IT0005391260**	**Class B2 - 2019**	**16.00%**			**1,330,000**	**1,330,000**	**1,330,000**
		Class B Notes	**16.00%**			**166,409,000**	**166,409,000**	**166,409,000**

Class A notes were listed on the Irish Stock Exchange, while class “B” Notes were neither listed nor given a rating. Senior Notes generate interest at a Euribor-linked floating interest rate at 1 month (with a 0% floor) increased by a spread equal to 0.45%. Instead, Junior Notes, that do not have a coupon, receive flows other than capital that are due based on the order of priority for each period of reference. Interest and revenue on Notes are paid monthly on the 25th of each month. The Notes subscribed by Banca Cambiano are Class A2 (senior) and Class B2 (junior) Notes, with the following characteristics:

Class A2-2017
Currency: Euro
Amount at issue: 360,925,000
Rate: Euribor 1M (floor a 0%) + spread 0.45%
Coupon: monthly
Legal duration: May 2060
Redemption: amortisation linked to recovery of underlying receivables
Rating at 31.12.2021: AA by S&P, AA by Fitch
Listing: Irish Stock Exchange
ISIN: IT0005315228
Applicable law: Italian law.
Subscriber: Banca Cambiano.

Class A2-2019
Currency: Euro
Amount at issue: 285,773,000
Rate: Euribor 1M (floor a 0%) + spread 0.45%
Coupon: monthly
Legal duration: May 2060
Redemption: amortisation linked to recovery of underlying receivables
Rating at 31.12.2021: AA by S&P, AA by Fitch

Listing: Irish Stock Exchange
ISIN: IT0005391245
Applicable law: Italian law.
Subscriber: Banca Cambiano.

Class B2-2017
Currency: Euro
Amount at issue: 107,562,000
Rate: N.A.
Coupon: monthly
Legal duration: May 2060
Redemption: amortisation linked to recovery of underlying receivables
Rating: Unrated
Listing: Not listed on a stock exchange
ISIN: IT0005315244
Applicable law: Italian law.
Subscriber: Banca Cambiano.

Class B2-2019
Currency: Euro
Amount at issue: 1,330,000
Rate: N.A.
Coupon: monthly
Legal duration: May 2060
Redemption: amortisation linked to recovery of underlying receivables
Rating: Unrated
Listing: Not listed on a stock exchange
ISIN: IT0005391260
Applicable law: Italian law.
Subscriber: Banca Cambiano.

The Notes are all managed in dematerialised form by Monte Titoli S.p.a.

The amounts for Junior Notes include:

- A cash reserve ("Cash Reserve Amount") equal to 1.50% of the par value of the Senior Notes issued within the scope of the Restructuring operation (7,688,433 euro for Banca Cambiano):

Cash Reserve Amount (1.50% of par value of the issued Senior note)		
	% sul total	**€**
Banca di Pisa e Fornacette Cash Reserve Amount	34.62%	4,071,673
Banca Cambiano Cash Reserve Amount	65.38%	7,688,433
Total Reserve	**100.00%**	**11,760,106**

- The amount required to fund the reserve for expenses (Retention Amount) which, at the time of issue, corresponds to 53,216.00 for Banca Cambiano for a total amount amounting to 80,000.00 euro:

Retention Amount (expenses reserve at issue)		
	% sul total	**€**
Banca di Pisa e Fornacette	33.48%	26,784
Banca Cambiano	66.52%	53,216
Total	**100%**	**80,000**

- The Transaction restructuring expenses (294,727.31 pro quota for Banca Cambiano) and the expenses for the Restructuring (246,905.34 pro quota for Banca Cambiano).

The cash reserve is a guarantee for Senior Noteholders (who in this case are the same as the originators and therefore there is also an implicit guarantee in favour of Banca Cambiano, which holds the Class "A2" Notes). An amortisation of the cash reserve is also provided for (based on the amount of funds available), which is gradually repaid to the respective bank based on the amortisation of the respective Senior Notes, up to a set minimum level (0.8% of the par value of the Senior Notes at the moment of the Restructuring). At the moment, it is not possible to use the cash reserve in any way and it is provided that such a reserve remain available to the vehicle in the form of cash, contributing to the amount of available funds, if necessary.

Cash Reserve Amount	Reserve at issue	Outstanding reserve at31.12.2021
Banca di Pisa e Fornacette Cash Reserve Amount	4,071,673	2,672,372
Banca Cambiano Cash Reserve Amount	7,688,433	5,561,349
Total Reserve	**11,706,106**	**8,233,721**

The Retention Amount is an expense fund available to the vehicle, used by the structure for the vehicle's management costs. At each monthly settlement, on the basis of the documented costs sustained, this expense account/fund is replenished until it is the equivalent of the pre-established total amount of 80,000.00 Euro, of which the € 53,216 mentioned above represent the share for which Banca Cambiano was responsible at the time of subscription.

The Notes are repaid on the same date as the payment of interest, in accordance with recovery of the underlying receivables, available funds and the order of priority of payments (illustrated below). The interest period becomes effective starting from a payment date (inclusive) through the following payment date (exclusive) and interest is calculated on the basis of the actual number of days that have passed, divided by 360. The characteristics of the class "A" notes allow them to be used for loan transactions with the European Central Bank.

Selected quantitative information at 31/12/2021

A selection of some of the principal information of a quantitative nature regarding the operation in review is set forth below. The values, unless otherwise specified, are in Euro and refer to 31 December 2021.

Securitised assets

At the close of 2021, securitised credits were equivalent to their price of purchase, net of collections as at the transfer date of 31 December 2021, of the amounts to be received for collections due in the fiscal year but not yet transferred by the Servicer, and increased by accrued interest due as at 31 December 2021.

	31/12/2021
In bonis securitised assets	685,058,522
Receivables for interest accrued but not yet collected	54,717
Total	**685,113,239**

As at 31/12/2021, no accounts were classified "non-performing", while those classified as "probable defaults" amounted to 49,614,16 euro.

Assets dispose of by Banca Cambiano had the following characteristics:

	31/12/2021
Residual capital	459,893,139
Number of loans	6,235
Average residual life (years)	15.35
Weighted average rate	1.71%
Average amount of the loan	73,760
Current LTV	0.65784

The table below indicates the outstanding securitized assets as at 31 December 2021 classified on the basis of their residual life:

	Total Portfolio		Banca Cambiano Portfolio	
	Balance at 31/12/2021	% incidence	Balance at 31/12/2021	% Incidence
Up to 3 months	79,100	0.01%	69,486	0.01%
From 3 to 6 months	154,741	0.02%	114,284	0.02%
From 6 to 12 months	625,271	0.09%	482,159	0.10%
From 12 to 60 months	32,440,480	4.74%	23,760,112	5.17%
Over 60 months	651,758,931	95.14%	435,467,098	94.78%
Total	**685,058,522**	**100.00%**	**459,893,139**	**100.00%**

In conclusion, the table below shows the breakdown of the portfolio subdivided by category as at 31 December 2021.

	Total Portfolio		Banca Cambiano Portfolio	
	Number of positions	Balance at 31/12/2021	Number of positions	Balance at 31/12/2021
Up to 25,000	1,493	22,017,215	1,166	17,010,801
From 25,000 to 75,000	3,639	175,198,010	2,632	124,642,224
From 75,000 to 250,000	3,663	438,410,680	2,326	277,468,125

Over 250,000	134	49,432,617	111	40,771,989
Total	**8,929**	**685,058,522**	**6,235**	**459,893,139**

Use of available funds

Description	31/12/2021
Liquidity at BNY c/c n. 6983879780 (Expenses Acc.)	83,113
Liquidity at BNY c/c n. 6983899780 (Banca Cambiano Transitory CR Acc.)	0
Liquidity at BNY c/c n. 6983919780 (BCC Pisa e Fornacette Transitory CR Acc.)	0
Liquidity at BNY c/c n. 6983989780 (General Acc.)	8,980,998
Liquidity at BNY c/c n. 6983999780 (Banca Cambiano Cash Reserve Acc.)	5,561,349
Liquidity at BNY c/c n. 6984009780 (BCC Pisa e Fornacette Cash Reserve Acc.)	2,672,372
Liquidity at BNY c/c n. 6983929780 (Payment Acc.)	186
Liquidity at BNY c/c n. 6983939780 (Banca Cambiano Suspension Acc.)	413,140
Liquidity at BNY c/c n. 6983949780 (BCC Pisa e Fornacette Suspension Acc.)	73,952
Receivables for transaction profit	3,258,924
Receivables from Servicers for collections to be received	374,290
Accrued interest income on securitised receivables	3,045,309
Prepaid expenses	29,690
Total	**24,493,323**

Interest on issued notes (economic competence)

	31/12/2021
Interest expenses on Class A Notes	2,720,103
Interest expenses in Class B Notes	10,120,562

Fees and commissions charged to the transaction

During the 2021 fiscal year, fees and commissions charged to the transaction are composed of the line items detailed in the table below:

Description	31/12/2021
Servicing fees (Banca Pisa)	108,721
Servicing fees (Banca Cambiano)	**175,414**
Computation agent fees	37,645
Sub Computation Agent fees	1,237
Listing Agent fees	3,000
Representative of the Noteholders fees	8,660
Account Bank, Cash Manager, Principal Paying Agent fees	14,500
Other	189,956
Total	**539,133**

Interest generated by the securitised assets

As at 31 December 2021, the total portfolio of self-securitised loans generated the following interest amounts:

	31/12/2021
Interest on securitised receivables	13,308,270
Interest on early settlement	140,759
Other revenue	17,763
Total	**13,466,792**

INDICATION OF UNDERWRITTEN CONTRACTS

For the purpose of carrying out the self-securitization transaction and the subsequent restructuring, it was necessary to underwrite the contract agreements outlined below with various counterparties:

i. N. 4 "Transfer Agreements" (two during the structuring of the Transaction and two during the restructuring) by virtue of which the Company purchased from Banca di Pisa e Fornacette and Banca Cambiano against payment, in block and without recourse, the respective credit claim portfolios;
ii. N. 2 "Warranty and Indemnity Agreements " (one during the structuring of the Transaction and one during the restructuring) as per which each Originator Bank issued specific declarations and guarantees, granted security and committed to obligations of indemnification regarding their respective Claims and the assignment thereof to the Company;

iii. "Servicing Agreement" (modified and integrated during the restructuring stage from the ”Agreement for amendment to the Servicing Agreement), by means of which the Company appoints each Originator Bank to execute services regarding the administration, management, collection and redemption of their respective Claims (including, for the sake of clarity, any defaulted clams);

iv. "Corporate Services Agreement , by means of which the Company appoints Cabel Holding S.p.A. as Administrator of company activities;

v. “Stichting Corporate Services Agreement”;

vi. "Back-up Servicing Agreement", by means of which the Company appoints the back-up servicers to act as substitutes for the Servicers in the event of cancellation of the appointment of Banca di Pisa e Fornacette or Banca Cambiano as Servicers as per the Servicing Agreement;

vii. "Cash Administration and Agency Agreement" between, *inter alios*, the Company, the Originator banks, the Bank of New York Mellon SA/NV – Milan Branch, Invest Banca S.p.A., KPMG Fides Servizi di Amministrazione S.p.A. and Cabel Holding S.p.A.;

viii. "Intercreditor Agreement" between, *inter alios*, the Company, the Originator banks, the Bank of New York Mellon SA/NV – Milan Branch, Invest Banca S.p.A., KPMG Fides Servizi di Amministrazione S.p.A. and Cabel Holding S.p.A.;

ix. "Notes Subscription Agreement" between the Company, KPMG Fides Servizi di Amministrazione S.p.A., Banca di Pisa e Fornacette, Banca Cambiano and Banca Akros S.p.A.;

x. "Quotaholder’s Agreement" between the Company, Cabel Holding S.p.A., Stichting Muitenburg and KPMG Fides Servizi di Amministrazione S.p.A.;

xi. N. 2 “Written Written Resolutions”, by means of which the Noteholders approved the restructuring of the transaction, authorising the RON and the Company to take the actions required to complete the restructuring of the transaction;

xii. “Amendment Agreement”, undersigned by all the parties involved in the Transaction, in which amendments are made to the previously undersigned agreements, as required to allow restructuring the Transactions.

xiii. " Offering Circular" (comprehensive of terms of the securities).

SUBJECTS INVOLVED IN THE TRANSACTION

The subjects involved, in one way or another, in the transaction are specified herein following.

Issuer/Purchaser of the claims

Pontormo RMBS Srl, a limited liability company incorporated under article 3 of Law 130/99, taxation code, Vat code and registration number in the Register of Companies n. 06272000487, fully paid-in share capital equal to 10,000.00 Euro, enrolled in the Register of special purpose vehicles kept by Bank of Italy pursuant to Bank of Italy provision of 7 June 2017 con n. 35039.9, whose registered offices are in Empoli (FI), via Cherubini 99.

Originators/Servicers/Back-up Servicers

Banca di Pisa e Fornacette Credito Cooperativo S.C.p.A, a bank incorporated in Italy as a “*Società Cooperativa per azioni*”, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 4646, with registered offices in Lungarno Pacinotti, 8 – 56126 Pisa ("Banca di Pisa e Fornacette").

Banca Cambiano 1884 S.p.A., a bank incorporated in Italy as a company limited by shares, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 5667, with offices in Viale Antonio Gramsci, 34 - 50132 Florence ("Banca Cambiano").

Agent Bank/Transaction Bank/ Paying Agent

The Bank of New York Mellon SA/NV, Milan branch, a company incorporated under the laws of Belgium, operating through its branch office in Via Mike Bongiorno, 13, 20124, Milano, Italy, ("BNYM").

Operating Bank

Banca Cambiano 1884 S.p.A., a bank incorporated in Italy as a company limited by shares, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 5667, with offices in Viale Antonio Gramsci, 34 - 50132 Florence ("Banca Cambiano").

Representative of the Noteholders/ Stichting Corporate Services Provider/ Back-up Computation Agent

KPMG Fides Servizi di Amministrazione SpA, a company limited by shares incorporated in Italy, registered with the Register of Companies in Milan, Italy, at n. 00731410155, with registered offices in Via Vittor Pisani 27, Milan (MI), Italy, operating through its Rome branch, in Via Eleonora Duse, 53 ("KPMG").

Corporate Services Provider/Computation Agent
Cabel Holding SpA, a company limited by shares incorporated in Italy, registered in the Register of Company of Florence, Italy, at n. 04492970480, with offices in Via L. Cherubini, 99, Empoli (FI), Italy ("Cabel Holding").

Quotaholders
(i) Stichting Muitenburg, a foundation incorporated under Dutch Law, with registered offices in Hoogoorddreef 15, 1101BA, Amsterdam (Netherlands), registered in the Register of Companies of Amsterdam at n. 55248780, and (ii) Cabel Holding.

Rating Agencies
Fitch Italy S.p.A. ("Fitch") and S&P Global Ratings Italy S.R.L. ("S&P").

Arranger
Banca Akros SpA, a bank incorporated in Italy as a *società per azioni*, whose registered offices are in Viale Eginardo 29, 20149 Milan, Italy, with fully paid-in share capital of 39,433,803 Euro, registered in the Register of Companies of Milan at n. 03064920154 and in the Register of banks kept by Bank of Italy at n. 5328, participant to the banking group "Banco BPM", subject to the management and coordination activities ("*attività di direzione e coordinamento*"), of Banco BPM, authorised to carry out business in Italy pursuant to the Banking Consolidation Act ("Banca Akros").

Legal Advisor
Orrick, Herrington & Sutcliffe.

ALLOCATION OF CASH FLOWS ARISING FROM THE PORTFOLIO
A summarised schedule of the allocation of cash flows arising from transferred claims is provided here below. Please note the following main features:

a) The elements described in the order of payment are stepped and based on priority, in that they are settled only if there are sufficient residual funds after having paid the preceding element.
b) At each payment date, two different order of payment are prepared (identical in form and contents), one for each Originator Bank /Noteholder. In this way, the collections generated by the securitized portfolio of a Bank, deducting the respective structural costs due, remain fully with the Bank that has transferred the portfolio. Nonetheless, in cases of particular stress of the structure or of insufficient performance of the portfolios, reciprocity mechanisms between the two Banks have been set up, so that all collection generated by the portfolio of one bank may be used to integrated the available funds of the other bank that is in deficit. Should this occur, debit/credit positions arise within the structure, which are automatically offset as soon as possible.
   i. Banca di Pisa e Fornacette/Banca Cambiano Outstanding Notes Ratio[3] of (i) all costs, taxes and expenses required to be paid in order to preserve the corporate existence of the Issuer, (ii) all costs and taxes required to be paid in order to maintain the rating of the Notes;
   ii. Banca di Pisa e Fornacette/Banca Cambiano Outstanding Notes Ratio of fees, costs and all other sums payable to the Representative of the Noteholders;
   iii. Banca di Pisa e Fornacette/Banca Cambiano *Outstanding Notes Ratio* of the amount required to guaranty that the balance standing to the credit of the Expenses Account on such Payment Date is equal to the Retention Amount;
   iv. Banca di Pisa e Fornacette/Banca Cambiano *Outstanding Notes Ratio* of fees, costs and all other sums due and payable to the (Back-up) Computation Agent, the Agent Bank, the Transaction Bank, the Paying Agent, the Corporate Services Provider and the Stichting Corporate Services Provider;
   v. Servicing fees to the respective servicers;
   vi. Interest due and payable on Class A1/A2 Notes;
   vii. The amount required so the balance of the Cash Reserve Account is equal to the Target Cash Reserve Amount;
   viii. Reimbursement of principal due on Class A1/A2 Notes at the Payment Date;
   ix. Any amounts required to increase the Available Funds of the other portfolio for an amount equal to the corresponding quota of cash reserve of the other portfolio used in previous IPD to increase the Available Funds of this portfolio;

[3] That is, the fraction of notes competence of a bank with respect to the total outstanding notes.

x. In the event of a Disequilibrium Event for a portfolio, the Principal Amortisation Reserve Amount to be credited to the relative Principal Amortisation Reserve Account in relation to the portfolio for which the Disequilibrium Event did not occur;
xi. In the event of a Detrimental Event, the amount of the Reserve Amount to be credited to the Reserve Account;
xii. (i) Any amount due from the SPV to the Originators as repayment for an indemnity paid by the Originator to the SPV within the scope of the warranty and indemnity agreement (ii) any amounts due from the SPV to the servicer within the scope of the servicing agreement that have not been paid pursuant to the previous points;
xiii. Only on the first payment date, to pay Originators the respective interest;
xiv. Pay (a) to each Originator every amount due referring to adjustment in the purchase price in relation to the claims not listed in the transfer agreement but that respected the criteria listed in the same and every amount due to the SPV as per the warranty and indemnity agreement (other than those under point 12 above) and (b) to the relative subscriber of Class B or the relative Originator any amount due by the SPV as per the subscription agreement.
xv. Any amount due to the respective Originator as repayment of the insurance price and the related expenses pre-paid thereby, under the transfer agreement;
xvi. Interest due and payable on Class B1/B2 Notes.
xvii. Starting from the Payment Date on which Class A Notes are fully redeemed, repayment of principal on Class B1/B2 Notes;
xviii. After full and final settlement of all payments due under this Order of Priority and the full redemption of all the notes, payment of any surplus on the accounts of vehicle in favour of Banca di Pisa e Fornacette/Banca Cambiano.

D. Sales transactions

A. Financial assets sold but not fully derecognised
Qualitative and quantitative information
D.1 Prudential consolidation – Sold financial assets recognised in full and connected financial liabilities: balance sheet values

Technical forms/Portfolio	Sold financial assets recognised in full				Connected financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject of sales contracts with agreement to repurchase	of which impaired	Book value	of which: subject of securitisation transactions	of which: subject of sales contracts with agreement to repurchase
A. Financial assets held for trading				**X**			
1. Debt securities	0	0	0	X	67,756	0	67,756
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	X	0	0	0
4. Derivatives	0	0	0	X	0	0	0
B. Financial assets obligatorily measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
D. Financial assets measured at fair value with impact on total profits							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at amortised cost							
1. Debt securities	12,931	0	12,931	0	13,007	0	13,007

2. Loans	0	0	0	0	0	0	0
Total at 31/12/2021	**12,931**	**0**	**12,931**	**0**	**80,763**	**0**	**80,763**
Total at 31/12/2020	**12,700**	**0**	**12,700**	**0**	**13,004**	**0**	**13,004**

D.3 Prudential consolidation – Sales transactions with liabilities that have recourse exclusively on the transferred assets not fully recognised: fair value

Technical forms/Portfolio	Recognised in full	Partially recognised	Total	
			31/12/2021	31/12/2020
A. Financial assets held for trading				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
4. Derivatives	0	0	0	0
B. Financial assets obligatorily measured at fair value				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at fair value				
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
D. Financial assets measured at fair value with impact on total profits				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at amortised cost (fair value)				
1. Debt securities	12,885	0	12,885	12,700
2. Loans	0	0	0	0
Total financial assets	**12,885**	**0**	**12,885**	**12,700**
Total connected financial liabilities	**13,007**	**0**	**X**	**X**
Net value at 31/12/2021	**-122**	**0**	**-122**	**X**
Net value at 31/12/2020	**-304**	**0**	**X**	**-304**

Notes
As regards receivables from customers and payables to customers, the "fair value" used in the table is equivalent to the amortised.

1.2 Market risks

1.2.1 Interest rate risk and price risk – regulatory trading portfolio

Qualitative information

For the purpose of reporting as regards this section, only financial instruments (both assets and liabilities) included in the “regulatory trading portfolio” were taken into consideration, as required by regulations regarding regulatory information on market risks (cfr. Circular n. 286 of 17 December 2013 issued by Bank of Italy).

A. General information

Within the scope of the Group, the only company exposed to interest rate risk and price risk on the regulatory trading portfolio is Banca Cambiano 1884 S.p.A.
The primary activity of the Bank is trading financial instruments exposed to interest rate risk.
The strategy underlying its trading activity corresponds both to treasury needs and to the objective of enhancing the risk/yield profile of portfolio investments in terms of the interest rate risk and the counterparty’s credit risk.
Trading regards exclusively operations involving bonds.

Effects of the Covid-19 pandemic

As regards market risk, no effects directly attributable to the pandemic crisis have been observed; indeed, no changes have been made to objectives and strategies relating to treasury portfolios with respect to the evolution and duration of the health emergency, which remains principally invested in government bond, nor have the measurement and control systems for market risks been varied.

B. Management procedures and measurement methods for interest rate risk and price risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security) and limits for exposure to interest rate risk (in terms of financial duration).
In the meeting held on 16 January 2020, the Board of Directors approved the Policy on interest rate risk, accompanied by the attached methodology document, which was subsequently updated during the meeting held on 26/03/2022.

Quantitative information

1.2.1.1 Regulatory trading portfolio: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives - All currencies

Type/residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	0	0	0	0	4,226	3,855	0	0	**8,082**
1.2 Other assets	0	0	0	0	0	0	0	0	**0**
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	0	0	0	0	0	0	0	**0**
2.2 Other liabilities	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	2,110,241	0	0	0	0	0	0	**2,110,241**
+ short-term positions	0	4,206,646	0	0	0	0	0	0	**4,206,646**
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	31	0	0	67	0	0	0	**98**

2.2 Interest rate risk and price risk – bank portfolio

Qualitative information

A. General information, management procedures and measurement methods for interest rate risk and price risk

Interest rate risk is created by an imbalance between the due dates (re-pricing) of asset and liability items belonging to the bank portfolio. This latter is composed of all the financial instruments, assets and liabilities, not included in the trading portfolio in accordance with current regulatory provisions.

As regards Banca Cambiano 1884 S.p.A., General Management is responsible for setting forth the guidelines for banking book management, in compliance with the strategic policies defined by the Board of Directors, and monitoring banking book management trends.

The Risk Management office proposes possible banking book interest rate risk management and mitigation measures to General Management.

Interest rate risk mitigation is pursued by means of integrated management of bank assets and liabilities and is aimed at stabilizing interest income and safeguarding the economic value of the bank portfolio.

Specifically, management of the bond Securities portfolio is primarily keyed to maintaining the Group's liquidity reserves.

Exposure to banking book interest rate risk is calculated by the Bank in a manner consistent with the provisions of current regulations, through the simplified Regulatory approach (Cfr. Bank of Italy Circular n. 285/2013, First Part, Title III, Chapter 1, Annex C, that introduces the recent guidelines of the European Banking Authority); by using this method, the Bank can monitor the impact of unexpected changes in market conditions on the value of shareholders' equity, thus making it possible to identify the mitigation interventions to be executed.

More in detail, the process to estimate exposure to banking book rate risk provided using the simplified method provides for the following stages:

- Determination of the relevant currencies. "relevant currencies" are those that represent a percent of the total assets, or of total liabilities of the banking portfolio, that is greater than 5%. For the purpose of the calculation method for exposure to interest rate risk, positions in "relevant currencies" are considered individually, while positions in "non relevant currencies" are aggregated for the respective counter-value in Euro;

▪ Classification of assets and liabilities into time brackets. Nineteen (19) time brackets are provided for. Fixed rate assets and liabilities are classified based on their residual life, while floating rate assets and liabilities are classified based on the interest rate renegotiation date;
▪ Within each bracket, assets and liabilities are multiplied by the weighting factors, obtained as the product between a hypothetical variation in the rates and an approximation of the modified duration relative to each of the brackets;
▪ Within each bracket, asset positions are offset by liability positions, thereby obtaining a net position;
▪ Aggregation in the various currencies. The absolute values of the exposures relating to each "relevant currency" and to the aggregate of "non relevant currencies" are summed together, thereby obtaining a value that represents the variation in the economic value of the Bank, as a function of the hypothesised interest rate trend.
The main sources of interest rate risk are fixed rate positions. As regards the asset entries, these are amounts referring primarily to fixed rate securities (BTP) and mortgages.
The interest rate risk inherent to the banking portfolio is monitored by the Bank on a quarterly basis.
Instead, as regards the system adopted to monitor interest rate risk by the subsidiary Cabel Leasing S.p.A.:
- interest rate risk is measured on a quarterly basis, based on the provisions of Bank of Italy Circular n. 288;
- for floating rate assets, the level of debt is indexed in the same way as the asset that it is intended to finance.
Cabel Leasing S.p.A. fixed rate lending positions, represent only 2% of receivables booked at line item 40 "Financial assets measured at amortised cost" in the financial statements. The principle source of interest rate risk that the Company incurs is therefore represented by repricing risk and its impact on the mismatched timing of maturities of assets and liabilities.
Cabel Leasing S.p.A. does not perform speculative transactions on rates.

Quantitative information

1.2.2.1 Bank portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities - All currencies

Type/residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	0	4,665	31,135	185,565	467,380	159,888	30,075	0	**878,709**
1.2 Loans to banks	74,024	137,936	0	0	0	0	0	0	**211,960**
1.3 Loans to customers									
- c/c	343,693	903	769	5,205	9,757	0	0	0	**360,326**
- Other loans									
- with early redemption option	80,385	31,819	8,284	0	0	0	0	0	**120,487**
- other	2,063,662	213,900	33,755	50,442	239,395	121,871	188,153	0	**2,911,177**
2. Cash liabilities									
2.1 Payables to customers									
- c/c	2,822,592	36,305	32,045	36,290	182,211	0	0	0	**3,109,443**
- other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	133,439	13,007	0	0	0	0	0	0	**146,447**
2.2 Payables to banks									
- c/c	98,446	18,000	0	0	0	0	0	0	**116,446**
- other liabilities	1,068,608	0	0	0	15,003	0	0	0	**1,083,610**
2.3 Debt Securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	85	10,000	0	0	117,242	14,134	0	0	**141,462**
2.4 Other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**

Type/residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
- other	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	16,968	24,014	0	0	0	0	0	**40,982**
+ short-term positions	0	46,105	25,826	0	0	0	0	0	**71,931**
4. Other off balance sheet transactions									
+ long-term positions	17,034	6,359	4,718	4,442	2,783	0	2,986	0	**38,322**
+ short-term positions	38,507	0	0	0	0	0	0	0	**38,507**

Notes
Long-term positions and short-term positions in the line item “other derivatives” in point 3.2 are expressed in notional values.

1.2.3 Exchange rate risk

Qualitative information

A. General information, management procedures and measurement methods for exchange rate risk

The exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to the effect of negative variations to foreign currencies.
Within the scope of the Group, the only company exposed to exchange rate risk, albeit only marginally, is Banca Cambiano 1884 S.p.A.
This type of transaction constitutes a profit component; the Bank’s policy is to continuously maintain a foreign currency position that is substantially neutral, in order to minimize the exchange rate risk. The Bank is marginally exposed to the exchange rate risk due to assets used to serve customers.
Exposure to exchange rate risk is measured using a methodology that faithfully follows what is provided by the Supervisory Regulations.
Measurement is based on the calculation of the “net position in foreign exchanges”, i.e. the balance of all assets and liabilities (in financial statements and “off balance sheet”) related to each foreign currency, including operations in Euro indexed to the exchange rate trend of foreign currency.
The organisational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

B. Hedging of exchange rate risk

Considering the very limited exposure to exchange rate risk, no particular hedging operations have been implemented. In fact, cash exposures and foreign exchange transactions and forward foreign exchange transactions with customers are balanced by opposite transactions with banks.
Furthermore, limits are set by corporate regulations on unmatched foreign currency positions.

Quantitative information

1.2.3.1 Distribution by denominated currency of assets, liabilities and derivatives

Line items	Currencies					
	USA dollar	British pound sterling	Swiss franc	Canadian dollar	Japanese yen	Other currencies
A. Financial assets						
A.1 Debt securities	0	0	0	0	0	0
A.2 Capital securities	0	0	0	0	0	0
A.3 Loans to banks	0	0	0	0	0	0
A.4 Loans to customers	88,217	0	0	0	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**2,641**	**74**	**228**	**112**	**150**	**312**
C. Financial liabilities						
C.1 Payables to banks	58,980	1	1,327	0	0	0
C.2 Payables to customers	8,274	2,312	52	120	83	20
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	**0**	**0**	**0**	**0**	**0**	**0**
E. Financial derivatives						
- Options						
+ Long-term positions	0	0	0	0	0	0
+ Short-term positions	0	0	0	0	0	0
- Other derivatives						
+ Long-term positions	23,728	2,297	0	202	0	0
+ Short-term positions	46,231	0	201	201	0	79
Total assets	**114,586**	**2,371**	**228**	**314**	**150**	**312**
Total liabilities	**113,485**	**2,313**	**1,581**	**321**	**83**	**99**
Imbalance (+/-)	**1,101**	**59**	**-1,353**	**-7**	**67**	**213**

1.3 Derivative instruments and hedging policies

1.3.1 Derivative instruments from trading

A. Financial derivatives

A.1 Financial derivatives from trading: notional end period values

Underlying assets / Type of derivative	Total at 31/12/2021				Total at 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								
a) Options	0	40,000	0	0	0	40,000	0	0
b) Swap	0	0	67	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Capital securities and equity indexes								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currency and gold								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	51,686	0	0	0	103,057	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0

4. Goods	0	0	0	0	0	0	0	0
5. Other underlying assets	0	0	0	0	0	0	0	0
Total	**0**	**40,000**	**51,752**	**0**	**0**	**40,000**	**103,057**	**0**
Average values	**0**	**40,000**	**77,405**	**0**	**0**	**40,000**	**62,571**	**0**

A.2 Financial derivatives from trading: positive and negative gross fair value– subdivided by product

Underlying assets / Type of derivative	Total at 31/12/2021				Total at 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	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	67	0	0	8	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	31	0	0	0	807	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**98**	**0**	**0**	**8**	**807**	**0**
2. Negative fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	0	0	0	0	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	694	0	0	0	641	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**694**	**0**	**0**	**0**	**641**	**0**

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

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
1) Debt securities and interest rates				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currency and gold				
- notional value	X	48,489	0	3,197
- positive fair value	X	27	0	4
- negative fair value	X	668	0	25
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts that are a part of netting agreements				
1) Debt securities and interest rates				
- notional value	0	40,000	0	0
- positive fair value	0	67	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currency and gold				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

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

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and through 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	40,000	0	0	**40,000**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on exchange rates and gold	51,686	0	0	**51,686**
A.4 Financial derivatives on goods	0	0	0	**0**
A.5 Other financial derivatives	0	0	0	**0**
Total at 31/12/2021	**91,686**	**0**	**0**	**91,686**
Total at 31/12/2020	**103,057**	**40,000**	**0**	**143,057**

1.3.2 Recognised hedges

Qualitative information

Within the scope of the Group, the only company that uses recognised hedges is the Parent Company, Banca Cambiano 1884 S.p.A.. On first time application of the IFRS9 accounting principle, Banca Cambiano exercised the option provided for by the principle to continue to fully apply the regulations of IAS 39 to all types of hedges. Therefore, the provisions of IFRS 9 regarding hedges are not applied.

A. Hedging of fair value

The Bank's hedging activity is aimed at protecting the bank portfolio from variations of fair value on deposits and lending caused by fluctuations of the interest rate curve (interest rate risk). The Bank adopts specific hedges (micro fair value hedge) and has no generic hedges (macro fair value hedge). The micro fair value hedges include two hedging operations for bond issues and securities.

The type of derivative used is plain interest rate swaps (IRS) with third parties.

The derivatives are not listed on regulated markets, but traded on the over-the-counter circuit.

B. Hedging of cash flows.

The Bank has no current operations for hedging of cash flows.

C. Hedging of foreign investments

The Bank has no current operations for hedging of foreign investments.

D. Hedging instruments

In order for a transaction to be recognised as a “hedge", it is necessary that the following conditions be satisfied: a) the hedge relationship must be formally documented; b) the hedge must be effective from the time it initiates and prospectively for its entire duration. Effectiveness is controlled by means of specific instruments and is considered to exist when variations of fair value of the hedged financial instrument almost entirely sterilize the variations of risk of the hedged instrument. A hedge is considered to be highly effective between a range of 80% through 125%. An effectiveness test is conducted at each close of the financial statements or at the time of any six-month interim financial statements. If the effectiveness test indicates an insufficient hedge and the misalignment is considered not to be temporary, the hedged instrument is allocated to the trading portfolio. Hedges are measured according to the principle of “negotiation date”.

The hedge instrument (IRS) is measured at fair value.

The fair value of hedges listed in active markets is taken from the quotations at the close of the markets (fair value hierarchy - level 1), whereas instruments not listed in an active market (over the counter) are measured discounting future cash flows on the basis of the yield curve (fair value hierarchy - level 3). Since they are unlisted, the latter method is used to measure the fair value of all of the Bank's hedges. The hedged accounts are also measured at fair value, limited to variations of value produced by the risks that are the object of the hedge, thus "sterilizing” the risk components that are not directly related to such hedge.

E. Hedged assets
The hedged asset is an asset security.

E.1 Asset securities

This is a micro fair value hedge type of operation that uses an interest rate swap (IRS) as a hedging instrument for Treasury bonds with maturity at 15/04/2022 and ISIN code IT0005086886. The interest rate risk is hedged for the entire duration of the security.
The derivative entails that the Bank receives, six-monthly and on the notional value of € 20,000,000 Euribor 6M+0.47% against payment of a fixed 1.35% interest rate.

IBOR Reform
Following the decision by the Financial Stability Board to substitute IBOR with "alternative interest rates", the European Union introduced the EU 2016/1011 Benchmarks Regulation (BMR), published in 2016 and coming into effect as of January 2018, that defines precise rules for benchmark administrators, contributors and users to guaranty the transparency and representativeness of indexes with respect to the markets of reference, therefore imposing that measurements be based, as far as possible on actual transactions.
Subsequent to the BMR, European institutions declared the following as critical elements:

- The EONIA rate which, starting 2 October 2019, is based on fixing the euro reference rate (identified by ECB as the alternative rate) and that will fall into disuse on 31 December 2021;
- The EURIBOR rate which was subjected to a methodology revision during 2019 (so-called hybrid method), that will guaranty meeting the requirements of the regulation;
- As regards the benchmark rates for other currencies, among the most important ones, the following were also revised: EURIBOR, USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR, JPY LIBOR, JPY TIBOR, EUROYEN TIBOR, CAD CDOR, etc.

The only hedging transaction at 31/12/2020 is a micro fair value hedge type of operation that uses an interest rate swap (IRS) as a hedging instrument for Treasury bonds with maturity at 15/04/2022 and ISIN code IT0005086886. The interest rate risk is hedged for the entire duration of the security.

For the derivative, the Bank receives on a six month basis and on the notional value of € 20,000,000 Euribor 6M+0.47% against the payment of a fixed 1.35% rate. The hedging derivative provides a good proxy of the measure of interest rate risk exposure that the Bank manages by means of the same hedges.
Please note that the hedge in question is not affected by the IBOR Reform in terms of the "uncertainty" of future cash flows with resulting difficulty in carrying out prospective solidity tests for the relations in question.

Quantitative information

A. Hedging financial derivatives
A.1 Hedging financial derivatives : notional end period values

Underlying assets/Type of derivative	Total at 31/12/2021				Total at 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								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	20,000	0	0	0	20,000	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Capital securities and equity indexes								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currency and gold								

a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
4. Goods	0	0	0	0	0	0	0	0
5. Other	0	0	0	0	0	0	0	0
Total	**0**	**20,000**	**0**	**0**	**0**	**20,000**	**0**	**0**

A.2 Hedging financial derivatives: positive and negative gross fair value– subdivided by product

Underlying assets / Type of derivative	Total at 31/12/2021				Total at 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	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	0	0	0	0	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	0	0	0	0	0	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2. Negative fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	141	0	0	0	419	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	0	0	0	0	0	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**141**	**0**	**0**	**0**	**419**	**0**	**0**

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

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
1) Debt securities and interest rates				
- notional value	X	20,000	0	0
- positive fair value	X	0	0	0
- negative fair value	X	141	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currency and gold				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts that are a part of netting agreements				
1) Debt securities and interest rates				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currency and gold				

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

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

Underlying assets/Residual life	Up to 1 year	Beyond 1 and through 5 years	Beyond 5 years	Total at 31/12/2021
A.1 Financial derivatives on debt securities and interest rates	20,000	0	0	**20,000**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on exchange rates and gold	0	0	0	**0**
A.4 Financial derivatives on other values	0	0	0	**0**
Total at 31/12/2021	**20,000**	**0**	**0**	**20,000**
Total at 31/12/2020	**0**	**20,000**	**0**	**20,000**

D. Hedged instruments

D.1 Hedging of fair value

	Specific hedges: book value	Specific hedges – net positions: book value of assets or liabilities(before netting)	Specific hedges			Generic hedges: book value
			Accumulated adjustments of fair value of the hedged instrument	Termination of hedging: accumulated residual adjustments of fair value	Variations in the value used to measure the inefficiency of hedging	
A. Assets						
1. Financial assets measured at fair value with impact on total profits – hedging of:						
1.1 Debt securities and interest rates	20,524	20,524	-87	0	0	X
1.2 Capital securities and equity indexes	0	0	0	0	0	X
1.3 Currency and gold	0	0	0	0	0	X
1.4 Receivables	0	0	0	0	0	X
1.5 Other	0	0	0	0	0	X
2. Financial assets measured at amortised cost – hedging of:	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	X
1.2 Capital securities and equity indexes	0	0	0	0	0	X
1.3 Currency and gold	0	0	0	0	0	X
1.4 Receivables	0	0	0	0	0	X
1.5 Other	0	0	0	0	0	X
Total at 31/12/2021	**20,524**	**20,524**	**-87**	**0**	**0**	**0**
Total at 31/12/2020	**20,524**	**20,524**	**-362**	**0**	**0**	**0**
B. Liabilities	0	0	0	0	0	0
1. Financial liabilities measured at amortised cost – hedging of:	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	0
1.2 Currency and gold	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0
Total at 31/12/2021	**0**	**0**	**0**	**0**	**0**	**0**
Total at 31/12/2020	**0**	**0**	**0**	**0**	**0**	**0**

1.3.3 Other information on trading and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	0	60,000	0	0
- positive net fair value	0	67	0	0

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
- negative net fair value	0	141	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
3) Currency and gold				
- notional value	0	48,489	0	3,131
- positive net fair value	0	27	0	4
- negative net fair value	0	668	0	25
4) Goods				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
B. Credit derivatives				
1) Purchase hedging				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
2) Sale hedging				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0

1.4 Liquidity risk

Qualitative information

A. General information, management procedures and methods to measure liquidity risk

Liquidity risk is managed by the individual companies in the Group, in compliance with the policy guidelines set forth in the Risk Appetite Framework, with the aim of verifying the capacity of the same companies to efficiently face liquidity requirements and avoid situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or at unfavourable rates with respect to market rates. In line with domestic and International best practices and in compliance with vigilance provisions, the model adopted by the Bank to manage operating liquidity is based on the “Maturity Mismatch” approach, which presupposes the construction of a “maturity ladder” (a timeframe of maturity dates) and the allocation of sure and estimated flows over the various periods of the ladder, in order to calculate the cumulative gap for each maturity bracket. Therefore, as regards the management and measurement of this type of risk, please refer to the contents of Section 4 of parte E of the explanatory notes to the financial statements of Banca Cambiano 1884 S.p.a. and in Section 3.4 of part D of the explanatory notes to the financial statements of Cabel Leasing S.p.a.

Within the scope of the liquidity policy, and in line with the tolerance threshold established by the Board of Directors, the Group has defined a series of alerts to manage both operating liquidity and structural liquidity.

As regards operating liquidity management, the limits are defined in terms of the absolute cumulative gap values on the various maturities.

Il The Group continuously monitors the Counterbalancing Capacity (CBC) value, intended as the availability of assets that may be reimbursed, sold or used in refinancing transactions with the interbanking system and that therefore allow generating cash funds rapidly and efficiently.

The limit adopted by the Group to monitor structural liquidity is instead defined in terms of the ratio between liabilities and assets with maturities in excess of one year. The aim of using this limit is that of guaranteeing a structural liquidity profile that is consistent with the strategy of financing medium/long-term assets with liabilities that have the same duration.

The Group has also prepared and implemented a “Liquidity Risk Management and Governance Manual” and a “Contingency Liquidity Plan”, which are instruments used to mitigate liquidity risks.

The document details the persons and structures responsible for implementing extraordinary funding policies, as required, as well as any actions to be taken to remedy the extraordinary event situation, in compliance with the regulatory requirements provided for by vigilance regulations.

In the Contingency Liquidity Plan, the Bank has defined a series of risk indicators that are constantly monitored in order to anticipate possible stress or liquidity crisis situations.

The Bank has further implemented the Liquidity Coverage Ratio (LCR) indicator, in accordance with Commission Delegated Regulation (EU) n. 575 dated 26 June 2013 of the European Parliament (CRR Regulations), as well as the additional indications and recommendations of the European Banking Authority on this subject.
As regards the Net Stable Funding Ratio (NSFR), the Bank has implemented a management-type measurement, according to the provisions of the Basel 3 Framework.

Effects of the Covid-19 pandemic
As a result of the effects of the Covid-19 pandemic, the Group implemented a wide range of measures to strengthen its own liquidity profile and face the potential impact of the crisis generated by the resulting loan requests by bank customers and the volatility of the value of assets that could be liquidated following unfavourable market conditions; such measures involved both operational aspects (principally by increasing funding operations with the European Central Bank, which increased from € 788 million at 31/12/2020 to € 1.068 billion at 31/12/2021, and e and broadening potential collection sources to be used in case of need), and measurement and monitoring of the risk profile (principally by increasing the frequency of information flows). It did not become necessary to act on significant internal thresholds (risk appetite, risk limits and risk tolerance) regarding liquidity risk indicators, as, for the duration of the crisis, the Bank's liquidity profile remained strong, on values greater than both the minimum values defined internally and the regulatory thresholds and broadening potential collection sources to be used in case of need), and measurement and monitoring of the risk profile (principally by increasing the frequency of information flows). It did not become necessary to act on significant internal thresholds (risk appetite, risk limits and risk tolerance) regarding liquidity risk indicators, as, for the duration of the crisis, the Bank's liquidity profile remained strong, on values greater than both the minimum values defined internally and the regulatory thresholds.

Quantitative information
A.1 Time period distribution by residual contract life of financial assets and liabilities - All currencies

Line items/Time brackets	On demand	From over 1 day through 7 days	From over 7 days through 15 days	From over 15 days through 1 month	From over 1 month through 3 months	From over 3 months through 6 months	From over 6 months through 1 year	From over 1 year through 5 years 5	Over 5 years	Indefinite duration	Totals
Cash assets											
A.1 Government bonds	472	0	335	0	518	23,778	148,610	444,221	230,000	0	847,934
A.2 Other debt securities	0	0	0	2,546	2,224	7,140	7,478	14,627	4,841	0	38,856
A.3 Shares of mutual funds	79,241	0	0	0	0	0	0	0	0	0	79,241
A.4 Loans	0	0	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	20,000	19,000	0	35,000	0	137,960	211,960
- Customers	494,381	72,891	8,476	35,587	113,182	104,661	208,796	1,168,471	1,118,045	70,950	3,395,440
Cash liabilities											
B.1 Deposit and current accounts	0	0	0	0	0	0	0	0	0	0	0
- Banks	128,208	0	0	0	0	0	0	0	0	0	128,208
- Customers	2,851,206	867	2,492	1,967	29,891	43,323	64,226	161,424	0	0	3,155,396
B.2 Debt securities	89	0	0	0	7,533	1,356	2,865	115,531	13,998	0	141,372
B.3 Other liabilities	9,064	59,467	0	0	13,002	0	0	1,075,000	0	0	1,156,532
Off balance sheet transactions											
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	3,869,209	2,297	13,616	25,919	5,822	0	0	0	0	3,916,863
- Short-term positions	0	3,869,300	2,300	13,856	26,245	5,826	0	0	0	0	3,917,528
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	67	0	0	0	0	6	0	0	0	0	72
- short-term positions	0	0	0	0	0	135	0	0	0	0	135
C.3 Deposits and loans to be received	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to disburse funds	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	7,574	0	5,155	270	720	3,893	3,663	7,477	9,569	0	38,322
- Short-term positions	38,507	0	0	0	0	0	0	0	0	0	38,507
C.5 Issued financial guarantees	10,460	6	174	116	506	1,590	3,879	34,428	29,114	0	80,272
C.6 Received financial guarantees	0	0	0	0	0	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0

List of guarantees – Situation with Eurosystem at 31/12/2021

Isin	Security	Nominal value	Book value	ECB assessment	ECB differences	Portfolio
IT0005086886	BTP 15.04.2022 1.35	22,000	22,180	21,114	-1,066	HTCS
XS1811053641	BANCO BPM 18-23 1,75% /PRO	3,100	3,137	2,613	-524	HTC
IT0005413171	BTP 01.12.2030 1,65%	75,000	82,678	72,068	-10,610	HTC
IT0005438004	BTP GREEN 30.04.2045 1,50%	30,000	30,079	25,541	-4,538	HTC
IT0005425761	BTP FUTURA 17.11.2020 STEP	75,000	76,232	68,288	-7,944	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSISTEMA	560,488	560,488	408,152	-152,336	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSISTEMA	41,715	41,715	30,376	-11,340	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSISTEMA	188,313	188,313	135,165	-53,148	HTC
IT0005315228	PONTORMO RMBS	162,825	162,825	149,287	-13,538	Off balance sheet
IT0005391245	PONTORMO RMBS NOTES A2-19 SUB	203,882	203,882	186,930	-16,951	Off balance sheet
	Totals	**1,362,323**	**1,371,529**	**1,099,533**	**-271,996**	
	Financing from Eurosystem - Use	1,075,000		-1,068,694		
	Credit line			**30,838**		

List of deposits with Eurosystem at 31/12/2021

Amount	Description	Rate	Maturity
110,000	Deposit c/o ECB - TLTRO III 3rd auction	-0.50%	29/03/2023
110,000	Deposit c/o ECB- TLTRO III 4th auction	-0.50%	28/06/2023
150,000	Deposit c/o ECB- TLTRO III 5th auction	-0.50%	27/09/2023
100,000	Deposit c/o ECB- TLTRO III 6th auction	-0.50%	20/12/2023
70,000	Deposit c/o ECB- TLTRO III 7th auction	-0.50%	27/03/2024
100,000	Deposit c/o ECB- TLTRO III 8th auction	-0.50%	26/06/2024
320,000	Deposit c/o ECB- TLTRO III 9th auction	-0.50%	25/09/2024
115,000	Deposit c/o ECB- TLTRO III 10th auction	-0.50%	18/12/2024
1,075,000	Total deposit made c/o ECB	**-0.50%**	

Amount	Description	Rate	Maturity
280,000.00	Deposit c/o ECB- TLTRO III 3rd auction	-0.50%	25/03/2023
260,000.00	Deposit c/o ECB- TLTRO III 4th auction	-0.50%	29/06/2023
150,000.00	Deposit c/o ECB- TLTRO III 5th auction	-0.50%	28/09/2023
100,000.00	Deposit c/o ECB- TLTRO III 6th auction	-0.50%	21/12/2023
790,000.00	Total deposits c/o ECB	**-0.50%**	

1.5 Operational risks

Qualitative information

General aspects, management procedures and methods to measure operational risk

Operational risk is defined as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. This risk is inherent to banking activity and therefore may be generated by and exist in all company processes. In general, the main sources of operational risk derive from internal fraud, external fraud, employment relationships and on the job safety, professional obligations towards customers, damage from external events, malfunctioning of information technology system and the execution, delivery and management of processes.

The Group has defined a series of organisational processes aimed at monitoring and management operational risks, with the aid of the following specific organisational functions:

- Internal Audit, whose activities are aimed, on the one hand, at controlling the regularity of operations and risks trends, and on the other at assessing the overall efficiency of the internal controls system;
- The Control Body, pursuant to Italian Legislative Decree 231/2001, whose composition and functions are defined in specific regulations, within the scope of the organisation, management and control model adopted;
- the Risk Management office, which fulfils the requirement of indentifying and measuring the risks typical of the banking business through the constant monitoring of risks taken and of those potentially generated by investment, lending and service policies;
- the Compliance Office, with the role of monitoring and controlling observance of regulations, and providing support for prevention and management of the risk of incurring judicial or administrative sanctions and/or of incurring significant losses as a consequence of violation of external or internal regulations

Furthermore, the following documents have been prepared and are constantly updated, to safeguard against the insurgence of operational risks:

- the "Operational Continuity Plan", aimed at protecting the Bank from critical events that may harm operations;
- mapping of the main operating processes (credit, finance and teller), with the aim of levelling operator behaviour thereby facilitating the integration of controls.

Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating from, or that could originate from, malfunctioning information technology procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations.
Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in Circular 285, the Bank has undertaken important initiatives connected to completing transposition within organisational profiles and internal regulations of the references contained in Chapter IV – Corporate government, internal controls, management risks, Chapter 4 (information system) and 9 (business continuity) of the aforementioned new regulations. Within this scope, the Group, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Group's own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Bank's broader risk management system. In order to calculate capital requirements for operational risks, the Bank has adopted the Basic Indicator Approach (BIA), which entails that capital hedging this type of risk is equal to 15% of the average of the "relevant indicator" over the previous three years, calculated in accordance with articles 315 and 316 of CRR regulations.
Capital absorption for this type of risk at 31 December 31 December 2021 was € 15,620,660.

Effects of the Covid-19 pandemic
The effects of the Covid-19 pandemic on operational risks were many, especially in terms of IT security risks.
The various functional areas of the Organisational and IT Office were affected by the Covid-19 health emergency, starting from the first government measures, which entailed rationalising the available resources, living priority to "strategic" requests and projects.
Hence, the portfolio of projects was rationalised, defining the priorities to be followed, especially in a time of crisis.
In updating the portfolio projects, critical projects were identified, in order to be able to guaranty and support them, and new projects that could possibly support the business during the "emergency" stage, were also identified, in preparation of the "recovery" stage. Hence, based on this outlook, activities focused on reorganising connectivity, IT security and increasing and strengthening infrastructures in order to support new data traffic flows and increased remote operations.
On this matter, dedicated access procedures were set up, along with new and more appropriated off-site work instruments (cisco – webex).
In order to work in the best way possible, while waiting for a return to normality, possible vulnerabilities of the IT systems were assessed scrupulously, also considering the effects of exogenous elements (for example, lack of work force), setting up rigorous remote work and alternate on-site presence plans among the various "critical" resources identified in advance, also perfecting risk mitigation plans, indispensible to ensure business continuity.
All remote connections were set up guarantying the best access control possible and using the most secure methods available.
e support provided to the network by the various areas of the Organisational and IT Office proved fundamental and allowed responding in an effective and efficacious manner to the crisis created by COVID-19.
Furthermore, the COVID 19 emergency kept a burning spot-light on all issues relating to business continuity, forcing a change of perspective in terms of continuity evaluation.
Also in light of the recommendation expressed by Bank of Italy with the press release issued on 20/03/2020 "Extension of terms and other temporary measures to mitigate the impact of COVID-19 on the Italian banking and financial system", in which "less significant" banks and other monitored intermediaries were asked to "review business continuity plans", the Group's Organisational and IT Office set up a specific task force to implement the plan.
On 16 March 2020, the Business Continuity Plan was integrated and approved by the Board of Directors of the Parent Company with a specific section dedicated to "risk of pandemic", which provides for the event of a simultaneous unavailability of structures, critical suppliers and human resources and, consequently, the integration to the plan has better defined the priorities and chain of command to be followed.

Quantitative information
The amount of losses actually incurred during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, is not significant; in any event there is specific documentation regarding events that resulted in losses.

Types of event resulting in loss	Definition	2021	2020

Categories of the event (level 1)			
1. Internal fraud	Losses due to unauthorised activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank's internal resources.	0	0
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	570,418	587,417
3. Employment and workplace safety	Losses deriving from acts that violate laws or agreements with respect to employment or workplace health or safety, from the payment of damages for personal injuries or episodes of discrimination or the failure to apply equal treatment.	0	0
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	183,970	46,669
5. Damage to property, plants and equipment	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.	0	0
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	0	120
7. Performance, delivery and management procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	37,451	12,757
TOTAL		**791,839**	**646,964**

PART F – Information on consolidated capital

Section 1- Consolidated shareholder's equity

A. Qualitative information

The Gruppo Bancario Cambiano has always paid special attention to the shareholders' equity capital component, and to defining the size thereof, in order to guaranty profile adequate to its dimensions and to the requirements provided for by vigilance regulations. The history of the Group is therefore characterised by periodical capital increases in simple and transparent forms and technical methods so that the shareholding base can immediately perceive the details of the transactions that have permitted the Group to expand its business in a harmonic manner and to continue to respond to the applications and requirements of its shareholders and customers. The Group's shareholders' equity is determined by the summing the share capital, share premium, reserves from gains, valuation reserves and profit for the fiscal year, in the amounts destined to reserve, as specified in Part B of this Section.

B. Quantitative information

Further quantitative and qualitative information relating to shareholders' equity, in addition to that provided in the tables that follow, may be found in Part B Section 14 of liabilities and in the respective paragraph of the Report on Management.

B.1 Consolidated shareholders' equity: breakdown by type of business

Line items\Values	Prudential consolidation	Insurance companies	Other businesses	Eliminations and adjustments from consolidation	Total
1. Share capital	260,311	0	0	-25,392	234,919
2. Premiums on the issue of new shares	803	0	0	0	803
3. Reserves	-42,362	0	0	-6,416	-48,778
- from gains	-42,362	0	0	-6,416	-48,778
a) legal	3,193	0	0	-1,449	1,744
b) statutory	3,737	0	0	-3,026	711
c) treasury shares	0	0	0	0	0
d) other	-49,292	0	0	-1,941	-51,233
- other	0	0	0	0	0
4. Capital instruments	27,000	0	0	0	27,000
5. (Treasury shares)	0	0	0	0	0
6. Valuation reserves	-1,161	0	0	0	-1,161
-Capital securities measured at fair value with impact on total profits	-85	0	0	0	-85
- Hedges on capital securities measured at fair value with impact on total profits	0	0	0	0	0
- Financial assets (other than capital securities) measured at fair value with impact on total profits	-2,074	0	0	0	-2,074
- Property, plants and equipment	0	0	0	0	0
- Intangible assets	0	0	0	0	0
- Hedging of foreign investments	0	0	0	0	0
- Hedging of cash flows	0	0	0	0	0
- Exchange rate differences	0	0	0	0	0
- Noncurrent assets in the course of divestment	0	0	0	0	0
- Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	0	0	0	0	0
- Actuarial profit (loss) related to defined benefit plans	-1,036	0	0	0	-1,036
- shares of valuation reserves related to subsidiaries measured at shareholders' equity	s	0	0	0	2,035
- Special revaluation laws	0	0	0	0	0
7. Profit (loss) for the fiscal year	8,148	0	0	-56	8,092
Total	**252,740**	**0**	**0**	**-31,864**	**220,875**

B.2 Valuation reserves of financial assets measured at fair value with impact on total profits: breakdown

Assets/values	Prudential consolidation		Insurance companies		Other businesses		Eliminations and adjustments from consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	148	2.222	0	0	0	0	0	0	148	2,222
2. Capital securities	72	158	0	0	0	0	0	0	72	158
3. Loans	0	0	0	0	0	0	0	0	0	0
Total at 31/12/2021	**220**	**2.380**	**0**	**0**	**0**	**0**	**0**	**0**	**220**	**2,380**
Total at 31/12/2020	**493**	**2.036**	**0**	**0**	**0**	**0**	**0**	**0**	**493**	**2,036**

B.3 Valuation reserves of financial assets measured at fair value with impact on total profits: annual variations

Line items	Debt securities	Capital securities	Loans
1. Initial value	**95**	**-1,639**	**0**
2. Additions	**2,167**	**1,652**	**0**
2.1 Increases of fair value	704	1	0
2.2 Value adjustments due to impairment	114	0	0
2.3 Reversal to the income statement of negative reserves negative from use	1,349	0	0
2.4 Transfers to other components of shareholders' equity (equity investments)	0	1,650	0
2.5 Other variations	0	0	0
3. Reductions	**4,336**	**98**	**0**
3.1 Reductions of fair value	3,822	98	0
3.2 Write-backs of value due to impairment	97	0	0
3.3 Reversal to the income statement of positive reserves: from use	417	X	0
3.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
3.5 Other variations	0	0	0
4. Final values	**-2,074**	**-85**	**0**

Section 2 – Own funds and vigilance coefficients

The Board of Directors of the Parent Company is responsible for managing corporate equity and defining the optimal volume of share capital based on corporate policies and strategic choices. In accordance with the strategic guidelines for development, the Bank has adopted all the measures necessary to ensure current and prospective capital adequacy, in consideration of current Bank of Italy regulations, the new Basel 3 regulatory framework, on the basis of which own funds are defined, and the targets required by the Supervisory Authority.

As of 2019, the Group Cambiano has a Capital Management Plan that is systematically monitored by the Risk Management Office, which monitors current and prospective capital adequacy. Compliance with supervisory requirements is verified on at least a quarterly basis, and additional, specific assessments may be carried out as needed, for preventive evaluation of capital adequacy in view of extraordinary transactions.

The Group refers to the minimum external regulatory capital requirements assigned to Cambiano Banking Group – prudential perimeter - composed of the minimum parameters set out in article 92 of the CRR, the decisions regarding capital issued by Bank of Italy at the end of the periodical SREP prudential review process and by the combined capital reserve (capital conservation requirement. CCoB and anti-cyclical capital reserve-CCyB) requirement that is currently applicable.

In consideration of the above, and of the fact that the CCyB is set at 0%, the Group is required to comply with the following requirements:

- Cet1 ratio equal to 7.70% composed of the Total SREP Capital Requirement binding measures 5.20% (of which 4.5% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%)
- Tier 1 ratio equal to 9.40% composed of the Total SREP Capital Requirement binding measures 6.90% (of which 6% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%;
- Total Capital ratio equal to 11.75% composed of the Total SREP Capital Requirement binding measures 9.25% (of which 8% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%.

To ensure that the above binding measures are met even in the event of deterioration of the economic and financial context, the Target component (Pillar 2 Guidance, P2G) identified in the event of a greater risk in stress conditions amounts to 0.50%.

The value of own funds, that at 31/12/2021, that amounts to 10.96% of CET1, 12.26% of Tier1 and 14.40% of Total Capital, is fully compliant on all three levels of binding capital and the capital conservation reserve is hedged by Tier 1 capital.

The value of own funds so-called “fully loaded”, at 31/12/2021, not considering therefore the IFRS9 transitory regimen in effect until the 2023 fiscal year, the dynamic regimen in effect up to 2025, and the sterilizing of the reserve on government bonds in effect up to 2022, amounts to 8.75% of CET1, 10.08% of Tier1 and 12.28% of Total Capital.

Current and prospective capital adequacy management is executed not only by assessing and monitoring regulatory capital against Pillar I risks, but also by assessing internal capital capable of guarding against any type or risk (so-called Pillar II risks) within the scope of the ICAAP -Internal Capital Adequacy Assessment Process that culminates in the preparation of the annual group-level report and that constitutes the basis for the subsequent review and prudential assessment (SREP) by the Supervisory Authority.

PART G – Merger transactions regarding businesses or branches of business

Section 1 - Transactions during the fiscal year

As written in the individual financial statements of the Group Parent Company, the merger by incorporation of Invest Bank S.p.A. in extraordinary administration into Banca Cambiano 1884 S.p.A. was completed during the fiscal year in review.

With provision issued on 26 August 2020, Bank of Italy decreed the dissolution of the administrative and supervisory bodies of Invest Banca S.p.A., and subjected the same to the extraordinary administration procedure, pursuant to articles 70 comma 1, of the Consolidated Act regarding banking and credit laws. This provision was taken based on the results of the audit carried out by the Supervisory Body, which proved progressively unfavourable, and subsequently lead to the provision to initiate the extraordinary administration procedure, following serious shortcomings during the first months of the 2020 fiscal year, related to derivative transactions. Specifically, during the first quarter of 2020, the Bank recorded heavy losses related to the derivative transactions of some customers, due to the serious drops in stock markets caused by the pandemic, and the failure to have automatic stop loss limits in place, to limit the bank's exposure with respect to the aforementioned customers. Due to said losses, and with the aim of re-establishing the required capital adequacy for the business continuity of banking operations, between March and April 2020, payments were made into a future share capital increase account, in the amount of € 13.5 mln by the shareholders:

a) Cabel Holding (€ 7 mln),
b) Banca Frusinate (€ 1.5 mln),
c) Banca Cambiano (€ 1.5 mln) and
d) By the non shareholders Gruppo Gardena (€ 3.5 mln), for the purpose of providing continuity to their segment of business through Invest Banca and with the view to become a shareholder in Invest Banca.
e) Due to the erosion of said amounts, as a result of management issues, the account required a further integration of an additional € 7 mln on account of future capital share increase, paid by Banca Cambiano, in July 2021, and Euro 4 mln in September 2021, to allow maintaining the regulatory parameters for the continuity of the banking activities of the same Invest Banca, in the optics of completing the merger by incorporation of the latter by Banca Cambiano.
f) The merger transaction with Invest Banca is part of a broader project for the evolution of Banca Cambiano, and is founded in objective strategic rationales, among which the primary ones are:

- To internalise the product portfolio of Invest Banca related to assets management and investment services. Within this scope, it bears noting that, through this merger operation, Banca Cambiano intends to create a specialised unit with technical-financial competencies dedicated to offering asset management and trading services, as well as specific access to financial markets, consistently with the internalisation of the structure, the know-how and the expertise developed by Invest Banca;
- Greater degree of penetration of Banca Cambiano customers, by increasing the offer of asset management products, integrating the private banking division of IB focused on managing customers in the medium-high range of "assets" under management;
- Creation of industrial synergy, through the possibility of offering access to market platforms to third parties, such as SIM, SGR and other counterparties and institutional investors, with whom Cambiano has developed solid collaborative relations over the years;
- Possibility of dedicating redundant central structural resources, following the merger, to commercial development activities, in order to increase of quality of consultancy and customer support services;
- Possible synergy deriving from the use of Invest Banca resources to meet turnover requirements, also in view of the natural exit of Banca Cambiano employees, without the need for new employment. The merger will also permit safeguarding the value and competencies of all the professional figures across the territory, maintaining a "decentralised" main office structure in Empoli, for investment and asset management services in favour of the Group.

The transaction in question was authorised by Bank of Italy, pursuant to article 57, first comma of the Consolidated Banking Act, with resolution n. 498/2021 of the Governor of Bank of Italy, dated 14 September 2021. On 26 October 2021, the Extraordinary Shareholders' Meetings of Invest Banca S.p.A. under extraordinary administration, and of Banca Cambiano 1884 S.p.A. approved the merger by incorporation of the company Invest Banca Società per Azioni – under Extraordinary Administration, with Banca Cambiano 1884 S.p.A., in the following manner:

a) Cancellation of all the shares of the company being merged, without replacement, in that following the determination of an exchange ratio equal to zero, there will be no increase of the share capital of the merging company;

b) Effective date of the merger vis-à-vis third parties, as of the date of the last entry pursuant to article 2504-bis, comma 2, of the Italian Civil Code;
c) Accounting and fiscal effects of the transactions of the merged company into the financial statements of the merging company, also pursuant to article 2504–bis, comma 3, of the Italian Civil Code, as of 1 November 2021.

Specifically, on 20 January 2022, Bank of Italy published the provision declaring that: "*The extraordinary administration procedure of Invest Banca S.p.A., with head offices in Empoli (FI), ordered by Provision n. 1099067 of 26 August 2020, and extended by Provision n. 1209091 of 20 August 2021, was concluded on 27 November 2021, that is, the date on which the merger into Banca Cambiano S.p.A. becomes legally effective, as provided for in the deed of merger (registered on 19.11.2021). The same act also establishes that the accounting and tax effects of the operation will begin as of 1 November 2021*".
It bears underlining that on 27 November 2021, the merger by incorporation of Invest Banca S.p.A. under Extraordinary Administration into Banca Cambiano 1884 S.p.A. came into full effect. Specifically, the Extraordinary Administration procedure terminated on 27 November 2021; by virtue of the provisions of the deed of merger, perfected on 18 November 2021, and specifically of article 2 letter d) of said act, the accounting and fiscal effects of the transaction begin as of 1 November 2021. Therefore, in light of said provision, the accounting entry of the acquired assets and liabilities of the incorporated party (Invest Banca in E.A.) at the fair value measured at the date of acquisition, in application of the IFRS3 accounting standard, was made on 1 November 2021. Consequently, the operations and the respective economic effects, of a very limited scope, from 1 November 2021 and up to 27 November 2021, were reflected in the Bank's financial statements.
The differences that emerged between the balance sheet value of Invest Banca and the fair value were recognised under Line item 220 "Other operating income". An external sector expert was tasked with conducting a specific estimation assessment, to support the company valuation performed for the booking in the financial statements of the values of the incorporated company.
The merger was conducted in full compliance with the provisions of Italian Legislative Decree n. 385 of 1 September 1993 (Consolidated Text of banking and credit laws), of the Italian Civil Code, of regulations issued by Bank of Italy, and of all other applicable current provisions and regulations. On a procedural level, the project for the merger by incorporation of Invest Banca S.p.A. under Extraordinary Administration into Banca Cambiano 1884 S.p.A., was approved: (i) through a resolution of the Board of Directors of Banca Cambiano, and (ii) through a determination by the Extraordinary Commissioners of Invest Banca on 6 August 2021.

Booking of the merger transaction according to the acquisition accounting method provided for by IFRS 3
The IFRS 3 international accounting standard, applied in the merger by incorporation of Invest Banca S.p.A. under E.A., requires that every company merger must be booked applying the acquisition accounting method. The standard allows for the faculty of a temporary allocation for 12 months from the acquisition, of which the Bank has availed itself. On the basis of this method, at the date of purchase, the purchaser must:
- Identify the purchaser and the date of purchase;
- determine the cost of the purchase;
- allocate the cost of the purchase (so-called "Purchase Price Allocation", hereinafter "PPA"), recognising the assets, the liabilities, and the potential liabilities considered identifiable, of the purchased company at the respective fair values as at the date of purchase of the same, with the exception of noncurrent assets (or groups of assets in the course of divestment) classified as owned for sale, as per IFRS 5. Furthermore, any intangible assets, even if not yet booked by the purchased party, must also be booked. Any cost surplus of the merger not allocated to acquired assets and liabilities items must be booked as goodwill ("goodwill"); to the contrary, the negative difference, deriving from the booking of the merger at favourable prices, is recognised in the income statement as negative goodwill ("badwill").

Identification of the purchaser and of the date of purchase and determination of the cost of purchase
In the transaction carried out, the purchaser is Banca Cambiano 1884 S.p.A., as the merging company. It bears underlining that, on 27 November 2021, the merger by incorporation Invest Banca S.p.A. under E.A. into Banca Cambiano 1884 S.p.A came into full effect. Specifically, the Extraordinary Administration procedure terminated on 27 November 2021; pursuant to the provisions of the deed of merger, perfected on 18 November 2021, and specifically of article 2 letter d) of the same, the accounting and fiscal effects of the transactions are effective as of 1 November 2021. Therefore, pursuant to said provision, the assets and liabilities of the incorporated party (Invest Banca under E.A.) acquired by the merging company, were booked at the fair value measurable at the date of purchase, in application of the IFRS3 accounting standard, starting 1 November 2021. Consequently, the operations and the respective economic effects, of a very limited amount, from 1 November 2021 and up to 27 November 2021, were reflected in the Bank's financial statements.

The fair value of purchased assets and liabilities

Paragraph 18 of IFRS 3 requires that the merging company (Banca Cambiano) book the assets and liabilities of the merged company (Invest Banca) at the fair value measureable at the date of purchase.

For this purpose, an external expert was designated to provide the Board of Directors of Banca di Cambiano 1884 S.p.A. with reference and support data regarding the accounting registration of the assets and liabilities of Invest Banca S.p.A., as the party purchased by incorporation, in compliance with IFRS 3.

The reference values at the date of purchase were taken from the financial statements relating to the extraordinary administration fiscal period of Invest Banca S.p.A. under E.A., referring to the period from 1 January 2020 to 31 October 2021.

The above being stated, the criteria used by the accounting purchaser Banca Cambiano, pursuant to IFRS3, to determine the fair value of the items present in the financial statements of the fiscal year under extraordinary administration of the bank purchased on 1 November 2021, are illustrated here below as follows:

<u>20b) Receivables from customers</u>

This line item, equal to 1,256 million euro, is composed principally of loans represented almost entirely by performing loans other than medium/long term loans. Therefore, the respective purchase value was considered representative of fair value, according to IFRS 3, considering their residual life and the interest rates that were prevalently floating tied to market parameters.

Assets line item 70– Equity investments

The following equity investments were booked in the financial statements of Invest Banca at 31/10/2021:

- Invest Italy Sim Spa;
- Gardena Capital Ltd;
- Cabel IP S.p.A.

For the assessment of said equity investments at the date of the merger, Invest Banca had already used the evaluation made by the external company designated by the professional accountant assigned by Banca Cambiano 1884 during the determination of the fair value of assets and liabilities acquired through the merger, consequently writing back the same equity investments.

The value booked in the financial statements of Invest Banca at 31/10/2021 therefore already represented the fair value of the equity investments purchased, equal to 875 thousand euro.

Asset line item 80 - Property, plants and equipment

At the date of the merger, Invest Banca owned a building property in Rome, booked in the financial statements at a net value of 1,051 thousand euro. In order to properly assess this property at the market value, a specific expertise was prepared by a sector professional, which rendered a value of 1,673 thousand euro, which it was deemed appropriately represented the fair value as at the date of purchase. The above estimation determined an increase in value of 622 thousand euro.

For the remaining property booked under this line item (telephone systems, and alarm systems), the net accounting value as booked in the financial statements of the merged company was deemed adequately representative of the fair value, for the purpose of application of IFRS 3.

Assets line item 100 - Tax receivables

Line item 100 – Tax receivables in the financial statements of the merged company included pre-paid taxes relative to tax losses accrued as at 31.12.2019, the last taxation period closed prior to the initiation of the extraordinary administration period, in the amount of 1.7 million euro. Said amount was consistent with the amount of tax losses recorded in the Modello Unico 2020 (Income tax return), for the 2019 taxation period. Provided that use of this asset could extinguish itself even within the 12 month period (in case of taxable profit), the amount booked in the financial statements represented a reasonable approximation of the fair value for the purpose of IFRS 3.

The Bank applied the provision under comma 233 of article 1 of law n. 178/2020, which allows that "in case of company aggregation transactions by merger, splitting or transfer of a company, if the project has been approved by the competent administrative body of the participating companies, for mergers and splits, or if the operation has been decided by the competent administrative body of the transferor, for transfers, between 1 January 2021 and 31 December 2021, respectively, the subject resulting from the merger or merging company, the beneficiary, and the transferee, are permitted to transform assets for pre-paid taxes referred, among others, to tax losses accrued up to the taxation period prior to that underway at the effective date of the transaction, and not yet calculated in reduction of taxable income, as per article 84 of the consolidated act on income tax, provided for by Decree of the President of the Republic n. 917 of 22 December 1986, n. 917, into tax receivables, in the manner provided for under comma 234. Said faculty, regarding the transformation into tax receivables of assets due to pre-paid taxes (DTA) referred to tax losses and ACE surplus, is independent of the booking of the same in the balance sheet. Based on this regulation, the

Bank, referring to the Invest Banca accounting situation as at 30 June 2021, which showed IRES tax losses the additional IRES quota as per article 84, comma 1, of the TUIR (consolidated act on income tax), for a total of 24.27 million euro, recognised under PPA the pre-paid taxes on the aforementioned losses accrued during the taxation period preceding the effective date of the merger transaction, for an amount of 6.67 million euro, recognised in accordance with comma 233 of article 1 of law n. 178/2020. As previously mentioned, the legislation provides that, in case of company merger transactions, the subject resulting from the merger can – on payment of a fee - transform assets due to pre-paid taxes into tax receivables, as determined above. Also, 30 November 2021, the 1st instalment of the fee in question was paid, for 25% of the booked pre-paid taxes, equal to 1.7 million euro.
It bears specifying that use of previous tax losses and ACE surpluses, relative to companies involved in the merger, is subordinate to abiding by the limitations set forth in article 172, comma 7, of the TUIR. That is, the companies participating in the operation must jointly comply with:
(i) the so-called “shareholders’ equity limit”, that constitutes the maximum limit for the sum of reportable fiscal attributes, reduced by the amount of capitalisation (contributions and payments) in place in the previous 24 months.
(ii) the so-called “vitality test”, based on which, revenues and profit from typical business, and expenses from subordinate employment, resulting from the income statement of the taxation period previous to the merger, must be greater than 40% of the amount resulting from the average of the two previous fiscal periods.
As regards Invest Banca, the vitality test has been passed, while the shareholders’ equity test has not been passed. For this purpose, the Bank, with the aid of its taxation consultant, filed appeal application n. 956-3066/2021 on 15.10.2021, requesting that the Revenue Agency not apply the limitations provided for by article 172, comma 7 of the TUIR, regarding the carrying forward of previous tax losses and surpluses of interest expenses and of the ACE benefit, within the scope of a merger by incorporation as per articles 2501-ter and following of the Italian Civil Code, between Banca Cambiano 1884 S.p.A. and Invest Banca S.p.A. under extraordinary administration.
On 14 February 2022, the Revenue Agency requested additional documentation, suspending the assessment of the appeal submitted by the Bank. On this matter, as concerns the aforementioned appeal application and the subsequent request for additional information put forth by the Revenue Agency, the interpretative solution advanced by the Bank, regarding the carrying forward of tax losses deriving from the management of ex Invest Banca, now incorporated into Banca Cambiano 1884 spa, is founded on the basis of the reference regulations and common interpretative practice.
Presenting an appeal for the purpose of carrying forward losses in the event of merger is obligatory, as per article 172 comma 7 of the TUIR, when the conditions provided for by the same regulation, as regards both return on equity (met in the case in point), and capitalisation indexes (not met in the case in point) are not met. The request for additional information put forth by the Revenue Agency does not modify the assumptions that have been formulated, as it is believed that the request is aimed, as per procedure, at obtaining further information that the Agency itself deems necessary for the purpose of the outcome of the appeal.

Liabilities line item 100 – Risk and expenses funds c) Other risk and expenses funds
At the date of the merger, this line item included the following amounts:
- 3.6 million euro for pending litigation (quantified based on the provisions of IAS 37);
- 84 thousand euro for end-of-term indemnification for financial consultants.

The application of the IFRS3 accounting standard to risk and expenses funds entails booking liabilities deriving from not only a “probable” but also a “possible” adverse outcome in a pending litigation. From an analysis of the company facts, the merging Bank identified, within the scope of some pending cases of the merged Bank, potential liabilities defined with a possible risk of adverse outcome, as indicated by IAS 37, and with regards to which a specific legal expertise was requested and obtained. Consequently, as required by the IFRS3 international accounting standard, the merging Bank increased the Risk and Expenses Funds by an amount equal to 1.5 million euro overall.

As regards other types of assets and liabilities (among which “Cash and cash equivalents”, “Financial assets measured at fair value with impact on profit and loss account”, “Receivables from banks”, Tax assets and liabilities”, “Other assets and liabilities”), it was not necessary to book variations of value with respect to the accounting entries at the close of the fiscal year, as the values in question were deemed representative of the fair value at the date of purchase.

A detail of the net value of acquired assets and liabilities, as determined above, is illustrated in the additional table below:

PURCHASED INVEST BANCA ASSETS AND LIABILITIES

	Assets line items	31/10/2021	Fair value attributed during the purchasing stage	Merger difference
10.	Cash and cash equivalents	31,957	31,957	0
20.	Financial assets measured at fair value with impact on profit and loss account	32,874,407	32,874,407	0
	a) financial assets held for trading	18,043,421	18,043,421	0
	b) financial assets measured at fair value			0
	c) other financial assets obligatorily measured at fair value	14,830,985	14,830,985	0
30.	Financial assets measured at fair value with impact on total profits			0
40.	Financial assets measured at amortised cost	1,319,382,217	1,319,382,217	0
	a) receivables from banks	63,283,572	63,283,572	0
	b) receivables from customers	1,256,098,645	1,256,098,645	0
50.	Hedges			0
60.	Adjustments of value of generic hedges for financial assets (+/-)			0
70.	Equity investments	875,089	875,089	0
80.	Property, plants and equipment	2,119,733	2,741,871.94	622,139
90.	Intangible assets			0
	of which:			0
	- goodwill			0
100.	Tax receivables	1,719,555	8,392,605	6,673,050
	a) current	50,170	50,170	0
	b) pre-paid	1,669,385	8,342,435	6,673,050
110.	Noncurrent assets and groups of assets in the course of divestment			0
120.	Other assets	7,612,946	7,612,946	0
	Total assets	**1,364,615,903**	**1,371,911,093**	**7,295,189**

	Liabilities line items	31/10/2021	Fair value attributed during the purchasing stage	Merger difference
10.	Financial liabilities measured at amortised cost	1,349,069,701	1,349,069,701	0
	a) payables to banks	61,729,505	61,729,505	0
	b) payables to customers	1,281,783,074	1,281,783,074	0
	c) outstanding securities	5,557,121	5,557,121	0
20.	Financial liabilities from trading			0
30.	Financial liabilities measured at fair value			0
40.	Hedges			0
50.	Adjustments of value of generic hedges for financial liabilities(+/-)			0
60.	Tax liabilities			0
	a) current			0
	b) deferred			0
70.	Liabilities associated to assets in the course of divestment			0
80.	Other liabilities	4,285,958	4,285,958	0
90.	Employee severance pay	158,831	158,831	0
100.	Risk and expense funds:	3,639,718	5,143,476	1,503,758
	a) commitments and issued guarantees			0
	b) pensions and similar commitments			0
	c) other risk and expense funds	3,639,718	5,143,476	1,503,758
	Total liabilities	1,357,154,208	1,358,657,966	1,503,758

	Net value of purchased assets and liabilities	7,461,695	13,253,126	5,791,431

Subsequent to the valuation of fair value and recognition of pre-paid taxes, the net value of purchased assets and liabilities changes to 13.253 million euro, of which, once deducted the payment on capital account of 11 million euro made by the Bank after 30 June 2021, results in an overall badwill of 2.253 million euro, booked in line item 220 “Other operating income”, as shown in the table below.

Determination of Badwill:	
Payment on capital account	-11,000
Value of net assets purchased from Invest al 01/11/2021 (prior to determination of fair value)	7,462
Value of net assets purchased from Invest at 01/11/2021 (adjustment of fair value)	5,791
Badwill	**2,253**

Section 2 – Transactions after the close of the fiscal year

There are no adjustments to report, recognised during the current fiscal year, related to company aggregations during previous fiscal years.

Section 3 - Retrospective adjustments

There are no adjustments to report, recognised during the current fiscal year, related to company aggregations during previous fiscal years.

PART H – Transactions with related parties

Introduction

At 31 December 2021, the Bank is Parent Company of the Cambiano Banking Group composed of:

- Cabel Leasing S.p.a.
- Società Immobiliare 1884 S.r.l.
- Invest Italy SIM S.p.A.

The types of related parties, as defined by IAS 24, that are significant to the Bank, include:

- the controlling company;
- the subsidiaries;
- executives having strategic responsibilities;
- close relations of executives having strategic responsibilities or companies controlled by (or associated to) the same or by (to) close relatives.

The information regarding compensation for executives having strategic responsibilities and that regarding transactions with related parties are provided here following.

1. Information on compensation for executives having strategic responsibilities

The definition of executives having strategic responsibilities, according to IAS 24, includes those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Bank directors.

Con In conformity with the provisions of Bank of Italy Circular n. 262 of 22 December 2005 (7° update of 29 October 2021) the members of the Board of Statutory Auditors are also included among executives having strategic responsibilities.

The table below shows the compensation in 2020, for directors, statutory auditors and executives having strategic responsibilities:

Line items	31/12/2021	31/12/2020	Var.	% Var.
a) Compensation for directors	465	431	34	7.79%
b) Compensation for statutory auditors	311	249	63	25.22%
c) Compensation for executives	1,477	1,322	154	11.68%
Total	**2,253**	**2,002**	**251**	**12.52%**

2. Information on transactions with related parties

Directors	31/12/2021	31/12/2020	Var.	% Var.
a) Receivables	8,689	6,660	2,029	30.46%
b) Issued guarantees	1,200	236	964	408.13%
Total	**9,890**	**6,897**	**2,993**	**43.40%**

Auditors	31/12/2021	31/12/2020	Var.	% Var.
a) Receivables	83	87	-5	-5.50%
b) Issued guarantees	0	0	0	
Total	**83**	**87**	**-5**	**-5.50%**

As regards transactions with parties that carry out Group administration, management and control functions, article 136 of Italian legislative decree n. 385/1993 and article 2391 of the Italian Civil Code apply.

More in general, as regards transactions with related parties, as defined by IAS 24, the provisions for prudential supervision contained in Title V, chapter 5 of the Bank of Italy Circular n. 263/2006 ("Risk activities and conflicts of interest with related parties"), also apply, save for a few cases due to the imperfect coincidence between the fields of application of the two regulations.

Transactions with related parties are regularly carried out at market conditions and always on the basis of evaluations of economic convenience and in compliance with current regulations, appropriately explanation of the convenience in concluding the transaction.

Among the various valid intergroup contracts existing at the close of the fiscal year, please note:

1) The convention stipulated between the Bank and the Controlling company relating to the execution by the Bank of administration and supervisory activities;

1) Contracts relative to execution by the Parent Company of Anti-Money Laundering, inquiry and risk management activities for subsidiaries;
2) Financing contracts:
    a) Financing for cash flow flexibility related to the financial needs of the parent company amounting to 20 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate;
    a) Financing for cash flow flexibility related to the financial needs of Cabel Leasing amounting to 197 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate.

PART M – Information on leases

This section provides information required by IFRS16 that is not present in other parts of the financial statements, divided between lessee and lessor.

Section 1- Lessee

Qualitative information

The Cambiano Banking Group substantially has property leasing contracts and lease contracts related to automobiles. The property leasing contracts include, for the most part, real estate destined for use as offices, bank branches or ATM machine stations. The contracts in question generally have durations that are longer than 12 months and typically include renewal and termination options that may be exercised both by the lessor and by the lessee, in accordance with provisions of law, or specific contract terms. These contracts do not usually include the option for purchase at the end of the lease, nor significant reinstatement costs for the company. Based on the characteristics of the lease agreements, in the event of undersigning of the new rental contract with a defined contract term (6 or 4 years) and the option to tacitly renew the contract, the overall duration of the lease is set at a term equivalent to the periods in question (6+6 or 4+4). This general policy is superseded if there are new elements or specific circumstances within the contract.

Vehicle lease contracts refer to long-term rentals of company cars. These contracts have a three-year duration, with monthly payments, without the option for renewal and do not include the option to purchase the vehicle. An indemnity payment may be required in the event of early termination.

As already specified in the accounting policies, the Gruppo benefits from the exemptions permitted by the IFRS 16 accounting principle for short-term lease (that is, with a duration that is less than or equal to 12 months) or leases for goods with a modest value (that is, a value less than or equal to 5,000 euro).

Quantitative information

Part B – Assets of the explanatory notes provides the information regarding, respectively, rights of use purchased through leases (Table 9.1 – Property, plants and equipment with a functional use: breakdown of assets measured at cost and Table 9.6 bis - Property, plants and equipment with a functional use – Right of use purchased through leases: annual variations) and Part B – Liabilities provides information regarding liabilities for leases (Table 1.2 - Financial liabilities valued at amortised cost: breakdown by type of payables to customers and Table 1.6 – Financial liabilities valued at amortised cost: liabilities for leases). Specifically, the rights of use purchased through leases amount to 15,043 thousand euro, of which 14,978 thousand euro relating to property leases. Liabilities for leases amount to 15,479 thousand euro. Please refer to the above-mentioned sections for greater details.

Part C of the explanatory notes provides information regarding interest expenses on liabilities for leases and other expenses connected to rights of use purchased through leases. Please refer to the specific section for greater details.

Section 2- Lessor

Qualitative information

The banking group carries out lease transactions in the role of lessor principally through the company Cabel Leasing, S.p.A., controlled by Banca Cambiano 1884 S.p.A.

Transactions mostly refer to financial leases on real estate, industrial and commercial property. The company is also present on the market with lease products referring to instrumental goods and vehicles.

The explanatory notes provide information regarding loans for leases (Part B, Assets - Table 4.2 – Financial assets measured at amortised cost: breakdown by type of receivables from customers). Please refer to the aforementioned section for greater details.

Part C of the explanatory notes provides information regarding earned interest on loans for leases and other financial and operating leases. Please refer to the specific sections for greater details.

2. Financial leases

2.1 Classification by time brackets of payments to be received and reconciliation with liabilities for leases booked in among assets

The table provides the breakdown of payments to be received by time period, the financial profits inherent to the payments due and the reconciliation between payments to be received and liabilities for leases, in conformity with the requirements of IFRS16.

The data shown in the table include payments relating to in bonis or non performing lease contracts, excluding values relating to assets being prepared for leasing and assets to be leased.

Specifically, please note that payments to be received for leases are the sum of all payments requested or that can be requested of the lessee for the duration of the lease, excluding contingent rent fees.
The secured residual value corresponds to the redemption cost inherent in the minimum lease payments for which it is reasonably certain that the right of option will be exercised.
Gross investments means the sum of minimum payments due and any unsecured residual value, due to the lessor.

Time brackets	31/12/2021	31/12/2020
	Payment due for leases	Payments due for leases
Up to 1 year	59,244	46,638
From over 1 year to 2 years	45,229	37,589
From over 2 years to 3 years	39,876	32,496
From over 3 years to 4 years	33,392	26,372
From over 4 years to 5 years	24,909	20,861
Over 5 years	77,735	76,522
All payments due for leases	**280,385**	**240,478**
RECONCILIATION WITH LIABILITIES		
Financial profits not accrued (-)	30,828	27,422
Residual value not secured (+)	0	0
Financial leases	**249,557**	**213,056**

Time brackets	Total 2021			Total 2020		
	Payments due for leases		Total payments due for leases	Payments due for leases		Total payments due for leases
	Impaired positions	In bonis positions		Impaired positions	In bonis positions	
Up to 1 year	12,350	46,895	59,244	13,381	33,257	46,638
From over 1 year to 2 years	564	44,665	45,229	545	37,044	37,589
From over 2 years to 3 years	516	39,360	39,876	508	31,988	32,496
From over 3 years to 4 years	669	32,723	33,392	357	26,016	26,372
From over 4 years to 5 years	2,157	22,752	24,909	557	20,303	20,861
Over 5 years	1,460	76,275	77,735	4,011	72,511	76,522
All payments due for leases	**17,715**	**262,670**	**280,385**	**19,360**	**221,118**	**240,478**
RECONCILIATION						
Financial profits not accrued (-)	933	29,895	30,828	1027,398	26394,335	27,422
Residual value not secured (+)						
Financial leases	**16,783**	**232,775**	**249,557**	**18,332**	**194,724**	**213,056**

2.2 Other information

2.2.1 Classification of financial leases by quality and by type of leased asset

	In bonis positions		Impaired positions	
	Total (2021)	Total (2020)	Total (2021)	Total (2020)
A. Property, plants, equipment:	**109,237**	**101,286**	**14,604**	**15,234**
- Land				
- Buildings	109,237	101,287	14,604	15,234
B. Capital goods	**75,683**	**59,665**	**1,759**	**2,553**
C. Moveable property	**47,855**	**33,772**	**420**	**545**
- Motor vehicles	44,598	32,120	420	545
- Aircraft naval and rolling stock	3,257	1,651	0	0
- Other				
D. Intangible assets:				
- Brands				
- Software				
- Other				
Total	**232,775**	**194,723**	**16,783**	**18,332**

3. Operating leases

3.1 Classification of payments due by time brackets

Time brackets	31/12/2021	31/12/2020
	Payments due for leases	Payments due for leases
Up to 1 year	460	460
From over 1 year to 2 years	0	460
From over 2 years to 3 years	0	0
From over 3 years to 4 years	0	0
From over 4 years to 5 years	0	0
Over 5 years	0	0
Financial leases	**460**	**920**

Annexes to the consolidated financial statements

Country by Country public disclosure

The 4th update of Bank of Italy Circular n. 285 of 17 December 2013, under Title III, Chapter 2, introduces into Italian law the legislation regarding country by country reporting, as set forth in article 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV). In compliance with said requirements, the Bank must publish a yearly annex to the financial statements or a section on its web site containing specific qualitative and quantitative information. For this reason, it is necessary to publish the information marked by the letters a), b), and c) of annex A of the First Part, Title III, Chapter 2, referring to the situation as at31 December 2021.

Specifically:
Name of the company and nature of the activities
Turnover
Number of employees on a full-time equivalent basis
Profit or loss before tax
Taxes on profit or loss
Public funding received

The required information is set out below.

1. Name of the company and nature of the activities
This information refers to the Cambiano Banking Group, operating in Italy, and comprising the following companies:
- Banca Cambiano 1884 S.p.A. – Parent Company of the banking group with registered offices and general management in Viale Antonio Gramsci, 34 - 50132 Florence – Share capital 232,800,000.00 euro fully paid in – fiscal code and registration number in the Company Register of Florence 002599341209, VAT code 002599341209, member of the National Guarantee Fund and the Interbank Deposit Protection Fund;
- Cabel Leasing S.p.A. –90,00% controlled subsidiary, that carries out leasing activities, with registered offices and general management in P.zza Garibaldi 3 - 50053 Empoli (FI) – Share capital 10,000,000.00 euro fully paid-in – fiscal code and registration number in the Company Register 01085070496, VAT code 04487530489, registered in the Consolidated Register as per article 106 of the Consolidated Banking Act (TUB);
- Immobiliare 1884 S.r.l. - controlled subsidiary that carries out real estate activities, with registered offices in Viale Antonio Gramsci, 34 - 50132 Florence - Share capital 13,500,000.00 fully paid-in, fiscal code and registration number in the Company Register 01085070496, VAT code 04487530489;
- Invest Italy SIM S.p.A. –72.10% controlled subsidiary, that carries out real estate brokerage activities, with registered office in Via Cherubini, 99 – 50053 Empoli – Share capital 4,011,419 euro, fiscal code and registration number in the Company Register of Florence 03814760108 – VAT code 03814760108.

2. Turnover
The 4th update of the aforementioned Circular 285/2013 defines as turnover the "operating income" recorded on line item 120 of the Income Statement.

Company	Operating income (in thousands of euro)
Banca Cambiano 1884 S.p.A.	102,516
Cabel Leasing S.p.A.	3,292
Immobiliare 1884 S.r.l.	-82
Invest Italy Sim S.p.A.	138
Adjustments for consolidation	-33
Group Total	**105,831**

3. Number of employees on a full-time equivalent basis
This section contains the ratio between total number of hours worked overall in 2021 by all Group employees, excusing overtime, and the yearly total provided for by labour contract for a full-time employee. For 2021 the number of employees thus calculated is 402.58.

4. Profit or loss before tax
"Profit or loss before tax" is the sum of line items 290 and 320 (this latter before tax) of the Consolidated Income Statement. For 2021 profit is equal to 9,605,319 euro.

5. Taxes on profit or loss
"Taxes on profit or loss" are the sum of taxes recorded in line item 300 of the consolidated income statement as per Bank of Italy Circular n. 262 and the taxes related to groups of assets in the course of divestment. For 2021 taxes amount to 1,513,457 euro.

6. Public funding received
The line item regarding public funding shows the funding received directly from public administrations. This line item does not include transactions initiated by central banks for the purpose of financial stability and transactions that are a part of programs for government funding approved by the European Commission. In 2021 the banking group did not receive any public funding.

Expenses for statutory audit-sub-section 1, n. 16-bis, article 2427 Italian Civil Code

In compliance with the provisions of art. 2427, 1st comma, n. 16-bis of the Italian Civil Code, below is a summary statement of the fees agreed upon by contract for the 2021 fiscal year with the auditing company hired to perform the statutory audit of accounts and for other services provided to the Group.
Amounts are net of VAT and expenses.

Type of services	Subject that provided the service: auditing company / statutory auditor	Total fees (in euro)
A) Statutory audit	Deloitte & Touche s.p.a.	78,414
B) Certification services	Deloitte & Touche s.p.a.	7,700
C) Tax consultancy services		0
D) Other services	Deloitte & Touche s.p.a.	24,000
Total fees		**110,114**

"Madonna col Bambino"
BICCI DI LORENZO, beginning of the XV Cent.
tempera on panel, cm 59.5 x 75
Bank's collection

Banca Cambiano 1884 Società per Azioni
Registered head office and general management: Viale Antonio Gramsci, 34 – 50132 Florence
Registered with the Bank of Italy Register of Banks at n. 5667
Share Capital € 232,800,000.00 fully paid-in
Registration number in the Company register of Florence, Fiscal code and VAT code: 02599341209
Parent Company of the Gruppo Bancario Cambiano, registered at n. 238 of the Register of Banking Groups