BANCA CAMBIANO 1884

SOCIETÀ PER AZIONI

Individual Financial Statements

2022

Cover:
Marco Borgianni, "Sul Mondo"
Bank's Collection
Sculpture in slip-coated refractory earth, year 2000, gardens of Villa Fagan, Bank head offices

Registered head office and general management: Viale Antonio Gramsci, 34 - 50132 Florence
Administrative head office: 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
LEI Code: 8156007395B20763EB44
Parent Company of the Gruppo Bancario Cambiano
Registered at n. 238 in the Register of Banking Groups
Member of the Interbank Deposit Protection Fund and the National Guaranty Fund

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NOTICE OF SHAREHOLDERS' MEETING

Notice of Shareholders' Meeting published in the Official Gazette of the Republic of Italy of 8 April 2023

8-4-2023 Official Gazette of the Republic of Italy announcements sheet – n. 42

BANCA CAMBIANO 1884 S.p.A
Registered at n. 5667 of the Banking Registrar
Parent Company of the Gruppo Bancario Cambiano
Registered at n. 238 of the Register of Banking Groups
Registered offices: viale Antonio Gramsci, 34 –
50132 Florence (FI), Italy
Share capital: € 232,800,000.00 fully paid-in
Register of companies: Florence 02599341209
Administrative Economic Index (R.E.A.): Florence 648868
Fiscal code: 02599341209
VAT code: 02599341209

Notice of ordinary and extraordinary Shareholders' Meeting

The Shareholders are hereby given notice of an ordinary and extraordinary shareholders' meeting, to be held at first calling on 27 April 2023 at 12:30 p.m. in the registered offices located in Florence, in Viale Antonio Gramsci n. 34 and, if necessary, at second calling, on 4 May 2023 at 10:30 p.m., same location, to discuss and vote on the following agenda:

Ordinary part:

1. Approval of the Financial Statements at 31 December 2022, subsequent to review of the Report of the Board of Directors on management, of the Report of the Board of Statutory Auditors and of the Independent Auditors. Allocation of net profit for the 2022 fiscal year. Resolutions pertaining thereto and resulting there from;
2. Presentation of the Consolidated Financial Statements of Gruppo Bancario Cambiano at 31 December 2022 and of the Report of the Independent Auditors;
3. Approval of the remuneration and incentive policies of Gruppo Bancario Cambiano: (i) Annual report on the remuneration policies and incentive policies for the 2022 fiscal year; (ii) Adoption of remuneration policies and incentive policies for the year 2023;
4. Nomination of the Board of Directors for the 2023-2025 three year period, pursuant to article 10 or the Articles of Incorporation, subsequent to determination of the number of members and the respective remuneration. Resolutions pertaining thereto and resulting there from;
5. Nomination of the Board of Statutory Auditors and its Chairman per the 2023-2025 three year period, , pursuant to article 10 or the Articles of Incorporation, subsequent to determination of the number of members and the respective remuneration. Resolutions pertaining thereto and resulting there from.

Extraordinary part:

1. Proposal to modify article 4of the articles of incorporation, in compliance with supervisory provisions for Banks regarding Banking Groups and Consolidated Vigilance. Resolutions pertaining thereto and resulting there from.

Attention

Shareholders are reminded that:

a) in accordance with articles 18 and 32 of the Articles of Incorporation and Regulations for Shareholders' Meetings, members are elected to corporate board positions based on lists submitted by groups of shareholders;

b) in accordance with article 11 of the Articles of Incorporation and Regulations for Shareholders' Meetings, a shareholder may be represented by another shareholder who is a physical person, unless the latter is a director, statutory auditor or employee of the company, pursuant to a written proxy specifying the name of the representative and if the signature of the delegating shareholder has been authenticated by the chairman, by members of the board or by a company employee authorised to do so by the Board of Directors, by a notary public or by any other public official authorised by law; the Board of Directors has given authorisation to authenticate the signatures of delegating shareholders to all of General Management and all Branch Managers; the proxy to vote may also be assigned by means of an IT document undersigned electronically, in accordance with current laws in force and notified to the Company at the email address info@bancacambiano.it; every shareholder may receive no more than 15 proxies;

c) Shareholders whose shares are not deposited at the bank and who wish to attend the shareholders' meeting (also for the purpose of the complying with the provisions of the third sub-section of article 2370 of the Italian Civil Code) are required to file a document that demonstrates eligibility to attend and vote at the meeting, at the company's registered office at least two days prior to the date set for the meeting; shares may not be withdrawn before the end of the shareholder's meeting.

Florence, 27 March 2023

The Chairman of the Board of Directors
Paolo Regini

TX23AAA3578 (on payment).

CORPORATE AND SUPERVISORY OFFICERS

Board of Directors	
Chairman	Paolo Regini (3)
Vice Chairman	Enzo Anselmi
Director	Mauro Bagni (1)
Director	Giambattista Cataldi (2) (3)
Director	Giovanni Martelli (2) (3)
Director	Paolo Profeti (1)
Director	Giuseppe Salvi (1)
(1) Member of the Executive Committee (2) Independent Member (3) Member of the Risk Committee	
Board of Statutory Auditors	
Chairman	Gaetano De Gregorio
Acting Member	Riccardo Passeri
Acting Member	Manuela Sodini
Alternate Member	Luca Quercioli
Alternate Member	Alice Gori
General Managers	
Managing Director	Francesco Bosio
Vice Deputy Managing Director	Bruno Chiecchio
Vice Managing Director	Giuliano Simoncini
Independent Auditor	
	Deloitte & Touche S.p.A.

REPORT ON MANAGEMENT

The entrepreneurial skills of Italians are unique.
If it had a serious political, administrative, and social system,
Italy would be the world's leading Country.
Ahead of everybody.
FRANCO MODIGLIANI, Nobel Prize for economics 1985

Esteemed Shareholders,

the year 2022 closes the second three-year period of activity of the Bank as a company limited by shares. The year has been dense with activity in a context characterised by uncertainty, resulting from the rise of inflation and the uncertain forecasts regarding the trend, that span from a gradual drop to an actual further rise; it is nonetheless certain that the economy faces a slowdown. The immediate impact of the ECB's monetary policy, equal for all central banks, was aimed at dealing with the inflation index with significant, rapidly consecutive increases of interest rates following years of negative rates, with the aim of stimulating an inflationary recovery. Never as much as in this economic scenario, which can no longer be considered brief, forecasts cannot but be short-term, and the situation at the outcome of the war will prevail. The same ECB tends to adapt measures to the economic situation with limited policy measures. Within this difficult context, the Bank has maintained its line of action, and has pursued initiatives in support of the economy, with loans to families and creditworthy small-medium enterprises.

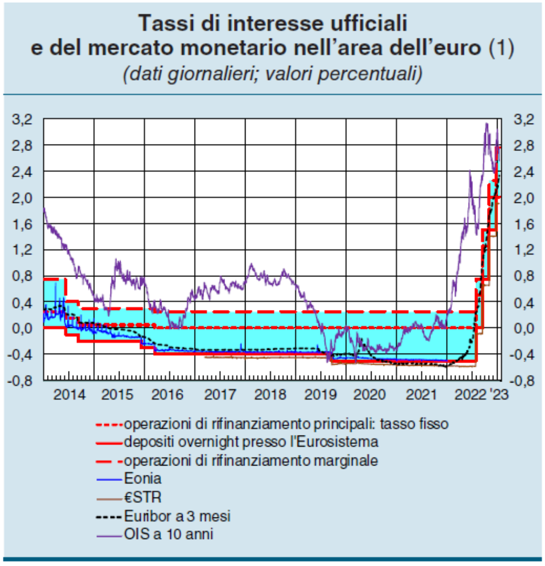
The conflict in the Ukraine has, and will continue to dominate the scene. The outcome is as yet not foreseeable, neither in terms of duration, nor of effects. If this conflict is the main focal point in Europe, due to the fall out in terms of energy policies, the key element – on a global level – is represented by the slowdown in international economy integration processes, measured by the ratio between work exports of merchandise and services and global GNP. The groupings in this conflict, schematizing the situation to date, see the USA on one side, and the USSR and China on the other, with Europe in the middle, as a sort of ceramic vase between two iron vases. In Europe, France is caught up in spontaneous social movements that the media struggle to minimise, Germany is today entering a nation-wide strike, and Italy is experiencing grave uncertainty regarding the redistribution and containment of immigrants, the restraints on the disbursement of National Recovery and Resilience Plan (PNRR) funds, and budgetary constraints, towards the acceptance of the European Stability Mechanism.

Another aspect that has not been fully dealt with is represented by the difficulties associated to maintaining financial support for Ukraine military expenses, burdening public budgetary expenditure and increased indebtedness, with economic benefits almost exclusively for the American economy, which is moreover not affected by the increased energy costs that instead penalise Europe and, even more so, Italy.

For our Country's economy, the National Statistics Institute (ISTAT) has signalled that the growth in GNP in 2022 is around 3.9%. With reference to the year underway, Bank of Italy estimates a growth of 0.6%, hypothesising that tensions associated to the war will continue to be high for the first part of the year, and then subsequently gradually diminish. Economic activities should progressively benefit of the effects of the budgetary policy measures and of the interventions outlined in the National Recovery and Resilience Plan (PNRR). As regards inflation, Bank of Italy estimates point to an increase close to 9% in 2022, with a drop – thanks to the progressive reduction of the energy component – to 6.5% in 2023, and a more consistent reduction subsequently, dropping to around 2% in 2025. In synthesis, as specifically regards the Eurozone and Italy, forecasts for 2023 indicate that risks relating to growth are generally on a downward trend, surrounded, however, by elevated uncertainties associated to price trends and the availability of raw materials, which are mainly affected by the possible developments of the conflict in the Ukraine, the evolution of international commerce, and the stiffening of monetary conditions at a global level.

The ECB and Bank of Italy are closely monitoring the evolution of the state of health of the European and national banking and financial system, and provide not unfavourable forecasts, despite the considerable level of uncertainty that characterises the current context. In the Eurozone, ECB vigilance informs that banks have registered solid equity coefficients and ample liquidity reserves, thus confirming the strong resilience of the sector, in a context in which the stock of impaired receivables has continued to diminish.

Over the last months, the ECB has progressively raised reference rates, setting aside perhaps one of the first lessons learned in the lecture rooms of the faculty of Economics, such as is the distinction between "demand-pull inflation" and "cost-push inflation". When inflation depends on raw materials (which is primarily the case in Europe, unlike the American situation), raising the rates has no significant effects on inflation, while it most certainly affects the braking of growth and costs for households and businesses, for whom interest rate increases translate into an additional increase in current costs, also due to the fall-out of core inflation, the one that, despite being cleaned of the incidence of energy costs, persists, reduces the propensity towards consumption, and aggravates difficulties for weaker subjects.



Date	Deposit facility	Main refinancing operations
18/09/2019	−0.50	0.00
27/07/2022	0.00	0.50
14/09/2022	0.75	1.25
02/11/2022	1.50	2.00
21/12/2022	2.00	2.50
08/02/2023	2.50	3.00
22/03/2023	3.00	3.50

Main summary data

The bank's main summary data, compared to the previous reporting period, are shown below.

SUMMARY DATA AND INDEXES

data are in €/000

	SUMMARY DATA AND ECONOMIC INDEXES	31/12/2022	31/12/2021	% Variation
DATA	Interest income	75,739	65,563	15.52%
	Net fees	32,274	28,715	12.40%
	Operating income	119,032	102,516	16.11%
	Net income from financial assets	97,944	84,089	16.48%
	Total operating costs	76,575	70,408	8.76%
	of which personnel costs	31,669	29,700	6.63%
	Of which other administrative costs	40,175	39,193	2.51%
	Net result for the fiscal year	17,762	-822	-2261.96%
INDEXES	Operating Cost / Income	64.33%	68.68%	-6.33%
	Interest income / employees (average value)	183	171	7.15%
	Net fees / employees (average value)	78	75	4.25%
	Operating income / employees (average value)	288	267	7.70%
	SUMMARY DATA AND CAPITAL RATIOS	**31/12/2022**	**31/12/2021**	**% Variation**
DATA	Total assets	4,871,738	4,856,325	0.32%
	Total risk-weighted assets(RWA)	1,838,135	1,988,266	-7.55%
	Receivables from customers	3,251,311	3,188,658	1.96%
	of which non-performing loans	53,391	61,995	-13.88%
	Total financial assets	1,315,809	1,268,123	3.76%
	Deposits	4,870,587	4,666,415	4.38%
	of which direct deposits	3,554,153	3,396,345	4.65%
	of which indirect deposits	1,316,434	1,270,070	3.65%
	Shareholders' statutory equity	207,194	208,310	-0.54%
	Tier 1 capital (CET1)	201,104	225,294	-10.74%

	SUMMARY DATA AND CAPITAL RATIOS	31/12/2022	31/12/2021	% Variation
	Total own funds	292.145	296.769	-1.56%
INDEXES	Lending / Direct collection	91.48%	93.88%	-2.56%
	CET1 ratio	10.94%	11.33%	-0.39%
	Tier 1 capital ratio	12.57%	12.69%	-0.12%
	Total capital ratio	15.89%	14.93%	0.97%
	Net non-performing loans / Receivables from customers	1.64%	1.94%	-0.30%
	Receivables from customers / employees (average value)	7,853	8,304	-5.43%
STRUCTURAL DATA		31/12/2022	31/12/2021	% Variation
DATA	Employees (precise number)	424	428	-0.93%
	Employees (average value)	416	387	7.49%
	Number of tellers	44	44	0.00%

Significant events during 2022

Ecological transition – ESG Project

The starting point of lines of action along which the architecture of European regulations is being constructed is the concept of sustainable finance, based on three main guidelines: orientation of flows of capital towards a more sustainable economy, integration of sustainability in risk management, and promotion of transparency in the long-term. Intermediaries are required to make informed decisions regarding the strategic and risk mitigation plan, according to the so-called "principle of dual relevance", comprising the limitation of direct impacts on persons and on the environment, the development of sustainable investments and loans, and the limitation of the impact of climate and environmental risk on credit risk. At an EU level, regulations currently in force tend to reduce the asymmetry of financial information to the public, the integration of sustainability factors, risks, and preferences in investment business activities and in product governance. Within the scope of the regulatory framework in the making, the CSRD Directive, takes on new significance, as it requires integrating into the financial statements of the large majority of EU businesses, consolidated information regarding sustainability, including the illustration of the way in which sustainability issues have strategic relevance. In compliance with the "Supervisory Expectations" of Bank of Italy, the Bank has adopted a plan of action that identifies the specific interventions to be undertaken, so as to implement the principles of sustainable finance.

During 2022, the Bank launched a project aimed at gradually integrating climate and environmental risks into its governance and controls systems, into the business model, into corporate strategy, and into the organisational system and operational processes, in conformity with supervisory expectations relating to climate and environmental risks. In order that the administrative body, first and foremost, and the whole organisational structure effectively fulfil the expectations, a training program was initiated, involving all the members of the Board of Directors and of the Board of Statutory Auditors, General Management, and a wide number of employees. With the support of its IT outsourcer, Cabel Industry S.p.A., during 2022, the Bank launched two macro-projects - "Finance and investment services" and "Credit". The work initiatives relating to "Governance and Risk Management" and "Sustainability Reporting" will instead be initiated during 2023 and will continue side by side with the activities regarding implementation of the IT application program.

The ESG Project is coordinated by an inter-functional Work Team, involving the managers of the Compliance office, the Risk Management office, the Finance department, the Credit department and the Organisation office. During December 2022, the Board of Directors approved the Bank's ESG Initiatives Plan to favour the progressive alignment of expectations, particularly as refers to credit risk and investment services. During the same Board meeting, the creation of a "Sustainability Committee" was approved, which is a management committee composed of the primary company functions, tasked with co-ordinating climate and environmental issues and supporting the Board of Directors in the assessment and analysis of sustainability strategies associated to the execution of the Bank's business activities. Over the next few months, the various Bank functions will be assigned tasks and attributions according to the outline of the ESG strategies within the Credit, Finance, Planning and Marketing processes.

As Parent Company of the Gruppo Bancario Cambiano, the Bank intends to elaborate a Group ESG strategy, defining the guidelines for sustainability and identifying compliance initiatives for the subsidiary Cabel Leasing, that will be centred on the credit process. The interventions for compliance of the subsidiary Cabel

Leasing will be defined by the Parent Company and implemented by the intermediary through the designated "ESG" reference person.

Supervisory inspection assessments

During the financial year, the Gruppo Bancario Cambiano underwent the periodical supervisory inspection assessments, from 18 May to 23 November 2022. Pursuant to art. 68 of the Consolidated Bank Act. For the first time, the inspection assessments also included Cabel Industry, as supplier of outsourced information technology services, that constitute essential or important company functions. As reported in another section of this Report, the inspection assessments were concluded without the application of any sanction measures. In line with the findings and annotations on conclusion of the assessments, the Bank will provide, within the required timelines, references regarding activities already undertaken in the meantime and information regarding a fully articulated plan of interventions, already defined in compliance with the Supervisory findings.

Corporate governance structures

At the end of November of last year, Bank of Italy published specific Guidelines aimed at strengthening the bank corporate governance structures, aspects that play a critical role in ensuring conditions of solid and prudent management and improving the capacity to identify, manage and monitor risks, also favouring the adoption of strategic choices that create value over the long-term. The cornerstones of the aforementioned regulation are the composition and functions of top management organs, therein described in terms of principle assumptions and indications regarding the objectives to be met. More specifically, the Guidelines require the intermediaries involved to map their governance profiles and to define a plan of interventions aimed at ensuring convergence towards sector best practices; in this sense, the Guidelines provide indications regarding conduct, and the activities that the Authority considers conformant to the regulations. Bank of Italy expects intermediaries to adopt actions designed to quickly improve their respective practices. The results of the Board's considerations and the description of the actions undertaken are included in the 2022 self-evaluation document recently transmitted to the supervisory Authority.

DTA – Request for ruling to the Revenue Office – Refusal – Application for refund

Subsequent to the merger by incorporation of Invest Banca into Banca Cambiano, a request for ruling was submitted, regarding the disapplication of art. 172, comma 7, of Italian Presidential Decree 917/1986 (TUIR). In the request for ruling dated 15/10/2021, prepared with the support of a primary consulting firm, the Bank detailed how the limit regarding the insufficiency of corporate equity of the incorporated company should not be applicable in the case in point, as the tax evasion prevention effects that art. 172, comma 7, of the TUIR means to contrast, (that is to say, the so-called "trading in loss makers") most certainly do not exist in the merger in question, with pursuant admissibility, for the incorporating company, of the full carry-over of the subjective tax positions brought into the merger by Invest Banca. For these reasons, in the 2021 financial statements, Banca Cambiano had recorded, at assets line item 100, tax receivables for overall 9,468,563.68 Euro, consequently calculated into equity. In light of the refusal response issued on 08/07/2022 by the Revenue Office, Banca Cambiano modified the "PPA" according to the dictates of IFRS3 (see part "G" of the Explanatory Notes to the 2022 financial statements); therefore, the nominal tax credit, booked at the merger, remained 9,468,563.68 euro, and "direct write-downs" were applied to this amount, for overall 8,921,566.23 euro, bringing the net accounting balance to 546,996.45 euro (amount on which the aforementioned request made no observations). Banca Cambiano, being in disagreement with the purely formal interpretations applied by the Revenue Office regarding the issue in question, submitted an application for refund to the Revenue Office, on 01/02/2023, requesting the reimbursement of 6,673,050.00 euro, which represent the amount resulting from transformation into a tax credit, pursuant to Law n. 178/2020 commas 233 onwards of the DTA on tax losses accrued by the incorporated company, Invest Banca, on which the Bank had applied the payment of substitute (withholding) tax.

Request for exemption from role of Parent Company of the Gruppo Bancario Cambiano by Ente Cambiano Scpa

On 12 September 2022, Ente Cambiano Scpa submitted a request for exemption from the role of Parent Company of the Gruppo Bancario Cambiano, pursuant to the provisions of the TUB (Consolidated Bank Act), on the matter of banking groups and registry of banking groups, as modified by Italian Legislative Decree

182/2021, as well as the Supervisory Provisions issued in the 39th update of Bank of Italy Circular n. 285, that implements article 21-bis of EU Directive 2013/36 (so-called "CRD"), as in turn modified by EU Directive 2019/878 (so-called "CRD5"), the provisions of which came into effect as of 14 July 2022. The authorisation procedure was concluded on 20 March 2023, when Bank of Italy communicated: *"On the matter, in light of the provisions of the vigilance regulations on the subject matter, considering the objectives of the initiative, and considering the outcome of the preliminary analysis carried out, the application for exemption is accepted and, therefore, it is acknowledged that the role of parent company will herein continue to be performed by Banca Cambiano 1884 S.p.A."*.

Within the same application – pursuant to art. 19 CRR letters b) and c), the exclusion of Ente Cambiano from the perimeter of prudential consolidation was also requested, considering that the modification of the composition of the Banking Group excluding Ente Cambiano would bring the configuration of the "scope" of the applicable regulation for exclusion from consolidation, in that "of negligible interest" and "inappropriate and misleading" for Supervisory purposes. As regards this request, on the basis of the interpretation provided, the Supervisory Authority has communicated: "it is noted that the provision dictated by art. 19 of the CRR (Capital Requirements Regulation n. 575/2013) allows the exclusion from prudential consolidation of "subsidiary companies" by the financial holding company and also the "controlling financial holding company. Therefore, lacking the conditions for exclusion provided for by the regulation, Ente Cambiano is required to abide by the obligations set forth by the dal CRR on the basis of the consolidated situation."

The composition of the banking groups therefore remains unvaried, notwithstanding that, based on the provisions of the CRR Regulation, the obligation to meet the requirements set forth by the aforementioned regulations on the basis of the consolidated situation of Ente Cambiano will continue to exist. The confirmation of the applicability of the regulatory provision entails burdens on equity indexes, as shown in the Individual and Consolidated data provided. Equal difficulty is entailed in terms of strengthening of corporate capital, in particular as regards primary capital. In-depth analyses will be immediately carried out to define a company structure or contractual definitions for submission to the Supervisory Authority for the purpose of obtaining the de-consolidation of data with Ente Cambiano, consequent to the refusal of the aforementioned request.

Commercial policies and financial activities

The year 2022 proved to be an extraordinarily complex year socially, geopolitically, economically and financially. New criticalities were added to the post-pandemic situation, starting with the rise in prices, that caused a general drop in the purchase power of private consumers the world over, which in turn, instead of easing up, as the main central bankers hoped and declared, expanded, aggravated by the effects produced by the geopolitical instability generated by the conflict in the Ukraine that exploded at the end of February.

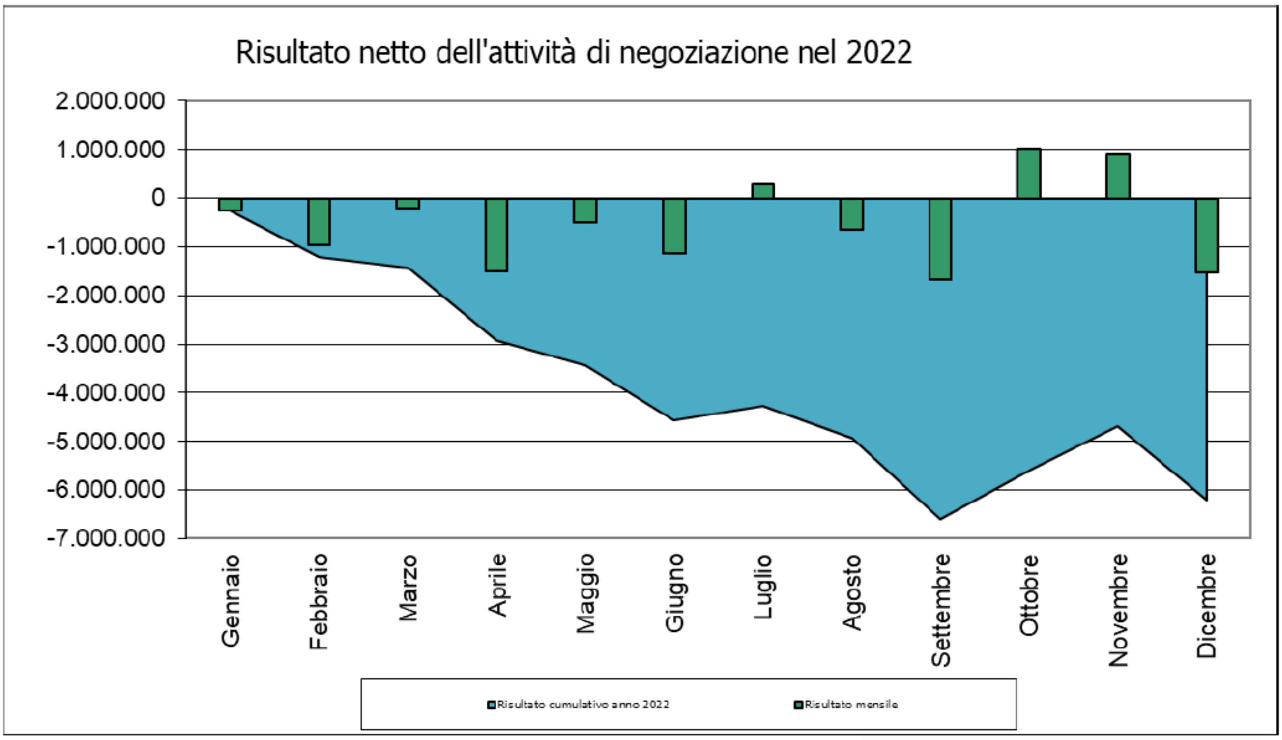
Central banks declared that the rise in prices would be "transitory" and were tardy in intervening; then, with the outbreak of the conflict in Ukraine and the resulting sanctions, the price of fuel oil and gas, became unbearable, especially in European countries, and this led central banks to initiate the most rapid and violent increase in rates in history, with the vain expectation that this measure could stop inflation. The speed and intensity of the increase of rates considerably penalised financial markets, that witnessed the almost simultaneous drop of all principal asset classes, with the sole exception of the raw materials basket. The burden on shares and securities was particularly heavy, with a very negative reaction and heavy fall-out effects for investors. The lack of decorrelation between shares and bonds represented an exception with respect to the events of recent decades, exposing investment portfolios to significant capital losses, nullifying the effects of traditional diversification, which in this case proved an exercise that summed in various percents results that were nevertheless negative. The year 2022 was certainly a "horrible year" for bonds: with reference to an average profit obtained by a benchmark global bond, the losses incurred in 2022 were approximately -17%, that is to say, the heaviest ever, due to the effect of the impetuous rise in rates.

This situation in the financial markets also affected the investment choices relative to the Bank's liquidity and securities portfolio. Specifically the rise in rates led to the decision to progressively reduce the financial lever, reimbursing, even in advance, TLTROs (Targeted Longer Term Refinancing Operations) offered to credit institutions in the Eurozone by the ECB, to respond to the economic emergency created following the pandemic. In this context, the average duration of the Bank's financial portfolios remained prudently contained, and gradually diminished during the year. Positive contributions to performance were generated by trading and brokerage activities, that count more than 120 trading counterparties, in addition to access to the principal markets of reference. In managing the securities portfolio, the Bank is implementing increasingly precise guidelines in favour of initiatives aimed at the pursuit of environmentally sustainable objective.

Below are some tables summarising the Bank's securities portfolios.

Tabella T51	Numero Strumenti	Valore di bilancio al 30/12/2022	Peso %
Banche italiane	7	13.198.317	1,19%
Istituzioni finanziarie SIM	1	353.565	0,03%
Governo italiano	28	1.007.395.482	90,62%
Società di Gestione e Sicav italiane	6	11.941.763	1,07%
Altre istituzioni finanziarie italiane	1	921.350	0,08%
Altre società non finanziarie italiane	6	12.733.918	1,15%
Istituzioni finanziarie italiane - Altre	3	212.772	0,02%
Istituzioni finanziarie estere - Paesi UE	9	56.439.822	5,08%
Società non finanziarie italiane - Altre	2	205.398	0,02%
Organismi internazionali	4	1.403.945	0,13%
Banche estere	6	1.119.974	0,10%
Altre società non finanziare estere	16	2.594.445	0,23%
Stato/Governo estero UEM	8	3.142.092	0,28%
	97	1.111.662.843	100,00%

Figure – Trading in securities



Overall trading activities were affected positively by the effects generated over the last financial period, which allowed taking advantage of positive trends and the volatility of the exchange rate market with consistent margins.

Credit and financial brokerage

During the period in review, ordinary credit activities were amplified, with a significant tax credit purchase transaction, also aimed at subsequent sales to other intermediary, which took place punctually and with a positive outcome, therefore allowing the bank to broker volumes with a nominal credit value for “tax bonuses” equal to about 132 million euro in the period. The challenge for the corporate structure was significant, due to the complexity and delicate nature of the transactions performed, but equally significant was the support by the Bank against the situation created by regulations in support of the sector.

Analysis of balance sheet and income statement line items

The principal line items of the balance sheet and income statement as at 31 December 2022 are commented here following, in comparison to the comparative data provided.

Line item 40 a) of the Assets – Receivables from banks – includes all financial assets measured at amortised cost held vis-à-vis banking counterparties. As at 31 December 2022, this line item included securities for a sum total of Euro 6.5 million euro, as compared to 31/12/2021 (-43.19%) and credit exposures to banks for 135 million euro, with a decrease for the period of reference of 77 million euro (-36.53%).

EXPOSURES TO BANKS				
data are in €/000				
Type of transaction/assets	**30/09/2022**	**31/12/2021**	**Absolute var.**	**% var.**
a) Cash	12,825	13.741	-916	-6.66%
b) Current accounts and demand deposits in Central Banks	0	0	0	
c) Current accounts and demand deposits in banks	36,936	91,248	-54,312	-59.52%
Total balance sheet line item 10 Cash and cash equivalents	**49,761**	**104,989**	**-55,228**	**-52.60%**

data are in €/000				
Type of transaction/assets	**30/09/2022**	**31/12/2021**	**Absolute var.**	**% var.**
Receivables from banks - HTC securities	6,539	11,509	-4,970	-43.19%
Receivables from banks - Other receivables	134,522	211,935	-77,413	-36.53%
Total balance sheet line item 40.a Receivables from banks	**141,061**	**223,443**	**-82,383**	**-36.87%**

Assets line item 40 b)– Receivables from customers – includes all financial assets measured at amortised cost held vis-à-vis non-banking counterparties. As at 31 December 2022, this line item included government bonds for a sum total of € 354 million euro, substantially stable with respect to the data at 31/12/2021, and loans granted to ordinary customers for € 3,251 million euro, with an increase for the period of 63 million euro (+1.96%). In particular, as shown in the table below, this increase is primarily due to the mortgages and loans component, which registered an overall increase of € 101 million euro, and the current accounts components, with an increase for the period of € 35 million euro.

LINE ITEM 40 B) RECEIVABLES FROM CUSTOMERS				
data are in €/000				
Type of transaction/assets	**31/12/2022**	**31/12/2021**	**Absolute var.**	**% var.**
1. Current accounts	661,328	626,785	34,543	5.51%
2. Mortgages and loans	2,096,851	1,995,706	101,146	5.07%
3. Portfolio	8,999	7,994	1,005	12.57%
4. Securitised mortgage loans	0	0	0	0
5. Self-securitised mortgage loans	403,152	460,974	-57,822	-12.54%
6. Other loans	53,526	42,593	10,932	25.67%
7. Gross non-performing loans	122,035	131,711	-9,676	-7.35%
8. Impairment loss on non-performing loans	-68,643	-69,716	1,072	-1.54%
9. Overall impairment loss	0	0	0	0
17. UTP adjustments	-44,467	-33,884	-10,583	31.23%
18. PD adjustments	-976	-358	-617	172.18%
19. In Bonis Stage 2 adjustments	-13,144	-18,405	5,261	-28.59%
20. In Bonis Stage 1 adjustments	-5,982	-7,201	1,218	-16.92%
Total net economic lending vs ordinary customers	**3,212,678**	**3,136,199**	**76,479**	**2.44%**
10. Receivable from Pontormo RMBS	10,046	12,141	-2,096	-17.26%

11. Receivable from Poste	264	247	17	6.94%
12. Receivable from C.C. & G.	28,323	40,071	-11,748	-29.32%
13. Receivable from C.D.P.	0	0		
Total other net economic lending	**38,633**	**52,459**	**-13,826**	-26.36%
Total (book value – receivable from customers, amortised cost)	**3,251,311**	**3,188,658**	**62,653**	**1.96%**
14. Receivable from customers - HTC securities	354,077	355,146	-1,069	-0.30%
15. Impairment losses on securities	-208	-52	-156	302.69%
16. Receivable for active Repo transactions	0	67,756	-67,756	-100.00%
Total balance sheet line item 40.b Receivables from customers	**3,605,181**	**3,611,508**	**-6,327**	-0.18%

Credit quality

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 quality of credit.

CREDIT QUALITY AT 31/12/2022				
	Gross exposure	**Overall adjustments**	**Net exposure**	**Hedging**
CASH CREDIT EXPOSURES				
Stage 3 - Receivable from customers – NPL	122,035	68,643	53,391	56.25%
Stage 3 - Receivable from customers – UTP	148,669	44,467	104,202	29.91%
Stage 3 - Receivable from customers – past due	11,928	976	10,952	8.18%
Total impaired receivables	**282,632**	**114,086**	**168,546**	**40.37%**
Stage 2 - Receivable from customers	321,953	13,144	308,810	4.08%
Stage 1 - Receivable from customers	2,779,939	5,982	2,773,956	0.22%
Total in bonis receivables	**3,101,892**	**19,126**	**3,082,766**	**0.62%**
Total receivables from customers	**3,384,524**	**133,212**	**3,251,311**	**3.94%**
Stage 1 – Securities	354,077	208	353,870	0.06%
Stage 1 - Active repo transactions	0	0	0	
Total Cash credit exposures	**3,738,601**	**133,420**	**3,605,181**	**3.57%**

CREDIT QUALITY INDEXES			
	31/12/2022	**31/12/2021**	**Delta**
% OF NET RECEIVABLES			
% Net non-performing loans on total net receivables	1.64%	1.94%	-0.30%
% Watchlist on total net receivables	3.20%	2.03%	1.18%
% Net overdue/overdrawn on total net receivables	0.34%	0.10%	0.24%
% Total net impaired receivables on total net receivables	5.18%	4.07%	1.12%
% OF GROSS RECEIVABLES			
% Gross non-performing loans on total gross receivables	3.61%	3.97%	-0.36%
% Gross watchlist on total gross receivables	4.39%	2.97%	1.42%
% Gross overdue/overdrawn on total gross receivables	0.35%	0.10%	0.25%
% Total gross impaired receivables on total gross receivables	8.35%	7.04%	1.31%
% OF HEDGES			
% hedges on non-performing loans	56.25%	52.93%	3.32%
% hedges on other impaired receivables	28.30%	33.60%	-5.30%
% hedges on total impaired receivables	40.37%	44.50%	-4.13%
% hedges on in Bonis receivables	0.62%	0.83%	-0.21%
% hedges on in Bonis receivables - Stage 2	*4.08%*	*6.78%*	*-2.69%*
% hedges on in Bonis receivables - Stage 1	*0.22%*	*0.26%*	*-0.04%*

Assets line item 70– Equity investments – includes interest shares for which there is a situation of control, joint control or significant influence. Equity investments held by the Bank are represented by the subsidiaries Cabel Leasing SpA, Immobiliare 1884 Srl and Invest Italy SIM S.p.A., therefore falling within the perimeter of the Gruppo Bancario Cambiano. The Bank holds other equity investments in three companies of the Cabel Network, Cabel Holding Spa, Cabel Industry Spa and Cabel IP Spa, in addition to the subsidiary Gardena Capital LTD, as shown in the table below.

EQUITY INVESTMENTS						
data are in €/000						
Denominations	31/12/2022		31/12/2021		Variations	% variations
	% s.c. held	Book value	% s.c. held	Book value		
1. Cabel Leasing s.p.a. (3)	95.000%	18,739	90.00%	17,694	1,045	5.90%
2. Immobiliare 1884 s.r.l.	100.000%	13,500	100.00%	13,500	0	0.00%
3. Invest Italy SIM S.p.A (4)	92.725%	997	72.10%	614	383	62.43%
4. Cabel Holding s.p.a. (1)	49.600%	14,965	49.60%	14,503	462	3.18%
5. Cabel Industry s.p.a. (2)	11.490%	1,222	18.00%	1,591	-369	-23.22%
6. Gardena Capital LTD	39.000%	247	39.00%	261	-14	-5.26%
7. Cabel IP s.p.a.	25.484%	45	25.48%	45	0	0.00%
Totals		**49,716**		**48,209**	**1,507**	**3.13%**

(1) During the 3rd quarter of 2019, the "Trust Pro Bono" was established, to which the Bank transferred for the duration of 5 years the usufruct of 20% of the shares held in Cabel Holding S.p.A.
The cost and book value remain unvaried, while the number of shares (for the purpose of the percent of vote during the shareholders' meeting) dropped from 49.60% to 29.60%.
(2) During the month of December 2021, the Bank's equity holding in the subsidiary decreased from 18% to 11.49%, following the issue of n. 1,700,000 shares fully subscribed by the parent company, Cabel Holding S.p.A..
(3) During the month of September 2022, the Bank's equity holding in the subsidiary increased, from 90% to 95%, following the purchase of n. 5.000 shares previously held by Banca Lazio Nord Credito Cooperativo.
(4) During the month of May 2022, the Bank's equity holding in the subsidiary increased, from 72.10% to 87.529%, following the purchase of n. 1,080,000 shares. In the month of December 2022, the Bank's equity holding increased further, from 87.529% to 92.725%, following the subscription of the capital increase of € 500,000.

The variation recorded during the period for the equity investment line item, as referred to equity investments for which there is a situation of significant influence, is due to variations in the net equity of the subsidiary companies – in relation to the share held by the Bank – both due to the effect of the capitalisation of profit/loss results for the 2021 fiscal year approved by the respective Shareholders' Meetings, and the results recorded at 30 September 2022 approved by the Boards of Directors of the companies.

As regards controlling interests, please note that:

- during the month of September 2022, the Bank purchased n. 5,000 shares in Cabel Leasing S.p.A. for a sum of € 1,045 thousand; the interest share therefore increased from 90% to 95%;
- the Bank's interest percent in Invest Italy SIM S.p.A. increased from 72.10% to 92.725% due to the purchase of n. 1,080,000 shares and the subscription of a capital increase of € 500,000. Activities aimed at resolving the critical issues that were compromising the possibility of defining an agreement for sale, arising from the need to resolve the relationship with the previous holding structure, continued for the entire 2022 fiscal period. Once the issues in question were cleared, during the month of March 2023 the procedure to perfect the sale to First Capital, for a quota equal to 88.50% was finally initiated. The Bank will maintain an interest holding of 10%.
- As regards the subsidiary Cabel IP, the authorisation procedure that proved more complex than the ordinary procedure, due to the need for more in-depth regulatory analyses, required by the unique nature of the purchaser's business, was completed only at the start of the 2023 fiscal period;
- As regards interest holding in the companies of the Cabel network, agreement negotiations are in progress for the acquisition of capital interest by investors and industrial entities that will significantly dilute the current holdings.

Overall deposits

The table below shows the detail of overall deposits at 31 December 2022 as compared to the data at 31 December 2021.

OVERALL DEPOSITS				
data are in €/000				
Description	**31/12/2022**	**31/12/2021**	**Variation**	**% Variation**
Payable to customers	3,395,580	3,254,884	140,696	4.32%
Outstanding securities	158,574	141,462	17,112	12.10%
Total overall direct deposits	**3,554,153**	**3,396,345**	**157,808**	**4.65%**
of which direct deposits with institution counterparties (e.g. CC&G)	193,331	67,762	125,569	185.31%
Total overall direct deposits with ordinary customers	**3,360,822**	**3,328,584**	**32,238**	**0.97%**
Indirect – Administered	611,030	572,525	38,505	6.73%
Indirect- Funds	86,165	90,717	-4,552	-5.02%

Indirect - GPM	64,832	65,723	-891	-1.36%
Indirect - Insurance sector	554,407	541,105	13,303	2.46%
Indirect deposits	**1,316,434**	**1,270,070**	**46,364**	**3.65%**
Overall funding	**4,677,256**	**4,598,654**	**78,603**	**1.71%**

Type of transaction/assets	31/12/2022	31/12/2021	Variation	% Variation
1. Current accounts	2,845,897	2,823,346	22,551	0.80%
2. Deposits	43,456	46,868	-3,412	-7.28%
3. Time deposit	287,021	287,400	-379	-0.13%
4. Liabilities referred to transferred assets	0	0	0	0.00%
5. REPO with ordinary customers	12,020	13,002	-981	-7.55%
6. Deposit certificates	79	89	-10	-11.23%
7. Securities	158,494	141,372	17,122	12.11%
8. Lease liabilities	13,854	16,506	-2,652	-16.07%
9. Other liabilities	0	0	0	0.00%
Total overall ordinary deposits	**3,360,822**	**3,328,584**	**32,238**	**0.97%**
10. Other REPO	193,331	67,762	125,569	185.31%
11. Funding from Deposits and Loan Fund	0	0	0	0.00%
Total other direct deposits	**193,331**	**67,762**	**125,569**	**185.31%**
Total (book value)	**3,554,153**	**3,396,345**	**157,808**	**4.65%**

Total overall deposits (direct, administered and insurance) at December 2022 were € 4,663 million, increased as compared to the same datum at 31 December 2021 with an increase of € 81 million (+ 1.77%).

In detail, Liabilities line item 10 b) Payable to customers grew by € 141 million (+4.32%) due to the increase in current accounts, and Liabilities line item 10 c) Outstanding securities increased by 17 million (+12.10%).

Liabilities line item **10 a) Payable to banks** – at 31 December 2022 was 1,053 million euro, with a decrease for the period of 99 million (-8.60%) due to the decrease of payables to central banks (-10.54%) deriving from the advance reimbursement of a part of the TLTROIII deposit and the accrual of interest income; this decrease was partially offset by the increase in demand payables to banks (+19.81%).

PAYABLES TO BANKS				
data are in €/000				
Description	**31/12/2022**	**31/12/2021**	**Variation**	**% Variation**
Payables to banks	1,053,369	1,152,421	-99,053	-8.60%

Type of transaction/assets	31/12/2022	31/12/2021	Variation	% Variation
1. Current accounts	78,959	65,902	13,057	19.81%
2. Deposits	15,018	15,003	15	0.10%
3. Transactions with Euro system	954,301	1,066,717	-112,416	-10.54%
4. Gold financing from banks	5,091	4,799	291	6.07%
5. Outstanding mortgage loans	0	0	0	0.00%
Total payables to banks	**1,053,369**	**1,152,421**	**-99,053**	**-8.60%**

Book shareholder's equity

At 31 December 2022, net book shareholders' equity was € 207.2 million, a slight drop with respect to the value at 31 December 2021 equal to € 208.3 million, as shown in the table below. The increase is due to both the profits for the period, and to the issue of new permanent debenture loans for € 3 million, classified in the line item "Capital instruments". Said line item decreased, during the period in review, mainly due to the reduction of fair value on securities allocated in the HTCS portfolio, for € 19 million, after taxes.

BREAKDOWN OF STATUTORY EQUITY				
data are in €/000	**31/12/2022**	**31/12/2021 (*)**	**Variation**	**% Variation**
Capital	232,800	232,800	0	0.00%
Premiums on the issue of new shares	803	803	0	0.00%
Capital instruments	30,000	27,000	3,000	11.11%

Reserves	-53,655	-50,311	-3,344	6.65%
(Treasury shares)	0	0	0	0.00%
Valuation reserves	-20,516	-1,161	-19,355	1667.64%
Profit (loss) for the year	17,762	-822	18,584	-2261.96%
Total shareholders' statutory net equity	**207,194**	**208,310**	**-1,116**	**-0.54%**

([1]) The column referring to 31 December 2021 was rectified retroactively, in accordance with the accounting principle "IFRS 3– Accounting principles–corporate aggregate assets" as amply described in part G of the explanatory notes.

Income trend

The financial year closed with a net profit of € 17.8 million.

The principle economic aggregates at 31 September 2022 are provided following, compared to the same 2021 data.

Line item 30 Interest income amounts to 75.7 million euro, increased by 15.52% as compared to 31 December 2022; the components referred to brokerage with customers showed an increase of 19.17% as compared to the same period in 2021; the contribution of interest income from TLTROIII transactions is significant, although lower than 2021 (4.793 million as compared to 8.898 at 31 December 2021); the amount referred to financial assets increased, affected by the improved structure of interest rates trends, while the cost of securities, to be calculated in own means, remains essentially stable.

The above being said, the table below shows the breakdown of interest income.

	INTEREST INCOME			
	data are in €/000	**31/12/2022**	**31/12/2021**	**% Variation**
TOTAL	Earned interest and similar income	87,414	77,849	12.29%
	Interest expenses and similar expenses	11,675	12,286	-4.97%
	Overall interest income	**75,739**	**65,563**	**15.52%**
With CUSTOMERS	Earned interest and similar income	78,799	67,108	17.42%
	Interest expenses and similar expenses	5,683	5,752	-1.20%
	Interest income with customers	**73,116**	**61,357**	**19.17%**
With BANKS	Earned interest and similar income	999	51	1869.46%
	Interest expenses and similar expenses	676	717	-5.71%
	Interest income with the banking system	**324**	**-666**	**-148.61%**
on SECURITIES	Earned interest and similar income	2,603	1,790	45.41%
	Interest expenses and similar expenses	4,773	4,664	2.34%
	Interest income on securities	**-2,170**	**-2,874**	**24.48%**
OTHER	Earned interest and similar income	5,014	8,900	-43.67%
	of which interest on TLTRO III	*4,793*	*8,898*	*-46.14%*
	Interest expenses and similar expenses	544	1,154	-52.86%
	Residual interest income	**4,470**	**7,746**	**-42.30%**

Line item **60 Net fees** amounts to € 32 million, increased by 3.6 million as compared to the data rat 31 December 2021. In particular, there was an increase in commissions on financial services (management, brokerage and consulting, and distribution of third party service), associated in part to the development of lines of business purchased with the merger transaction with Invest Banca, but not yet fully performing, and commissions on "traditional" services (commissions for collection and payment services, and commissions on current accounts), for which the levels recorded before the Covid-19 pandemic have been recovered.

	NET FEES			
	data are in €/000	**31/12/2022**	**31/12/2021**	**% Variation**
TOTAL	Commission income	37,062	31,550	17.47%
	Commission expenses	-4,788	-2,836	68.82%
	Overall Net fees	**32,274**	**28,715**	**12.40%**
From management, brokerage and consulting	Commission income	6,172	2,948	109.35%
	Commission expenses	-1,845	-744	147.78%

	Net fees	**4,327**	**2,204**	**96.36%**

From distribution of third-party services	Commission income	5,559	4,362	27.44%
	Net fees	**5,559**	**4,362**	**27.44%**

From payment services	Commission income	20,685	19,751	4.72%
	Commission expenses	-1,841	-1,519	21.25%
	Net fees	**18,843**	**18,233**	**3.35%**

From other services	Commission income	4,646	4,489	3.50%
	of which financing transactions and issued guarantees	*1,767*	*1,782*	-0.81%
	Commission expenses	-1,102	-573	92.33%
	Net fees	**3,545**	**3,916**	**-9.49%**

Operating income at 31 December 2022 was € 119 million, with an increase of € 16,5 million, equal to +16.11% with respect to the datum at 31 December 2021.

In particular, as shown in the table below, this trend is correlated to the exchange rate gains (for 15.7 million euro) and gains on receivables from «super bonuses» purchased from customers (for 1.75 million euro), only partially offset by losses on securities due to market trends, the increase of inflation, and the restrictive monetary policy implemented by the ECB, that has determined a rise in market rates, with consequent value reductions on securities allocated in the various business lines.

The above line item was offset in part by the increase in interest income and net fees already detailed above.

OPERATING INCOME					
	data are in €/000	**31/12/2022**	**31/12/2021**	**Variation**	**% Variation**
30.	**Overall interest income**	**75,739**	**65,563**	**10,176**	**15.52%**
60.	**Overall net fees**	**32,274**	**28,715**	**3,559**	**12.40%**
70.	Dividends and similar income	603	1,502	-899	-59.88%
80.	Net trading result	15,160	3,803	11,357	298.64%
90.	Net hedging result	-2	-8	6	-71.23%
100.	Gains (losses) from the disposal or repurchase of:	262	3,231	-2,969	-91.88%
	a) financial assets measured at amortised cost	423	734	-311	-42.37%
	b) financial assets measured at fair value with impact on total profits	-225	2,472	-2,696	-109.09%
	c) financial liabilities	64	25	39	156.63%
110.	Net income of other financial assets and liabilities measured at fair value with recognition of income through profit and loss	-5,003	-289	-4,714	1628.75%
	a) financial assets and liabilities measured at fair value	0	0	0	0.00%
	b) other financial assets measured at fair value	-5,003	-289	-4,714	1628.75%
120.	**Operating income**	**119,032**	**102,516**	**16,516**	**16.11%**

The net income from financial assets increased with respect to the value measured at 31 December 2021, and was equal to € 97.9 million, with an increase of € 13.9 million, due to the effect of the increase of operating income detailed above, and only partially affected by the increase of write-downs and allocations, executed in full compliance with the indications of the Bank of Italy assessment team after the inspection carried out.

During the current fiscal year, the Covid-19 add-ons for stage 2 moratorium positions and for government-backed loans, that were introduced in the 2020 Financial Statements and maintained in the 2021 Financial Statements, were released, as the conditions for recording them have ceased to exist. The reversals of impairment were compensated by the greater adjustments on businesses operating in "energy-intensive" sectors, or by other specific adjustments.

In the meeting held on 27/12/2022, the Board of Directors, based also on an analysis conducted by the Risk Management Function, resolved to release the add-ons booked in the aforementioned 2020 and 2021 financial statements, on loans already benefitting from suspensions associated to the Covid-19 health emergency and on government-backed loans for the following reasons:

1) a congruous time has lapsed since the introduction of the add-ons, almost 24 months, such as to have allowed ascertaining any financial difficulty and the consequent congruous classifications and evaluations of the positions;

2) during the first semester of 2021, the Bank concluded an analytical evaluation process on all loans with moratoria granted to customers based on art. 56, co.2, letter c) of Italian Law Decree n. 18/2020 (approx. 2,500 IDN with a residual principal subject to moratorium of over € 370 million), based on the outcome of which, the Board of Directors, during the meetings held on 09/06/2021 and 24/06/2021 deliberated a census as a forbearance measure for n. 466 relationships, for an overall amount equal to € 51.86 million;

3) between the first and second quarters of 2022, a new survey was conducted; the scope of this analysis included positions that between March and December 2021 (considering the only *in bonis* positions at 31.12.2021) did not reduce their exposure, and that at 31.3.2021 showed a moratoria debit exposure greater than € 200 thousand, and positions that at June 2021 requested that the Bank extend their respective suspensions up to December 2021, as provided for by art. 16 of Italian Law Decree n. 73 of 25 May 2021. This analysis, submitted to the Board of Directors in the meeting held on 27/05/2022, regarded a total of 276 IDN for an overall exposure at 9/3/2022 of over € 255 million in terms of lending;

4) on loans activated within the scope of public guarantees issued with emergency legislation, starting from the 2021 fiscal year, based on a combined study conducted by the IT outsourcer and the aid of the company KPMG, a new method of calculation of the value write-down was approved, that takes into consideration the presence of the government guaranty, also in light of the relevance that said loans acquired during the 2020-2021 financial reporting periods. In particular, for the government-backed portion, the customer's PD and LGD parameters area replaced by those of the guarantor, meaning the Italian government, while for the non-guaranteed portion, the customer's parameters continue to be used. Calculating the government-backed portion further factors the so-called residual risk, that was prudentially considered equal to 20%; therefore, in calculating the impairment loss, the guaranty-backed portion is reduced by said percent.

Nevertheless, in conformity with IASB provisions set out in the document issued on 27 March 2020, given the uncertainty of the economic context and the progressive deterioration underway, the Board of Directors, in the same meeting on 27/12/2022, as proposed by the Risk Management Function, deliberated to maintain an alternative approach to the mechanical application of models for the 2022 reporting period as well (so-called *Overlay approach*) used to calculated the ECL, in line with the approach taken in 2020 and 2021, providing for the inclusion of specific add-ons on the evaluation of positions relating to sectors that are greatly impacted by fluctuations in energy and raw material prices.

In order to identify the businesses, within the credit portfolio, potentially most affected by the energy crisis that has exploded so violently due to the Russian-Ukrainian war, and further due to the lack of policies and alternative energy procurement plans, the Risk Management Function has extracted a list of positions that fall within those defined as "energy-intensive". This list has been obtained by referring to the contents of the document published by the European Commission in the Official Gazette of the European Union on 24.3.2022 regarding the "Temporary crisis framework for government aid measures in support of the economy following the aggression of Russia against Ukraine". Hence, this activity pulled up all those positions classified in stage 2 and with the following ATECO codes (classification of economic activity): B07 (mineral and metal extraction); C13 (manufacturing activities); C14 (manufacture of clothing excluding fur clothing items); C16 (wood cutting and planing); C17 (production of paper-pulp, paper and cardboard); C19 (production of coke oven products); C20 (production of base chemical products, fertilizers and nitrogen compounds, plastic materials and synthetic rubber in primary form); C23 (production of glass and glass products); C24 (steel making). Additional sectors were added to this list, in order to identify a more significant sample of position: C32 (production of jewellery, costume jewellery and related items; working of precious gemstones); H49 (railway transport of passengers) and I55 (hotels and assimilated structures).

As was done in 2020 and 2021, the determination of the *management overlay* was based on a simulation of loans to "energy-intensive" businesses operating in the aforementioned business sectors and classified in

Stage 2, "slipping" into Stage 3 at 12 months (on impaired overdue); the add-ons, calculated in this manner, amounted to € 5.7 million at 31/12/2022.

NET INCOME FROM FINANCIAL ASSETS					
data are in €/000		31/12/2022	31/12/2021	Variation	% Variation
120.	**Operating income**	**119,032**	**102,516**	**16,516**	**16.11%**
130.	Net adjustments/write-backs due to risk related to:	-21,307	-18,356	-2,952	16.08%
	a) financial assets measured at amortised cost	-20,945	-18,338	-2,607	14.22%
	b) financial assets measured at fair value with impact on total profits	-362	-17	-345	2021.03%
140.	Profit/loss due to contract modifications without derecognition	219	-71	291	-407.87%
150.	**Net income from financial assets**	**97,944**	**84,089**	**13,855**	**16.48%**

As regards operating costs, these increased in comparison with the datum booked at 31 December 2021, and were equal to € 8.4 million (+12.35%). The main cost components are attributable to personnel costs, for € 2 million (+6.63%), and to the increase of other administrative expenses, for € 1 million (+2.51%), both ascribable to the acquisition of Invest Banca which, from the date of acquisition, at end of November 2021, are of competence of the Bank. During the period, there were nonetheless reductions as regards both contributions to Funds and consulting fees. The *cost saving* policy aims at containing costs, an objective that can easily be met also by bring the business units of ex-Invest Banca to full operational capacity.

Also, please note the cost increases at line item 200, other operating costs/income due to disbursements for pending claims, for which, however, given the value adjustments related to relative to allocations from previous years, the impact on the income statement was negligible. Line item 170 Net allocations to risk and expenses funds has remained substantially unvaried as compared to the previous reporting period, in the aforementioned value adjustments were compensated by increases in allocations during the previous financial year.

OPERATING COSTS					
data are in €/000		31/12/2022	31/12/2021	Variation	% Variation
160.	Administrative costs:	-71,844	-68,893	2,951	4.28%
	a) personnel costs	-31,669	-29,700	1,969	6.63%
	b) other administrative costs	-40,175	-39,193	982	2.51%
	of which: costs for contributions to funds	*-6,369*	*-5,461*	908	*16.62%*
	of which: costs for consultancy	*-2,071*	*-2,396*	*-324*	*-13.55%*
170.	Net allocations to risk and expense funds	-214	-75	139	185.25%
180.	Net adjustments/write-backs to property, plant and equipment	-5,499	-5,574	-75	-1.35%
190.	Net adjustments/write-backs to intangible assets	-1,574	-927	647	69.84%
200.	Other operating costs/income	2,557	+7,314	-4,757	-65.04%
210.	**Operating costs**	**-76,575**	**-68,155**	**-8,419**	**12.35%**

Line item Profit of equity investments registers a profit of € 0.96 million

Schedule of reconciliation between the profit resulting in the income statement at 31 December 2022 and the result of the same period that is eligible for calculation of regulatory own funds

Below is the hypothesis for destination of the fiscal year profits, and the schedule of reconciliation between the profit for the year and the profit that, in the above-mentioned hypothesis, would contribute to the calculation of Own Funds.

PROPOSAL FOR THE ALLOCATION OF FISCAL YEAR PROFIT AT 31/12/2022	
data are in €/000	**Amount**
NET PROFIT TO BE ALLOCATED	**17,762**
Proposal of the Board of Directors	
To Legal Reserve (5.00% of profits)	888
To Extraordinary Reserve	15,674
To Shareholders in account of dividends	1,200

Total	**17,762**

RECONCILIATION BETWEEN FISCAL YEAR'S PROFIT AND PROFIT ELIGIBLE FOR CALCULATION IN OWN FUNDS	
data are in €/000	**AMOUNT**
FISCAL YEAR'S PROFITS	**17,762**
SHARE OF FISCAL YEAR'S PROFIT NON INCLUDED IN CET1	**1,200**
PROFIT/LOSS FOR THE YEAR TO BE CALCULATED IN OWN FUNDS	**16,562**

Capital adequacy and regulatory ratios

One of the main points of the Bank's strategy is the careful management of the capital components, both in terms of their consistency and other their dynamics. The evolution of company capital is crucial to accompany a responsible increase in size and represents the principle and decisive point of reference in the definition of plans for development. In this sense, starting in 2019, the Bank has formalised and adopted a Capital Management plan to cohesively govern and constantly verify current and prospected capital adequacy levels. The Plan was updated in the last meeting of the Board of Directors held on February 2022. Capital adequacy management activities generate planned reports to company upper management, and are subject to systematic monitoring by the Risk Management function, as total own funds are a decisive reference for prudential supervisory dispositions.

The table following illustrates the final situation of Own Funds at 31 December 2022 (that includes profits eligible for calculation at 31/12/2022) as compared to the situation at 31 December 2021.

OWN FUNDS AND CAPITAL ADEQUACY			
data are in €/000	**31/12/2022**	**31/12/2021**	**% Variation**
Total Primary Tier 1 capital(Common Equity Tier 1 - CET1)	201,104	225,294	-10.74%
Total Additional Tier 1 capital(Additional Tier 1 - AT1)	30,000	27,000	11.11%
Total Tier 1 capital (Tier 1 - T1)	**231,104**	**252,294**	-8.40%
Total Tier 2 capital (Tier 2 - T2)	**61,041**	**44,474**	37.25%
Total Own funds (T1 + T2)	**292,145**	**296,769**	**-1.56%**

PRUDENTIAL SUPERVISORY REQUIREMENTS			
data are in €/000	**31/12/2022**	**31/12/2021**	**% Variation**
Credit and counterparty risk	127,542	141,719	-10.00%
Credit valuation adjustment risk	20	6	233.33%
Market risk	2,759	2,240	23.17%
Operating risk	16,730	15,096	10.82%
Total prudential requirements (8% of weighted assets)	**147,051**	**159,061**	**-7.55%**

RISK ACTIVITIES AND VIGILANCE COEEFICIENTS			
data are in €/000	**31/12/2022**	**31/12/2021**	**% Variation**
Risk-weighted activities (RWA)	1,838,135	1,988,266	-7.55%
Primary Tier 1 capital/ Risk-weighted activities (CET1 ratio)	10.94%	11.33%	-0.39%
Tier 1 capital / Risk-weighted activities (Tier1 ratio)	12.57%	12.69%	-0.12%
Own funds / Risk-weighted activities (Total capital ratio)	15.89%	14.93%	096%

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Own funds at 31 December 2022 amounted to € 292.8 million, with a € 4.7 million reduction as compared to the previous financial period, due to the combined effect of the following factors:

- The increase, from 50% to 75%, of the reserves from FTA component for the year 2022 (-€ 18.2 million, net of the positive effect of the application of the transitory regime pursuant to art. 473 bis, par. 6 bis of the CRR);
- The reduction of the valuation reserve for performance of securities classified in the HTC&S portfolio (-11.8 million euro, net of the effect deriving from the transitory regime for profit and loss of sovereign debt securities measured at FVOCI in the 2022 financial year);
- The positive net result for the period (+ € 10.6 million, as compared to the previous period);
- The increase of deductions from CET1 as per EU regulation n. 575/2013 (-€ 1.5 million);
- The reduction of reserves due principally to the modification of the PPA following the negative outcome, notified in July 2022, of the request for ruling to the Revenue Office submitted in October 2021 (-€ 3.3 million);
- The issue, during 2022, of permanent debenture bonds included in AT1 for an additional € 3 million;
- The issue, during 2022, of subordinate bond instruments, for € 27.1 million, that had a positive effect on total own funds for 1.5 million euro, net of the diminished inclusion of tranches of subordinate loans. The overall amount of € 88.8 million, comprehensive of the loan issued by ex-Invest Banca, is, in fact, calculated into own funds for € 61 million.

The detail of debenture loans included, even only partially, in own funds:

Schedule of subordinate bonds

BOND	DESCRIPTION	ISIN	EXPIRY DATE	RATE	AMOUNT
489001	CAMBIANO SUB 4.50% 20/12/19-24	IT0005396426	20/12/2024	4.50000	3,000,000
480001	CAMBIANO 18-25 4% SUB	IT0005337719	28/06/2025	4.00000	45,000,000
483001	CAMBIANO 19-29 4% SUB	IT0005371270	10/06/2029	4.00000	5,000,000
484001	CAMBIANO 19-29 SU SUB	IT0005376287	20/06/2029	4.50000	1,000,000
485001	CAMBIANO 19-29 4% SUB	IT0005385668	25/09/2029	4.00000	2,000,000
488001	CAMBIANO SU 05/12/19-29 SUB	IT0005391518	05/12/2029	4.50000	1,000,000
52048	OBBLIGAZIONE IB 2024 SUB	IT0005253148	01/06/2024	2.50000	4,700,000
501001	CAMB 22-29 5% SUB	IT0005487118	15/03/2029	5.00000	2,000,000
503001	CAMB 22-30 3% SUB	IT0005495574	16/05/2030	3.00000	3,000,000
504001	CAMB 22-30 3.5% SUB	IT0005498859	29/06/2030	3.50000	3,000,000
505001	CAMB 22-30 5% SUB	IT0005509135	30/09/2030	5.00000	2,000,000
506001	CAMB 22-30 TV SUB	IT0005510059	30/09/2030	8.00000	3,000,000
507001	CAMB 22-30 7.50% SUB	IT0005514960	20/10/2030	7.00000	3,000,000
508001	CAMB 22-30 4% SUB	IT0005516395	28/10/2030	4.00000	700,000
509001	CAMB 22-30 5.50% SUB	IT0005516403	28/10/2030	5.50000	400,000
510001	CAMB 22-30 7% SUB	IT0005523391	07/12/2030	7.00000	2,800,000
511001	CAMB 22-30 7% SUB	IT0005527772	29/12/2030	7.00000	2,200,000
512001	CAMB 22-30 8% SUB	IT0005527780	29/12/2030	8.00000	5,000,000
	TOTAL				**88,800,000**

Schedule of permanent AT1 bonds

BOND	DESCRIPTION	ISIN	DATE OF ISSUE	RATE	AMOUNT
490001	BCA CAMB 20-PERP TV SUB /PRO	IT0005427023	23/11/2020	5.00000	1,500,000
492001	CAMBIANO PERPETUA AT1 492	IT0005429375	15/12/2020	5.00000	3,500,000
494001	CAMBIANO PERPETUA AT1 494	IT0005429755	21/12/2020	4.75000	1,000,000
496001	CAMB PERPETUA AT1 496	IT0005431777	21/12/2020	5.00000	500,000
497001	CAMBIANO PERPETUA AT1 497	IT0005432130	28/12/2020	5.00000	3,500,000
498001	CAMB PERPETUA AT1 498	IT0005439846	30/03/2021	5.00000	5,000,000

BOND	DESCRIPTION	ISIN	DATE OF ISSUE	RATE	AMOUNT
499001	CAMBIANO PERPETUA AT1 499	IT0005454076	11/08/2021	5.00000	5,000,000
500001	CAMB PERPETUA AT1 500	IT0005475055	28/12/2021	5.00000	7,000,000
502001	CAMB 22-PERP TV SUB /PRO	IT0005489601	30/03/2022	5.00000	3,000,000
	TOTAL				**30,000,000**

Finally, please note that on 28 January 2020, the Gruppo Bancario Cambiano received notice of the "decision" regarding the capital requirement to be complied with, pursuant to the outcome of the Supervisory Review and Evaluation Process (SREP), starting from the notification subsequent to the aforementioned communication (that is, the one referring to 31/03/2020). The overall capital requirement to be complied with is:

- CET 1 ratio equal to 7.70%, composed of an obligatory value of 5.20% (of which 4.50% for minimum regulatory requirements and 0.70% for minimum additional requirements resulting from the outcome of the SREP) and for the remaining part by the capital conservation reserve;
- Tier 1 ratio equal to 9.40%, composed of an obligatory value of 6.90% (of which 6.00% for minimum regulatory requirements and 0.90% minimum additional requirements resulting from the outcome of the SREP) and for the remaining part by the capital conservation reserve;
- Total Capital ratio equal to 11.75%, composed of an obligatory value of 9.25% (of which 8.00% for minimum regulatory requirements and 1.25% minimum additional requirements resulting from the outcome of the SREP) and for the remaining part by the capital conservation reserve.

The above capital ratios correspond to the Overall Capital Requirement (“OCR”) ratios, as defined in the ABE/GL/2014/13(4) Guidelines: they represent the sum of obligatory values (Total SREP Capital Requirement ratio - TSCR, as defined in the ABE Guidelines) and the combined capital conservation requirement.

If one of the capital ratios drops below the OCR ratio, while remaining above the obligatory value (TSCR ratio), the Gruppo Bancario Cambiano will have to undertake the capital conservation measures provided for by current regulations and initiatives will have to be implemented, to bring the coefficient back to values higher than the obligatory value.

To ensure compliance with the obligatory values even in the event of worsening of the economic and financial context, Bank of Italy has also defined the following capital levels, which Gruppo Bancario Cambiano is required to maintain over time:

- CET 1 ratio: 8.20%, composed of a CET1 OCR CET1 ratio equal to 7.70% and a Target Component (Pillar 2 Guidance, P2G), due to a greater risk exposure in stress conditions, equal to 0.50%;
- Tier 1 ratio: 9.90%, composed of a T1 OCR ratio equal to 9.40% and a Target Component, due to a greater risk exposure in stress conditions, equal to 0.50%;
- Total Capital ratio: 12.25%, composed of a TC OCR ratio equal to 11.75% and a Target Component, due to a greater risk exposure in stress conditions, equal to 0.50%.

These latter capital levels represent an expectation of the Supervisory authority regarding the holding of additional resources by Gruppo Bancario Cambiano.

Also, please note that with letter protocol N. 0512924/23 of 20/03/2023, Bank of Italy notified the start of the procedure to determine the new decision regarding current capital from the Vigilance Notifications referred to 30 June next; in particular, Bank of Italy considers that the value of capital that the Bank will have to hold, in addition to the minimum regulatory amount, should be calculated as follows:

- CET 1 ratio: 8.00%, composed of an obligatory amount of 5.50%, of which 4.50% for minimum regulatory requirements and 1.00% for additional requirements determined on the basis of the SREP results and, for the remaining amount, by the capital conservation reserve component;
- Tier 1 ratio: 9.90%, composed of an obligatory amount of 7.40%, of which 6.00% for minimum regulatory requirements and 1.40% for additional requirements determined on the basis of the SREP results and, for the remaining amount, by the capital conservation reserve component;

- Total Capital ratio: 12.30%, composed of an obligatory amount of 9.80%, of which 8.00% for minimum regulatory requirements and 1.80% for additional requirements determined on the basis of the SREP results and, for the remaining amount, by the capital conservation reserve component.

The capital ratios correspond to the Overall Capital Requirement (OCR) ratios, as defined by the ABE/GL/2018/13 Guidelines and by CRD V: they represent the sum of obligatory amounts (Total SREP Capital Requirement ratio - TSCR, as defined in ABE Guidelines) and the combined capital reserve requirement.

Furthermore, in order to ensure compliance with the aforementioned obligatory values, and ensure that the Bank's own funds can absorb any potential losses deriving from stress scenarios, taking into account the results of prudential stress tests, as per article 100 of Directive 2013/36/EU and/or the results of stress tests carried out by the intermediary within the scope of ICAAP, Bank of Italy has identified the following capital levels that the Bank is invited to maintain:

- CET 1 ratio: 9.25%, composed of an OCR CET1 ratio equal to 8,00% and by a Target Component (Pillar 2 Guidance, P2G), due to a greater risk exposure in stress conditions, equal to 1.25%;
- Tier 1 ratio: 1115%, composed of an OCR T1 ratio equal to 9.90% and by a Target Component, due to a greater risk exposure in stress conditions, equal to 1.25%;
- Total Capital ratio: 13.55%, composed of an OCR TC ratio equal to 12.30% and by a Target Component, due to a greater risk exposure in stress conditions, equal to 1.25%.

The above being said, during the next fiscal years, Cambiano intends to strengthen own funds so as to stabilise capital adequacy ratios.

To this end, in implementing the Capital Plan approved by the Board of Directors on 25 September 2022, exercising the proxy pursuant to art. 5 of the Articles of Incorporation up to an amount of € 40 million, a first operation to increase capital by € 20 million within the month of June 2023 is currently being perfects; said capital will be subscribed by a specific vehicle composed of multiple investors.

Operating structure

Human resources

Human resources constitute a primary focal point as, of all productive resources, human resources is the most crucial in terms of representing the corporate physiognomy and identity, and the most significant as a cost component. Herein, it is thus our duty to express a sense of acknowledgement and appreciation for the work and commitment of company personnel, which we must bring to the attention of the shareholders. If our Bank has reached such significant results and size, it is due to the passionate contribution that personnel, at all levels and in all roles, have always provided, supporting the company's ambitious growth objectives, in harmony with the organisational structure and pondered and shared industrial policies.

Quantitative data relative to personnel are illustrated in the table below.

BREAKDOWN OF PERSONNEL	31/12/2022	31/12/2022	31/12/2021	31/12/2021	Variation 2022/2021
	Values	Percent breakdown	Values	Percent breakdown	
BREAKDOWN BY QUALIFICATION					
Upper management	4	0.94%	4	0.93%	0
Middle management	109	25.71%	109	25.41%	0
Professional areas	310	73.11%	312	72.73%	-2
Apprenticeships	1	0.24%	4	0.93%	-3
Total	**424**		**429**		-5
BREAKDOWN BY GENDER					
Women	162	38.21%	162	37.76%	0
Men	262	61.79%	267	62.24%	-5
Total	**424**		**429**		-5
BREAKDOWN BY LEVEL OF EDUCATION					
University Degree	202	47.64%	202	47.09%	0
Secondary school Diploma	213	50.24%	219	51.05%	-6
Other	9	2.12%	8	1.86%	1

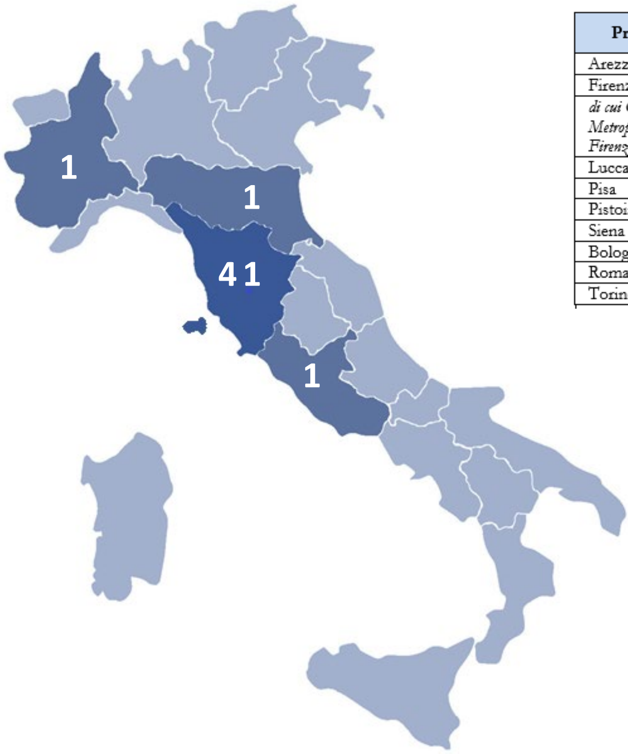
BREAKDOWN OF PERSONNEL	31/12/2022	31/12/2022	31/12/2021	31/12/2021	Variation 2022/2021
	Values	Percent breakdown	Values	Percent breakdown	
Total	**424**		**429**		-5
BREAKDOWN BY AGE BRACKET					
Up to 25 years	12	2.83%	11	2.56%	1
26 - 35 years	98	23.11%	116	27.04%	-18
36 - 45 years	126	29.72%	117	27.27%	9
46 - 55 years	129	30.42%	130	30.30%	-1
56 - 60 years	40	9.43%	38	8.86%	2
Over 60 years	19	4.48%	17	3.96%	2
Total	**424**		**429**		-5
BREAKDOWN BY LENGTH OF SERVICE					
Up to 3 years	59	13.92%	62	14.45%	-3
4 - 8 years	92	21.70%	91	21.21%	1
9 - 15 years	113	26.65%	117	27.27%	-4
16 - 25 years	100	23.58%	97	22.61%	3
26 - 30 years	32	7.55%	35	8.16%	-3
over 30 years	28	6.60%	27	6.29%	1
Total	**424**		**429**		-5
FUNCTIONAL DISTRIBUTION					
Central offices	160	37.74%	165	38.46%	-5
Network	264	62.26%	264	61.54%	0
Total	**424**		**429**		-5

Training initiatives were organised according to the peculiarities of the various roles, not only by defining specific contents, but also by creating modules aimed at developing specific competencies to support the managers of the various business units, particularly those characterised by greater operational complexity, both to improve results and in terms of employee involvement and growth. In line with what has become consolidated practice, training activities were conducted prevalently by means of remote techniques and tools, but in-presence activities were not lacking, as these are considered the most efficacious. The catalogue of courses was broadened and updated considerably.

Organisational model

The Bank's distribution network comprises n. 44 branches, of which n. 41 located in the Region of Tuscany, the traditional home locations, and 3 located in Turn, Bologna and Rome. During 2022, the Scandicci branch office was moved to a location more adequate in size and relative cost.

Figure 1 – The network of branches of Banca Cambiano 1884 S.p.A.



Provincia	Numero filiali
Arezzo	2
Firenze	28
di cui Città Metropolitana di Firenze	*6*
Lucca	1
Pisa	3
Pistoia	1
Siena	6
Bologna	1
Roma	1
Torino	1

Research, development and innovation activities

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

In 2022, the Bank reconfirmed its commitment to investing in Information Technology, to meet customer needs and to offer increasingly leading-edge technological solutions, aimed at improving customer online experience and the degree of customer satisfaction.

Among such projects, the main ones launched during the year were:

- **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 questionnaires;
  - The sale of products and services to existing customers, through a showcase of products accessible online through the CambianOnline application;
  - Activation of the new digital channel, CambianOnline www.cambianonline.it, from which it is possible to become a Banca Cambiano customer, through a specific onboarding process for new customers;
  - Activation of the new CambianOnline APP, fully renewed in terms of design and with new functions and features, such as, for example, the payment of bills online by scanning the QR code, or opening "time deposits" directly from the App.
- **ESG Project**. This project entails the gradual activation of various functions. To date, the following functions have been released:
  - **Finance worksite**: updating of the MiFID Questionnaire for customer profiling and recording of customer preferences regarding sustainability, and implementation within the scope of compliance control, of transactions in investment products between the preferences expressed by the customer and the "ESG score" assigned to the product through an external Infoprovider;

    - **Credit worksite**: within the process of background checks for credit lines, ESG indicators have been made available, for Bank assessment, relating to the sector and/or specific to the customer, through the analysis of data processed by an external Infoprovider.

- **ICT Security and Fraud Management Project.** This project regards a series of initiatives aimed at reinforcing the security of Bank customers and employees, with avant-garde technologies for access management.

During 2023, the following additional **commercial platform development** activities will be launched to support customer service and sales processes. Specifically, web/digital projects have been planned, to support:

- Specific distribution channels and business segments, such as, for example, investment services through off-site offers (BRIO Promotors);
- Accelerate dematerialisation and digitalisation processes in branches or «in remote» (remote signature project).

Significant investments have been, and will continue to be, made relating to compliance with the new **regulations** that are being issued continuously.

The main projects that will be launched during the 2023 fiscal year regard:

- **ESG Project– Risk and Reporting sustainability worksite:**
    - Acquisition of information data-set (data provider, Easy Loans, etc.) structured for recovery of «ESG» information, construction of indicators (KPI and GAR) that credit institutions must calculate for Taxonomy purposes, and creation of the sustainability reports needed to comply with reporting requirements for credit institutions, in accordance with Taxonomy;
    - Creation of Data Mart ESG and support in the evaluation /quantification of ESG risk in relation to the most suitable methodology to assess ESG impact on the bank's portfolio.
- **Digital Operational Resilience Act 2022/2554 – DORA and Bank of Italy Circular n. 285 40th Update:**
    - DORA regulations – development activities related to the incentive measures of the so-called "digital finance package" by the EU, that has simultaneously issued regulations to guaranty the security standards of infrastructures and monitor ICT suppliers operating in the sector, in terms of digitalization and mitigation of the resulting risks.
    - Bank of Italy Circular n. 285/2013 – Chapter 4 "The Information System" and Chapter 5 "Business Continuity" of Part One, Title IV, have been modified to implement the "Guidelines for the management of risks related to information technologies (ICT) and security" (EBA/GL/2019/04) issued by the EBA, and compliance related to further developments of Section I of Chapter 3 "The Internal Controls System".
- **CR and Subject Database:** Technological adaptations related to the re-engineering process of the CR information system by Bank of Italy, that, simultaneously, launched a functional and technological revision project of the information system aimed, among other things, at analysing a new data model that will allow broadening the scope of subjects benefitting of information and innovating the service by introducing new instruments.
- **Digital Banking Evolution:** digital development activity along multiple lines of development: (i) expansion of the range of products deliverable through Banca Cloud (finance products), (ii) strengthening of the mobile banking channel, with release of new functions, (iii) application of models to rationalise and automate management processes related to customer service channels; (iv) activation of innovative payment models.
- **Liquidity Risk Management:** Development and implementation of the liquidity risk monitoring framework.
- **Fraud Management:** continuation of the roll out of the fraud management platform for the traditional and instant SCT component.

The Bank continues to invest in the **ICT security** project, aimed at ensuring high levels of service reliability and security, providing the utmost guaranty for the Bank and for counterparties, that entails the creation of technical and organisational monitoring mechanisms within the scope of the security of the internal network, the management of logical accesses by employees, the monitoring of anomalous security events, and fraud management.

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

The Board of Directors is charged with verifying the functionality, reliability, adequacy and completeness of the system of internal controls. To fulfil this important role, the Board of Directors, aided by the Risk Committee (committee within the board), dictates the rules, methods, limits and types, and frequency of reporting.

The Risk Appetite Framework (RAF) has been approved for some time now, and is constantly updated, and finalised at defining, *ex ante*, the risk level that the Bank considers sustainable and, consequently, the entity of risk that the latter intends to take on, setting operational limits as a consequence thereof.

As provided for by vigilance regulations, the Bank has also drawn up a Recovery Plan, that identifies indicators for every area considered of relevance (capital, liquidity, profitability and quality of assets), in order to allow for the timely activation of every possible remedy intervention, in the event that said limits are exceeded.

Risk management and control require the identification of significant risks of the activity carried out by the Bank, pertaining not only to the typical financial brokerage and credit activities, but also to the correct structuring and implementation of processes, and their compliance with reference regulations.

For each risk, assessment, monitoring, organisational systems, strategies and mitigation techniques are defined. First and Second Pillar risks, as defined in the Basel 3 Convention, are subject to quantification.

For First Pillar risks (credit and counterparty risk, market risk, operational risk), that contribute to the definition of capital requirements, standardised methods are adopted, in compliance with regulations on the matter. For concentration risk, the regulatory approach and the ABI guidelines are adopted. For rate risk, an internal model based on the method of regulatory calculation with the behavioural analysis of the entries is used. For residual risk, associated to the actual capacity of guarantees to mitigate the risk of loss, a process of preventive verification on the admissibility of the guarantees is used, supervised by the Conformity and Risk Management functions. As regards liquidity risk, the short-term net liquidity position, the liquidity gap and the counter-balancing capacity trend are calculated. The Liquidity Coverage Ratio – LCR is calculated, as is the Net Stable Funding Ratio - NSFR).

L In compliance with prudential vigilance provisions, the Bank also annually assesses:

- Within the scope of the ICAAP (Internal Capital Adequacy Assessment Process) that the capital planning process, the overall risk exposure and the consequent determination of overall internal capital are in line with the profile and the strategy adopted and that capital is adequate – by amount and composition – to hedge the risks identified in ordinary and stress conditions, both current and future, and in compliance with regulatory requirements and consistent with own funds;
- Within the scope of the ILAAP (Internal Liquidity Adequacy Assessment Process), that the liquidity risk governance and management system and the planning of levels of liquidity reserves and of funding sources are adequate and consistent with the system of overall controls and management.

The Bank has also drawn up the Information Statement, making it available to the public, pursuant to EU Regulation n. 575/2013, regarding capital adequacy, risk exposure and the general characteristics of the relative systems in place to identify, measure and manage risks.

The Bank is now classified as a class 2 intermediary for the purposes of ICAAP.

Part E of the Explanatory Notes contains all the qualitative and quantitative information regarding risks and hedging policies.

The Internal Controls System

The Internal Controls System (ICS) is structured on three control levels, as provided for by vigilance regulations, and entails:

- First level or line controls, inherent to company processes;
- Second level controls on the entity and trends of risks and on conformity to regulations;
- Third level controls, or internal audits, to verify processes and behaviours *ex post*.

The company second level (Conformity, Risk Management) and third level (Internal Audit) control functions report directly to the Board of Directors.

To ensure greater efficacy of the overall internal controls system, the Bank has, for some time, formalised decision-making processes and appointed responsibilities to the various company functions, through specific regulations are constantly updated; it has ensured the independence and autonomy of company control functions and has activated operational control procedures aimed at minimising the risks associated to fraud or employee infidelity, to prevent and mitigate potential conflicts of interest, and to avoid involvement, even be it unintentional and unaware, in money-laundering of financing of terrorism.

The Bank has also equipped itself with information and organisational systems suited to ensuring the company's business continuity even in case of adverse events.

The Risk Committee

In compliance with vigilance regulations, the Bank's Board of Directors, in order to better execute its duties on the matter of risk monitoring, and implementation and verification of the internal control systems for the Bank and for the Group, has created the Risk Committee. Said Committee, within the Board itself, carries out advisory, and, where necessary, preliminary inspection activities and supports the Board of Directors regarding risks and internal controls.

Particular attention is given to activities that are necessary and instrumental to allow the Board of Directors to a correctly and effectively determine the RAF (Risk Appetite Framework) and the risk management policies.

The Vigilance Organism

Pursuant to Legislative Decree 231/01, a Vigilance Organism has been set up, to supervise the administrative responsibility of the company. For the control purposes it has been assigned, the Vigilance Organism has the power to acquire any information or company document, to directly access said documents and to inspect all the structures, functions, branches and operational centres of the Bank.

In executing its functions, the Vigilance Organism acts in a fully independent manner with respect to any Bank structure. It reports exclusively to the Board of Directors regarding the outcome of the activities carried out, transmitting specific reports.

The Compliance Function

The Compliance Function, with its requirements regarding independence, authority and professionalism, that allow it to access all relevant information, oversees, according to an approach based on the risk, the risk of non-conformity to all regulations, with respect to the whole of the company's activities. This function verifies that company processes are suited to preventing the violation of hetero-regulatory (laws, regulations, etc.) and self-regulatory (for example, codes of conduct, ethical codes, policies and internal regulations) provisions. Particular attention is given to conflicts of interest and to all regulations that have greater impact on customer relations, such as usury, investment services, claims, etc. This Function works on the basis of an annual action plan, submitted to the Board of Directors for approval, that identifies all the principal risks to which the Bank is exposed, and plans the respective audit interventions. The Function is structured based on a centralised organisational model with the identification of "Specialised Overview Unit" regarding taxation, processing of personal data and workplace health and safety.

The Anti-money Laundering Function

Risk of money laundering and financing of terrorist activities means the possibility that the Bank become involved, even unintentionally, in the re-introduction within the financial system of profits deriving from illegal activities, or in activities aimed at committing one or more crimes with terroristic aims that could engender reputational damage and economic losses. In order to adequately guard against money laundering risks, the Bank has adopted a Policy that defines the strategic guidelines and the governance policies for risks connected to money laundering and the financing of terrorist activities. The principles contained in said policy are outlined in processes and procedures aimed at ensuring conformity with anti-money laundering regulations, which are of relevance also for the purpose of the "Organisational, management and control model, ex Legislative Decree 231/2001".

The Bank guards against the risk of money laundering and financing terrorist activities through a series of first level controls present in the IT procedures, or executed by each operational unit, through second level controls by the specific Function, and by third level controls by the Internal Audit Function.

The Anti-money laundering Function, responsible for anti-money laundering activities, transmits the statistical aggregated data, the "Objective Communications" regarding the use of cash, and notifications of any suspect operations (SOS) to the Financial Information Unit, and sends notification of violations of regulations, pursuant to art. 49 del Lgs. Decree 231/07, to the MEG. The Anti-money laundering Function works on the basis of an annual action plan, submitted to the Board of Directors for approval, that programs the respective control activities.

The Risk Management Function

The activity of the Risk Management Function is aimed at measuring and controlling risks taken by the Bank. It does so by:

- Contributing to the definition of the Bank's profile of acceptable risk (Risk Appetite Framework) and of the Recovery Plan indicators;
- Developing measurement models for the various types of risk (credit, market, operational, reputational, liquidity, interest rate, spread and concentration risk) and verifying, in an ongoing manner, the validity thereof in terms of both methodological rigor and the capacity to interpret risks;
- Verifying that the risk limits provided for by the RAF and the Recovery plan, as well as any additional limits defined by the Board of Directors, are respected.

In particular, the Risk Management Function works to:

- control credit risk, monitor the trend of a wide range of phenomenon and indicators, in order to keep the risk in question under full control;
- control market risk, develop the model to calculate the variation and the measures for sensitivity to interest rate and spread fluctuations;
- control liquidity risk, elaborate the regulatory indicators for the Liquidity Coverage Ratio and the Net Stable Funding Ratio, with the aim of providing an overview of the Bank's liquidity risk profile;
- monitor operational risk, gather information on operational losses.

The Risk Management function submits an ample report to the Board of Directors and to General Management, describing the evolution of all the monitored risk classes. For greater details on this activity, please refer to Part E of the Explanatory Notes.

The Internal Audit Function

During the fiscal year, the Internal Audit Function has continued the process initiated for the adaptation/rationalisation of its internal organisation, and of auditing methods and instruments, focalising the activity on an approach aimed at the processes and the risk. In this context, the work of this Function has been based on criteria of greater efficacy, reliability and efficiency of controls on company processes, aimed at allowing for and appropriate risk management and the efficient pursuit of audit objectives.

With this purpose in mind, the Audit Plan approved by the Bank's Board of Directors was implemented, and a wide range of audit activities on various segmented company processes were carried out, consistent with the taxonomy of ABILAB processes, and in governance processes, operations, commercial/marketing and support areas, as well as on specific activities relating to Important Externalised Operational Functions. Primary focus was given to risk monitoring systems, with more in-depth analyses reserved to the credit segments, outsourced activities and, generally speaking, to the methods of application of the principle regulatory provision. Audit activities were no less important, and were aimed at verifying the reliability and functionality of company IT systems, including those to fight "cybercrime", internal and external ICT processes and operational continuity, as well as verifications of the correct operation of territorial networks.

The support and direct participation of the Internal Audit Function to the work of the Risk Committee, the Board of Statutory Auditors and the Vigilance Organism, of which the Supervisor of the Function is a permanent member, was constant.

Transactions with Related Parties and Intra-group Transactions

In accordance with prudential regulations regarding risk activities and conflict of interest vis-à-vis related parties, 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 network and on the year end results, accompanied by the summary tables of said effects, are provided in Part H of the Explanatory Notes.

Other information pursuant to art. 2428 Italian Civil Code

The information below is provided in compliance with art. 2428 of the Italian Civil Code:

1) Research and development activities are specified in the paragraph "Research, development and innovation activities";

2) with the parent company Ente Cambiano Scpa there is an overdraft facility of 20 million euro, partially used;

3) the Bank does not hold treasury shares; the Bank holds a share in the parent company Ente Cambiano Scpa with a nominal value of 306.00 euro; the corresponding capital quota is not specified as it is a co-operative enterprise and therefore with a variable capital;

4) during the fiscal year, no treasury shares, nor shares of the parent company, were purchased or sold.

Significant events subsequent to the closing of the fiscal year

General information

The most significant events that occurred after the closing of the fiscal year, and up to the date of approval of the Financial Statements by the Board of Directors (27 March 2023) are detailed here following.

On 13 February 2023, the Florence branch office located in Viale Gramsci was transferred to the new locales in Piazza Beccaria, adjacent to the Cinema Astra movie theatre, owned by the real estate company that is a part of Gruppo Bancario Cambiano. The recovery of the Cinema Astra allowed giving back to the city of Florence an important cultural meeting place, so necessary to rediscover social relations after the lockdowns of the pandemic period. This has entailed a considerable economic investment, but one made in full acknowledgement of the social mission of the Gruppo Bancario Cambiano objectives.

On 23 February, the new "app" used to perform banking transactions on smartphones was launched. This is a new application is fully revised in terms of technological infrastructure and graphic design. The launch was possible thanks to the intense activity carried out by both the internal structure and the intervention of the outsourcer Cabel Industry.

As already illustrated previously, in relation to equity investments, during the first months of 2023 the process was defined for the disposal of non-strategic holdings in *i)* Cabel IP spa, in which the Bank had a holding of 25.48%, by transfer to Fintech Scalapay, active in the Buy Now Pay Later segment; *ii)* Invest Italy SIM, 98.5% controlled, currently being transferred, in part to First Capital S.p.A., financial holding company specialised in Private Investments in Public Equity investment and in Private Equity investments, focused on Small-Medium Enterprises, with an active type of approach in management of its subsidiaries, and with the objective of creating value in the medium to long-term. The Bank will continue to collaborate with both companies.

As regards the continuing war in the Ukraine, the special monitoring mechanisms on lists of names subject to restrictions continue to be active. The potential risks for the Bank, direct and indirect through customers, deriving from the war are practically non-existent, obviously excluding broader issues associated to the effects of the war on general economic trends.

In March 2023, within the scope of ESG, procedures were set in motion to reach the first issue of a “Green Bond”, to be completed within the first semester of 2023. The Bank is aware of the importance that sustainability issues hold for society and for the future of our planet and of future generations, and has therefore developed its first "Green Bond Framework", with the intention of creating a Green Bonds issuance programme to finance or refinance, in whole or in part, its customers’ "Green" projects, supporting them in the transition process towards the decreasing the environmental impact of their business activities. Safeguarding the environment is an important objective, and taking actions that reduce global warming and contrast climate change, is a necessary prerequisite for long-term healthy and sustainable growth. To implement its sustainability policies and accompany energy and climate transition processes, the Bank has chosen to equip itself with a GBF, in accordance with the ICMA (International Capital Market Association) 2021 Green Bond Principles. The GBF has the Second Party Opinion of MC Advisory CSR SB.

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, redefined after the merger with 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 optimise 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.

The 2023-2025 Strategic Plan is currently being updated, and will be completed by 15 April next.

The Plan update includes an increase of own funds through four different lines of intervention:

- Implementation of the first foreseen € 20 million capital increase by June 2023; this operation, by the Bank, falls within the mandate provided for by art. 5 of the Articles of Incorporation;
- Replacement, in 2023, of subordinate notes– subsequent to authorisation on the part of the Supervisory Authority – for up to € 15 million, with the aim of neutralising the reduction effect on own funds due to the passing of time;
- Strengthening of self-financing capacity, through actions aimed and increasing the efficiency of the costs function and increasing revenues from various business areas (credits, sales, finance); this aspect was described in the previous point regarding strategic guidelines;
- Continuing the actions aimed at reducing RWA in correlation to the increase of buffer, also keeping in mind the new ratios communicated by the Supervisory Authority.

Revising of the strategic plan will also be aimed at extracting greater value from credit loans, strengthening the efficacy of commercial product / service positioning, and, finally, reducing operating costs.

The actions for implementation of the above improvements are:

1) Repositioning the credit process, to *i)* increase the efficiency of the loan pricing process based on the risk level of the counterparties, on the cost of funding, and on the cost of own funds, *ii)* requalify the credit portfolio, through a better selection of LOM indicators, with the end objective of containing the overall cost of portfolio management; *iii)* improving the efficacy of management processes for problem loans, intervening on problem identification triggers, on early warning activities, and on recovery schedules agreed upon with customers;
2) Reducing the incidence of impaired receivables and increasing their hedging, also through a credit disposal schedule spread over the three fiscal years of the Plan;
3) Verifying the possibility of undertaking additional processes to optimise RWA, safeguarding expected earnings;
4) Rendering commercial policies more incisive, so as to increase operating income by promoting and placing products / services with a high added value; in this regard, interventions for customer development will have to be planned, also through microdata analyses and cross selling actions, as well as for the territory, to raise market penetration levels;
5) Increasing the operating cost efficiency through cost saving actions aimed at renegotiating supply contracts and mitigating fees related to the supply of IT systems, striving, over the timeline of the Plan, towards a progressive reduction of its incidence on operating charges.

Inspection audit

As regards the ordinary inspection audit conducted by Bank of Italy on Gruppo Bancario Cambiano, concluded in the month of November 2022, the respective report was received on 20 March 2023. The inspection was closed without the application of administrative sanction measures. A need for a capital increase was ascertained, to support the development of the Bank's core business and satisfy the regulatory capital buffers attributed to the Bank itself. As regards interest holdings, observations were made regarding an expected reduction in the entity of holdings in the Cabel network; as regards the credit process, the considerations set forth were consistent with the above reporting. Finally, as regards governance, the report underscored the need to comply with *"Bank of Italy Guidelines on the composition and functioning of the boards of directors of LSI"* in force since November 2022, already from the first renewal scheduled for expiration of the mandate with the shareholders' meeting for approval of the 2022 financial reports. Furthermore, the need to review the Industrial Plan, in light of the changes in the context of reference, was also noted.

On the basis of the Supervisory observations, we hereby report that, as already mentioned in part, a first transaction on corporate capital is by way of being defined, and the same is also true as regards changes in the equity holdings in the Cabel group, with a significant reduction of our share of holdings. Considerable interventions have already been operated on the credit process, and further interventions have been planned. Finally, the list of candidates that will be submitted to the shareholders' meeting for renewal of the Board of Directors and Board of Statutory Auditors will be drafted, along with a necessary graduality of renewal, in compliance with the prescriptions set out in the *"Bank of Italy Guidelines on the composition and functioning of the boards of directors of LSI"*.

Furthermore, an organic review of the Industrial Plan has been initiated, which can be summarised in the following essential points:

1) Focus of credit activities with the essential aim of preservation, favouring the rotation of components aimed at mitigating absorption, with a view to progressively de-risking and increasing revenue contributions;
2) Actions aimed at consolidating assets, also through capital increase operations;
3) Financial investment policy conducted along prudential lines, aiming towards minimised asset absorption, limited duration and a high marketability;
4) Reduction of cost-income, through interventions aimed at both reducing costs and increasing operating income;
5) Giving priority to the degree of corporate liquidity, expanding ordinary collection methods and through extraordinary operations.

SREP 2023

On 20 March 2023, Bank of Italy transmitted the report titled *"Gruppo Bancario Banca Cambiano. Corporate situation and decision regarding capital. Notification of initiation of the procedure"* that notifies the setting of share capital requirements applicable to the Group based on the outcome of the prudential review process *(Supervisory Review and Evaluation Process – SREP)*.

The new mandatory requirements specified by Bank of Italy are the following, as of 30 June 2023:

- CET 1 ratio: OCR CET1 ratio equal to 8.00%;
- Tier 1 ratio: OCR T1 ratio equal to 9.90%;
- Total Capital ratio: composed of an OCR TC ratio equal to 12.30%.

Transfer of holdings in Invest Italy SIM

On 22 March 2023, First Capital S.p.A., a financial holding company specialised in *Private Investments in Public Equity* investments, and *Private Equity* investments, and Banca Cambiano 1884 S.p.A. undersigned a binding agreement for the purchase, by First Capital, of an 88.5% share capital in Invest Italy SIM S.p.A. First Capital intends to focus the business of Invest Italy SIM on investment banking services for SMEs, concentrating initially on assistance activities for listings on stock markets (equity capital markets services). The registered head offices of IISIM will be based in Florence. The consideration for the transaction, equal to approximately 1.1 million euro, includes goodwill for about 10% of the book net equity of IISIM, and will be settled by treasury shares of First Capital, valued at 23 euro each. Banca Cambiano will therefore become a shareholder of First Capital, with an equity holding just below 2% of net equity, within the framework of a long-term strategic relationship. Furthermore, Banca Cambiano will continue to have holdings in IISIM equity, for a 10% share, including representation in the Board of Directors. The agreement comprises the usual guarantees and representations for this type of transaction. The operation was subjected to authorisation by the Supervisory Authority.

Foreseeable management trend

The economic context of the first months of 2023 was more favourable than trends led to believe during the final months of last year. The improvement of the economic scenario was based on the fact that gas prices on the European market dropped, and the Chinese economy survived the wave of Covid-19. The Italian economy could benefit from the situation, both because the recovery of the Chinese economy will breathe new life into international demands, that dropped during the last months of 2022, and because the drop in gas and energy prices should lighten the cost burden on business and household accounts.

In general, a year that seemed marked by the risk of recession could witness a relative stability of the economic situation. Nevertheless, the first months of the year have shown a relative inertia in price dynamics. Inflation in the Eurozone is slowing down, but not as quickly as desired. In particular, price dynamics are slowing down at a rather marked pace in the more upstream stages of production processes. Production prices have in effect interrupted the growth stage, and, as regards the trend for the next months, businesses are forecasting a return of tensions. Nevertheless, taking a look at consumer inflation, the stop has to now appeared relatively marked as regards energy products, by the dynamics of core inflation remain high, showing, in some sectors, a relative capacity by businesses to shift cost increases downstream and, in some cases, even to increase. Delays in the curbing of inflation have created some tension on European bond markets, considering that the ECB could be induced to further exacerbate its policies. In the last few weeks, discordant positions have also arisen within the Board of Directors as regards the volume of the next increases, which reflect precisely those uncertainties relating to the speed of the drop of inflation. The latest rise, that brought the rate on deposits to 3 percent, should be followed by another half point increase within the second quarter, but there are opinions that deem further increases, up to 4/4.5 percent, necessary. Uncertainty has however increased, following the crisis of the Silicon Valley Bank, that opens the broader issue of the difficulty that the international financial system could face, due to the interest rate increases of the last year and a half. Not surprisingly, in the meeting, the ECB mitigated its tones, and repeated that it is ready to provide liquidity to banks, if necessary. The declarations issued by President Lagarde are now accompanied by not trivial margins of approximation, like the aim of the manoeuvres on rates in progress, which seem aimed only at pursuing the original objective of the ECV, to contain inflation at 2%. The ECB and Central Banks alike have been disconcerted by the continued inflation, insensitive, due to its origin, to the textbook maneuverers on rates. During the current stage, we are witnessing the opposition between economic growth and (up until a few months ago, pumped full of expansive monetary manoeuvres, up to the incredible and poisonous negative rates) and the attempt to avert possible inflationary thrusts that could occur (those expected due to the expansive manoeuvres) due to which the drastic reduction of the monetary base and sky-high rates, at whatever cost, the manoeuvre continues without contemplating the fall-out on the economic and social system. A recessionary stage or, worse, a stagflation should be aspects taken into consideration.

Clearly, the path ahead from here on in is more uncertain. Based on the trend of forecasts on inflation, the ECB is rooted in its intent to remain anchored to its own medium-term objectives, even at the cost of a progressive rise in interest rates. This, therefore, means that real interest rates are now higher, albeit still on modest levels, historically speaking. The increase in real interest rates observed in Italy is, however, higher than the average for the Eurozone, because, with the change in ECB policies, and in particular with the end of the policy of purchasing government bonds, the spread has also increased, with respect to the minimum values touched in 2021.

It is also interesting to take a look at the ECB's macro-forecasts, keeping in mind that they were closed before the banking crises and therefore before consideration regarding the risk of contagion (perhaps the 2008 crisis has taught us something) on markets and on the economy. In particular, the estimates/forecasts, given the reliability thereof if extended too far into the future in a context like the present one, point to an increased forecast for growth for this year, with a variation of the GNP equal to 1 percent, against a reduced estimated inflation, with respect to both the ECB's previous December scenario, and scenarios formulated in recent months by other, major international organisms. Nevertheless, these are improvements that still seem very prudent, if one considers the ample contraction of energy prices over the last months. In particular, the forecasted inflation for 2024 was revised minimally. Furthermore, against the reduction of forecasted total inflation, the ECB has increased forecasted core inflation for this year, increasing it to 4.6 from the 4.2 value indicated in the December forecasts, and has only just barely revised forecasts for 2024, from 2.8 to 2.5 percent.

LA REVISIONE DELLE PREVISIONI DELLE MAGGIORI ISTITUZIONI 2023-24

		AREA EURO				ITALIA			
		Pil		Inflazione		Pil		Inflazione	
		2023	2024	2023	2024	2023	2024	2023	2024
(set)	Bce	0.9	1.9	5.5	2.3				
(ott)	Imf	0.5	1.8	5.7	2.7	-0.2	1.3	5.2	1.7
(ott)	Banca d'Italia					0.3	1.4	6.5	2.3
(ott)	Nadef (programmatico)*					0.6	1.9	5.5	2.6
(nov)	Commissione UE	0.3	1.5	6.1	2.6	0.3	1.1	6.6	2.3
(nov)	Ocse	0.5	1.4	6.8	3.4	0.2	1.0	6.5	3.0
(dic)	Bce	0.5	1.9	6.3	3.4				
(gen '23)	Imf	0.7	1.6			0.6	0.9		
(gen)	Banca d'Italia					0.6	1.2	6.5	2.6
(feb)	Commissione Ue	0.9	1.5	5.6	2.5	0.8	1.0	6.1	2.6
(mar)	Bce	1.0	1.6	5.3	2.9				

Le previsioni d'inflazione si riferiscono all'indice IPCA, quelle del Governo al deflatore dei consumi.

Information on business continuity

The joint coordination committee for the application of IAS/IFRS, comprising representatives from Bank of Italy, Consob and Isvap, issuing document n. 2 of 06.02.2009 "Disclosure in financial reports on going concern, financial risks, impairment testing on assets, and estimation uncertainty", and subsequent document n. 4 of 04.03.2010, has required Directors to perform particularly accurate assessments as regards going concern assumptions. On this matter, paragraphs 25-26 of the IAS 1 accounting principle establish that: "During the preparation stage of the financial statements, company management must perform an assessment of the entity's capacity to continue to operate as a going concern. The financial statements must be prepared on a going concern basis, unless company management intends to liquidate the entity, or interrupt business activities, or has no realistic alternatives thereto".

On this matter, the Board of Directors has assessed the capacity of the Group and of the Bank to continue operating as a going concern.

As reported in other sections of the Report, on 20 March 2023, Bank of Italy transmitted the notification titled "*Gruppo Bancario Cambiano. Decision on share capital. Notification of initiation of the procedure*" that defines the setting of capital requirements applicable to the Group, resulting from the first prudential inspection process (Supervisory Review and Evaluation Process – SREP) in effect starting 30 June next.

The foresight analysis formulated in updating the 2023-2025 plan highlighted that the Bank, even in the event of an adverse scenario, possesses equity levels that are already sufficient to satisfy the capital parameters defined in the aforementioned communication, thanks to the initiatives that have already been launched and, in part, brought to completion (specifically with reference to raising the efficiency of RWA and the plan to issue subordinate debentures, completed in the 2022 fiscal year) as also illustrated in the revision of the above Plan.

In formulating its assessment, and taking into account the foreseeable effects of the critical situation, and recent events in the financial market, in addition to the possible and crucial effects of the Russian-Ukrainian conflict, while considering the risks and uncertainties associated to the macro-economic context, on the basis of the information available at the date of preparation of these Financial Statements, the Board of Directors is reasonably certain that the Bank will continue operations in the foreseeable future and, have therefore prepared the financial statement on a going concern basis.

Proposal for allocation of fiscal year profits

The financial statements were drawn up in compliance with the international IAS/IFRS accounting standards and according to the requirements of Italian Legislative Decree n. 38 of 28 February and Bank of Italy Order n. 262 of 22 December 2005 and subsequent amendments, and was subject to regulatory audit of accounts by the company Deloitte & Touche S.p.A.

In deciding the allocation of fiscal year profits, the Board has unanimously decided to allocate the majority of profits to reserve, continuing along the path undertaken to reinforce equity, but to also continue to distribute a measured dividend to shareholders. This proposal is considered consistent with the plan for capital strengthening and does not affect the prescribed capital ratios, also because the calculation of own funds and consolidated prudential requirements that must be transmitted to Bank of Italy within the scope of prudential vigilance reporting (COREP) and statistical reporting (FINREP) is made with reference to Ente Cambiano Scpa (cod. 20067) which, according to European Capital Requirements Regulation (CRR), is the financial parent company and therefore 93.23% of said dividends are of competence of the Ente itself and will remain in the overall regulatory capital.

Within the scope of the declared objectives of reinforcing the Bank's capital profile, the Board of Directors proposes to allocate the fiscal year profit as follows:

PROPOSAL FOR ALLOCATION OF PROFITS FOR FISCAL YEAR	Amount
NET PROFIT TO BE DISTRIBUTED	**17,761,960**
Proposal of the Board of Directors	
To Legal reserve (5.00% of profits)	888,098
To extraordinary reserve	15,673,778
To Shareholders as dividends (Euro 0.005155 for each of the n. 232,800,000 ordinary shares)	1,200,084
Total	**17,761,960**

* * *

Final considerations

Esteemed Shareholders,

in conclusion to this Report, we wish to express our sincere thanks to the whole of the corporate structure, and in particular to General Management for the work carried out, that has allowed closing the year in review positively.

Special acknowledgement is due to Bank of Italy, in the various branches of its central management, of the inspection team that conducted the assessments, and of the Florence offices, to whom we extend our thanks for their continuing support.

Our thanks are extended to the Board of Statutory Auditors for the professionalism demonstrated, and to the Cabel Group for the constant collaboration provided.

Hence, our sincere thanks go to our customers, for having privileged us with their trust, loyalty and a degree of attachment that has permitted us to create a banking reality that is increasingly appreciated in the market of reference.

* * *

The approval of these financial statements marks the close of our mandate, and replacements are therefore required. Full re-confirmation of the members is not possible, due to both a necessary need for turnover, and also for the purpose of complying with guidelines on the composition and operation of boards of directors of less significant banks, and Italian Decree n. 169/2020. The work of the Board of Directors and of Statutory Auditors over the last years has been intense, and has required great commitment and sense of responsibility. The organisational innovations that have been implemented, the increasingly stringent regulations, the transaction for the purchase of Invest Banca, the taking on of the function of banking parent company, the management of the complex situations of the Covid pandemic period, are only some of the issues that have witnessed the uprightness, cohesion and sense of cooperation, with independent decisions on the part of all. All these values will remain as a solid foundation for interpersonal relationships beyond the limits of the corporate mandate which, nominations notwithstanding, will leave participation in the life of our Bank intact.

In conclusion, we wish to thank all those who, without clamour, almost invisibly, with their support, motivation and trust, have provided the strength needed to obtain the positive results that the Bank has reached.

Florence, 27 March 2023

The Board of Directors

SCHEDULES TO THE FINANCIAL STATEMENTS

OVERALL PROFITABILITY

	Asset line items	31/12/ 2022	31/12/ 2021 (1)
10.	Cash and cash equivalents	49,761,309	104,989,197
20.	Financial assets measured at fair value with impact on profit and loss account	208,528,387	163,036,572
	a) financial assets held for trading	*67,555,234*	*71,433,475*
	b) financial assets measured at fair value	-	-
	c) other financial assets measured at fair value	*140,973,153*	*91,603,097*
30.	Financial assets measured at fair value with impact on total profits	612,350,039	526,548,591
40.	Financial assets measured at amortised cost	3,746,241,791	3,834,951,930
	a) receivables from banks	*141,060,644*	*223,443,470*
	b) receivables from customers	*3,605,181,147*	*3,611,508,461*
50.	Hedges	-	-
60.	Adjustments of value of generic hedges for financial assets (+/-)	-	-
70.	Equity investments	49,715,749	48,208,908
80.	Property, plant and equipment	64,960,239	68,995,667
90.	Intangible assets	4,082,139	3,646,387
	of which:		
	- goodwill	-	-
100.	Tax receivables	32,875,838	27,636,406
	a) current	*4,118,771*	*6,748,122*
	b) pre-paid	*28,757,067*	*20,888,284*
110.	Non-current assets and groups of assets in the course of divestment	-	-
120.	Other assets	103,222,240	78,311,785
	Total assets	**4,871,737,730**	**4,856,325,444**

(1) The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – corporate mergers".

	Liability line items and shareholder's equity	31/12/ 2022	31/12/ 2021 (1)
10.	Financial liabilities valued at amortised cost	4,607,521,762	4,548,766,897
	a) payables to banks	*1,053,368,523*	*1,152,421,439*
	b) payables to customers	*3,395,579,724*	*3,254,883,824*
	c) outstanding securities	*158,573,515*	*141,461,633*
20.	Financial liabilities from trading	97,671	693,746
30.	Financial liabilities measured at fair value	-	-
40.	Hedges	-	140,788
50.	Adjustments of value of generic hedges for financial liabilities (+/-)	-	-
60.	Tax liabilities	1,499,182	225,063
	a) current	*1,349,753*	-
	b) deferred	*149,429*	*225,063*
70.	Liabilities associated to assets in the course of divestment	-	-
80.	Other liabilities	44,034,585	86,683,415
90.	Employee severance pay	3,182,853	3,671,625
100.	Risk and expense funds:	8,207,341	7,833,763
	a) commitments and issued guarantees	*1,977,083*	*1,882,353*
	b) pensions and similar commitments	-	-
	c) other risk and expense funds	*6,230,258*	*5,951,410*
110.	Valuation reserves	-20,515,688	-1,160,629
120.	Redeemable shares	-	-
130.	Capital instruments	30,000,000	27,000,000
140.	Reserves	-53,655,177	-50,310,898
150.	Premiums on the issue of new shares	803,240	803,240
160.	Share capital	232,800,000	232,800,000
170.	Treasury shares (-)	-	-
180.	Fiscal year profit/loss	17,761,960	-821,566
	Total and shareholder's equity	**4,871,737,730**	**4,856,325,444**

(1) The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – corporate mergers".

.

PROFIT AND LOSS ACCOUNT

	Line items	31/12/ 2022	31/12/ 2021 (1)
10.	Earned interest and similar income	87,414,135	77,848,641
	of which: *earned interest calculated using the actual interest method*	*86,155,300*	*77,454,582*
20.	Interest expenses and similar expenses	-11,675,486	-12,286,101
30.	**Interest income**	**75,738,648**	**65,562,540**
40.	Commission income	37,061,559	31,550,440
50.	Commission expenses	-4,787,702	-2,835,900
60.	**Net fees**	**32,273,856**	**28,714,540**
70.	Dividends and similar income	602,574	1,502,010
80.	Net trading result	15,160,010	3,802,938
90.	Net hedging result	-2,267	-7,882
100.	Gains (losses) from the disposal or repurchase of:	262,268	3,230,981
	a) financial assets measured at amortised cost	*423,248*	*734,431*
	b) financial assets measured at fair value with impact on total profits	*-224,796*	*2,471,682*
	c) financial liabilities	*63,816*	*24,867*
110.	Net result of other financial assets and liabilities measured at fair value with impact on profit and loss account	-5,003,212	-289,411
	a) financial assets and liabilities measured at fair value	-	-
	b) other financial assets measured at fair value	*-5,003,212*	*-289,411*
120.	**Operating income**	**119,031,878**	**102,515,716**
130.	Net adjustments/write-backs due to impairment of:	-21,307,286	-18,355,528
	a) financial assets measured at amortised cost	*-20,945,367*	*-18,338,465*
	b) financial assets measured at fair value with impact on total profits	*-361,918*	*-17,063*
140.	Profit/loss due to contract modifications without derecognition	219,326	-71,240
150.	**Net income from financial assets**	**97,943,919**	**84,088,947**
160.	Administrative costs:	-71,844,167	-68,892,983
	a) personnel costs	*-31,668,688*	*-29,699,707*
	b) other administrative costs	*-40,175,479*	*-39,193,276*
170.	Net allocations to risk and expense funds	-214,041	-75,036
	a) commitments and issued guarantees	*-94,730*	*562,954*
	b) other net allocations	*-119,311*	*-637,990*
180.	Net adjustments/write-backs to property, plant and equipment	-5,498,657	-5,574,019
190.	Net adjustments/write-backs to intangible assets	-1,574,295	-926,945
200.	Other operating costs/income	2,556,555	5,060,810
210.	**Operating costs**	**-76,574,605**	**-70,408,172**
220.	Profit (loss) of equity investments	967,837	-6,630,810
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	-	-
240.	Adjustment to value of goodwill	-	-5,516,373
250.	Gains (Losses) from disposal of investments	16,117	27,628
260.	**Gains (Losses) from current operations before taxes**	**22,353,268**	**1,561,220**
270.	Fiscal year income tax on current operations	-4,591,308	-2,382,786
280.	**Gains (Losses) from current operations after taxes**	**17,761,960**	**-821,566**
290.	Gains (losses) from disposed assets after taxes	-	-
300.	**Profit (loss) for the year**	**17,761,960**	**-821,566**

(1) The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – corporate mergers".

SCHEDULE OF OVERALL PROFITABILITY

	Line items	31/12/ 2022	31/12/ 2021 (1)
10.	**Profit (loss) for the year**	**17,761,960**	**-821,566**
	Other income components net of taxes without reversal to income statement		
20.	Capital securities measured at fair value with impact on total profits	-250,244	1,553,458
30.	Financial liabilities measured at fair value with impact on profit and loss account (variations to own creditworthiness)	-	-
40.	Hedges on capital securities measured at fair value with impact on total profits	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit assets	348,554	135,172
80.	Non-current assets and groups of assets in the course of divestment	-	-
90.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-	-
	Other income components net of tax with reversal to income statement		
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Hedging cash flows	-	-
130.	Hedging instruments (unmeasured elements)	-	-
140.	Financial assets (other than capital securities) measured at fair value with impact on total profits	-18,354,837	-2,169,191
150.	Non-current assets and groups of assets in the course of divestment	-	-
160.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-	-1,263,906
170.	**Total other income components net of taxes**	**-18,256,527**	**-1,744,466**
180.	**Overall profitability (line items 10+170)**	**-494,567**	**-2,566,033**

(1) The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – corporate mergers".

SCHEDULE OF VARIATIONS TO SHAREHOLDERS' EQUITY

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AT 31/12/2022	Amounts at 31/12/2021	Modification of opening balances	Amounts at 01/01/2022	Allocation of previous fiscal year result		Variations in the fiscal year								
				Reserves	Dividends and other allocations	Variations of reserve	Transactions on shareholders' equity: Issue of new shares	Purchase of treasury shares	Extraord. Dist. dividends	Variation capital instruments	Derivatives on treasury shares	Stock options	Overall profitability for the year at 31/12/2022	Shareholders' equity at 31/12/2022
Share capital: **a) ordinary shares** **b) other shares**	**232,800,000** **0**		232,800,000											**232.,800,000** **0**
Premiums on the issue of new shares	**803,240**		803,240											**803,240**
Reserves: **a) from gains** **b) other**	**-50,310,898** **0**		-50,310,898	-821,566	-1,100,213					-1,422,500				**-53,655,177** **0**
Valuation reserves	**-1,160,629**	-1,098,531	-2,259,160										-18,256,527	**-20,515,688**
Capital instruments	**27,000,000**		27,000,000							3,000,000				**30,000,000**
Treasury shares	**0**													**0**
Profit (loss) for the fiscal year	-821,566		-821,566	821,566									17,761,960	**17,761,960**
Shareholders' equity	**208,310,147**	**-1,098,531**	**207,211,616**	**0**	**-1,100,213**	**0**	**0**	**0**	**0**	**1,577,500**	**0**	**0**	**-494,567**	**207,194,336**

The column "Modification of opening balances" includes the adjustment to balances at 31 December 2021 in application of the correction of the error made by the subsidiaries.

The column "Allocation of previous year's result " includes the effects of the retroactive adjustments pursuant to the IFRS3 principle on data relating to the 2021 fiscal year and consequent modifications of the reserves.

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AT 31/12/2021	Amounts at 31/12/2020	Modification of opening balances	Amounts at 01/01/2021	Allocation of previous fiscal year result		Variations in the fiscal year								
				Reserves	Dividends and other allocations	Variations of reserve	Transactions on shareholders' equity: Issue of new shares	Purchase of treasury shares	Estraord. Dist. dividends	Variation capital instruments	Derivatives on treasury shares	Stock options	Overall profitability for the year at 31/12/2021	Shareholders' equity at 31/12/2021
Share capital: **a) ordinary shares** **b) other shares**	**232,800,000** **0**		232,800,000											**232,800,000** **0**
Premiums on the issue of new shares	**803.240**		803,240											**803,240**
Reserves: **a) from gains** **b) other**	**-53,794,705** **0**		-53,794,705	8,100,000		-3,993,693				-622,500				**-50,310,898** **0**
Valuation reserves	**583,837**		583,837										-1,744,466	**-1,160,629**
Capital instruments	**10,000,000**		10,000,000							17,000,000				**27,000,000**
Treasury shares	**0**													**0**
Profit (loss) for the fiscal year	**8,100,000**		8,100,000	-8,100,000									-821,566	**-821,566**
Shareholders' equity	**198,492,373**	**0**	**198,492,373**	**0**	**0**	**-3,993,693**	**0**	**0**	**0**	**17,000,000**	**0**	**0**	**-2,566,033**	**208,310,147**

The column relative to 31 December 2021 was subject to retroactive adjustments pursuant to accounting principle "IFRS 3 – Accounting principles– company mergers".

As thoroughly illustrated in part G of the Explanatory Notes, the amount booked at 31 December 2021 in line item 10 Profit (loss) for the year was adjusted pursuant to the accounting principle IFRS 3 – paragraph 45.

CASHFLOW STATEMENT

INDIRECT METHOD	Amounts	Amounts
	31/12/2022	31/12/2021 (1)
A. OPERATING ASSETS		
1 Operations	**60,305,386**	**28,117,777**
- Fiscal year results (+/-)	17,761,960	-821,566
- Gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value with impact on profit and loss account (+/-)	9,355,572	1,617,147
- Gains/losses on assets used for hedging (+/-)	2,267	7,882
- Net adjustments/write-backs due to impairment (+/-)	21,307,286	18,355,528
- Net adjustments/write-backs of property, plant and equipment and intangible assets (+/-)	7,072,952	6,500,964
- Net allocations to risk and expense funds and other costs/income(+/-)	214,041	75,036
- Outstanding duties, taxes and receivables (+)	4,591,308	2,382,786
- 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	**-103,364,353**	**-757,008,814**
- Financial assets held for trading	-600,417	-7,490,688
- Financial assets measured at fair value	0	0
- Other assets obligatorily measured at fair value	-54,246,970	-15,531,451
- Financial assets measured at fair value with impact on total profits	-85,957,110	-334,884,483
- Financial assets measured at amortised cost	67,558,515	-382,877,900
- Other assets	-30,118,372	-16,224,292
3 Liquidity generated/absorbed by financial liabilities	**-9,054,810**	**812,547,584**
- Financial liabilities valued at amortised cost	58,754,865	842,143,670
- Financial liabilities from trading	-596,075	52,446
- Financial liabilities measured at fair value	0	0
- Other liabilities	-67,213,600	-29,648,532
Net liquidity generate/absorbed by operating assets	**-52,113,777**	**83,656,547**
B. INVESTMENT ACTIVITIES		
1 Liquidity generated by	**10,429,188**	**6,114,801**
- Sale of equity investments	0	0
- Dividends received from equity investments	0	0
- Sale of property, plants and equipment	10,429,188	6,114,801
- Sale of Intangible assets	0	0
- Sale of branches of business	0	0
2 Liquidity absorbed by	**-15,443,087**	**-15,690,399**
- Purchase of equity investments	-1,652,850	-4,420,444
- Purchase of property, plants and equipment	-11,780,190	-9,930,684
- Purchase of intangible assets	-2,010,046	-1,339,271
- Purchase of branches of business	0	0
Net liquidity generated/absorbed by investment activities	**-5,013,898**	**-9,575,598**
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	0	0
- Issue/purchase of capital instruments	3,000,000	17,000,000
- Distribution of dividends and other purposes	-1,100,213	0
Net liquidity generated/absorbed by funding activities	**1,899,787**	**17,000,000**
NET LIQUIDITY GENERATED/ABSORBED IN THE FISCAL YEAR	**-55,227,888**	**91,080,949**

RECONCILIATION		
LINE BALANCE SHEET LINE ITEMS	Amounts	
	31/12/2022	31/12/2021 (1)
Cash and cash equivalents at the beginning of the fiscal year	104,989,197	13,908,248
Total net liquidity generated/absorbed during the fiscal year	-55,227,888	91,080,949
Cash and cash equivalents: effect of variations of exchange rates	0	0
Cash and cash equivalents at the close of the fiscal year	49,761,309	104,989,197

(1) The column relative to 31 December 2021 was subject to retroactive adjustments pursuant to accounting principle "IFRS 3 – Accounting principles– company mergers".

EXPLANATORY NOTES

PART A – Accounting policies

A.1 – General Part

Section 1 – Statement of conformity to International Accounting Standards

The financial statements of Banca Cambiano 1884 s.p.a. were prepared in compliance with the IAS/IFRS1 international accounting standards 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 2022, 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. were prepared based on the instructions issued by Bank of Italy, exercising the faculties set forth in art. 43 of Italian Legislative Decree n. 136/2015, with Measure dated 22 December 2005 issuing Circular n. 262/05 "Banking financial statements: schedules and rules for preparation" up to the 7th update of 02/11/2021. These instructions outline the obligatory schedules to the financial statements and the respective methods of preparation, as well as the contents of the Explanatory Notes. The financial statements are composed of balance sheet, the income statement, the schedule of overall profitability, the table of variations to shareholders' equity, the Explanatory Notes and is accompanies by a report on operations. 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 Euros. The accounting standards adopted to draw up the financial statements for the year 2022, as regards the stages of classification, recognition, valuation and derecognition of the various line items for assets and liabilities, and also as regards the methods for recognition of revenues and expenses, are unvaried with respect to the financial statements for the year 2021 with the exception of the changes made pursuant to the entry into effect, on 1 January 2020, of the new accounting standards outlined below.

Title of the document	Date of publication	Effective as of
Amendments to IFRS3 Business Combinations: these modifications update the reference contained in IFRS 3 to the Conceptual Framework in the revised version, without however modifying the provisions of the principle	14/05/2020	01/01/2022
Amendment to IAS 16 Property, Plant and Equipment: these modifications prevent companies from deducting from the cost of property, plant and equipment the amount received for sale of goods produced during the test stage of the business itself. Such revenue from sales and relative expenses will therefore be booked in the profit and loss account.	14/05/2020	01/01/2022
Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: this amendment clarifies that for the purpose of assessing whether a contract is onerous, all costs directly attributable to the contract itself must be included. Therefore, the assessment of the onerousness of a contract includes not only incremental costs (such as, for example, the cost of direct materials used for processing) but also all costs that the business cannot avoid, insofar as it has underwritten the contract (such as, for example the quota of amortization of machinery used to fulfil the contract).	14/05/2020	01/01/2022
Annual Improvements 2018-2020: modifications were made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the *Illustrative Examples* of IFRS 16 *Leases.*	14/05/2020	01/01/2022

As regards the specified Regulations, following the changes that came into effect on 1 January 2022, the Bank did not identify any effects of relevance regarding financial information as at 31 December 2022.

The table below contains the new international accounting principles, o changes to principles already in effect, the obligatory application of which will be effect starting 1 January 2023, or a subsequent date, that have not been adopted in advance.

Title of the document	Date of publication	Effective as of
Principle IFRS 17 – Insurance Contracts destined to replace principle IFRS 4 – *Insurance Contracts*. The objective of the new principle is to require that entities provide pertinent information that faithfully represents the rights and obligations deriving from issued insurance contracts. The IASB has developed the standard to eliminate incongruencies and weaknesses in the existing accounting policies, providing a single, principle-based framework to account for all types of insurance contracts, including re-insurance contracts held by an insurer. The new principle also includes requirements for the presentation of information to improve comparability between companies belonging to this sector. The new principle measures insurance contracts on the basis of a General Model or a simplified version of the latter, called the Premium Allocation Approach ("PAA"). The main characteristics of the General Model are: • Estimates and hypotheses on future cash flows are always the most current ones; • Measurements reflect the time value money; • Estimates provide for an intensive use of information observable on the market; • There is a current and explicit measurement of risk;	18/05/2017	01/01/2023

Title of the document	Date of publication	Effective as of
• Expected revenue is deferred and aggregated into group of insurance contracts at the moment of first recognition; • Expected revenue is recognised in the period of contractual coverage, taking into account the adjustments deriving from variations in the hypotheses relating to financial cash flows relative to each group of contracts. The PAA approach measuring liabilities for the residual coverage of a group of insurance contracts provided that, on first recognition, the entity provides that said liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically suitable for the PAA approach. The simplifications deriving from the application of the PAA approach do not apply to the assessment of liabilities for current claims, that are measured using the General Model. Nevertheless, it is not necessary to discount the cash flows in question, if it is expected that the balance amount will be paid or collected within one year of the date of the claim. The entity must apply the new principle to insurance contracts issued, including reinsurance contracts that are issued, reinsurance contracts that are held, and even investment contracts with s discretionary participation feature (DPF). This principle is applicable starting 1 January 2023, but anticipated application is permitted, only for companies that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. This Company does not expect any effects in the balance sheet deriving from application of this principle.		
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information. This amendment is a transition option relative to comparative information on financial activities presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendments will be effective starting 1 January 2023, along with the application of IFRS 17. The Company does not expect any effect on the financial statements deriving from adoption of the principle.	09/12/2021	01/01/2023
Publication of the following amendments: "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**" and "**Definition of Accounting Estimates—Amendments to IAS 8**". The amendments are aimed at improving the disclosure on accounting policy so as to provide information of greater use to investors and other primary users of the balance sheet, and aid companies in distinguishing changes in accounting estimates from changes in accounting policy. These changes will be applicable starting 1 January 2023, but advance application is permitted. Company Administrators do not expect any significant effects in the consolidated financial statement s of the Group, deriving from application of these amendments.	12/02/2021	01/01/2023
"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". This document clarifies how to book deferred taxes on certain transactions that can generate assets and liabilities of equal amounts, such as leasing transactions and dismantling obligations. These changes will be applicable starting 1 January 2023, but advance application is permitted. Company Administrators do not expect any significant effects in the consolidated financial statement s of the Group, deriving from application of these amendments.	07/05/2021	01/01/2023

The Bank did not take advantage of the faculty of advance application of the regulations in effect starting 1 January 2023 as it is not deemed that such changes will have significant effects on the economic and financial standing.

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:

Title of the document	Date of publication	Effective as of
On 23 January 2020, the IASB published and amendment titled "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**" and on 31 October 2022 it published and amendment titled "**Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants**". These documents aim to clarify how to classify debts and other liabilities as short or long-term. These changes will be applicable starting 1 January 2024, but advance application is permitted. Company Administrators do not expect any significant effects in the consolidated financial statements of the Group, deriving from application of these amendments.	23/01/2020 31/10/2022	01/01/2024
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". This document requires a seller-lessee to measure lease liabilities arising from a sale & leaseback transaction so that it recognises no amount of the gain or loss related to the right of use that it retains. These changes will be applicable starting 1 January 2024, but advance application is permitted. Company Administrators do not expect any significant effects in the consolidated financial statements of the Group, deriving from application of these amendments.	22/09/2022	01/01/2024

The possible effects of the introduction of the above amendments are currently being evaluated.

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;
- 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;
- 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; The balance sheet and profit and loss account schedules are composed of line items (identified by Arabic numerals), by sub-line items (identified by letters) and by additional information details (the "of which" of line items and sub-line items). The line items, sub-line items and relative information details constitute the accounts of the financial statements. The schedules are conformant to those defined by Bank of Italy in Circular n. 262 of 22 December 2005 and subsequent updates. New line items may be added to the aforementioned schedules, if their content cannot be ascribed to any of the line items already provided for in the schedules, and only if the respective amounts are relevant. The sub-line items provided for by the schedules can be grouped together if one of the following two conditions exists:
  a) the amount of the sub- line items is irrelevant;
  b) grouping favours clarity of the financial statements; in this case, the explanatory notes will describe the sub-line items in the grouping, separately.
  Accounts that contain no amounts, neither for the fiscal year of the financial statements in question, nor for the previous year, are not shown in the balance sheet, profit and loss account, and schedule of overall profitability;
- *Prevalence of substance over form*: transactions and other events are measured and booked in conformity with their substance and economic reality, and not purely based on their legal form;
- *Comparative information:* Comparative information is provided for the previous financial period for all data illustrated in the schedules to the financial statements with the exception of those cases in which an International Accounting Standard or interpretation allows otherwise. Commentary and descriptive information is also provided, where this favours better comprehension of the financial statements in review. Data relating to the previous fiscal year can be appropriately adapted, where necessary, to ensure comparability of information relative to the current fiscal year. Non-comparability, adaptation or the impossibility thereof must be noted and commented in the explanatory notes;
- Periodicity of the information: the information must be prepared at least annually; if an entity changes the date of closing of its fiscal year, it must indicate the reason for which the duration of the fiscal has been varied, and the fact that the data are not comparable.

The Explanatory Notes are subdivided into parts. Each part of the Notes is broken down into sections, each of which illustrates a single aspect of operations management.

Statement of going concern

In compliance with the requirements of Consob, Bank of Italy, and Isvap joint Document n. 2 of 6 February 2009 regarding "business continuity" (going-concern), the Board of Directors has assessed the capacity of the Group and of the Bank to continue operating as a going-concern.

On this matter, as written in another section of the Report, on 20 March 2023 Bank of Italy transmitted the notification titled "Gruppo Bancario Cambiano. Decision on share capital. Notification of initiation of the procedure" that defines the setting of capital requirements applicable to the Group, resulting from the first prudential inspection process (Supervisory Review and Evaluation Process – SREP) in effect starting 30 June next. The foresight analysis formulated in updating the 2023-2025 plan highlighted that the Bank, even in the event of an adverse scenario, possesses equity levels that are already sufficient to satisfy the capital parameters defined in the aforementioned communication, thanks to the initiatives launched and in part already brought to completion (specifically with reference to raising the efficiency of RWA and the plan to issue subordinate debentures, completed in the 2022 fiscal year) as also illustrated in the revision of the above Plan, being defined for approval.

In formulating its assessment, and taking into account the foreseeable effects of the critical situation, and recent events in the financial market, in addition to the possible and crucial effects of the Russian-Ukrainian conflict, while considering the risks and uncertainties associated to the macro-economic context, on the basis of the information available at the date of preparation of these Financial Statements, the Board of Directors is reasonably certain that the Bank will continue operations in the foreseeable future and, have therefore prepared the financial statement on a going concern basis.

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

Subsequent to the preparation of the financial statements closed on 31 December 2022, there were no noteworthy events such as to require modifying any of the approved data, adjusting any of the results or providing any additional information. For greater details on the events subsequent to 31 December 2022 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 2022) and the date of approval of the proposed financial statements by the Board of Directors, please take note of:

Assessment audit

As regards the ordinary inspection assessment carried out by Bank of Italy on the Gruppo Bancario Cambiano, terminated in the month of November 2022, the respective report was received on 20 March 2023. The inspection was closed without the application of administrative sanction measures. A need for a capital increase was identified, to support the development of the Bank's core business and satisfy the regulatory capital buffers attributed to the Bank itself.

A review of the industrial plan was also initiated, which may be summarised in the following essential points:

- Focus on maintaining credit activity objectives, favouring the rotation of components aimed at mitigating absorption, with a view to progressively de-risking and increasing revenue contributions;
- Actions aimed at consolidating equity, also through capital increase operations;
- Financial investment policy conducted along prudential lines, aiming towards minimised asset absorption, limited duration and a high marketability;
- Reduction of cost-income, through interventions aimed at both reducing costs and increasing operating income;
- Giving priority to the degree of corporate liquidity, expanding ordinary collection methods and through extraordinary operations.

SREP 2023

On 20 March 2023, Bank of Italy transmitted the report titled "Gruppo Bancario Banca Cambiano. Corporate situation and decision regarding capital. Notification of initiation of the procedure" that notifies the setting of share capital requirements applicable to the Group based on the outcome of the prudential review process (Supervisory Review and Evaluation Process – SREP).

The new mandatory requirements specified by Bank of Italy are the following, as of 30 June 2023:

- CET 1 ratio: OCR CET1 ratio equal to 8.00%;
- Tier 1 ratio: OCR T1 ratio equal to 9.90%;
- Total Capital ratio: composed of an OCR TC ratio equal to 12.30%.

Section 4 – Other aspects

Appointment of the Independent Auditor

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.

As regards the quantification of losses due to credit impairment, during the current fiscal year, the Covid-19 add-ons introduced in the 2020 Financial Statements, and maintained in the 2021 Financial Statements, equal to 7.5 million euro, on stage 2 moratorium positions and on government-backed loans, were released, as the underlying conditions for said add-ons have ceased to exist.
In the meeting held on 27/12/2022, the Board of Directors, based on an analysis conducted by the Risk Management Function, in fact resolved to release the add-ons booked in the 2020 and 2021 financial statements, on loans previously benefitting from suspensions associated to the Covid-19 health emergency and on government-backed loans, beginning from the 2022 financial statements, for the following reasons:
1) a congruous time has lapsed since the introduction of the add-ons, almost 24 months, such as to have allowed ascertaining any financial difficulty and the consequent congruous classifications and evaluations of the positions;

2) during the first semester of 2021, the Bank concluded an analytical evaluation process on all loans with moratoria granted to customers based on art. 56, comma 2, letter c) of Italian Law Decree n. 18/2020 (approx. 2,500 customer codes with a residual principal subject to moratorium of over € 370 million), based on the outcome of which the Board of Directors, during the meetings held on 09/06/2021 and 24/06/2021 deliberated a census as a forbearance measure for n. 466 positions, for an overall amount equal to € 51.86 million;

3) between the first and second quarters of 2022, a new survey was conducted; the scope of this analysis included positions that between March and December 2021 (considered the only in bonis positions at 31.12.2021) did not reduce their exposure, and that at 31.3.2021 showed a moratoria debit exposure greater than € 200 thousand, and positions that at June 2021 requested that the Bank extend their respective suspensions up to December 2021, as provided for by art. 16 of Italian Law Decree n. 73 of 25 May 2021. This analysis, submitted to the Board of Directors in the meeting held on 27/05/2022, regarded a total of 276 IDN for an overall exposure at 9/3/2022 of over € 255 million in terms of lending;

4) on loans activated within the scope of public guarantees issued with emergency legislation, starting from the 2021 fiscal year, based on a combined study conducted by the IT outsourcer and the aid of the company KPMG, a new method of calculation of the value write-down was approved, that takes into consideration the presence of the government guaranty, also in light of the relevance that said loans have acquired during the 2020-2021 financial reporting periods. In particular, for the government-backed portion, the customer's PD and LGD parameters area replaced by those of the guarantor, that is the Italian government, while for the non-guaranteed portion, the customer's parameters continue to be used. Calculating the government-backed portion further factors the so-called residual risk, that was prudentially considered equal to 20%; therefore, in calculating the impairment loss, the guaranty-backed portion is reduced by said percent.

Nevertheless, in conformity with IASB provisions set out in the document issued on 27 March 2020, given the uncertainty of the economic context and the progressive deterioration underway, the Board of Directors, in the same meeting on 27/12/2022, as proposed by the Risk Management Function, deliberated to maintain an alternative approach to the mechanical application of models for the 2022 reporting period as well (so-called Overlay approach) used to calculated the ECL, in line with the approach taken in 2020 and 2021, providing for the inclusion of specific add-ons on the evaluation of positions relating to sectors that are greatly impacted by fluctuations in energy and raw material prices.

In order to identify, within the credit portfolio, those businesses potentially most affected by the energy crisis that has exploded so violently, due to the Russian-Ukrainian war, and the lack of policies and alternative energy procurement plans, the Risk Management Function has extracted a list of positions that fall within those defined as "energy-intensive". This list has been obtained by referring to the contents of the document published by the European Commission in the Official Gazette of the European Union on 24.3.2022 regarding the "Temporary crisis framework for government aid measures in support of the economy following the aggression of Russia against Ukraine". Hence, this activity pulled up all those positions classified in stage 2 and with the following ATECO codes (classification of economic activity): B07 (mineral and metal extraction); C13 (manufacturing activities); C14 (manufacture of clothing excluding fur clothing items); C16 (wood cutting and planing); C17 (production of paper-pulp, paper and cardboard); C19 (production of coke oven products); C20 (production of base chemical products, fertilizers and nitrogen compounds, plastic materials and synthetic rubber in primary form); C23 (production of glass and glass products); C24 (steel making). Additional sectors were added to this list, in order to identify a more significant sample of position: C32 (production of jewellery, costume jewellery and related items; working of precious gemstones); H49 (railway transport of passengers) and I55 (hotels and assimilated structures).

As was done in 2020 and 2021, the determination of the management overlay was based on a simulation of loans to "energy-intensive" businesses operating in the aforementioned business sectors and classified in Stage 2, "slipping" into Stage 3 at 12 months (on impaired overdue); the add-ons, calculated in this manner, amounted to € 5.7 million at 31/12/2022.

IFRS3 Accounting principles – Company mergers – Retroactive adjustments

As illustrated in the 2021 financial statements, during the course of the financial year, the transaction for the merger by incorporation of Invest Banca S.p.A. under extraordinary administration into Banca Cambiano 1884 S.p.A. was perfected, and booked according to the acquisition method provided for by IFRS 3, that allows for the faculty to book a temporary allocation for 12 months from the acquisition, of which the Bank took advantage.
On 8 July 2022, the Bank received the response from the Revenue Office, regarding the request for ruling submitted on 15 October 2021 in accordance with art. 11, comma 2, if Italian Law n. 212/2000 aimed at obtaining dis-application of recognition of pre-paid taxes and tax credits deriving from the merger by incorporation of Invest Banca.
Said items, booked in the Assets of the 2021 balance sheet, for an overall amount of 9,468,562.68 euro, were recognized for only 546,996.45 euro, with a difference of 8,921,566.23 euro.
During the current fiscal year, the Bank, in application of the IFRS accounting principle, paragraph n. 45, has retroactively adjusted the temporary amounts booked at the date of acquisition. The book entries made after the results of the appeal determined an overall reduction of Assets and of the net result – with the consequent decrease of equity – at 31 December 2021 equal to 8,921,566.23 euro.
The detail of the retroactive effects deriving from the outcome of the appeal is reported in section G of the Explanatory Notes.

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 which were not initially designated at fair value with impact on overall profitability;
- 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 al location 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 no 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 recognize 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 standard. 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 book 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.

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 number 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

Banca di Cambiano 1884 s.p.a. avails itself of the faculty, provided for on introduction of the IFRS 9 accounting standard, to continue to fully apply the provisions of the IAS 39 accounting standard regarding hedge accounting for all types of hedging transactions.

Classification criteria

Risk hedging transactions are aimed at neutralizing 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 shareholder 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 parties.

Recognition criteria

This 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 subsidiary.

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 220 of the income statement, "Profit/loss from equity investments". The result of the measurement of "shareholders' equity" are recognised in line item 220 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 110 "Valuation reserves". Profit or loss deriving from the sale of equity investments are recognised in line item 220 of the income statement, "Profit/loss from equity investments".

6. Property, plant 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.

Property, plant and equipment purchased by financial lease

IFRS 16 is based on the concept of transfer of the right to use a leased asset; therefore, the contract is, or contains, a lease if, in exchange for compensation, it confer the right to control use of a specific asset for a given period of time. This concept broadens the scope of application of the standard that was adopted to book rental, hire, lease and other similar agreements. The standard cancels the accounting dualism between financial leases and operating leases for lessees, defining a single accounting model that requires recognizing:

A right of use in the assets of the balance sheet (Right of Use, RoU);

A lease liability in the liabilities of the balance sheet (Lease Liability, LL);

In the income statement, the amortisation of the right of use and the financial charges calculated on the lease liability.

At initial recognition, the lease liability is equal to the current value of payments due for the lease, discounted at the implicit rate of interest for the lease, where it can be calculated easily, or alternatively at the Bank's incremental borrowing rate. At initial recognition, the right of use is equal to the initial measurement of the lease liability, increased of the payments due for the lease settled at or prior to the date of coming into effect, net of lease incentives, initial direct costs incurred by the lessee and the estimated costs that the lessee will have to sustain to dismantle or remove the asset or restore it to the conditions provided for in the contract. The right of use and the lease liability must be booked in property, plants and equipment and the lease liability at amortised cost.

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 the 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 150 "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 acquired and liabilities assumed 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 recognize 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

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. Non-current 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

This line item includes:

- Current tax receivables;
- Pre-paid tax receivables in offset to the income statement;
- Tax receivables in shareholders' equity;
- Current tax liabilities;
- Deferred tax liabilities in the income statement;
- Deferred tax liabilities in shareholders' equity.

Classification criteria

Current tax assets and liabilities.

Current taxes for the fiscal year and for previous fiscal years, to the extent to which they have not been paid, are recognised as liabilities; any amount paid in excess of the amount due is recognised as an asset.

Deferred tax assets and liabilities

Pre-paid tax assets, relative to momentary deductible differences or to future tax benefits resulting from the carry-forwards of tax losses, are booked in the balance sheet to the extent that there is a probability of recovery, measured on the basis of the capacity of the company involved or of the untaxed reserves, consolidating company, by effect of the option regarding the so-called "national fiscal consolidation", to continue to generate taxable income in future fiscal years. Deferred tax liabilities are booked in the balance sheet, with the sole exception of the higher values of the asset represented by untaxed reserves, 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".

Recognition and measurement criteria

Effects relative to current, pre-paid and deferred taxes are recognised by applying the current tax rates or, where known, the expected tax rates. Provisions for income taxes are calculated based on a prudential estimation of the current tax charge, the pre-paid charge and the deferred charge. Specifically, 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 civil law criteria and the corresponding values taken for tax purposes.

Derecognition criteria

Tax assets and liabilities, both current and deferred, are appropriately reversed on settling the tax payments and/or when there are changes to existing tax legislation.

Criteria for recognition of income components

Income tax is recognised in the income statement, with the exception to taxes relative to items debited or credited directly to shareholders' equity.

11. Risk and expense funds

Funds are defined as a liability with an uncertain maturity date or amount. Risk and expense funds are subdivided into:

- Risk and expense funds related to 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;
- Funds for pensions and similar commitments. These funds are constituted pursuant to company agreements and are identified as "defined benefit assets". Liabilities relating to these plans are determined based on actuarial assumptions, applying the "projected unit credit" method. Actuarial gains and losses, deriving from variations in the current value of the commitment due to changes in the actuarial assumptions, are recognised in the schedule of overall profitability;
- Other risk and expense funds. Other risk and expense funds are represented by other provisions regarding legal obligations or obligations connected to work relationships or controversies, including tax claims. The provision is recognised in accounting if and only if there is a current obligation (legal or implicit) resulting from a past event and it is probable that in order to fulfil the obligation it will be necessary to use resources to produce economic benefits and a reliable estimation may 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 characterise a plurality of facts and circumstances. The amount of the provision is represented by the current value of the expenses that it is expected will be necessary to fulfil the obligation, where the effect of the current value is a significant aspect. The future facts that may influence the amount required to fulfil the obligation are taken into consideration only if there is sufficient objective evidence that said events will occur.

In the event of a merger, the IFRS3 standard, derogating from the IAS 37 standard, provides that, at the date of acquisition, the purchaser must recognise a potential liability assumed in a company aggregation, in the case of a current obligation deriving from past events, the fair value of which (equal value) can be reliably determined. Therefore, contrary to IAS 37, the purchaser recognises a potential liability assumed in a company aggregation at the date of purchase if it is improbable that, in order to meet said obligation, it will become necessary to use resources that would produce economic benefits.

12. Financial liabilities valued 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, as well as liabilities for financial leases. In particular, the sub-item "Outstanding securities" include Securities issued (including subordinate loans, savings certificates, certificates of deposit), net of repurchases.

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 Bank 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 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 capitalised 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 3,000,000.00 euro, increasing from 27,000,000.00 at 31/12/2021 to 30,000,000.00 at 31/12/2022. The Bank issued Additional Tier 1 instruments in the month of March 2022 in the amount of 3,000,000.00. These are, specifically, subordinate instruments classified in Additional Tier 1 capital, in accordance with Regulation n. 575 of 2013 (CRR). The securities are permanent and may be called in by the issuer, subordinate to authorisation by the competent Authority, at any reimbursement date starting from the 5th year from the date of issue. The initial interest rate is different for the various issues and will be used to calculate the coupons paid in the first 5 years from the date of issue. When this term has passed, the interest rate will be recalculated based on the euro mid-swap rate at 5 years at the date of the recalculation, increased as per the regulations for each individual loan. This interest rate will be used for the payment dates that fall within the next 5 years. The interest rate will be recalculated every 5 years as described above. In accordance with the provisions of the CRR for AT1 instruments, the issuer has full discretional capacity in not paying out the coupons, for any reason and for un unlimited amount of time; derecognition is instead obligatory in the event of specific circumstances, including the occurrence of a trigger event, as illustrated in the paragraph that follows. Please note that interest is not cumulative: any amount that the issuer decides not to pay (or would be obliged not to pay) will not be accumulated or payable at a later date. Additionally, regulations regarding these types of loans provide that at the occurrence of a trigger event, or should the Common Equity Tier 1 (CET1) of Banca Cambiano 1884 (or the consolidated CET1) be lower than the 5.125% threshold, a derecognition of the principal ("Depreciation") would – irrevocably and obligatorily – ensue, for the amount required to bring the CET1 (of the Bank or of the Group) back to 5.125%. Under specific conditions, and at the complete discretion of the issuer, the principal previously derecognised could be reinstated ("Revaluation"). On this matter, please note that the voluntary nature of reinstatement of previously depreciated principal would also exist in the event of early reimbursement on part of the issuer. For accounting purposes, the issue in question was considered a "capital instrument", pursuant to the provisions of the IAS 32 accounting standard. In the financial statements at 31 December 2021, the amount collected on issue is booked, for the entire amount, under the shareholders' equity line item "130. Capital instruments" in that there were no transaction costs directly attributable to the loan to be deducted, net of taxation, from the amount of the loan booked in the balance sheet under the aforementioned line item 130. Consistently with the nature of the instrument, the coupons are recognised in reduction of shareholders' equity (shareholders' equity line item "140. Reserves"), if and to the extent that they are paid. The amount of the coupons paid out on this type of security during 2022, was equal to di 1,422,500.00 euro. The overall impact on shareholders' equity at 31 December 2022 (140. Reserves) was for 2,045,000.00 euro.

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 accrual 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 standard 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 (FVOCI): 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 FVOCI, 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 standards 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, Banca Cambiano 1884 s.p.a. 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 a 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 indispensable 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. The business model reflects the way in which the financial assets are managed to generate cash flows for the entity and is defined by the bank’s corporate bodies with the appropriate input from business functions. Fundamentally, the business model:
  - reflects the way in which financial assets are managed to generate cash flows;
  - is defined by the bank’s corporate bodies, with appropriate input from the business functions;
  - must be observable, considering the methods for management of financial assets. In operational terms, the evaluation and composition of the business model is made consistently with the corporate organisation mode, the specialization of the business functions, the expected risk model and the assignment of delegated powers.

To evaluate a business model, all the relevant factors available at the date of the evaluation are used. The factors mentioned above include strategy, risks and how they are managed, reporting and the volume of sales. It is important that the elements taken under review to analyse the business model are coherent across the board and, specifically, are consistent with the strategy being pursued. Evidence of operations that are not in line with the strategy must be analysed and adequately justified. For the HTC portfolio, Banca di Cambiano 1884 s.p.a. has set limits for admissibility of sales that do not compromise the classification (frequent but not significant, individually and as aggregates, or infrequent if significant in volume) and, simultaneously, has established the parameters used to identify sales that are coherent with this business model in so far as resulting from an increased credit risk. More in detail, the HTC business model allows sales:

- in case of increased credit risk, which can be calculated for securities, if there is a downgrade of predetermined notches with respect to the original rating;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value. Limits for frequency and significance have been set for the purpose of evaluating these aspects. As regards the determination of “Risks” on HTCS and Other/Trading business models, in line of principle the bank applies the provisions of the internal Finance Regulations and the RAF for market risk controls.

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. Therefore, costs and revenues that refer indistinctly to more than one transaction, and the correlated components that may be subject to recognition during the life of the financial instrument, are excluded. Furthermore, the calculation of amortised cost does not take into consideration any costs the Bank would sustain regardless of the transaction, such as administrative costs, expenses for office supplies, etc.

Method for calculation of impairment – Value losses of non-performing financial assets

To calculate the recoverable value of impaired receivables from customers measured at amortised cost , the Bank, within the scope of its classification and measurement policies, has applied measurement processes and methods characterised by elements of subjectivity and estimation for certain variables, such as, principally, expected cashflows, expected recovery times, and the assumed realisable value of guarantees, where present, the modification of which could entail a variation in the final recoverable value; this calculation is based on the use of information available at the date of measurement, and is also affected by the uncertainty associated to the current macro-economic context, characterised by the instability generated by the conflict between Russia and the Ukraine, and by inflationary pressures. At each balance sheet date, in compliance with IFRS 9, financial assets that are not measured at fair value with recognition of income effects through profit and loss must be subjected to a test to verify if there is evidence that the recognition value of the assets in question may be considered not fully recoverable. A similar evaluation is also carried out for commitments to disburse funds and for issued guarantees meet IFRS 9 impairment requirements. In case the aforementioned evidence exists (so-called evidence of impairment) the financial assets in question are considered impaired and classified in stage 3. For this kind of exposure, represented by financial assets classified, in compliance with Bank of Italy Circular n. 262/2005, in the categories of non-performing loans, probable defaults and exposures overdue/past-due for more than ninety days, value adjustments must be recognised in an amount equal to expected losses over the entire residual life of the asset. Positions classified in Stage 3 are classified for various risk conditions and are consequently subject to analytical or lump-sum evaluations. Value adjustments for loans in Stage 3 reflect the expected loss calculated for a period of time equal to the entire residual life of the loan. Impaired assets that are not non performing for an amount lower than a set threshold, for which there is no objective evidence of impairment, were subjected to lump-sum evaluation, that involves a statistical calculation of expected loss and of the relative write-downs for receivables belonging to the same category (defined based on the segment of the counterparty and the technical format). However, the analytical write-down must be made whenever objective degradation events are observed, calling for a precise analysis. Specifically, as regards the concept of significance referred to in the current accounting standards, impairment was applied, using the lump-sum method, to impaired receivables past due and probable defaults for individual amounts lower than the threshold of significance set at € 300,000. The evaluation of receivables classified as non-performing is updated periodically, in order to allow for immediate transposition of any events that could modify recovery forecasts for receivables. Evaluation of non-performing loans is carried out using an analytical method, that is, based on a precise survey of the recoverability of each loan, taking into account all useful elements for the definition of expectation of recovery, including but by no means limited to:

- The nature of the receivable;
- The presence of collateral and/or personal guarantees, with respect to the valuation of which please refer to the specific sections that follow;
- The total estate assets of the obligors/any co-obligors;
- The income situation of the obligors/any co-obligors;
- The presence of settlement or restructuring agreements;
- The status of any legal proceedings underway (enforcement procedures);
- Exposure of the obligors towards the banking system, overdraft status, notification to non-performing loans;
- Exposure of the obligors towards other creditors;
- Results of the last available balance sheets;
- The legal status of the obligors and pending winding-up and/or personal procedures.

In calculating value loss, the Bank takes into account the following factors:

- existence/type of guarantee: loans secured by mortgage, loans secured by pledged collateral, loans covered by personal guarantees, unsecured credit;
- asset used collateral: residential real estate property, non-residential real estate property, pledges of cash, Securities, GPM, receivables or merchandise;
- available evaluation (CTU, assessment report issued by an independent expert, date of the assessment report);
- nature of the guarantor (banks or other subjects);

- status of recovery (procedures not yet initiated, extra-judicial agreements, insolvency procedures);
- value groupings for unsecured credit.

The evaluation of receivables classified as probable non-performing is updated periodically is updated periodically, in order to allow for immediate transposition of any events that could modify recovery forecasts, and ascertain that the loans in question still do not meet requirements to be passed to the non-performing category.
For this category, write-downs are applied:

- for positions above € 300,000 analytically;
- for positions lower than or equal to € 300,000, for which there is no objective evidence of impairment, using the lump-sum method for similar types of portfolios.

Probable defaults that show a gross exposure greater than € 300,000, are measured analytically. The measurement is aimed at calculating expected value losses, taking into account however that the positions are classified in this risk class based the Bank's opinion regarding the improbability that the debtor will fully meet all credit obligations, without recourse to measures such as enforcement of guarantees; as known, this evaluation must be carried out regardless of the presence of any overdue or not overdue amounts (or instalments). Therefore, for positions classified among probable non-performing, the presumed disposal value of the receivable is estimated by evaluating the capacity of the borrower to meet all the obligations, measured based on all available information regarding the debtor'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 sale") that reflects the overall degree of risk, by evaluating the capacity to generate cash flows sufficient to repay the credit and/or on the mere enforcement of collateral and guarantees. The receivable is measured by examining the appropriate documentation that includes, by way of example but is not limited to, and as applicable to the type of customer:

- the trend of the relationship;
- the current and perspective economic and financial situation of the counterparty, by analysing the last available balance sheets and outlooks where the counterparty is a legal entity;
- debt exposure towards third parties and the banking system (by analysing CR, CRIF notifications);
- any notifications of non-performance by the banking system/other creditors or ongoing debt restructuring plans;
- Any documentation prepared by third party professional operators or experts attesting in various ways to, also per law, the reversibility of the customer's crisis condition, the appropriateness of the measures taken to overcome the crisis, and the measurement criteria applied;
- The willingness of the debtor to come to an agreement regarding recovery of overdue/past due amounts or to renegotiate the loan;
- The length of time the loan has been classified as probable non-performing. The forecasts for loss of value, formulated for each exposure, are based on an in-depth and thorough examination of all the elements for assessment that may be extracted from the available and retrievable documentation.

For positions lower than or equal to the € 300,000 threshold amount, for which there is no objective evidence of impairment, lump-sum statistical write-down is applied for homogenous types of exposure. The lump-sum evaluation involves the statistical calculation of the expected loss and therefore of the relative value adjustments. Specifically, lump-sum write-downs must be calculated using the following formula, seeing as the PD (probability of default) is considered equal to 100% for Probable defaults as well:

$$DR \times LGD \times EAD$$

where:

- DR = impairment rate at 30 years of probable defaults, divided by credit exposure segment (corporate/retail);
- LGD (Loss Given Default) = LGD of non-performing loans;
- EAD = amount of loans classified as probable non-performing at the date of reference, divided, like non-performing loans, by type of underlying guarantee (collateral/other), by segment (corporate/retail) and by amount bracket (0-20,000, 20,000-50,000, over 50,000).

Loans classified as overdue/past-due, for which non-objective evidence of impairment has been found, are measured using the lump-sum method, for homogenous types of exposure. The lump-sum evaluation involves the statistical calculation of the expected loss and therefore of the relative value adjustments Specifically, lump-sum write-downs must be calculated using the following formula, seeing as the PD (probability of default) is considered equal to 100% for overdue/past-due loans as well:

$$DR \times LGD \times EAD$$

where:

- DR = impairment rate at 30 years of probable defaults, divided by credit exposure segment (corporate/retail);
- LGD (Loss Given Default) = LGD of non-performing loans;

- EAD = amount of loans classified as probable non-performing at the date of reference, divided, like non-performing loans and Probable defaults, by type of underlying guarantee (collateral/other), by segment (corporate/retail) and by amount bracket (0-20,000, 20,000-50,000, over 50,000).

Method for calculation of impairment - Value losses of performing financial assets

Within the scope of its policies relating to the management of receivables from customers for loans, the Bank has adopted processes and methods for monitoring the performance of loans that include, among others, a detailed classification of credit positions in homogenous risk categories, in accordance with the provisions of sector regulations and internal provisions governing the regulations for classification and transfer to the various risk categories. In the classification processes, also for the purpose of subsequent measurement of performing loans, the Bank has specifically taken into consideration the context of macroeconomic uncertainty deriving from residual effects of the COVID-19 emergency, as well as the instability generated by the conflict between Russia and the Ukraine, and inflationary pressures.

As regards financial assets for which there is no objective evidence of impairment (in bonis financial instruments), it is necessary to verify if there are indicators that show that the credit risk for each transaction is significantly increased with respect to the initial recognition. The consequences of this assessment, in terms of classification (or, more appropriately, of the staging) and of the measurement, are the following: - if such indicators are found, the financial asset belongs in stage 2. The measurement, in this case, in compliance with international accounting standards and even in absence of a manifest impairment, entails recognition of write-downs equal to expected losses over the entire residual life of the financial instrument. These adjustments are subject to review at each subsequent reporting date, to both periodically verify congruity with the constantly updated loss estimations, and to take into account – in case the indicators of “significantly increased” credit risk – the changed outlook for calculation of expected losses; - if such indicators are not found, the financial asset belongs in stage 1. In this case, the measurement, in compliance with International accounting standards and even in absence of a manifest impairment, entails recognition of expected losses, for the specific financial instrument, over the next twelve months. These adjustments are subject to review at each subsequent reporting date, to both periodically verify congruity with the constantly updated loss estimations, and to take into account – in case the indicators of “significantly increased” credit risk – the changed outlook for calculation of expected losses. As regards the measurement of financial assets and, specifically, the identification of “significant increase” of credit risk (a condition necessary and sufficient for classification of the asset in stage 2), the elements that are considered critical and primary to be taken into consideration, in compliance with the accounting standard and its implementation by Banca Cambiano 1884 s.p.a, are the following:

- The variation of the probability of default used for internal management purposes. This is, therefore, an evaluation that is made by adopting a criterion of “relativity”. This criterion was revised in July 2022, during the inspection and, in conformity with the Bank’s current internal rating system, classifies in Stage 2:
    - performing exposures with a risk of insolvency at the date of origin equal to 1, 2, 3 or 4, for which a final classification of at least 10 has been recorded;
    - performing exposures with a risk of insolvency at the date of origin equal to 5 or 6 that have “jumped” 6 classes in the internal PD management system;
    - performing exposures with a risk of insolvency at the date of origin equal to 7, 8, 9 or 10 that have “jumped” 5 classes in the internal PD management system;
    - performing exposures with a risk of insolvency at the date of origin equal to 11 that have “jumped” 4 classes in the internal PD management system.

  The previous criterion, that was in effect from October 2019 up to July 2022, included in Stage 2 exposures that recorded a “jump” of 6 classes from the initial recognition of probability of default used for internal management purposes, with a final probability of default classification equal to 11;
- The presence, if any, of an overdue payment that – without prejudice to the thresholds for significance provided for in current regulations – is past due by at least 30 days. In such a case, in other words, the credit risk of the exposure is considered allegedly “significantly increased” and, therefore, it is “passed” to stage 2 (if the exposure was previously in stage 1);
- The presence, if any, of forbearance measures, which – again, presumable – entail classification of the exposures among those for which credit risk is “significantly increased” with respect to initial recognition;
- Finally, for the purpose of transfer from one stage to another, some specific indicators of the credit monitoring are taken into consideration. This refers specifically to so-called “watchlist” positions, that is, positions that are kept under observation due to evidence of individual criticality.

Once the classification of the exposures in the various credit risk stages has been defined, the expected loss, which represent an estimate of losses on receivables weighted by the respective probability of occurrence, is calculated for a 12 month period for receivables classified in Stage 1, or for the entire expected residual life of the financial instrument for receivables classified in Stage 2. Then, a similar measurement model is adopted for all receivables classified in Stage

1 and in Stage 2, the only distinguishing feature of which is the time frame for estimation of expected loss. The measurement model takes into account the following risk factors:

- PD (Probability of Default) – probability of insolvency, a parameter that represents the probability that a counterparty will migrate from a "bonis" condition to an "insolvency" condition within the time frame of one year (Stage 1) or during the entire expected life of the financial instrument (Stage 2). The probability of insolvency is calculated based on parameters decided internally by Banca Cambiano and subsequently by including adequate corrective elements that allow taking into account the effects of so-called forward looking information relative to the macro-economic reference scenarios;
- LGD (Loss Given Default) – impairment rate in case of insolvency, a parameter that expresses the impact of the loss, as a percent, net of recovery amounts, with respect to the amount of the exposure that has become insolvent, measured based on specific internal models of Banca Cambiano (contained in annex A4). This parameter also includes expected recovery costs;
- EAD (Exposure at Default) - EAD is managed based on the type of exposure and maturity: exposures with a "deterministic" repayment schedule with a known cash flow and a known maturity, and "stochastic" exposures, with an unknown cash flow and/or an unknown maturity. For exposures with a deterministic repayment schedule, EAD is calculated using the repayment schedule based on the evolution of the contractual cash flows. For exposures with an unknown repayment schedule (for example, without instalments, like bank accounts) the EAD is calculated based on appropriate models that take into account both the so-called "on balance" value and of the exposure and the "off balance" component considered as potentially risky due to the possibility that the customer increases use of credit. These exposures are valued for a 12 month period, consistently with the review period provided for by the Bank for these types of contracts.

The calculation of expected losses takes into account all reasonable and demonstrable information available at the reference date of the balance sheet without excessive costs or effort. The information used must take into consideration past events, current economic conditions and forecasts for future economic conditions.
Banca Cambiano has defined the formula to calculate ECL (1), as follows:

$$ECL(t_0) = \sum_{i=1}^{n} D(t_0, t_i) \times EAD(t_i) \times MPD(t_i) \times LGD(t_i)$$

where:
n = expiry of the relationship
$ECL(t_0)$ = calculated value adjustment at the reporting date
MPD(t_i) = marginal probability of default in t_i
$LGD(t_i)$ = LGD value at the t-th future instant
$EAD(t_i)$ = EAD value at the t-th future instant
$D(t_0, t_i)$ = discounting factor $t_0$and t_i
n = residual life of the relationship (maturity minus reporting date)
As regards financial assets classified in Stage 1, the calculation formula is applied only to a timeline of maximum 1 year, or less if the duration of the financial instrument is less than 12 months. The $t_i$instants indicated in the formula are consistent with the frequency estimated by the output of the multi-period EAD calculation or wit the annual frequency, in case of repayment schedules with a single repayment at maturity (so-called bullet). As regards financial assets classified in Stage 2, the calculation formula is applied to a timeline equivalent to the residual duration of the instrument (life-time). The $t_i$instants are always consistent with the frequency estimated by the output of the multi-period EAD calculation, or with the annual frequency for bullet repayment schedules.
At each reporting date and for each contract relationship, both the 1 year ECL and the Lifetime ECL are calculated, using the multi-period PD, LGD and EAD parameters described above in the application of the formula, and considering all the payment deadlines up to:

- Timeline of 1 year from the reporting date for calculation of 1 year ECL 1 (if duration is less than 12 months, the residual contract duration will be used);
- Expiry/maturity date of the individual contract relationship for calculation of Lifetime ECL (if duration is less than 12 months, the residual contract duration will be used).

Accounting treatment of tax credits connected to the "*Cura Italia*" and "*Rilancio*" Law Decrees, purchased on disposal by the direct beneficiaries or by previous purchasers.
Approach used for the accounting treatment of purchased tax credits (tax bonuses).
Establishing an accounting policy in accordance with IAS 8, requires an analysis of aspects regarding initial recognition, measurement and consequent classification, taking into account the cost sustained by the transferee to purchase the credit, their characteristics of usability and the need to recognize the profit obtained by the transferee on an accrual basis. The operation generates an asset (credit) in the balance sheet of the transferee, containing the right to avoid

future disbursements. Tax credits covered by the Decrees are, substantially speaking, more similar to financial assets, in that they may be used to compensate a debt usually settled in cash (cash debits), or exchanged with other financial assets at conditions that may be potentially favourable to the entity and associated to a business model (for example, Hold To Collect in the event they are held to maturity), so it is believed that an accounting model based on IFRS 9 represents the accounting policy most suited to providing relevant and reliable information, as required by IAS 8, paragraph 10. This model, in fact, seems to better guaranty a truthful representation of the financial, profit and cash flow situation of the entity, reflecting the economic substance and not just the form of the transaction, in a neutral, prudent and complete manner. In order to define the accounting treatment to be adopted for the tax credits in question, we will therefore refer to some provisions contained in accounting principle IFRS 9 for financial instruments. The purchase price of tax credits must discount: a) the time value of money; and b) the capacity to use it within the respective term. This price must meet the condition of IFRS 9 according to which financial assets and liabilities must be initially 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 active markets nor comparable transactions. Therefore, at the moment of initial recognition, the tax credit is recognised at the transaction price. For the subsequent measurement of financial assets at amortised cost, calculations must consider: i) the time value of money; ii) the use of an effective interest rate; and iii) the use flows of the tax credit through off-setting. The effective interest rate is determined at origin so that the discounted cash flows connected to the expected future off-sets estimated for the expected duration of the tax credit are equal to the purchase price of the tax credits. To calculate the effective interest rate, the entity has estimated expected off-setting, taking into account all the terms relative to the tax credit, including the fact that any unused tax credit in each compensation period will be lost. The use of the amortised cost method allows spreading revenues for the entire duration of life of the tax credit, at immediately recognizing any transaction losses. It follows that, should the entity review its estimations regarding the use of the tax credit through off-setting, it must adjust the gross accounting value of the tax credit to reflect estimated, effective and re-determined uses. The entity will recalculate the gross accounting value of the tax credit as the current value of the new estimation of use of the tax credit by off-setting discounted at the original effective interest rate. In this redetermination, taking into account the absence of reimbursability by the counterparty (that is to say, Internal Revenue), a write-down deriving from the possible missed use of purchased tax credits is therefore included. The evaluation regarding the failure to use the tax credit will also reflect the fact that the entity could reasonably define ceilings for the purchase of credits based on the volumes of its debit position vis-à-vis Internal Revenue. Alternatively, if the transferee decides to adopt an operational management typical of the Hold To Collect and Sell business model for these credits, or to hold them for the purpose of trading, both as defined in IFRS 9, the subsequent measurement of the credits would be made at fair value. Therefore, we believe the following approach is the one to take:

- 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 subsequent measurement: application of the provisions of IFRS 9 relative to the Hold To Collect business model, that require measurement at amortised cost. If the transferee intends to adopt an operational management typical of the Hold To Collect and Sell business model for these credits, or to hold them for other purposes (for example, trading), as defined in IFRS 9, the credits should be measured at fair value with contra-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, 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 purposes of representation in the balance sheet, is in the residual item “other assets” of the balance sheet (assets line item 120).
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 asset transfers between portfolios

A.3.1 Reclassified financial assets: change of the business model, book value and earned interest (thousands)
As at 31/12/2022 there were no reclassified financial assets.

A.3.2 Reclassified financial assets: change of the business model, fair value and effects on overall profitability (thousands)
As at 31/12/2022 there were no reclassified financial assets.

A.3.3. Reclassified financial assets: change of the business model and effective interest rate
As at 31/12/2022 there were 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 demand/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 Bank does not calculate and recognize corrections in fair value of derivatives for CVA and DVA if there are formalized and operative agreements for collateralization 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 collateralization 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 collateralized.

A.4.2 Measurement processes and sensitivity

At 31 December 2022 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	31/12/2022			31/12/2021		
	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	109,932	0	98,596	56,554	0	106,483
a) financial assets held for trading	66,873	0	683	56,554	0	14,880
b) financial assets measured at fair value	0	0	0	0	0	0
c) other financial assets measured at fair value	43,060	0	97,913	0	0	91,603
2. Financial assets measured at fair value with impact on total profits	594,184	0	18,166	507,509	0	19,039
3. Hedges	0	0	0	0	0	0
4. Property, plant and equipment	0	0	0	0	0	0
5. Intangible assets	0	0	0	0	0	0
Total	**704,117**	**0**	**116,761**	**564,063**	**0**	**125,522**
1. Financial liabilities held for trading	0	0	98	0	0	694
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	0	0	0	141
Total	**0**	**0**	**98**	**0**	**0**	**835**

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 financial 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, plant 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 measured at fair value				
1. Initial value	**125,522**	**14,880**	**0**	**91,603**	**19,039**	**0**	**0**	**0**
2. Additions								
2.1. Purchases	28,964	683	0	28,281	0	0	0	0
2.2. Revenues allocated to:								
2.2.1. Profit and loss account	59	59	0	0	0	0	0	0
- of which gains	0	0	0	0	0	0	0	0
2.2.2. Shareholders' equity	0	X	X	X	0	0	0	0
2.3. Transfers from other levels	0	0	0	0	0	0	0	0
2.4. Other additions	-7	0	0	-7	0	0	0	0
3. Reductions								
3.1. Sales	34,919	14,938	0	19,481	500	0	0	0
3.2. Redemptions	0	0	0	0	0	0	0	0
3.3. Losses allocated to:								
3.3.1. Profit and loss account	2,483	0	0	2,483	0	0	0	0
- of which losses	2,422	0	0	2,422	0	0	0	0
3.3.2. Shareholders' equity	374	X	X	X	374	0	0	0
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other reductions	0	0	0	0	0	0	0	0
4. Final values	**116,761**	**683**	**0**	**97,913**	**18,166**	**0**	**0**	**0**

A.4.5.3 Annual variations of financial liabilities measured at fair value on a recurring basis (Level 3)

	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedges
1. Initial value	**694**	**0**	**141**
2. Additions			
2.1. Issues	683	0	0
2.2. Losses allocated to:			
2.2.1. Profit and loss account	0	0	2
- of which losses	0	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			
3.1. Redemptions	694	0	0
3.2. Repurchases	0	0	0
3.3. Revenues allocated to:			
3.3.1. Profit and loss account	585	0	0
- of which gains	585	0	0
3.3.2. Shareholders' equity	X	0	143
3.4. Transfers to other levels	0	0	0
3.5. Other reductions	0	0	0
4. Final values	**98**	**0**	**0**

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2022				31/12/2021			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	3,746,242	360,590	0	3,385,652	3,834,952	366,603	0	3,468,349
2. Property, plant and equipment held as investments	0	0	0	0	0	0	0	0

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2022				31/12/2021			
	VB	L1	L2	L3	VB	L1	L2	L3
3. Non-current assets and groups of assets in the course of divestment	0	0	0	0	0	0	0	0
Total	**3,746,242**	**360,590**	**0**	**3,385,652**	**3,834,952**	**366,603**	**0**	**3,468,349**
1. Financial liabilities valued at amortised cost	4,607,522	0	0	4,607,522	4,548,767	0	0	4,548,767
2. Liabilities associated to assets in the course of divestment	0	0	0	0	0	0	0	0
Total	**4,607,522**	**0**	**0**	**4,607,522**	**4,548,767**	**0**	**0**	**4,548,767**

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

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

The Bank 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	31/12/2022	31/12/2021	Variation	% Var.
a) Cash and cash equivalents	12,825	13,741	-916	-6.66%
b) Current accounts and demand deposits with Central Banks	0	0	0	
c) Current accounts and demand deposits with banks	36,936	91,248	-54,312	-59.52%
Total	**49,761**	**104,989**	**-55,228**	**-52.60%**

Note:
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	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	66,519	0	0	8,082	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	66,519	0	0	8,082	0	0
2 Capital securities	354	0	0	912	0	0
3 Shares in mutual funds	0	0	0	47,561	0	14,782
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	**66,873**	**0**	**0**	**56,554**	**0**	**14,782**
B. Derivative instruments						
1 Financial derivative:	0	0	683	0	0	98
1.1 from trading	0	0	683	0	0	98
1.2 connected with 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 with the fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	**0**	**0**	**683**	**0**	**0**	**98**
Total (A+B)	**66,873**	**0**	**683**	**56,554**	**0**	**14,880**

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

Line items/values	31/12/2022	31/12/2021	Variation	% Var.
A. CASH ASSETS				
1. Debt securities	**66,519**	**8,082**	**58,437**	**723.10%**
a) Central Banks	0	0	0	0.00%
b) Public administrations	60,149	2,239	57,911	2586.98%
c) Banks	2,524	1,801	723	40.11%
d) Other finance companies	780	560	221	39.44%
of which insurance companies	0	0	0	0.00%
e) Non finance companies	3,066	3,482	-416	-11.96%
2 Capital securities	**354**	**912**	**-558**	**-61.22%**
a) Banks	0	0	0	0.00%
b) Other finance companies	354	912	-558	-61.22%
of which insurance companies	0	0	0	0.00%
c) Non finance companies	0	0	0	0.00%

Line items/values	31/12/2022	31/12/2021	Variation	% Var.
d) Other issuers	0	0	0	0.00%
3 Shares in mutual funds	**0**	**62,343**	**-62,343**	**-100.00%**
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 finance 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)	**66,873**	**71,336**	**-4,463**	**-6.26%**
B DERIVATIVE INSTRUMENTS				
a) Central counterparties	0	0	0	0.00%
b) Other	683	98	585	599.35%
Total (B)	683	98	585	599.35%
Total (A+B)	**67,555**	**71,433**	**0**	**-5.43%**

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

Line items/values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1 Debt securities	0	0	3,874	0	0	4,597
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	3,874	0	3,874	0	0	4,597
2 Capital securities	0	0	0	0	0	0
3 Shares in mutual funds	43,060	0	24,541	0	0	16,899
4 Loans	0	0	69,498	0	0	70,108
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	69,498	0	0	70,108
Total	43,060	0	97,913	0	0	91,603

2.6 Financial assets obligatorily measured at fair value: breakdown by borrowers/issuers

Line items/values	31/12/2022	31/12/2021
1 Capital securities	**0**	**0**
of which: banks	0	0
of which: other finance companies	0	0
of which: other non-finance companies	0	0
2. Debt securities	**3,874**	**4,597**
a) Central Banks	0	0
b) Public administrations	0	0
c) Banks	937	1,042
d) Other finance companies	0	1,003
of which: insurance companies	0	0
e) Non finance companies	2,937	2,552
3 Shares in mutual funds	**67,601**	**16,899**
2 Loans	**69,498**	**70,108**
a) Central Banks	0	0
b) Public administrations	0	0
c) Banks	0	25
d) Other finance companies	0	3,733
of which: insurance companies	0	3,733
e) Non finance companies	68,896	65,780
f) Families	602	570
Total	**140,973**	**91,603**

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 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	594,184	0	0	507,509	0	0
1.1 Structured securities	0	0	0	4,404	0	0
1.2 Other debt securities	594,184	0	0	503,105	0	0
2. Capital securities	0	0	18,166	0	0	19,039
3. Loans	0	0	0	0	0	0
Total	**594,184**	**0**	**18,166**	**507,509**	**0**	**19,039**

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

Line items/values	Total 31/12/2022	Total 31/12/2021	Variation	% Var.
1. Debt securities	**594,184**	**507,509**	**86,675**	**17.08%**
a) Central Banks	0	0	0	0.00%
b) Public administrations	588,811	490,601	98,210	20.02%
c) Banks	5,373	16,908	-11,535	-68.22%
d) Other finance companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
			0	0.00%
2. Capital securities	**18,166**	**19,039**	-874	-4.59%
a) Banks	7,500	7,500	0	0.00%
b) Other issuers:	10,666	11,539	-874	-7.57%
- other finance companies	417	436	0	0.00%
of which: insurance companies	0	0	0	0.00%
- non finance companies	10,248	11,104	-856	-7.71%
- 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 finance 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	**612,350**	**526,549**	**85,801**	16.30%

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	of which: Impaired purchased or originated	First stage	Second stage	Third stage	of which: Impaired purchased or originated	
Debt securities	592,420	592,420	2,256	0	0	470	22	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0
Total 31/12/2022	592,420	592,420	2,256	0	0	470	22	0	0	0
Total 31/12/2021	492,683	492,683	14,956	0	0	68	62	0	0	0

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

here 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 transaction/ Values	Total 31/12/2022		Total 31/12/2021	
	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												
1. Time deposits	0	0	0	0	0	0	0			0	0	0
2. Regulatory reserve	84,303	0	0	0	0	84,303	137,936			0	0	137,936
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	0	0	0	0	0	0	0			0	0	0
1. Loans	0	0	0	0	0	0	0			0	0	0
1.1. Current accounts	0	0	0	0	0	0	0			0	0	0
1.2. Time deposits	50,037	0	0	0	0	50,037	73,999			0	0	73,999
1.3. Other loans:	0	0	0	0	0	0	0			0	0	0
- Repurchase agreement assets	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	6,720	0	0	6,720	0	0	11,509			11,509	0	0
2.1 Structured securities	0	0	0	0	0	0	0			0	0	0
2.2 Other debt securities	6,720	0	0	6,720	0	0	11,509			11,509	0	0
Total	**141,061**	**0**	**0**	**6,720**	**0**	**134,340**	**223,443**	**0**	**0**	**11,509**	**0**	**211,935**

4.2 Financial assets measured at amortised cost: breakdown by type of receivable from customers

Type of transaction/assets	Total 31/12/2022							Total 31/12/2021						
	Book value				Fair value			Book value				Fair value		
	First and second stage	Third stage	impaired purchased or originated	Total	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans	**3,082,249**	**168,329**	**734**	3,251,311	-	-	**3,211,690**	**3,126,753**	**128,803**	**859**	**3,256,414**	-	-	**3,256,414,142**
1.1. Current accounts	562,471	17,322	-	579,792	X	X	X	529,815	19,188	-	549,003	X	X	X
1.2. Repurchase agreement receivables	-	-	-	-	X	X	X	67,756	-	-	67,756	X	X	X
1.3. Mortgages	1,498,937	97,786	622	1,597,346	X	X	X	1,452,226	88,031	711	1,540,968	X	X	X
1.4. Credit cards, personal loans and salary backed loans	18,782	510	32	19,324	X	X	X	19,824	720	36	20,580	X	X	X
1.5. Financial leases	148	-	-	148	X	X	X	225	-	-	225	X	X	X
1.6. Factoring	-	-	-	-	X	X	X	-	-	-	-	X	X	X
1.7. Other loans	1,001,911	52,711	80	1,054,702	X	X	X	1,056,908	20,864	112	1,077,883	X	X	X
2. Debt securities	**353,870**	**-**	**-**	**353,870**	**294,587**	**-**	**-**	**355,094**	**-**	**-**	**355,094**	**355,094**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	353,870	-	-	353,870	294,587	-	-	355,094	-	-	355,094	355,094	-	-
Total (book value)	**3,436,118**	**168,329**	**734**	**3,605,181**	**294,587**	**-**	**3,211,690**	**3,481,847**	**128,803**	**859**	**3,611,508**	**355,094**	**-**	**3,256,414**

4.3 Financial assets measured at amortised cost: breakdown by borrowers/issuers of receivable from customers

Type of transaction/assets	Total 31/12/2022			Total 31/12/2021		
	First and second stage	Third stage	impaired purchased or originated	First and second stage	Third stage	of which: impaired purchased

						or originated
1. Debt securities	**353,870**	**0**	**0**	**355,094**	**0**	**0**
a) Public administrations	353,870	0	0	355,094	0	0
b) Other finance 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:	**3,082,249**	**168,329**	**734**	**3,126,304**	**129,252**	**859**
a) Public administrations	813	0	0	1,105	0	0
b) Other finance companies	333,961	2,552	0	382,831	1,490	0
of which: insurance companies	0	0	0	0	0	0
c) Non finance companies	1,415,783	109,099	146	1,462,301	65,230	172
d) Families	1,331,692	56,678	588	1,280,067	62,532	687
Total	**3,436,118**	**168,329**	**734**	**3,481,398**	**129,252**	**859**

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	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	
Debt securities	354,077	360,965	6,888	0	0	208	168	0	0	0
Loans	2,914,001	2,913,911	321,736	282,229	920	6,006	13,143	113,900	186	0
Total 31/12/2022	**3,268,078**	**3,274,877**	**328,624**	**282,229**	**920**	**6,213**	**13,310**	**113,900**	**186**	**0**
Total 31/12/2021	**3,447,815**	**3,447,815**	**283,338**	**233,620**	**1,092**	**7,289**	**18,573**	**103,958**	**233**	**0**

4.4 a) Loans measured at amortised cost subject to Covid-19 aid measures: 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	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	
1. Loans subject to forbearance conformant to GL	0	0	0	0	0	0	0	0	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	429,492	429,492	73,886	26,024	0	570	769	4,558	0	
Total 31/12/2022	**429,492**	**429,492**	**73,886**	**26,024**	**0**	**570**	**769**	**4,558**	**0**	**0**
Total 31/12/2021	**476,094**	**476,094**	**51,088**	**3,273**	**60**	**2,826**	**5,219**	**1,073**	**5**	**0**

Section 7 - Equity investments - Line item 70

7.1 Equity investments in subsidiaries, jointly held companies or companies subject to significant interest: information on shareholdings

Denominations	Registered offices	Operating offices	% of shareholdings	% available votes
A. Wholly owned subsidiaries				
1. Cabel Leasing s.p.a. (1)	**Empoli**	**Empoli**	**95.00%**	**95.00%**
2. Immobiliare 1884 s.r.l.	**Firenze**	**Empoli**	**100.00%**	**100.00%**
3. Invest Italy SIM S.p.A (2)	**Empoli**	**Milano**	**92.73%**	**92.73%**
B. Jointly held companies				
C. Companies subject to significant interest				
1. Cabel Holding s.p.a. (3)	**Empoli**	**Empoli**	**49.60%**	**29.60%**
2. Cabel Industry s.p.a. (4)	**Empoli**	**Empoli**	**11.49%**	**11.49%**
3. Gardena Capital LTD	**London**	**London**	**39.00%**	**39.00%**
4. Cabel IP s.p.a. (1)	**Empoli**	**Empoli**	**25.48%**	**25.48%**

Note:

(1) During September 2022 the Bank's percent of shareholdings in the subsidiary increased, from 90% to 95%, following the purchase of n. 5.000 shares previously held by *Banca Lazio Nord Credito cooperativo per azioni*. The authorisation procedure required to initiate the actions functional to transfer of the shares is more complex than the ordinary procedure, due to the need for regulatory studies made necessary by the unique nature of the business of the purchasing party, and completed only at the start of the 2023 fiscal year.

(2) During May 2022 the Bank's percent of shareholdings in the subsidiary increased, from 72.10% to 87.529%, following the purchase of n. 1,080,000 shares. During December 2022, the Bank's percent of shareholdings increased further, from 87.529% to 92.725% following the subscription of the capital increase of € 500,000. The actions required to clear the critical issues that were compromising the possibility of defining an agreement for transfer of the shares, attributable to the need to resolve relations with the previous corporate structure, lasted for the whole of the 2022 fiscal year. Once said issues were cleared, during the month of March 2023 the procedure to complete the transfer to First Capital spa for a shareholding equal to 88.50% was initiated. The Bank will continue to hold a 10% share interest.

(3) 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%.

(4) 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%.

7.2 Significant shareholdings: book value, fair value dividends perceived

Denominations	Book value	Fair value	Dividends perceived
A. Wholly owned subsidiaries	**33,237**	**33,237**	**0**
1. Cabel Leasing s.p.a.	18,739	18,739	0
2. Immobiliare 1884 s.r.l.	13,500	13,500	0
3. Invest Italy SIM S.p.A	997	997	0
B. Jointly held companies	**0**	**0**	**0**
C. Companies subject to significant interest	**16,479**	**16,479**	**0**
1. Cabel Holding s.p.a.	14,965	14,965	0
2. Cabel Industry s.p.a.	1,222	1,222	0
3. Gardena Capital LTD	247	247	0
4. Cabel IP s.p.a.	45	45	0
Totals	**49,716**	**49,716**	**0**

Note:

The fair value of shareholdings in companies subject to significant interest corresponds to the balance sheet 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 analysed by determining the fair value net of sale costs. The test did not result in value write-downs to be made.

7.3 Significant shareholdings: accounting information

Denominations	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Interest income
A. Wholly owned subsidiaries	**1,403**	**300,598**	**33,201**	**282,286**	**15,721**	**10,297**	**5,066**
1. Cabel Leasing s.p.a.	158	297,041	8,930	268,641	15,281	9,291	5,179
2. Immobiliare 1884 s.r.l.	0	3,557	24,211	13,507	341	627	-111
3. Invest Italy SIM S.p.A	1,245	0	60	138	98	379	-1
B. Jointly held companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Companies subject to significant interest	x	**21,882**	**78,929**	**2,222**	**36,172**	**32,137**	**4**
1. Cabel Holding s.p.a.	x	18,217	27,856	0	1,223	1,977	x
2. Cabel Industry s.p.a.	x	210	50,011	0	33,877	28,418	x
3. Gardena Capital LTD	x	891	606	0	468	1,277	X
4. Cabel IP s.p.a.	X	2,563	456	2,222	604	464	4
Totals	**1,403**	**322,481**	**112,131**	**284,508**	**51,893**	**42,435**	**5,066**

Denominations	Value adj. and write-backs on prop., plants and equip. And intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) on groups of assets under divestment, after tax	Profit (loss) for the fiscal year	Value adj. and write-backs on prop., plants and equip. And intangible assets	Profit (loss) on continuing operations before tax
A. Wholly owned subsidiaries	**246**	**1.814**	**1.187**	**0**	**1.187**	**0**	**1.187**
1. Cabel Leasing s.p.a.	135	1.903	1.309	0	1.309	0	1.309
2. Immobiliare 1884 s.r.l.	81	292	259	0	259	0	259
3. Invest Italy SIM S.p.A	31	-381	-381	0	-381	0	-381
B. Jointly held companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Denominations	Value adj. and write-backs on prop., plants and equip. And intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) on groups of assets under divestment, after tax	Profit (loss) for the fiscal year	Value adj. and write-backs on prop., plants and equip. And intangible assets	Profit (loss) on continuing operations before tax
C. Companies subject to significant interest	**13,093**	**324**	**223**	**0**	**223**	**0**	**223**
1. Cabel Holding s.p.a.	x	62	89	0	89	0	89
2. Cabel Industry s.p.a.	x	260	167	0	167	0	167
3. Gardena Capital LTD	13,083	37	37	0	37	0	37
4. Cabel IP s.p.a.	10	-36	-69	0	-69	0	-69
Totals	**13,340**	**2,138**	**1,410**	**0**	**1,410**	**0**	**1,410**

Note:
The above companies carry out activities that are instrumental to Bank activities and perform services that are auxiliary to Bank activities. As regards wholly owned subsidiaries, the values shown in the above table refer to the year 2022, while for companies subject to significant influence, the data shown are as at 30 September 2022.
As regards the subsidiary Gardena Capital LTD, the values shown – expressed in sterling pounds – refer to 30/06/2022.

The book value was calculated according to the table below:

Denominations	Shareholders' equity	% shareholdings	Purchases/Sales	Dividends perceived	Book value at cost
1. Cabel Leasing s.p.a.	10,000	52.00%	0	0	18,739
2. Immobiliare 1884 s.r.l.	13,500	100.00%	0	0	13,500
3. Invest Italy SIM S.p.A	1,135	72.10%	0	0	997
Totals	**24,635**		**0**	**0**	**33,237**

Denominations	Shareholders' equity	% shareholdings	Purchases/Sales	Dividends perceived	Book value at PN
4. Cabel Holding s.p.a.	30,171	49.60%	0	0	14,965
5. Cabel Industry s.p.a.	10,633	11.49%	0	0	1,222
6. Gardena Capital LTD	634	39.00%	0	0	247
7. Cabel IP s.p.a.	178	25.48%	0	0	45
Totals	**41,616**		**0**	**0**	**16,479**

7.5 Equity investments: Annual variations

Line items	Total 31/12/2022	Total 31/12/2021
A. Initial value	**48,209**	**51,688**
B. Additions	**2,977**	**4,511**
B.1 Purchases	1,653	4,392
B.2 Value adjustments	0	0
B.3 Revaluations	1,324	77
B.4 Other variations	0	42
C. Reductions	**1,470**	**7,989**
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Write-downs	1,470	7,989
C.4 Other variations	0	0
D. Final values	**49,716**	**48,209**
E. Total Revaluations	**14,521**	**13,197**
F. Total adjustments	**0**	**0**

Note:
Line B.1 "Purchases" includes the purchase of n. 5.000 shares in the company Cabel Leasing S.p.A. for overall € 1,045 thousand, the purchase of n. 1,080,000 share in the company Invest Italy SIM S.p.A. for € 108 thousand and the subscription of the capital increase of the latter for € 500 thousand.
Line B.3 "Revaluations" includes the revaluation of the company Cabel Industry S.p.A. for € 1,325 thousand.
Line C.3 "Write-downs" includes the write-down of the company Cabel Holding s.p.a. for 862 thousand euro, and the write-down of the company Cabel Industry s.p.a. for 369 thousand euro, and the write back of the company Invest Italy SIM s.p.a. for 225 thousand euro.
Specifically, as regards the subsidiaries Cabel Holding and Cabel Industry, the variation recorded for the period in review, equal to 1,232 thousand euro overall, was allocated for 1,114 thousand euro to valuation reserve, and for 118 thousand euro to line item 220 of the income statement "Profit (Loss) on equity investments". The amount allocated to reserve is due to write-downs of the subsidiary relative to the assessment of intangible fixed assets made by Cabel Industry, that entailed a correction of the error in the same datum for the previous fiscal year.

The 2022 data include data relative to financial statements approved by the subsidiary companies as at 31/12/2022 and the data relative to 30/09/2022 extrapolated from the situations approved by the Boards of Directors.

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 - Property, plant and equipment - Line item 80

8.1 Property, plant and equipment for a functional use: breakdown of assets measured at cost

Assets/values	Total 31/12/2022	Total 31/12/2021
1. Owned assets	**51,587**	**52,907**
a) land	9,353	9,353
b) buildings	28,874	29,793
c) furniture	9,696	9,718
d) electronic equipment	986	1,054
e) other	2,677	2,988
2. Rights of use acquired through leases	**13,374**	**16,089**
a) land	0	0
b) buildings	13,348	16,024
c) furniture	0	0
d) electronic equipment	0	0
e) other	26	64
Total	**64,960**	**68,996**
of which: obtained by enforcing guarantees	*0*	*0*

Note:

All the Bank'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.

8.6 Property, plant and equipment for a functional use: Annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2022
A. Initial gross value	**9,353**	**70,114**	**15,464**	**2,394**	**14,319**	**111,644**
A.1 Total net reductions of value	0	24,297	5,746	1,340	11,266	42,648
A.2 Initial net value	**9,353**	**45,818**	**9,718**	**1,054**	**3,053**	**68,996**
A.4 Net balance	**9,353**	**45,818**	**9,718**	**1,054**	**3,053**	**68,996**
B. Additions:	**0**	**10,246**	**465**	**325**	**857**	**11,892**
B.1 Purchases	0	10,064	465	325	745	11,598
B.2 Expenses for capitalised improvements	0	182	0	0	0	182
B.3 Value adjustments	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) income statement	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	112	112
C. Reductions:	**0**	**13,841**	**487**	**393**	**1,207**	**15,928**
C.1 Sales	0	0	0	0	112	112
C.2 Depreciation	0	3,524	487	393	1,095	5,499
C.3 Value adjustments from impairment allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	0	0	0	0	0	0
b) income statement	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) income statement	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**

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2022
a) property, plant and equipment held as investments	0	0	0	0	0	0
b) non-current assets and groups of assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	10,317	0	0	112	10,430
D. Final net balance	**9,353**	**42,222**	**9,696**	**986**	**2,703**	**64,960**
D.1 Total net reductions of value	0	27,820	6,233	1,732	12,249	48,035
D.2 Final gross balance	**9,353**	**70,042**	**15,929**	**2,719**	**14,952**	**112,995**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Note:

Line item B.1 "Purchases" includes renewals of contracts for goods purchased through lease contracts. These amounts are detailed in table B 8.6 bis.

Depreciation was measured *pro rata* as specified below:

Type	Percent
- Land	0.00%
- Buildings	3.00%
- Artwork	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

8.6 bis Of which - Property, plant and equipment for a functional use - Rights of use acquired through leases: Annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2022
A. Initial gross value	**0**	**22,909**	**0**	**0**	**135**	**23,044**
A.1 Total net reductions of value	0	6,885	0	0	70	6,956
A.2 Initial net value	**0**	**16,024**	**0**	**0**	**64**	**16,089**
A.4 Net balance	**0**	**16,024**	**0**	**0**	**64**	**16,089**
B. Additions:	**0**	**10,064**	**0**	**0**	**0**	**10,064**
B.1 Purchases	0	10,064	0	0	0	10,064
B.2 Expenses for capitalised improvements	0	0	0	0	0	0
B.3 Value adjustments	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) income statement	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	0	0
C. Reductions:	**0**	**12,740**	**0**	**0**	**38**	**12,779**
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	2,423	0	0	38	2,461
C.3 Value adjustments from impairment allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders’ equity	0	0	0	0	0	0
b) income statement	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) income statement	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, plant and equipment held as investments	0	0	0	0	0	0
b) non-current assets and groups of assets in the course of divestment	0	0	0	0	0	0

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2022
C.7 Other variations	0	10,317	0	0	0	10,317
D. Final net balance	**0**	**13,348**	**0**	**0**	**26**	**13,374**
D.1 Total net reductions of value	0	9,308	0	0	109	9,417
D.2 Final gross balance	**0**	**22,656**	**0**	**0**	**135**	**22,791**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Section 9 - Intangible assets - Line item 90

9.1 Intangible assets: breakdown by type of asset

Assets/values	Total 31/12/2022		Total 31/12/2021	
	Limited duration	Indefinite duration	Limited duration	Indefinite duration
A.1 Goodwill	0	0	0	0
A.2 Other intangible assets	**4,082**	**0**	**3,646**	**0**
Of which: software	*4,082*	*0*	*3,646*	*0*
A.2.1 Assets measured at cost:	4,082	0	3,646	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	4,082	0	3,646	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	**4,082**	**0**	**3,646**	**0**

Note:
All the Bank's intangible assets are measured at cost.

9.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2022
		limited duration	indefinite duration	limited duration	indefinite duration	
A. Initial gross value	**0**	**0**	**0**	**9,510**	**0**	**9,510**
A.1 Total net reductions of value	0	0	0	5,863	0	5,863
A.2 Initial net value	**0**	**0**	**0**	**3,646**	**0**	**3,646**
B. Additions						
B.1 Purchases	0	0	0	2,010	0	2,010
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						
- to shareholders' equity	0	0	0	0	0	0
- to income statement	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						
C.1 Sales	0	0	0	0	0	0
C.2 Value adjustments						
- Depreciation	0	0	0	1,574	0	1,574
- Write-downs						
+ shareholders' equity	0	0	0	0	0	0
+ income statement	0	0	0	0	0	0
C.3 Decreases in fair value						
- to shareholders' equity	0	0	0	0	0	0
- to income statement	0	0	0	0	0	0
C.4 Transfers to non-current assets in 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	0	0	0
D. Final net balance	**0**	**0**	**0**	**4,082**	**0**	**4,082**
D.1 Total net value adjustments	0	0	0	7,437	0	7,437
E. Final gross balance	**0**	**0**	**0**	**11,520**	**0**	**11,520**
F. Measurement at cost	0	0	0	0	0	0

Note:
Other intangible assets consist in goodwill and the cost of company software.

Section 10 - Tax receivables and liabilities- Assets line item 100 and Liabilities line item 60

Probability test on deferred taxes

As regards the probability test on deferred taxes, please refer to the contents of Part B – Assets, of the Consolidated Explanatory Notes.

10.1 Assets for pre-paid taxes: breakdown

Line items/Values	Total 31/12/2022	Total 31/12/2021 (*)
1. Multi-year costs	0	0
2. Personnel costs	261	393
3. Receivables	15,296	16,475
4. Entertainment expenses	0	0
5. Financial instruments (HTCS securities)	10,503	1,131
6. Tax losses	1,237	1,095
7. Goodwill	1,461	1,589
8. Other	0	206
Total	**28,757**	**20,888**

The column relating to 31 December 2021 was adjusted retroactively in accordance with the accounting principle "IFRS 3 – Accounting principles– company mergers".

Note:
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" is composed of the following tax losses:
- Euro 690 thousand: tax receivables calculated on tax losses recognised in the Bank's previous fiscal year;
- Euro 547 thousand: tax receivables calculated on tax losses accrued as at 31.12.2019 by Invest Banca, purchased with the merger transaction.

The amount recorded at 31 December 2021, equal to 8,348 euro, was rectified in accordance with principle IFRS3 – paragraph 45 as detailed in part G of these Explanatory Notes. This amount was composed of the following elements:
- 1,700 thousand euro: tax receivables calculated on tax losses recognised in the Bank's previous fiscal year;
- 1,643 thousand euro: tax receivables calculated on tax losses accrued as at 31.12.2019 by Invest Banca, purchased with the merger transaction;
- 5,005 thousand euro DTA connected to the merger transaction, recognised pursuant to comma 233 or article 1 of Law n. 178/2020 (6,673 euro gross tax– 1,668 euro (25%) already transformed into a tax credit during the 2021 fiscal year).

Therefore, in application of paragraph 45 of the IFRS 3 accounting principle, the value previously allocated to the respective line items was rectified retroactively, in accordance with the negative response – received on 08/07/2022 – to the request for disapplication submitted on 15.10.2021 to the Revenue Agency, aimed at recognising pre-paid taxes and tax receivables relative to the tax losses of Invest Banca.
This adjustment resulted in a reduction of 7,253 thousand euro in pre-paid taxes and 1,668 thousand euro in current taxes, with an overall impact of 8,922 thousand euro, as shown in the table below.

Impact of IFRS3 adjustments on DTA and tax credits acquired with the merger transaction	Total 31/12/2021	IFRS3 adjustments	Total published 31/12/2021
Pre-paid taxes (on tax losses)	**1,095**	**-7,253**	**8,348**
Pre-paid taxes on tax losses for the 2021 fiscal year	548	-1,152	1,700
DTA on tax losses accrued as at 31.12.2019 by Invest Banca	547	-1,096	1,643
DTA acquired with the merger transaction	0	-5,005	5,005
Current taxes	**0**	**-1,668**	**1,668**
Tax credits on tax losses	0	-1,668	1,668
Total	**1,095**	**-8,922**	**10,016**

Detail of assets for pre-paid taxes point 3. Credits from the previous table:

Line items/Values	Total 31/12/2022	Total 31/12/2021
1. Irap (tax on productive activities) scheduled for 2018 - deferred to 2026	0	0
2. Ires (corporate income tax) scheduled for 2018 - deferred to 2026	0	0
3. Irap (tax on productive activities) scheduled for 2019 - deferred in 4 instalments from 2022 to 2025	0	0
4. Ires (corporate income tax) scheduled for 2019 - deferred in 4 instalments from 2022 al 2025	0	0
5. Irap (tax on productive activities) scheduled for 2020	0	0
6. Ires (corporate income tax) scheduled for 2020	0	0
7. Irap (tax on productive activities) scheduled for 2021	0	0
8. Ires (corporate income tax) scheduled for 2021	0	0
9. Irap (tax on productive activities) scheduled for 2022	0	441
10. Ires (corporate income tax) scheduled for 2022	0	2.894
11. Irap (tax on productive activities) scheduled for 2023	552	441
12. Ires (corporate income tax) scheduled for 2023	3,617	2,894

Line items/Values	Total 31/12/2022	Total 31/12/2021
13. Irap (tax on productive activities) scheduled for 2024	552	441
14. Ires (corporate income tax) scheduled for 2024	3,617	2,894
15. Irap (tax on productive activities) scheduled for 2025	346	235
16. Ires (corporate income tax) scheduled for 2025	2,267	1,543
17. Irap (tax on productive activities) scheduled for 2026	249	294
18. Ires (corporate income tax) scheduled for 2026	1,630	1,929
19. Irap (tax on productive activities) on adjustments from FTA IFRS9 scheduled for 2028	416	416
20. Ires (corporate income tax) on adjustments from FTA IFRS9 scheduled for 2028	2,052	2,052
Total	**15,296**	**16,475**

10.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total 31/12/2022	Total 31/12/2021
1. Property, plants and equipment	106	114
2. Personnel costs	0	0
3. Former credit risk fund	0	0
4. Equity investments	13	28
5. Financial instruments (HTC securities)	0	0
6. Goodwill	0	0
7. Other	31	83
Total	**149**	**225**

Note:
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 (949 thousand euro).
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.

10.3 Variations to pre-paid taxes (as offsets in the income statement)

Line items	Total 31/12/2022	Total 31/12/2021 (*)
1. Initial value	**19,364**	**22,824**
2. Additions		
2.1 Pre-paid taxes recognised during the fiscal year		
a) related to previous fiscal years	0	0
b) due to changes to accounting policies	0	0
c) value adjustments	0	0
d) other	142	1,312
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Pre-paid taxes derecognised during the fiscal year		
a) reversals	1,307	2,918
b) write-downs for receivables written off as unrecoverable	0	0
c) changes to accounting principles	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions		
a) transformation in tax credits pursuant to Law n. 214/2011	0	1,854
b) other	206	0
4. Final value	**17,994**	**19,364**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers".
Note:
The table summarizes all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement.

10.3.1 Variations of pre-paid taxes pursuant to Law 214/2011 (as offsets in the income statement)

Line items	Total 31/12/2022	Total 31/12/2021
1. Initial value	**14,007**	**16,675**
2. Additions	**0**	**0**
3. Reductions	**1,178**	**2,668**
3.1 reversals	1,178	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	**12,829**	**14,007**

10.4 Variations of deferred taxes (as offsets in the income statement)

Line items	Total 31/12/2022	Total 31/12/2021
1. Initial value	**197**	**100**
2. Additions		
2.1 Deferred taxes recognised during the fiscal year		
a) related to previous fiscal years	0	0
b) due to changes in accounting principles	0	0
c) other	136	114
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Deferred taxes derecognised during the fiscal year		
a) reversals	197	17
b) due to changes in accounting principles	0	0
c) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**136**	**197**

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

10.5 Variations of pre-paid taxes (as offset to shareholders' equity)

Line items	Total 31/12/2022	Total 31/12/2021
1. Initial value	**1,524**	**1,374**
2. Additions		
2.1 Pre-paid taxes recognised during the fiscal year		
a) related to previous fiscal years	0	0
b) due to changes to accounting policies	0	0
c) other	9,400	1,060
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Pre-paid taxes derecognised during the fiscal year		
a) reversals	161	910
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 of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**10,763**	**1,524**

Note:
The variations are due to pre-paid taxes recognised 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.

10.6 Variations of deferred taxes (as offset to shareholders' equity)

Line items	Total 31/12/2022	Total 31/12/2021
1. Initial value	**28**	**157**
2. Additions		
2.1 Deferred taxes recognised during the fiscal year		
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		
3.1 Deferred taxes derecognised during the fiscal year		

a) reversals	15	129
b) due to changes to accounting policies	0	0
c) other	0	0
3.2 Reduction of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**13**	**28**

10.7 Other information - Assets due to current taxes – Breakdown

Line items	Total 31/12/2022	Total 31/12/2021 (*)
1. Advances paid to the tax authority	2,337	66
2. Tax receivables – principal	3,992	7,002
3. Tax receivables – interest	0	0
4. Other withholdings	127	189
Total	**6,456**	**7,256**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers".

Note:

Assets due current taxes recognised at 31 December 2022 are shown on a "closed" account basis in the balance sheet and on an “open” account basis in the table above.

Sub-line item "Tax receivables - principal" relative to the previous fiscal year was adjusted retroactively in accordance with accounting principle IFRS3 – paragraph 45, as shown at the foot of table 10.1 of these Explanatory Notes.

10.7 Other information – Liabilities due to current taxes– Breakdown

Line items	Total 31/12/2022	Total 31/12/2021
1. Fund for IRES tax	2,675	339
2. Fund for IRAP tax	1,012	170
3. Fund for stamp duties	0	0
4. Tax fund – substitute tax Law n.244/2007	0	0
5. Tax fund – Other	0	0
Total	**3,687**	**508**

Section 12 - Other assets - Line item 120

12.1 Other assets: breakdown

Line items	Total 31/12/2022	Total 31/12/2021
01. Other debtors	3,487	12,851
02. Entries in transit	0	2,188
03. Entries being processes	20,931	18,616
04. Entries to be settled	219	212
05. Stipulated loans to be disbursed	1,250	4,705
06. Checks, bills returned unpaid and protested	10	33
07. Assets sold and not derecognised	0	0
08. Assets for expenses on third party goods	1,014	1,059
09. Expenses not yet invoiced	219	123
10. Costs to be allocated	242	0
11. Advance operations on securities	456	591
12. Various open entries	14,635	6,544
13. Accrued income and prepayments	1,569	1,840
14. Securities to be settled (Sales)	0	0
15. Loans for tax bonuses	58,989	21,885
16. Various tax entries	0	7,665
17. Other assets	201	0
Total	**103,222**	**78,312**

LIABILITIES

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

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

Type of transaction/assets	Total 31/12/2022				Total 31/12/2021				Variation	% 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	954,301	0	0	954,301	1,066,717	0	0	1,066,717	-112,416	-10.54%
2. Payables to banks										
2.1 Current accounts and demand deposits	78,959	0	0	78,959	65,902	0	0	65,902	13,057	19.81%
2.2 Time deposits	15,018	0	0	15,018	15,003	0	0	15,003	15	0.10%
2.3 Loans	5,091	0	0	5,091	4,799	0	0	4,799	291	
2.3.1 Repurchase agreements - liabilities	0	0	0	0	0	0	0	0	0	
2.3.2 Other	5,091	0	0	5,091	4,799	0	0	4,799	291	
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	0	
2.6 Other liabilities	0	0	0	0	0	0	0	0		
Total	**1,053,369**	**0**	**0**	**1,053,369**	**1,152,421**	**0**	**0**	**1,152,421**	**-99,053**	**-8.60%**

Note:
Payables to banks are all measured at cost or at amortised cost.
The line item "Payables to central banks" includes the TLTROII opened by the Bank during 2020 and 2021 – and still existing at the date of these financial statements - for overall € 954,301 thousand.
Specifically, the amount at 31/12/2022 is equal to the original deposits (Euro 1,075 million) reduced by deposits closed in December 2022 for a nominal value of Euro 110 million, and by net interest expenses calculated at the rates applied in the various periods (-1.00% rate from the date of opening up to 26/06/2022 and rates calculated periodically up to 31/12/2022) for € 10,699 thousand.

1.2 Financial liabilities valued at amortised cost: breakdown by type of payable to customers

Type of transaction/assets	Total 31/12/2022				Total 31/12/2021				Variation	% 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	2,636,226	0	0	2,636,226	2,579,651	0	0	2,579,651	56,575	2.19%
2. Time deposits	540,004	0	0	540,004	576,660	0	0	576,660	-36,655	-6.36%
3. Loans	205,351	0	0	205,351	80,763	0	0	80,763	124,588	154.26%
3.1 Repurchase agreements - liabilities	205,351	0	0	205,351	80,763	0	0	80,763	124,588	154.26%
3.2. Other	0	0	0	0	0	0	0	0	0	-
4. Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	-
5. Liabilities for leases	13,854	0	0	13,854	16,520	0	0	16,520	-2,666	-16.14%
6. Other liabilities	144	0	0	144	1,289	0	0	1,289	-1,145	-88.82%
Total	**3,395,580**	**0**	**0**	**3,395,580**	**3,254,884**	**0**	**0**	**3,254,884**	**140,696**	**4.32%**

Note:
Payables to customers are measured at cost or at amortised cost.
Line item 5 "Liabilities for leases" includes liabilities for leases booked in accordance with the new IFRS16 accounting standard.

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

Type of security/Values	Total 31/12/2022				Total 31/12/2021			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Securities	158.494	0	0	158.494	141.372	0	0	141.372
1.1 structured	0	0	0	0	0	0	0	0

Type of security/Values	Total 31/12/2022				Total 31/12/2021			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1.2 other	158,494	0	0	158,494	141,372	0	0	141,372
2. Other securities	79	0	0	79	89	0	0	89
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	79	0	0	79	89	0	0	89
Total	**158,574**	**0**	**0**	**158,574**	**141,462**	**0**	**0**	**141,462**

Note:
The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.
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 capitalized. Liabilities are indicated net of repurchased bonds.

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

ISIN	Date of issue	Date of redemption	Issue value	Amount attributable to own funds
- Isin IT0005337719	28/06/2018	28/06/2025	45,000	22,426
- Isin IT0005371270	10/06/2019	10/06/2029	5,000	5,000
- Isin IT0005376287	20/06/2019	20/06/2029	1,000	1,000
- Isin IT0005385668	25/09/2019	25/09/2029	2,000	2,000
- Isin IT0005391518	05/12/2019	05/12/2029	1,000	1,000
- Isin IT0005396426	20/12/2019	20/12/2024	3,000	1,182
- Isin IT0005253148	01/06/2017	01/06/2024	4,700	1,333
- Isin IT0005487118	15/03/2022	15/03/2029	2,000	2,000
- Isin IT0005495574	16/05/2022	16/05/2030	3,000	3,000
- Isin IT0005498859	29/06/2022	29/06/2030	3,000	3,000
- Isin IT0005509135	30/09/2022	30/09/2030	2,000	2,000
- Isin IT0005510059	30/09/2022	30/09/2030	3,000	3,000
- Isin IT0005514960	20/10/2022	20/10/2030	3,000	3,000
- Isin IT0005516395	20/10/2022	20/10/2030	700	700
- Isin IT0005516403	20/10/2022	20/10/2030	400	400
- Isin IT0005523391	07/12/2022	07/12/2030	2,800	2,800
- Isin IT0005527772	29/12/2022	29/12/2030	2,200	2,200
- Isin IT0005527780	29/12/2022	29/12/2030	5,000	5,000
Total			**88,800**	**61,041**

1.6 Financial liabilities valued at amortised cost: liabilities for leases

TIME BRACKETS	31/12/2022	
	Payments to be made	
	Financial leases	Operating leases
Up to 1 year	0	82
From over 1 year to 2 years	0	170
From over 2 years to 3 years	0	457
From over 3 years to 4 years	0	1,445
From over 4 years to 5 years	0	1,026
Over 5 years	0	10,612
All payments due for leases	0	13,792
RECONCILIATION WITH LIABILITIES:		
Financial profits not accrued (-) (discount effect)	0	62
Liabilities for leases	**0**	**13,854**

Note:
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 7th 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/assets	Total 31/12/2022			Total 31/12/2021		
		Fair value		Notional value	Fair value	

	Notional value	Level 1	Level 2	Level 3	Fair Value (*)		Level 1	Level 2	Level 3	Fair Value (*)
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. Payable 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 Securities	0	0	0	0	0	0	0	0	0	0
3.1.1 Structured	0	0	0	0	0	0	0	0	0	0
3.1.2 Other 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**	**98**	**0**	**0**	**0**	**0**	**694**	**0**
1. Financial derivatives	0	0	0	98	0	0	0	0	694	0
1.1 From trading	0	0	0	98	0	0	0	0	694	0
1.2 Connected with 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 with 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**	**98**	**0**	**0**	**0**	**0**	**694**	**0**
Total A + B	**0**	**0**	**0**	**98**	**0**	**0**	**0**	**0**	**694**	**0**

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

Section 4 - Hedges - Line item 40

4.1 Hedges: breakdown by type of hedge and hierarchical level

Line items	Fair value 31/12/2022			Notional value 31/12/2022	Fair value 31/12/2021			Notional value 31/12/2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**141**	**20,000**
1) Fair value	0	0	0	0	0	0	141	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**	**0**	**0**	**0**	**0**	**141**	**20,000**

Note:
The table shows the negative balance sheet value (fair value) of hedge contracts, using the hedge accounting instrument.
Specifically, a bond issued by the Bank was hedged in order to hedge the relative interest rate risk.

Section 8 - Other liabilities - Line item 80

8.1 Other liabilities: breakdown

Line items	Total 31/12/2022	Total 31/12/2021
01. Various tax entries	6,722	9,359
02. Entries in transit	1,537	2,605
03. Differences receivable on offset of third party portfolios	15,013	48,903
04. Suppliers	3,240	6,445
05. Entries being processes and other creditors	11,400	9,926
06. Accrued liabilities and deferred income	3,779	4,557
07. Borrower account for stipulated loans to be disbursed	1,250	4,705
08. Securities to be settled (Purchases)	0	1
09. Amortised cost difference on capital instruments	220	182
10. Other liability entries	874	0
Total	**44,035**	**86,683**

Section 9 - Employee severance pay - Line item 90

9.1 Employee severance pay: Annual variations

Line items	Total 31/12/2022	Total 31/12/2021
A. Initial value	**3,672**	**4,036**
B. Additions		
B.1 Allocations during the fiscal year	1,267	1,193
B.2 Other variations	54	169
C. Reductions		
C.1 Payments made	62	340
C.2 Other variations	1,748	1,387
D. Final values	**3,183**	**3,672**
Total	**3,183**	**3,672**

Note:
Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1,267 thousand euro.
Line item B.2 "Other variations" includes the "Service Cost" in the amount of 40 thousand euro and "interest cost" for 14 thousand euro
Line item C.1 "Payments made" includes the "Benefit Paid", for IAS purposes, of severance pay in the amount of 62 thousand euro.
Line item C.2 "Other variations" includes Actuarial Gains/Losses for 481 thousand euro and ed il T.F.R. severance pay reversed into the Integrative Pension Fund for employees (external) or INPS Treasury, in the amount of 1,267 thousand euro.

Other information

In accordance with the provisions of IAS 19, employee severance pay was measured by applying specific discounting estimations provided for the treatment of defined performance funds.
The measurement, certified by designated external experts, was made using the "accrued benefits" method, through the "Projected Unit Credit" (PUC) criterion, as required by IAS 19, and considering the following demographic and financial hypotheses:
- the annual discount rate used to calculate the current value of the security is 0.375% and was determined, in conformity to par. 83 of IAS 19, in reference to the structure for expiry of interest rates derived using the bootstrap method from the curve of swap rates as at 31.12.2022 and fixed with respect to liabilities with an average residual duration equal to 10 years;
- the annual rate of increase of severance pay, as provided for by art. 2120 of the Italian Civil Code, is equal to 75% of inflation plus 150 basis points;
- as regards the hypothesis relative to inflation, reference was made to the "Economics and Finance Document 2022 – Updating Note – Revised and Integrated Version" with the last update of 4 November 2022 , that calls for an annual rate of 5.5% for 2023, of 2.6% for 2024, and of 2% for 2025. Due to this update, it has been decided to apply a flat annual rate of 2% starting from 2026;
- among demographic technical bases, the probabilities of death were deduced from those for the Italian population divided by gender and age measured by ISTAT in 2000 and reduced by 25%;
- the annual frequencies for advances and turnover were deduced based on the Bank's historical experience.

The measurement of employee severance pay based on the abovementioned methods gave the following results:

Line items	Total 31/12/2022	Total 31/12/2021
Current value of fixed benefit securities at 31/12/2021	**3,672**	**4,036**
Total service costs 01/01/2022 - 31/12/2022	40	44
Costs for interest 01/01/2022 - 31/12/2022	14	-7
Net periodic costs	54	37
Actuarial Profit (+)/Loss (-) 01/01/2022 - 31/12/2022	-481	-186
Purchase of branches of business	0	124
Lending 01/01/2022 -31/12/2022	62	340
Current value of fixed benefit securities al 31/12/2022	**3,183**	**3,672**

Starting in 2013, with the application of the reviewed IAS 19 accounting standard, actuarial differences are booked directly to shareholders' equity. The volume of employee severance pay based on national regulations, and that with respect to the Bank's contract and legal obligations vis-à-vis employees amounts to € 3,219 million.

Section 10 - Risk and expense funds - Line item 100

10.1 Risk and expense funds: breakdown

Line items/Values	Total 31/12/2022	Total 31/12/2021
1. Funds for credit risk related to commitments and issued financial guarantees	1,977	1,882
2. Funds for other commitments and other issued guarantees	0	0
3. Funds for company pensions	0	0
4. Other risk and expense funds	6,230	5,951
4.1 lawsuits	6,131	5,210
4.2 personnel costs	0	0

Line items/Values	Total 31/12/2022	Total 31/12/2021
4.3 other	99	742
Total	**8,207**	**7,834**

The fund for lawsuits includes the allocation relative to pending lawsuits made by Invest Banca and acquired with the merger.
Potential liabilities relative to lawsuits for which loss of the dispute is considered "possible" amount to overall 6,830 thousand euro.

10.2 Risk and expense funds: Annual variations

Line items	Funds for other commitments and other issued guarantees	Pension funds	Other funds	Total 31/12/2022
A. Initial value	**1,882**	**0**	**5,951**	**7,834**
B. Additions				
B.1 Allocations during the fiscal year	981	0	3,272	**4,253**
B.2 Variations due to the passing 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	29	**29**
C. Reductions				
C.1 Use during the fiscal year	886	0	2,772	**3,659**
C.2 Variations due to changes to the discount rate	0	0	0	**0**
C.3 Other variations	0	0	250	**250**
D. Final values	**1,977**	**0**	**6,230**	**8,207**

The increase to Other Funds is relative to an allocation for 1,300 thousand euro for pending lawsuits acquired pursuant to the merger transaction, and for 1,050 thousand euro allocated during the fiscal year for the pending lawsuit with the Cooperative Credit Temporary Fund. Reductions in Other Funds are attributable specifically to the definition of actual losses connected to the IT incident and the conclusion of certain lawsuits acquired with the merger transaction.

10.3 Funds for credit risk relative to commitments and issued financial guarantees

Line items	Funds for credit risk relative to commitments and issued financial guarantees			
	First stage	Second stage	Third stage	Total 31/12/2022
1. Commitments to disburse funds	0	0	0	0
2. Issued financial guarantees	329	198	1,449	1,977
Total	**329**	**198**	**1,449**	**1,977**

Section 12 - Shareholders' equity - Line items 110, 130, 140, 150, 160, 170, e 180

12.2 Share capital - Number of shares: Annual variations

Line items/Types	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	**232,800,000**	**0**
- entirely unrestricted	232,800,000	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
A.2 Outstanding shares: initial value	**232,800,000**	**0**
B. Additions		
B.1 New issues		
- for payments:	0	0
- corporate merger operations	0	0
- conversion of securities	0	0
- exercise of warrants	0	0
- other	0	0
- on a gratuitous basis:	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		
C.1 Derecognition	0	0
C.2 Purchase of treasury shares	0	0

Line items/Types	Ordinary	Other
C.3 Sale of companies	0	0
C.4 Other variations	0	0
D. Outstanding shares: final values	**232,800,000**	**0**
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	232,800,000	0
- entirely unrestricted	232,800,000	0
- with restrictions	0	0

12.3 Share capital: other information - Annual variations

Line items	Amounts	Number of shares	Number of shareholders
A. Initial value	**232,800**	**232,800,000**	**272**
B. Additions			
B.1 Purchase of shares – New shareholders	215	214,920	8
B.2 From other variations	0	0	0
C. Reductions			
C.1 Sales – extinct shareholders	199	198,920	7
C.2 From other variations	16	16,000	0
D. Final values	**232,800**	**232,800,000**	**273**

12.4 Reserves from gains: other information - breakdown of shareholders’ equity

Line items	Total 31/12/2022	Total 31/12/2021 (*)
1. Share capital	232,800	232,800
2. Premiums on the issue of new shares	803	803
3. Reserves	-53,655	-50,311
3.1 Ordinary/extraordinary reserve	27,378	29,300
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 Reserves for sale/redemption of FOE securities	-4,268	-4,268
3.6 Reserves for payment of coupons on capital instruments	-2,045	-623
4. (Treasury shares)	0	0
5. Valuation reserves	-20,516	-1,161
5.1 Financial assets from trading	0	0
5.2 Financial assets measured at fair value with impact on total profits	-20,765	-2,159
5.3 Financial assets measured at amortised cost	0	0
5.4 Property, plant 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 Non-current assets in course of divestment	0	0
5.10 Actuarial profit (loss) on defined benefit plans	-687	-1,036
5.11 Share of valuation reserves of equity investments measured on the basis of shareholders’ equity	936	2,035
5.12 Special revaluation laws	0	0
6. Capital instruments	30,000	27,000
7. Profit (loss) for the year	17,762	-822
Total	**207,194**	**208,310**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers ".

The amount relating to 31 December 2021 in line item 7 Profit (loss) for the year was adjusted in accordance with accounting principle IFRS 3 – paragraph 45, as detailed in part G of these Explanatory Notes.

Said adjustment resulted in an overall reduction of profit for the previous year, by 8,922 thousand euro – from 8,100 thousand euro to -822 thousand euro – following a reduction of the fair value of some entries of the Assets acquired with the merger by incorporation of Invest Banca (reduction of the value of DTA by 7,253 thousand euro and current taxes by 1,668 euro).

Line item 3.1 Ordinary/extraordinary reserves was reduced by 1,922 thousand euro overall, due to the effect of allocation of the loss of the previous fiscal year of € 822 thousand (booked following the retroactive adjustments already thoroughly described in part G), and the effects of the distribution of dividends, calculated previously on the temporary profit, for and amount of 1,100 thousand euro.

Line item 3.3 Reserves - First Time adoption IAS/IFRS includes the adjustment for FTA deriving from the application of the IFRS9 international accounting principle that came into effect on 01/01/2018. The detail of the line item is illustrated at the bottom of the table relating to variations of Shareholders' equity.

12.4 Reserves from gains: other information – division and use of fiscal year profit

Line items	Amount	Accounting classification of capital
- Legal reserve (5.00% of profits)	888	Increase of liabilities line item 160 (Cet1)
- Extraordinary reserve (including the reserve pursuant to art. 6 L.D. 368/2005 for euro 0.00)	15,674	Increase of liabilities line item 160 (Cet1)
- Shareholders for dividends	1,200	
Total	**17,762**	

12.5 Capital instruments: breakdown and annual variations

ISIN	Date of issue	Date of redemption	Issue value	Amount booked in own funds
- Isin IT0005427023	23/11/2020	perpetual	1,500	1,500
- Isin IT0005429375	15/12/2020	perpetual	3,500	3,500
- Isin IT0005429755	21/12/2020	perpetual	1,000	1,000
- Isin IT0005431777	21/12/2020	perpetual	500	500
- Isin IT0005432130	28/12/2020	perpetual	3,500	3,500
- Isin IT0005439846	30/03/2021	perpetual	5,000	5,000
- Isin IT0005454076	11/08/2021	perpetual	5,000	5,000
- Isin IT0005475055	28/12/2021	perpetual	7,000	7,000
- Isin IT0005489601	30/03/2022	perpetual	3,000	3,000
Total			**30,000**	**30,000**

Note: Line item "130. Capital instruments" includes Additional Tier1 capital instruments issued during 2020 and 2021 for overall 27,000 thousand euro and new instruments issued during the current fiscal year for an overall nominal value of 3,000 thousand euro. Said instruments are classified in Additional Tier 1, pursuant to Regulation n. 575 of 2013 (CRR). For further information regarding the accounting treatment of the instruments in question, please consult the details provided in "Part A – Accounting policies" of these Explanatory Notes.

12.6 Other information - Schedule regarding the origin, level of availability, and potential distribution of line items of shareholders' equity (art. 2427, comma 1 n. 7 bis, Italian Civil Code)

In accordance with article 2427, sub-section 7-bis of the Italian Civil Code, the table below shows the breakdown of shareholders' equity according to origin, level of availability and potential distribution of the various entries:

Line items	Amount	Level of availability	Available share	Summary of uses made in the last three fiscal years	
				To hedge losses	For other purposes
Share capital	232,800	B - C	232,800		0
Share premium reserve	803	B - C	803		0
Valuation reserves:					
- HTCS securities reserve	-20,765	B	-20,765		
- actuarial reserve	-687	B	-687		
- reserve from equity investments	936	B	936		
Reserves from gains:					
- undividable legal/regulatory reserve	24,490	B	24,490		1,922
- reserve from transition to International accounting standards	-78,146	B	-78,146		
Total	**159,432**		**159,432**		
Non distributable share			0		
Residual distributable share			159,432		

Key: A = to increase share capital - B = to hedge losses - C = to distribute to shareholders

Note: During this fiscal year, reserves from gains were used for overall 1,922 thousand euro. For detailed information, please consult the information provided at the bottom of table 12.4.

Other information

1. Commitments and issued financial guarantees (other than those measured at fair value)

	Nominal value on commitments and issued financial guarantees				Total 31/12/2022	Total 31/12/2021
	First stage	Second stage	Third stage	Impaired purchased or originated		

1) Commitments to disburse funds	**893,781**	**66,274**	**19,210**	**0**	**979,265**	**971,090**
a) Central Banks	0	0	0	0	0	0
b) Public administrations	1,089	0	0	0	1,089	1,089
c) Banks	2,500	0	0	0	2,500	2,500
d) Other finance companies	71,707	36	700	0	72,443	25,684
e) Non finance companies	742,114	59,191	18,026	0	819,330	852,528
f) Families	76,371	7,047	484	0	83,903	89,289
2) Issued financial guarantees	**90,164**	**0**	**5,858**	**0**	**96,022**	**101,550**
a) Central Banks	0	0	0	0	0	0
b) Public administrations	3	0	0	0	3	3
c) Banks	0	0	0	0	0	0
d) Other finance companies	1,955	0	5,258	0	7,213	2,410
e) Non finance companies	76,267	0	599	0	76,867	87,951
f) Families	11,939	0	0	0	11,939	11,187
Total	**983,946**	**66,274**	**25,068**	**0**	**1,075,287**	**1,072,640**

2. Other commitments and other issued guarantees

Portfolios	Nominal value	
	Amount 31/12/2022	Amount 31/12/2021
1. Other issued guarantees	**14,876**	**18,661**
of which: impaired	330	0
a) Central Banks	0	0
b) Public administrations	0	0
c) Banks	9,885	8,865
d) Other finance companies	0	0
e) Non finance companies	4,991	9,796
f) Families	0	0
2. Other commitments	**1,211,455**	**0**
of which: impaired	0	0
a) Central Banks	0	0
b) Public administrations	0	0
c) Banks	0	0
d) Other finance companies	1,208,314	0
e) Non finance companies	0	0
f) Families	3,141	0

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2022	Amount 31/12/2021
1. Financial assets measured at fair value with impact on profit and loss account	18,511	0
2. Financial assets measured at fair value with impact on total profits	205,819	22,685
3. Financial assets measured at amortised cost	1,048,223	953,814
4. Property, plant and equipment	0	0
of which: property, plant and equipment that constitute inventories	0	0

4. Management and trading on behalf of others

Type of services	Amount
1. Execution of orders on account of customers	**12,828,368**
a) purchases	5,807,911
Settled	5,807,902
Not settled	9
b) sales	7,020,457
Settled	7,020,457
Not settled	0
2. Asset management	**64,145**
3. Custody and management of securities	**3,908,335**

Type of services	Amount
a) third party securities in deposit: related to bank performances 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 in deposit (excluding asset management): other	1,216,600
1. securities issued by the bank that prepares the balance sheet	378,842
2. other securities	837,759
c) third party securities deposited with third parties	1,226,747
d) treasury securities deposited with third parties	1,464,988
4. Other transactions	**0**

5. 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)	Net amount of financial assets entered in the balance sheet (c = a - b)	Correlated amount not subject to on-balance sheet netting		Net amount at 31/12/2022 (f = c - d - e)	Net amount at 31/12/2021
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	0	0	0	0	0	**0**	**67**
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 31/12/2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total at 31/12/2021	**67**	**0**	**67**	**0**	**0**		**67**

6. 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 off-set in the balance sheet (b)	Net amount of financial assets entered in the balance sheet (c = a - b)	Correlated amounts not subject to on-balance sheet netting		Net amount at 31/12/2022 (f = c - d - e)	Net amount at 31/12/2021
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	0	0	0	0	0	**0**	**141**
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 31/12/2022	**0**	**0**	**0**	**0**	**0**	**0**	
Total at 31/12/2021	**141**	**0**	**141**	**0**	**0**		**141**

PART C – Information on the income statement

Section 1 - Interest - Line items 10 e 20

1.1. Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021	Variation	% Var.
1. Financial assets measured at fair value with impact on profit and loss account:	**398**	**0**	**0**	**398**	**394**	**4**	1.00%
1.1 Financial assets held for trading	197	0	0	197	39	157	401.60%
1.2 Financial assets measured at fair value	0	0	0	0	0	0	0.00%
1.3 Other financial assets measured at fair value	201	0	0	201	355	-153	-43.23%
2. Financial assets measured at fair value with impact on total profits	**861**	**0**	**X**	**861**	**0**	861	0.00%
3. Financial assets measured at amortised cost:	**1,344**	**79,798**	**X**	**81,142**	**68,299**	**12,844**	**18.81%**
3.1 Receivables from banks	0	999	X	999	50	949	1893.47%
3.2 Receivable from customers	1,344	78,799	X	80,143	68,248	11,894	17.43%
4. Hedges	X	X	0	0	0	0	0.00%
5. Other assets	X	X	1	1	256	-255	-99.42%
6. Financial liabilities	X	X	X	5,012	8,900	-3,888	-43.69%
Total	**2,603**	**79,798**	**1**	**87,414**	**77,849**	**9,565**	**12.29%**
of which: earned interest on impaired financial assets	**0**	**5,153**	**0**	**5,153**	**4,480**	**673**	**15.02%**
of which: earned interest on financial leases	**0**	**768**	**0**	**768**	**548**	**220,34**	**40.23%**

Note:
The line item "earned interest on financial liabilities" includes interest on the TLTRO III accrued during the fiscal period in the amount of 4,793 thousand euro.
The line item "earned interest on impaired financial assets" includes both interest on impaired loans, in the amount of 2,486 thousand euro, and interest on other impaired exposures, in the amount of 2,666 thousand euro. Interest on impaired loans includes interest collected, in the amount of 538 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 1.949 thousand euro. The increase of this component as compared with last year is due to both the increase of impaired financial assets, and the increase of interest rates.

1.2 Earned interest and similar income: other information

1.2.1 Earned interest on financial assets in foreign currency

Line items/Values	Total 31/12/2022	Total 31/12/2021
Earned interest on financial assets in foreign currency	578	579

1.3 Interest expenses and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021	Variation	% Var.
1. Financial liabilities valued at amortised cost	-6,359	-4,773	0	-11,131	-11,132	1	0.00%
1.1 Payables to central banks	0	X	X	0	0	0	-5.71%
1.2 Payables to banks	-676	X	X	-676	-717	41	-1.20%
1.3 Payable to customers	-5,683	X	X	-5,683	-5,752	69	2.34%
1.4 Outstanding securities	X	-4,773	X	-4,773	-4,664	-109	-
2. Financial liabilities from trading	0	0	0	0	0	0	-
3. Financial liabilities measured at fair value	0	0	0	0	0	0	41.07%
4. Other liabilities and funds	X	X	-197	-197	-140	-57	-68.27%
5. Hedges	X	X	-87	-87	-273	**186**	0.00%
6. Financial assets	X	X	X	-260	-741	**0**	-4.97%
Total	**-6,359**	**-4,773**	**-284**	**-11,675**	**-12,286**	**611**	**-241.07%**
of which: interest expenses for liabilities for leases	**0**	**0**	**-197**	**-197**	**140**	**-337**	**-241.07%**

1.4 Interest expenses and similar expenses: other information

1.4.1 Interest expenses on liabilities in foreign currency

Line items/Values	Total 31/12/2022	Total 31/12/2021
Interest expenses on financial liabilities in foreign currency	-745	-735

1.5 Interest expenses and similar expenses: differences related to hedges

Line items	Total 31/12/2022	Total 31/12/2021
A. Positive differences related to hedges:	0	0
B. Negative differences related to hedges:	87	273
C. Balance (A-B)	**-87**	**-273**

Section 2 - Commissions - Line items 40 e 50

2.1 Commission income: breakdown

Type of services/Values	Total 31/12/2022	Total 31/12/2021	Variation	% Var.
a) Financial instruments	**4,827**	**1,979**	**2,847.91**	**143.88%**
1. Trading of financial instruments	**1,434**	**889**	544.82	61.30%
1.1 With underwriting and/or on the basis of an irrevocable commitment	0	0	0.00	
1.2 without an irrevocable commitment	1,434	889	544.82	61.30%
2. Receipt and transmission of orders and execution of order on behalf of customers	**1,150**	**198**	**951.82**	**480.54%**
2.1 Receipt and transmission of orders on one or more financial instruments	259	0	259.29	-
2.2 Execution of orders on behalf of customers	891	198	692.53	349.63%
3. Other commissions connected to activities related to financial instruments	2,244	892	1,351.27	151.41%
of which: own trading	1,381	169	1,212.10	717.66%
of which: asset management	863	724	139.17	19.23%
1. Consultancy regarding mergers and acquisitions	**0**	**0**	**0.00**	-
2. Treasury services	0	0	0.00	-
3. Other commissions connected to corporate finance services	0	0	0.00	-
c) Investment consultancy services	0	0	0.00	-
d) Compensation and regulation	**9**	**3**	**6.41**	**211.23%**
e) Custody and management of securities	**0**	**0**	**0.00**	-
1. Consultancy regarding mergers and acquisitions	**206**	**127**	**79.32**	**62.51%**
1. Depository bank	0	0	0.00	-
2. Other commissions connected to custody and management of securities	206	127	79.32	62.51%
f) Central administrative services for collective asset management	**0**	**0**	**0.00**	-
g) Fiduciary services	**0**	**0**	**0.00**	-
h) Payment services	**20,685**	**20,000**	**684.83**	**3.42%**
1. Current accounts	15,504	15,290	214.60	1.40%
2. Credit cards	1,165	929	236.41	25.46%
3. Debit cards and other payment cards	2,162	1,940	222.07	11.45%
4. Bank transfers and other payment orders	1,813	1,568	244.70	15.60%
5. Other commissions connected to payment services	40	273	-232.95	-85.35%
i) Distribution of third party services	**5,559**	**4,362**	**1,196.80**	**27.44%**
1. collective asset management	0	0	0.00	-
2 insurance products	3,669	3,234	434.56	13.44%
3 other products	1,890	1,127	762.24	67.61%
of which: individual asset management	0	0	0.00	-
j) Structured finance transactions	**0**	**0**	**0.00**	-
k) Servicing for securitisation transactions	**172**	**175**	**-3.91**	**-2.23%**
l) Commitments to disburse funds	**0**	**0**	**0.00**	-
m) Issued financial guarantees	**664**	**676**	**-12.27**	**-1.82%**
of which: credit derivatives	0	0	0.00	-
n) Funding transactions	**1,103**	**1,106**	**-2.21**	**-0.20%**
of which: factoring transactions	0	0	0.00	-
o) Trading in foreign currency	**993**	**839**	**153.68**	**18.32%**
p) Goods	**0**	**0**	**0.00**	-
q) Other commission income	**2,844**	**2,283**	**560.57**	**24.55%**
of which: for asset management of multilateral exchange systems	0	0	0.00	-
of which: for asset management of organised trading systems	0	0	0.00	-
Total	**37,062**	**31,550**	**5,511.12**	**17.47%**

The increase recorded on the total line items for the period of 5,511 thousand euro (17.47%) derives from commissions received on services connected to the lines of business purchased with the merger with Invest Banca and from the increase in commissions relating to the distribution of third party services. A slight increase was also recorded for commissions received from "traditional" services (commissions for collection and payment services, and commissions on bank accounts), which have recovered the levels recorded prior to the Covid-19 pandemic.

2.2 Commission income: distribution channels for products and services

Channels/Values	Total 31/12/2022	Total 31/12/2021
a) own branch tellers:	**7,323**	**5,974**
1. asset management	821	724
2. trading of financial instruments	943	889
3. third party services and products	5,559	4,362
b) off-site offers:	**532**	**0**
1. asset management	42	0
2. trading of financial instruments	490	0
3. third party services and products	0	0
c) other distribution channels	**0**	**0**
1. asset management	0	0
2. trading of financial instruments	0	0
3. third party services and products	0	0

2.3 Commission expenses: breakdown

Services/Values	Total 31/12/2022	Total 31/12/2021	Variation	% Var.
a) Financial instruments	**-337**	**-153**	**-184**	**120.68%**
of which: trading of financial instruments	-110	-59	-52	87.65%
of which: placement of financial instruments	-18	-18	0	2.02%
of which: individual asset management	-208	-76	-132	174.77%
- own assets	-208	-76	-132	174.77%
- delegated by third parties	0	0	0	-
b) Compensation and regulation	**-1,058**	**-198**	**-860**	**434.17%**
c) Custody and management of securities	**-101**	**-82**	**-20**	**24.03%**
d) Collection and payment services	**-1,841**	**-1,519**	**-323**	**21.25%**
of which: credit cards, debit cards and other payment cards	-1,406	-1,059	-347	32.79%
e) Servicing for securitisation transactions	**0**	**0**	**0**	-
f) Commitments to receive funds	**0**	**0**	**0**	-
g) Financial guarantees received	**-846**	**-491**	**-355**	**72.29%**
of which: credit derivatives	0	0	0	-
h) Off-site offer of financial instruments, products and services	**-157**	**0**	**-157**	-
i) Trading in foreign currency	**-349**	**-312**	**-37**	**11.76%**
j) Other commission expenses	**-99**	**-82**	**-17**	**21.20%**
Total	**-4,788**	**-2,836**	**-1,952**	**68.82%**

The increase registered for the line item for this period, equal to 1,952 thousand euro (68.82%) can be attributed to costs associated with the development of the lines of business purchased through the merger with Invest Banca (1,064 thousand euro), the increase of commissions on "traditional" services (commissions for collection and payment services and commissions on bank accounts, for 323 thousand euro), for which the levels recorded before the Covid-19 pandemic have been recovered, and the increase in costs associated to guarantees on loans granted to customers.

Section 3 - Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	19	0	1,122	0
B. Other financial assets measured at fair value	24	0	28	0
C. Financial assets measured at fair value with impact on total profits	560	0	352	0
D. Equity investments	0	0	0	0
Total	**603**	**0**	**1,502**	**0**

Section 4 - Il net trading result - Line item 80

4.1 Net trading result: breakdown

Transactions/income components	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	**0**	**17,834**	**0**	**2,721**	**15,112**
1.1 Debt securities	0	1,013	0	2,721	-1,708
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	16,820	0	0	16,820
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	**146**	**0**	**0**	**99**	**48**
4.1 Financial derivatives	146	0	0	99	48
- On debt securities and interest rates	146	0	0	99	48
- 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	**146**	**17,834**	**0**	**2,820**	**15,160**

Note:
The table shows the economic result from the portfolio of financial assets held for trading. line item 1.5 Other includes income from the transfer of credits for tax bonuses purchased from customers, equal to 1.7 million euro, and transactions in foreign currency, equal to 15.1 million euro.

Section 5 - Net hedging result - Line item 90

5.1 Net hedging result: breakdown

Income components/Values	Total 31/12/2022	Total 31/12/2021
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 Financial derivatives for hedging of cash flows	0	0
A.5 Assets and liabilities in foreign currency	0	0
Total income of assets used for hedging (A)	**0**	**0**
B. Expenses related to:		
B.1 Hedges of fair value	-2	-8
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	0	0
B.4 Financial derivatives for hedging of cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total expenses of assets used for hedging (B)	**-2**	**-8**
C. Net hedging result (A-B)	**-2**	**-8**
of which: income from hedged on net positions	0	0

Note:
The table shows the net income from hedges. Therefore, the table details the gross 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 31/12/2022			Total 31/12/2021		
	Gains	Losses	Net income	Gains	Losses	Net income
A. Financial assets						

Line items/Income components	Total 31/12/2022			Total 31/12/2021		
	Gains	Losses	Net income	Gains	Losses	Net income
1. Financial assets measured at amortised cost	822	399	423	4,149	3,414	734
1.1 Receivables from banks	0	0	0	4,149	0	4,149
1.2 Receivable from customers	822	399	423	0	3,414	-3,414
2. Financial assets measured at fair value with impact on total profits	0	225	-225	2,472	0	2,472
2.1 Debt securities	0	225	-225	2,472	0	2,472
2.2 Loans	0	0	0	0	0	0
Total assets	**822**	**623**	**198**	**6,621**	**3,414**	**3,206**
B. Financial liabilities valued at amortised cost						
1. Payables to banks	0	0	0	0	0	0
2. Payable to customers	0	0	0	0	0	0
3. Outstanding securities	64	0	64	25	0	25
Total liabilities	**64**	**0**	**64**	**25**	**0**	**25**

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

Section 7 - Net result from other financial assets and liabilities measured at fair value with recognition of income through profit and loss– Line item 110

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)	Gains from disposal (B)	Capital losses (C)	Losses from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**111**	**0**	**5,114**	**0**	**-5,003**
1.1 Debt securities	0	0	340	0	-340
1.2 Capital securities	0	0	25	0	-25
1.3 Shares in mutual funds	0	0	4,640	0	-4,640
1.4 Loans	111	0	108	0	3
2. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	0
Total	**111**	**0**	**5,114**	**0**	**-5,003**

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

8.1 Net value adjustments due to impairment relative to financial assets measured at amortised cost: breakdown

Transactions/income components	Value adjustments (1)						Value adjustments (2)				Total 31/12/2022	Total 31/12/2021
	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. Receivables from banks												
- Loans	-33	-11	-	0	0	0	45	0	0	0	1	92
- Debt securities	-	- 23.80	-	0	0	0	0	24	0	0	0	167
B. Receivable from customers			-	0	0	0	0	0	0	0	0	0
- Loans	-3,338	-6,435	-	-49,991	0	0	4,556	11,573	22,846	0	-20,790	-18,610
- Debt securities	-156	0	-	0	0	0	0	0	0	0	-156	13
Total	**-3,527**	**-6,471**	-	**-49,991**	**0**	**0**	**4,601**	**11,597**	**22,846**	**0**	**-20,945**	**-18,338**

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

Additional detail of adjustments/write-backs on receivables- Line item 130 of the income statement

Description of the portfolio	Amount 2022	Amount 2021
RECEIVABLES FROM BANKS:		
HTC securities - stage 1	0	0
HTC securities - stage 2: adjustments	-24	0
HTC securities - stage 2: write-backs	24	167
Adjustments other receivables - stage 1	-33	-162
Write-backs other receivables - stage 1	45	191

Description of the portfolio	Amount 2022	Amount 2021
Adjustments other receivables - stage 2	-11	-38
Write-backs other receivables - stage 2	0	101
RECEIVABLE FROM CUSTOMERS:		
Non-performing loans - Value adjustments	-28,427	-39,434
Non-performing loans - Value adjustments	15,688	26,948
Probable defaults - Write-backs of value	6,636	2,120
Probable defaults - Value adjustments	-18,969	-8,970
Restructured - Net value adjustments/write-backs	0	0
Past due - Value adjustments	522	2,600
Past due- Value adjustments	-2,595	-2,385
Value adjustments – In Bonis - Stage 2	-6,312	-7,341
Value adjustments – In Bonis - Stage 2	11,573	5,211
Value adjustments – In Bonis - Stage 1	-3,338	-3,480
Value adjustments – In Bonis - Stage 1	4,556	6,358
Losses without use of fund - Stage 1/2	-124	-238
Losses on other transactions - Stage 1/2	0	0
HTC securities - stage 1: adjustments	-156	-43
HTC securities - stage 1. write-backs	0	55
HTC securities - stage 2	0	0
Total - Net value adjustments/write-backs	**-20,945**	**-18,338**

.1a Net value adjustments due to impairments related to loans measured at amortised cost subject to Covid -19 aid measures: breakdown

Transactions/income components	Net value adjustments						Total 31/12/2022	Total 31/12/2021
	First stage	Second stage	Third stage		Impaired purchased or originated			
			Write-off	Other	Write-off	Other		
1. Loans subject to forbearance conformant to GL	0	0	0	0	0	0	0	1,265
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	2,350	3,012	0	-3,386	0	0	1,976	-2,645
Total at 31/12/2022	**2,350**	**3,012**	**0**	**-3,386**	**0**	**0**	**1,976**	
Total at 31/12/2021	**2,979**	**-3,423**	**0**	**-936**	**0**	**0**	**0**	**-1,380**

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

8.2 Net value adjustments due to impairment related to financial assets measured at fair value with impact on total profits: breakdown

Transactions/income components	Value adjustments (1)							Value adjustments (2)			Total 31/12/2022	Total 31/12/2021
	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	**-435**	**-1**	**0**	**0**	**0**	**0**	**33**	**41**	**0**	**0**	**-362**	**-17**
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
Total	**-435**	**-1**	**0**	**0**	**0**	**0**	**33**	**41**	**0**	**0**	**-362**	**-17**

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

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

Transactions/income components	Net value adjustments			Total 31/12/2022	Total 31/12/2021
	First and second stage	Third stage			
		Write-off	Other		
1. Loans subject to forbearance conformant to GL	0	0	0	0	0
2. Loans subject to other forbearance measures	0	0	0	0	0
3. Other loans	0	0	0	0	0
Total at 31/12/2022	**0**	**0**	**0**	**0**	**0**
Total at 31/12/2021	**0**	**0**	**0**	**0**	**0**

Note:
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 subject to Covid -19 aid measures.

Section 9 - Profit (Losses) due to contract modifications without derecognition - Line item 140

9.1 Profit (Losses) due to contract modifications: breakdown

Line items/Income components	31/12/2022			31/12/2021		
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1.1 Receivable from customers	419	-199	219	0	-71	-71
Total	**419**	**-199**	**219**	**0**	**-71**	**-71**

Note:
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 (modification accounting) 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 10 - Administrative costs - Line item 160

10.1 Personnel costs: breakdown

Type of expense/Values	Total 31/12/2022	Total 31/12/2021
1) Employees	-30,866	-29,025
a) salaries and wages	-21,044	-20,102
b) social security expenses	-5,785	-5,232
c) severance pay	0	0
d) pension costs	0	0
e) allocations to employee severance pay	-1,362	-1,231
f) al location to pension fund and similar commitments:	0	0
- defined contribution plans	0	0
- defined benefit plans	0	0
g) payments to external complementary pension funds	-878	-811
- defined contribution plans	-878	-811
- defined benefit plans	0	0
h) costs deriving from payment agreements based on own equity instruments	0	0
i) other employee benefits	-1,797	-1,650
2) Other personnel	-23	-54
3) Directors and Statutory Auditors	-780	-620
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	0	0
6) Recovery of expenses for third party personnel temporarily transferred to the company	0	0
Total	**-31,669**	**-29,700**

Note:
The increase registered for the line item in the period, equal to 1,969 thousand euro (6.63%) can be attributed to the annual cost of personnel acquired through the merger transaction.

10.2 Average number of employees per category

Description	Values 31/12/2022	Values 31/12/2021
Employees	**414**	**384**
a) Managers	4	3
b) Middle management	109	102
c) remaining employees	301	279
Other personnel	**2**	**3**
Total	**416**	**387**

Precise number of employees per category

Description	Values 31/12/2022	Values 31/12/2021
Employees	**423**	**424**
a) Managers	4	4
b) Middle management	109	109
c) remaining employees	310	311
Other personnel	**1**	**4**
Total	**424**	**428**

10.4 Personnel costs: other employee benefits

Type of expense/Values	Total 31/12/2022	Total 31/12/2021
1) Meal vouchers for employees	-601	-606
2) Loyalty bonus for employees	0	0
3) Other employee costs	-1,196	-1,044
Total	**-1,797**	**-1,650**

10.5 Other administrative costs: breakdown

Line items/Values	Total 31/12/2022	Total 31/12/2021	Variation	% Var.
1. Insurance and security	-661	-569	-92	16.16%
2. Advertising and entertainment	-1,193	-1,226	33	-2.67%
3. Rent for real property	-249	-133	-116	86.70%
4. Maintenance, repairs, transformation of real and personal property	-1,145	-1,158	13	-1.15%
5. Electricity, heating and cleaning services	-1,212	-905	-307	33.95%
6. Telex, telephone and postage	-1,009	-995	-14	1.37%
7. Costs for data processing	-5,054	-4,832	-222	4.60%
8. Stamped paper and stationery	-334	-323	-11	3.39%
9. Fees to outside professionals	-5,296	-5,332	36	-0.67%
10. Costs for credit recovery	0	0	0	0.00%
11. Technical assistance and maintenance of software products	-8,164	-7,166	-999	13.94%
12. Information and registry searches	-1,632	-1,820	188	-10.31%
13. Charitable contributions allocated to the income statement	-30	-146	116	-79.49%
14. Expenses for treasury assets	-1	-7	6	-85.71%
15. Travel and transportation expenses	-400	-316	-83	26.39%
16. Indirect taxes	-5,480	-6,843	1,363	-19.91%
17. Other costs	-6,369	-5,461	-908	16.62%
- Contribution in favour of the Resolution Fund – Ordinary	-1,967	-1,757	-210	11.95%
- Contribution in favour of the Resolution Fund – Extraordinary	0	-572	572	-100.00%
- Contribution to the Interbank Deposit Guaranty Fund	-4,402	-3,132	-1,270	40.55%
18. Other expenses	-1,946	-1,960	15	-0.75%
Total	**-40,175**	**-39,193**	**-982**	**2.51%**

The line item has registered an increase of 982 thousand euro (.,51%) for the period.
The negative variation is due to annual costs connected to operations purchased through the merger transaction – an estimated 3,216 thousand euro – and the increase in contributions, ordinary and additional, required by the Bank Crisis Resolution Fund and the Interbank Deposit Guaranty Fund, for an overall 908 thousand euro.
The line item in question also decreased, in the period, due to the elimination of expenses connected to the merger transaction sustained during the previous reporting period, for an overall total of 3,429 thousand euro.

Section 11 - Net allocations to risk and expense funds - Line item 170

11.1 Net allocations for credit risk related to commitments to disburse funds and issued financial guarantees: breakdown

Transactions/income components	Value adjustments (1)			Value adjustments (2)		Total 31/12/2022	Total 31/12/2021
	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	0
B. Issued financial guarantees	-298	0	-683	131	755	-95	563
Total	**-298**	**0**	**-683**	**131**	**755**	**-95**	**563**

11.2 Net allocations related to other commitments and issued guarantees: breakdown

Transactions/income components	Value adjustments (1)			Value adjustments (2)		Total 31/12/2022	Total 31/12/2021
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Commitments	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**

11.3 Net allocations to risk and expense funds: breakdown

Line items/Values	Total 31/12/2022	Total 31/12/2021
1. Allocations for pending litigation	-3,272	-791
2. Other allocations	0	0
3. Write-backs on allocations for pending litigation	3,152	153
Total	**-119**	**-638**

Section 12 - Net adjustments/write-backs to property, plant and equipment - Line item 180

12.1 Net value adjustments to property, plant and equipment: breakdown

Assets/Income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Property, plant and equipment				
1. For a functional use	-5,499	0	0	**-5,499**
- Owned	-3,037	0	0	**-3,037**
- Rights of use acquired through leases	-2,461	0	0	**-2,461**
2. Held as investments	0	0	0	**0**
- Owned	0	0	0	**0**
- Rights of use acquired through leases	0	0	0	**0**
3. Inventories	X	0	0	**0**
Total	**-5,499**	**0**	**0**	**-5,499**

Section 13 - Net adjustments/write-backs to intangible assets - Line item 190

13.1 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				
of which: software	-1,574			**-1,574**
A.1 Owned	-1,574	0	0	**-1,574**
- Generated internally by the company	0	0	0	**0**
- Other	-1,574	0	0	**-1,574**
A.2 Rights of use acquired through leases	0	0	0	**0**
Total	**-1,574**	**0**	**0**	**-1,574**

Section 14 - Other income and expenses from operations - Line item 200

14.1 Other expenses from operations: breakdown

Line items/Values	Total 31/12/2022	Total 31/12/2021
1. Contingent liabilities and non-existent assets	-3,784	-259
2. Use of guarantee funds	0	0
3. Depreciation of third party assets	-250	-216
Total	**-4,034**	**-476**

Note: The line item "Contingent liabilities and non-existent assets" includes payment made subsequent to the settlement of pending disputes – either of Banca Cambiano or acquired through the merger transaction – for 3,360 thousand euro. The impact on the income statement related to said disputes amounts to 584 thousand euro on risk funds constituted during previous fiscal years.

14.2 Other income from operations

Line items/Values	Total 31/12/2022	Total 31/12/2021 (*)
1. Recovery of expenses	5,813	4,879
2. Contingent assets and non-existent liabilities	301	160
3. Other income	477	498
Total	**6,591**	**5,537**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers ".

Specifically, as detailed in part G of the Explanatory Notes, following the negative response to the request for disapplication, line item 3 "Other income" was decreased by 2,253 thousand euro – equal to the Badwill deriving from the merger transaction, registered in temporary booking at 31/12/2021 – with respect to which further details are provided in G.

Section 15 – Profit/Loss from equity investments - Line item 220

15.1 Profit (loss) from equity investments: breakdown

Income component/Values	Total 31/12/2022	Total 31/12/2021
A. Income		
1. Revaluations	1,324	77
2. Gains from disposal	0	0
3. Value adjustments	0	0
4. Other income	0	0
B. Expenses		
1. Write-downs	356	6,708
2. Value adjustments due to impairment	0	0
3. Losses from disposals	0	0
4. Other expenses	0	0
Net income	**968**	**-6,631**

Note:
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 2021 fiscal year, approved by the respective Shareholders' Meetings, and to the results recorded during the first 9 months of 2022 approved by the Board of Directors of the companies. In particular, the overall amount is due to the following components:

- Revaluation of the shareholding in the company Cabel Holding s.p.a. for 1,324 thousand euro for income earned by the subsidiary;
- Write-down of the shareholding in the company Cabel Industry s.p.a. for 118 thousand euro, due to losses incurred by the subsidiary;
- Write-down of the shareholding in the company Gardena Capital LTD for 14 thousand euro for value adjustment of the subsidiary at the exchange rate of each month's end;
- Write-down of the shareholding in the company Invest Italy SIM s.p.a. for 225 thousand euro, due to losses incurred by the subsidiary during the 2022 fiscal period.

Section 17 - Adjustment to value of goodwill - Line item 240

17.1 Adjustment to value of goodwill: breakdown

Income component/Values	Total 31/12/2022	Total 31/12/2021 (*)
Purchase of Invest Banca (merger by incorporation)	0	-5,516
Total	**0**	**-5,516**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers".
Note: The detail of the amount booked in this line item is illustrated in part G of these Explanatory Notes.

Section 18 – Gains (Losses) from disposal of investments - Line item 250

18.1 Gains (losses) from disposal of investments: breakdown

Income component/ Values	Total 31/12/2022	Total 31/12/2021
A. Property, plants, and equipment		
- Gains from disposal	16	100
- Losses from disposals	0	0
B. Other assets		
- Gains from disposal	0	0
- Losses from disposals	0	-73
Net income	**16**	**28**

Section 19 - Fiscal year income tax on current operations - Line item 270

19.1 Fiscal year income tax on current operations: breakdown

Income components/Values	Total 31/12/2022	Total 31/12/2021
1. Current taxes (-)	-3,487	-107
2. Variation of current taxes for the previous fiscal years (+/-)	0	0
3. Reduction of current taxes for this fiscal year (+)	0	0
3 bis. Reduction of current taxes for the fiscal year due to tax credits pursuant to Law n. 214/2011 (+)	0	0
4. Variation of pre-paid taxes (+/-)	-1,164	-2,179
5. Variation of deferred taxes (+/-)	60	-97
6. Fiscal year income tax (-) (-1+/-2+3+3 bis+/-4+/-5)	**-4,591**	**-2,383**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers"
Note:
As regards data relating to the previous fiscal year, as specified in part G of the Explanatory Notes, pre-paid taxes booked by Banca Cambiano at 31/12/2021 were reduced by 1,152 thousand euro, due to the failed acknowledgement – subsequent to the negative outcome of the request for disapplication – of DTA accrued on the tax losses of former Invest Banca between 30 June 2021 and 31 October 2021.
Current taxes are measured in accordance with current tax legislation.

Summary of fiscal year income taxes, by type of tax

Income components/Values	Total 31/12/2022	Total 31/12/2021

- Ires (corporate income tax)	-3,412	-1,864
- Irap (tax on productive activities)	-1,179	-519
- Other taxes	0	0
Total	**-4,591**	**-2,383**

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

Line items/Values	Ires (corporate income tax)	Tax rate	Irap (tax on productive activities)	Tax rate
(A) Gain (Loss) from current operations before taxes	22,353		22,353	
(B) Income taxes – Theoretical burden	6,147	27.50%	1,245	5.57%
Reductions of tax base	19,394	27.50%	13,703	5.57%
Additions to tax base	6,042	27.50%	9,519	5.57%
Tax base	9,001		18,169	
Income taxes – effective tax burden	-2,475	27.50%	-1,012	5.57%
Pre-paid/deferred taxes	-937	27.50%	-167	5.57%
Total taxes	**-3,412**		**-1,179**	
Overall tax	**-4,591**			
Effective tax rate	**-20.54%**			

PART D – Overall profitability

ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY

	Line items	31/12/2022	31/12/2021
10	**Profit (loss) for the fiscal year**	**17,762**	**-822**
	Other income components without reversal to income statement		
20	Capital securities measured at fair value with impact on total profits:	**-250**	**1,553**
	a) variations of fair value	**-250**	**1,553**
	b) transfers to other components of shareholders' equity	**0**	**0**
30	Financial liabilities measured at fair value with recognition of income through profit and loss (variations to own creditworthiness)	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) Transfers 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, plant and equipment	**0**	**0**
60	Intangible assets	**0**	**0**
70	Defined benefit plans	**349**	**135**
80	Non-current 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 relative to other income components without reversal to income statement	**0**	**0**
	Other income components with reversal to income statement		
110	Hedging of foreign investments:	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to income statement	**0**	**0**
	c) other variations	**0**	**0**
120	Exchange rate differences:	**0**	**0**
	a) variations of value	**0**	**0**
	b) reversal to 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 income statement	**0**	**0**
	c) other variations	**0**	**0**
	of which: result of net positions	**0**	**0**
140	Hedging instruments (unmeasured elements)	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to 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:	**-18,355**	**-2,169**
	a) variations of fair value	**-19,282**	**-2,169**
	b) reversal to income statement:	**927**	**0**
	- adjustments due to impairment	**0**	**0**
	- gains/losses from disposal	**927**	**0**
	c) other variations	**0**	**0**
160	Non-current assets and groups of assets in the course of divestment:	**0**	**0**
	a) variations of fair value	**0**	**0**
	b) reversal to income statement	**0**	**0**
	c) other variations	**0**	**0**
170	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	**0**	**-1,264**
	a) variations of fair value	**0**	**0**
	b) reversal to income statement:	**0**	**0**
	- adjustments due to impairment	**0**	**0**
	- gains/losses from disposal	**0**	**0**
	c) other variations	**0**	**-1,264**
180	Income taxes relative to other income components con reversal to income statement	**0**	**0**
190	**Total other income components**	**-18,257**	**-1,744**
200	**Overall profitability (Line item 10 + 190)**	**-495**	**-2,566**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers".

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 (reversal) at the time effectively realized.

PART E – Information on risks and the relative hedging policies

Introduction

The Bank carries out its activities according to sound and prudent management principles, with a moderate risk propensity, in respect of stability requirements connected to the banking 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 Bank'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 Bank 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 is responsible for Bank strategic supervision and management, along with General Management, and the Board of Statutory Auditors is responsible for monitoring activities.
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 management 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 Bank 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 the Bank's 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 Bank 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 Bank'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 Bank to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.
It periodically reports to the Board of Directors of the Institute, as set forth in the organisational model.
The risks to which the Institute could be exposed are:
- Credit/counterparty risks
- Market risk
- Operational risks
- Concentration risk
- Interest rate risk on bank portfolio
- Liquidity risk
- Residual risk from CRM
- Climate and environmental risks
- Strategic risk
- Reputational risk
- Risk from securitisation
- Risk of excessive financial leverage
- Risk of assumption of equity investments
- Risks and conflicts of interests vis-à-vis related parties
- Country risk
- Risk of transfer
- Basis risk
- Compliance risk
- Money-laundering risk
- ITC risk
- Risk connected to the management of foreclosed assets.

Attention to the management of climate and environmental risks has a strategic importance. In accordance with Bank of Italy "Supervisory Expectations", the Bank has adopted an action plan that identifies specific interventions to be executed so as to implement the principles of sustainable finance. During 2022, a project was initiated, aimed at the gradual integration of climate and environmental risks into governance and control systems, into the business model and corporate strategies, into the organisational system, and into operating processes, in compliance with supervisory guidelines regarding climate and environmental risks. In order that the administrative body, first and foremost, and the organisational structure can effectively meet the expectations, a training program has been started, involving the members of Board of Directors and of the Board of Statutory Auditors, General Management, and a broad range of employees. With the support of the IT outsourcer, Cabel Industry S.p.A., in 2022 the Bank began 2 macro-projects - "Finance and Investment Services" and "Credit". The projects regarding "Governance and Risk Management" and "Sustainability Reporting" will instead begin during 2023 and will continue alongside activities relating to the implementation of the IT application program.

The ESG project is co-ordinated by an inter-functional work team, that includes the participation of the Compliance, Risk Management, Finance Department, Credit Department and Organisation Function managers. During the month of December 2022, the Board of Directors approved the Bank's ESG Initiatives Plan to favour a progressive compliance with expectations, specifically as regards the credit risk and investment services areas. During the same meeting of the Board, the creation of the «Sustainability Committee» was approved, which is a management committee composed of top company management, tasked with co-ordinating climate and environmental issues, and supporting the Board of Directors in the assessment and analysis of sustainability strategies connected to the execution of the Bank's business activities. During the next months, the various Bank functions will be assigned tasks and attributions, in accordance with the outlay of the ESG strategies within the Credit, Finance, Planning and Marketing processes.
The Bank, which belongs to a banking group that is classified among Class 2 intermediaries, in accordance with Bank of Italy Circular 285/2013, adopts the following methods to measure capital adequacy with respect to quantitative risks:
• for credit/counterparty risks and for market risks, the standardised method (TSA),
• for operational risks, the basic method (BIA),
• for concentration risk and for interest rate risk, the simplified methods proposed respectively in annexes B and C/C *bis* of Bank of Italy Circular 285/2013 and subsequent updates.
In compliance with Tier III requirements, the Gruppo Bancario Cambiano has prepared information for the public relating to the Consolidated Financial Statements for the 2022 reporting year, available on the web site www.bancacambiano.it.

Section 1 - Credit risk

Qualitative information

1. General information

The Bank'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, 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 27/10/2022).

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.

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 analyses 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 an 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. 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.

The credit process will be further revised during 2023, following the updating of the 2023-2025 Strategic Plan, that will reposition it in order to i) increase the efficiency of loan pricing based on the risk level of the counterparties, the cost of funding, and that of own funds, ii) requalify the credit portfolio, through a better selection of LOM indicators, with the intent to contain the overall cost of managing it; iii) increase efficacy in the management of problem loans, intervening on anomaly identification triggers, on early warning activities, and on recovery schedules agreed upon with customers.

Post Covid information

In 2022, the aid measures for families, in terms of moratoria granted on loans, that the Bank implemented during the years 2020 and 2021, came to an end.

Instead, financing activities supported by the measures implemented through the special Law Decrees in support of a relaunching of the economy, already started during 2020/2021, a period during which the macro-economic scenario had to face the Covid-19 pandemic first, and then the crisis generated by the war between Russia and the Ukraine, continued during 2022.

Since 2019, albeit with all due variations and specifications, initiatives in support of families and SMEs launched by the Governments continue to be operational, including the use of government guarantees (MCC, Sace, Fei).

Impact deriving from the Russia-Ukraine conflict

The uncertainties generated by the Russia-Ukraine conflict have determined a marked worsening of macro-economic forecasts, the consequences of which could reverberate in a negative manner in the medium-term on the credit quality of counterparties: the slowdown in turnovers, along with the increase of the cost of debt, could affect the capacity of businesses to honour the loan service, especially for those counterparties already heavily affected by the health emergency. In terms of credit risk, although the Bank is not exposed to the direct effects of the conflict, there are possible rebound or indirect effects (“second/third round effect”) on the business sector and, subsequently, on the world of retail businesses and private consumers, already affected by two years of restrictions and containment measures due to Covid-19. As regards businesses, in particular, the conflict has already in part generated significant economic repercussions,

that are stacked on top of a scenario that is still paying off the numerous difficulties associated to the pandemic: some sectors bear the weight of the negative consequences of the current conflict more than others.
On this front, the Bank has examined the portfolio exposed to so-called «energy risk», with the aim of assessing the vulnerability of the counterparties belonging to the merchandising sectors identified as «energy-intensive».
In particular, in compliance with the IASB provisions contained in the document dated 27 March 2020, given the uncertainty of the economic context and the progressive deterioration in progress, in the meeting held on 27/12/2022, based on a proposal submitted by the Risk Management function, the Board of Directors resolved to maintain an alternative approach to the mechanical application of the models (so-called overlay approach) used to calculate ECL, for the 2022 reporting period, as was done in 2020 and in 2021, including the insertion of specific add-ons on the evaluation of positions relating to sectors that are highly impacted by trends in energy and raw material prices.
In order to identify those businesses potentially affected by the energy crises deriving from the Russia-Ukraine war, that began in February 2022, within the Bank's credit portfolio, the Risk Management function has extracted a list of positions that fall within those defined as "energy intensive". This list was obtained by referencing the contents of the document published by the European Commission in the Official Gazette of the European Commission on 24/3/2022 relative to the "Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine *by* Russia". Hence, all the positions classified in stage 2 and with the following ATECO (business sector) codes, were extracted: B07 (extraction of metal minerals); C13 (manufacturing activities); C14 (articles of clothing, with the exception of furs); C16 (wood cutting and planing); C17 (production of paper-paste, paper and cardboard); C19 (production of coke oven products); C20 (production of base chemical products, fertilisers and nitrogen compounds, plastic and rubber materials in primary forms); C23 (production of glass and glass products); C24 (metal working). In order to identify a more significant sample of positions, further positions were added to those listed above, to include: C32 (production of jewellery, costume jewellery and related items; working of precious stones); H49 (railway transport of passengers) and I55 (Hotels and similar structures).
As was done in 2020 and 2021, management overlay was calculated based on the simulation of a "slide" into Stage 3 (impaired past due) at 12 of loans to "energy intensive" businesses in Stage 2 operating in the aforementioned business sectors; the add-ons calculated in this way amounted to € 5.8 million at 31/12/2022.

2.2 Management, measurement and control systems

Risk management, measurement and control systems are developed in an organisational framework that involves the entire credit process cycle, from the initial preliminary stage, to the periodical reviews up to revocation and recovery.
The Bank also carries out quantitative and qualitative analyses for periodic Credit Risk measurement and control. In particular, quantitative assessments make use of various instruments that provide economic, financial and capital information regarding the customer.
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 these activities, the Bank adopts specific procedures for the preliminary analysis/disbursement, credit line renewal and credit risk monitoring stages.
In these stages, the Bank uses qualitative and quantitative methods to measure creditworthiness, supported by information technology procedures subject to periodic verification and maintenance.
Line of credit application, deliberation and review processes are regulated by a decision-making process supported by the PEF "Easy Loans" IT procedure, which 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 definition of classification, measurement and management criteria for impaired positions and of the methods to be implemented to monitor loan performance aims also at implementing a systematic control procedure on loan positions by the Risk Control Office in close collaboration with bank Branches.
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 periodic review of each individual counterparty or group of connected customers.

The Risk Manager 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. Furthermore, this function provides advance opinions regarding RAF compliance of significant credit transactions (so-called OMR), as defined in the specific regulations approved by the BoD, requesting, if necessary and based on the nature of the transactions, the opinion of other functions involved in the risk management process. The entire credit and counterparty risk management process (risk measurement, application, disbursement, performance monitoring, exposure monitoring, review of lines of credit, classification of risk positions, actions in the event of problem loans, classification criteria, assessment and management of impaired loans) is formalized in the internal regulations.
The Bank continues to use an “ordinal” classification management system for creditworthiness which, in a nut-shell, aims at attributing univocal ratings to borrowing customers, on the basis of a series of qualitative and quantitative considerations.
On this matter, please bear in mind that the evaluations resulting from the application constitute a limit to the use of powers associated to loan authorisations.
The Bank adopts standards methods to determine the minimum capital requirement for credit risk.
As regards the internal capital adequacy evaluation process (ICAAP), the Bank 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.
Within the scope of the ICAAP analysis performed on a quarterly basis, the Bank performs stress tests with reference to credit and concentration risks through sensitivity analyses that evaluate the effects of specific events on the same risks. The Bank performs the stress test and, with specific reference to credit risk, recalculates the internal capital required against the new risk level of the loan portfolio redefined on the basis of any increase of the incidence of impaired exposures on company lending. The Bank also determines the impact on overall capital (Own Funds) deriving from the reduction of expected income due to the increase in write-downs of receivables.
With reference to operations on securities markets, the Bank’s Finance Area implements measurements and controls both during acquisition of the financial instruments and after, when the composition of the fund is periodically analysed by asset class / IAS/IFRS portfolio, the specific or counterparty risk level is identified and calculated and compliance with the limits and powers assigned is verified. The results of these analyses are discussed periodically by the Finance Committee within the scope of which the Risk Management Office sets forth its valuations in accordance with the Risk Appetite Framework.

Effects deriving from the Covid-19 pandemic
As at 31.12.2022, there are no impacts deriving from the Covid-19 pandemic on credit risk measurement and management systems.

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, characterised by a prospective view, which requires immediate recognition of losses on receivables even if they are only expected.
The 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:
    - in bonis exposures with risk of insolvency at the date of initial recognition equal to 1, 2, 3 or 4 that have a final classification that is equal to at least 10;

- in bonis exposures with risk of insolvency at the date of initial recognition equal to 5 or 6 that have “jumped” 6 classes in the internal PD classification system;
- in bonis exposures with risk of insolvency at the date of initial recognition equal to 7, 8, 9 or 10 that have “jumped” 5 classes in the internal PD classification system;
- in bonis exposures with risk of insolvency at the date of initial recognition equal to 11 that have “jumped” 4 classes in the internal PD classification system.

The above criterion, in effect as of the month of October 2019 and up to the month of July 2022, entails including in Stage 2 those exposures that jumped 6 classes from the moment of origin of the probability of default used for internal management purposes, with a final classification in probability of default class 11;

- 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 Bank 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 Bank’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 Banca Cambiano 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 Banca Cambiano 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.

Modifications due to COVID-19

Assessment of significant increase of credit risk (SICR)
As regards the impact of the Covid-19 pandemic on the economy, including aid measures implemented by governments and Central Banks, the regulations for the assessment of significant increase of credit risk (staging allocation criteria) were not impacted, but the one-to-one trend monitoring of positions to which moratoria conditions or extensions have been granted, or operations signalled out as anomalous by the trend monitoring procedures, has been reinforced.
Specifically:
- during the first semester of 2021, the Bank concluded an analytical assessment process on all loans with moratoria granted to customers based on art. 56, comma 2, letter c) of Italian Legislative Decree n. 18/2020 (approx. 2,500 customer codes with a residual principal object of moratoria of over € 370 million), on completion of which, the Board of Directors, in the meetings held on 09/06/2021 and 24/06/2021, resolved census as forbearance measure for n. 466 positions, for an overall amount of 51.86 million/€;
- between the first and second quarter of 2022, a new survey was conducted; the perimeter of this analysis concerned all positions that between March and December 2021 (considering only the in bonis positions at 31.12.2021) did not decrease their exposure, and that at 31.3.2021 presented a moratorium debt exposure greater than 200 thousand euro, and the positions that at June 2021 requested that the Bank extend their respective suspensions up to December 2021, as provided for by art. 16 of Legislative Decree n. 73 of 25 May 2021. This analysis, submitted to the Board of Directors in the meeting held on 27/05/2022, involved a total of 276 customer codes for an overall exposure, at 9/3/2022, of over 255 million euro, in terms of lending.
The economic measures implemented to face the Covid emergency in 2020, in particular the moratoria, reached their expiry in 2022. Numerous loans guaranteed by Medio Credito Centrale are still active.

Measurement of expected losses
During the 2022 fiscal period, as the country exited the health emergency stage and health restrictions began to loosen, uncertainties specifically associated to the pandemic began to disappear, and no particular phenomena related to the increase of credit risk on exposures that were the object of moratoria were observed. These latter have in fact almost all restarted payments, and continue to register payments on exposures and extinctions.

Impact of the Russia-Ukraine conflict
Starting with the geo-political crisis between Russia and the Ukraine, uncertainties regarding economic forecasts have progressively increased and, starting from the second semester of 2022, a specific risk factor has emerged (the energy crisis that has arisen within the context of the geo-political crisis underway), along with the resulting effects, from the rise of inflation, to the rise of costs for businesses and the rise of interest rates.
Therefore, during this fiscal period, the Covid add-ons inserted in the 2020 Financial Statements, and maintained in the 2021 Financial Statement on stage 2 moratoria positions and government-backed loans, were released, as the conditions for their recognition no longer exist.
In the meeting held on 27/12/2022, based on an analysis conducted by the Risk Management function, the Board of Directors in fact resolved to release the Covid add-ons inserted in the 2020 Financial Statements, and maintained in the 2021 Financial Statement on loans that previously benefitted of suspensions connected to the Covid-19 health emergency, and government-backed loans, equal to € 7.5 million, starting from the 2022 Financial Statements, for the following reasons:
1) a sufficiently congruous time has passed from the introduction of the add-ons (almost 24 months) to have permitted ascertaining a condition of financial difficulty and the resulting congruous classifications and evaluations of the positions;
2) during the first semester of 2021, the Bank concluded an analytical assessment process on all loans with moratoria granted to customers based on art. 56, comma 2, letter c) of Italian Legislative Decree n. 18/2020 (approx. 2,500 customer codes with a residual principal object of moratoria of over € 370 million), on completion of which, the Board of Directors, in the meetings held on 09/06/2021 and 24/06/2021, resolved census as forbearance measure for n. 466 positions, for an overall amount of 51.86 million/€;;
3) between the first and second quarter of 2022, a new survey was conducted; the perimeter of this analysis concerned all positions that between March and December 2021 (considering only the in bonis positions at 31.12.2021) did not decrease their exposure, and that at 31.3.2021 presented a moratorium debt exposure greater than 200 thousand euro, and the positions that at June 2021 requested that the Bank extend their respective suspensions up to December 2021, as provided for by art. 16 of Legislative Decree n. 73 of 25 May 2021. This analysis, submitted to the Board of Directors

in the meeting held on 27/05/2022, involved a total of 276 customer codes for an overall exposure, at 9/3/2022, of over 255 million euro, in terms of lending;
4) on loans granted within the scope of public guarantees established by the emergency legislation, starting from the 2021 fiscal year, based on a study conducted jointly with the IT outsourcer, and with the aid of the company KPMG, a new method to calculate impairment was approved, that takes into consideration the presence of the government guarantee, also in light of the relevance that said loans took on during the 2020-2021 fiscal periods. Specifically, for government-backed part, the customer's PD and LGD parameters are replaced by those of the guarantor, that is, the Italian State, while for the part not backed by government guarantee, the customer's parameters continue to be applied. Furthermore, the calculation of the part that is government-backed factors the so-called residual risk, that is prudentially considered equal to 20%; therefore, in the calculation of the impairment amount, the government-backed part is reduced by the aforementioned percent.
However, in compliance with IASB document issued 27 March 2020, given the uncertainty of the economic context, and the progressive deterioration underway, during the same meeting held on 27/12/2022, based on a proposal submitted by the Risk Management function, the Board of Directors resolved to continue keeping an alternative approach with respect to the mechanical application of models (so-called overlay approach) used to calculate ECL for 2022 as well, just like for 2020 and 2021, thereby inserting specific add-ons on the assessments of positions in sectors that are highly affected by the prices of energy and raw materials.
In order to identify the
In order to identify those businesses potentially affected by the energy crises deriving from the Russia-Ukraine war, that began in February 2022, within the Bank's credit portfolio, the Risk Management function has extracted a list of positions that fall within those defined as "energy intensive". This list was obtained by referencing the contents of the document published by the European Commission in the Official Gazette of the European Commission on 24/3/2022 relative to the "Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine *by* Russia". Hence, all the positions classified in stage 2 and with the following ATECO (business sector) codes, were extracted: B07 (extraction of metal minerals); C13 (manufacturing activities); C14 (articles of clothing, with the exception of furs); C16 (wood cutting and planing); C17 (production of paper-paste, paper and cardboard); C19 (production of coke oven products); C20 (production of base chemical products, fertilisers and nitrogen compounds, plastic and rubber materials in primary forms); C23 (production of glass and glass products); C24 (metal working). In order to identify a more significant sample of positions, further positions were added to those listed above, to include: C32 (production of jewellery, costume jewellery and related items; working of precious stones); H49 (railway transport of passengers) and I55 (Hotels and similar structures).
As was done in 2020 and 2021, management overlay was calculated based on the simulation of a "slide" into Stage 3 (impaired past due) at 12 of loans to "energy intensive" businesses in Stage 2 operating in the aforementioned business sectors; the add-ons calculated in this way amounted to € 5.8 million at 31/12/2022.

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 Bank 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 Bank 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 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 collateral on 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 Bank 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 financial assets
3.1 Management strategies and policies
On 30 March 2022 the Board of Directors approved the update to the Bank's NPL Business Plan (2022-2024) based on the Bank of Italy Guidelines for impaired receivables and the Strategic Plan for 2022-2024 approved on 25/02/2022, which was sent to Bank of Italy on 31 March 2022.
Hence, on 27/03/2023 The Group's NPL Business Plan (2023-2025) was updated once again.
In the Business Plan for 2023-2025 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 reduce the gross incidence of impaired receivables on total receivables from 8.18% to 5.86%, also through a disposal plan cadenced over the three fiscal periods covered by the Plan itself.
During the 2022 fiscal year, the incidence of impaired receivables on total receivables rose from 6.89% to 8.18% (also including receivables measured at fair value) due to the effect of classifications decided by the Board of Directors, that fully applied the proposals of the assessment, and due to the postponement to the 2023 fiscal year of the planned transaction for the disposal of € 20 million in non-performing loans and € 10 million in probable defaults.
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 an 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 borrower'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 areas:
• 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 Bank'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 assessment of the possibility of payment of impaired receivables is calculated based on criteria defined by the Board of Directors and contained in the specific evaluation policy, that is 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 characterised 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.

3.2 Write-offs

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) disposal of receivables.
In some circumstances, it also becomes necessary to partially write off gross receivables in order to adjust them to the Bank’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 Bank 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.

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 Bank 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, and updated most recently in the meeting of the Board of Directors held on 27/10/2022.
Regulations implemented by the Bank 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 Bank considers the date of initial recognition as the date on which the instrument is originated.

Quantitative information
Banca Cambiano 1884 S.p.A. impaired receivables from customers measured at amortised cost amount to a gross value of 282.6 million euro, to which specific value adjustments have been made, for 114.1 million euro, with a resulting net value of 168.5 million euro.
Banca Cambiano 1884 S.p.A. in bonis receivables from customers measured at amortised cost amount to a gross value of 3,101.9 million euro, to which portfolio adjustments have been made, for 19.1 million euro, with a resulting net value of 3,082.8 million euro, showing a hedging of 0.62%. Of these, receivables from customers for in bonis loans at greater risk are essentially classified as so-called “second stage” positions, and are equal to 322 million euro, gross value, with a hedging of 4.08%.
Quantitative information relative to the Bank’s credit portfolio is illustrated here following.

A. Credit quality
A.1 Impaired and in bonis credit exposures: 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 31/12/2022
1. Financial assets measured at amortised cost	53,391	104,205	10,952	30,680	3,547,013	3,746,242

2. Financial assets measured at fair value with impact on total profits	0	0	0	0	594,184	594,184
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	73,372	73,372
5. Financial assets in course of divestment	0	0	0	0	0	0
Total 31/12/2022	**53,391**	**104,205**	**10,952**	**30,680**	**4,214,570**	**4,413,798**
Total 31/12/2021	**61,995**	**64,591**	**3,075**	**33,741**	**4,253,762**	**4,417,165**

Note:
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 85,767 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 assets				In bonis assets			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	282,632	114,083	168,549	0	3,597,219	19,526	3,577,693	**3,746,242**
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	594,676	492	594,184	**594,184**
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	73,372	**73,372**
5. Financial assets in course of divestment	0	0	0	0	0	0	0	**0**
Total 31/12/2022	**282,632**	**114,083**	**168,549**		**4,191,896**	**20,018**	**4,245,249**	**4,413,798**
Total 31/12/2021	**233,620**	**103,958**	**129,661**	**0**	**4,238,792**	**25,992**	**4,287,504**	**4,417,165**

Note:
The table shows classification by type of receivable of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 85,767 thousand euro.

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	67,202
2. Hedges	0	0	0
Total 31/12/2022	**0**	**0**	**67,202**
Total 31/12/2021	**0**	**0**	**8,179**

A.1.3 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	From over 30 days up to 90 days	Over 90 days	From 1 to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	11,467	372	0	3,539	13,185	236	2,261	10,783	98,587	0	0	159
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 course of divestment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL 31/12/2022	**11,467**	**372**	**0**	**3,539**	**13,185**	**236**	**2,261**	**10,783**	**98,587**	**0**	**0**	**159**

TOTAL 31/12/2021	**9,175**	**7**	**0**	**3,682**	**9,918**	**10,959**	**2,642**	**1,071**	**125,948**	**0**	**0**	**160**

Note
The values shown are the balance sheet values net of the respective existing doubts.

A.1.4 Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of the overall value adjustments and of total provisions – part 1

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage one					
	Demand receivables from banks and Central Banks	FA valued at amortised cost	FA measured at fair value with impact on overall profitability	FA in course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	**0**	**7,289**	**68**	**0**	**120**	**7,238**
Additions 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	-1,076	402	0	558	-1,232
Contract modifications without derecognition	0	0	0	0	0	0
Changes to the method of estimation	0	0	0	0	0	0
Write-off not recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	**0**	**6,213**	**470**	**0**	**677**	**6,006**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**

A.1.4 Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of the overall value adjustments and of total provisions – part 2

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage two					
	Demand receivables from banks and Central Banks	AF valued at amortised cost	AF measured at fair value with impact on overall profitability	FA in course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	**0**	**18,573**	**62**	**0**	**62**	**18,573**
Additions 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	-5,263	-40	0	128	-5,431
Contract modifications without derecognition	0	0	0	0	0	0
Changes to the method of estimation	0	0	0	0	0	0
Write-off not recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	**0**	**13,310**	**22**	**0**	**190**	**13,143**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**	**0**
Write-off recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**

A.1.4 Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and of total provisions– part 3

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage three					
	Demand receivables from banks and central banks	AF valued at amortised cost	AF measured at fair value with impact on overall profitability	FA in course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	**0**	**103,958**	**0**	**0**	**103,958**	**0**
Additions 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	27,146	0	0	27,146	0
Contract modifications without derecognition	0	0	0	0	0	0
Changes to the method of estimation	0	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	-11,851	0	0	-11,851	0
Other variations	0	-5,353	0	0	-5,353	0
Overall final adjustments	**0**	**113,900**	**0**	**0**	**113,900**	**0**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**	**0**
Write-off recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**

A.1.4 Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and of total provisions – part 4

Causal factors/risk stages	Overall value adjustments				
	Impaired financial assets purchased or originated				
	AF valued at amortised cost	AF measured at fair value with impact on overall profitability	FA in course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	**0**	**0**	**0**	**0**	**0**
Additions from financial assets purchased or originated	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	186	0	0	183	3
Contract modifications without derecognition	0	0	0	0	0
Changes to the method of estimation	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	0	0
Other variations	0	0	0	0	0
Overall final adjustments	**186**	**0**	**0**	**183**	**3**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**

A.1.4 Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and of total provisions – part 5

Causal factors/risk stages	Total provisions on commitments to disburse funds and issued financial guarantees			Total
	First stage	Second stage	Third stage	
Overall initial adjustments	**310**	**51**	**1,521**	**131,833**
Additions 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 (+/-)	19	148	-72	21,263
Contract modifications without derecognition	0	0	0	0
Changes to the method of estimation	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	-11,851
Other variations	0	0	0	-5,353
Overall final adjustments	**329**	**198**	**1,449**	**135,892**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**

A.1.5 Financial assets, commitments to disburse funds and issued financial guarantees: Transfers between the various risk stages (gross and nominal values)

Portfolios/risk stages	Nominal values / 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 1st stage

1. Financial assets measured at amortised cost	117,644	48,023	42,739	5,178	36,567	522
2. Financial assets measured at fair value with impact on total profits	0	2,234	0	0	0	0
3. Financial assets in course of divestment	0	0	0	0	0	0
4. Commitments to disburse funds and issued financial guarantees	40,352	28,120	10,864	867	17,039	237
Total 31/12/2022	**157,996**	**78,377**	**53,602**	**6,046**	**53,606**	**759**
Total 31/12/2021	**184,920**	**75,615**	**28,902**	**1,276**	**11,409**	**218**

A.1.5a Loans subject to Covid-19 aid measures: transfers between the various credit risk stages (nominal values)

Portfolios/risk stages	**Nominal values / 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 1st stage
A. Loans measured at amortised cost						
A.1 Subject to forbearance in conformity with GL	0	0	0	0	0	0
A.2 Subject to existing moratoria measures no longer in conformity with GL and not measured as forborne	0	0	0	0	0	0
A.3 Subject to other forbearance measures	0	0	0	0	0	0
A.4 New loans	39,332	11,492	5,566	3	18,558	120
B. Loans measured at fair value with impact on overall profitability						
B.1 Subject to forbearance in conformity with GL	0	0	0	0	0	0
B.2 Subject to existing moratoria measures no longer in conformity with GL and not measured as forborne	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	0off
Total 31/12/2022	**39,332**	**11,492**	**5,566**	**3**	**18,558**	**120**
Total 31/12/2021	**13,154**	**14,298**	**1,157**	**0**	**1,602**	**23**

A.1.6 Cash credit exposures and off balance sheet credit exposure to banks: nominal and net values

Type of exposure/values	**Gross exposure**					**Overall value adjustments and allocations**					**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. Cash exposures												
A.1 Demand	36,936	36,936	0	0	0	0	0	0	0	0	36,936	0
a) Impaired	0	X	0	0	0	0	X	0	0	0	0	0
b) In bonis	36,936	36,936	0	X	0	0	0	0	X	0	36,936	0
A.2 Other	150,236	146,775	0	0	0	341	341	0	0	0	149,895	0
a) Non-performing loans	0	X	0	0	0	0	X	0	0	0	0	0
- of which: forborne	0	X	0	0	0	0	X	0	0	0	0	0
b) Probable defaults	0	X	0	0	0	0	X	0	0	0	0	0
- of which: forborne	0	X	0	0	0	0	X	0	0	0	0	0

Type of exposure/values	Gross exposure					Overall value adjustments and allocations					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		
c) Impaired overdue positions	0	X	0	0	0	0	X	0	0	0	0	0
- of which: forborne	0	X	0	0	0	0	X	0	0	0	0	0
d) In bonis overdue positions	0	0	0	X	0	0	0	0	X	0	0	0
- of which: forborne	0	0	0	X	0	0	0	0	X	0	0	0
e) Other in bonis positions	150,236	146,775	0	X	0	341	341	0	X	0	149,895	0
- of which: forborne	0	0	0	X	0	0	0	0	X	0	0	0
TOTAL A	**187,172**	**183,711**	**0**	**0**	**0**	**341**	**341**	**0**	**0**	**0**	**186,831**	**0**
B. Off balance sheet credit positions												
a) Impaired	0	X	0	0	0	0	X	0	0	0	0	0
b) In bonis	12,977	12,335	0	X	0	0	0	0	X	0	12,977	0
TOTAL B	**12,977**	**12,335**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**12,977**	**0**
TOTAL A + B	**200,149**	**196,045**	**0**	**0**	**0**	**341**	**341**	**0**	**0**	**0**	**199,808**	**0**

Note:
The table shows the breakdown by credit quality of exposures to banks. Specifically, all financial assets related to exposures with banks 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 86,803 thousand euro and securities issued by non-bank counterparties, for 725,241 thousand euro.

A.1.7 Cash and off balance sheet credit exposures to customers: nominal 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	122,035	X	0	122,035	0
- of which: forborne	0	X	0	0	0
b) Probable defaults	148,669	X	0	148,266	403
- of which: forborne	83,577	X	0	83,286	291
c) Impaired overdue positions	11,928	X	0	11,928	0
- of which: forborne	0	X	0	0	0
d) In bonis overdue positions	31,169	13,416	17,754	X	0
- of which: forborne	2,808	0	2,808	X	0
e) Other in bonis positions	4,150,734	3,779,299	303,983	X	517
- of which: forborne	65,352	0	65,135	X	217
TOTAL A	**4,464,535**	**3,792,715**	**321,736**	**282,229**	**920**
B. Off balance sheet exposures					
a) Impaired	25,398	X		25,398	
b) In bonis	1,052,470	891,281	66,274	X	
TOTAL B	**1,077,868**	**891,281**	**66,274**	**25,398**	
TOTAL A + B	**5,542,403**	**4,683,996**	**388,010**	**307,627**	**920**

A.1.7 Cash and off balance sheet exposures to customers: nominal and net values – part 2

Type of exposure/values	Overall value adjustments and total 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	68,643	X	0	68,643	0	53,391	0
- of which: forborne	0	X	0	0	0	0	0
b) Probable defaults	44,467	X	0	44,284	183	104,202	0
- of which: forborne	30,067	X	0	29,919	147	53,510	0
c) Impaired overdue positions	976	X	0	976	0	10,952	0
- of which: forborne	0	X	0	0	0	0	0
d) In bonis overdue positions	490	55	435	X	0	30,680	0
- of which: forborne	101	0	101	X	0	2,707	0
e) Other in bonis positions	19,537	6,828	12,706	X	3	4,131,197	0
- of which: forborne	2,594	0	2,593	X	1	62,758	0
TOTAL A	**134,113**	**6,883**	**13,141**	**113,903**	**186**	**4,330,422**	**0**
B. Off balance sheet exposures							
a) Impaired	1,449	X	0	1,449		23,949	0

b) In bonis	528	329	198	X		1,051,942	0
TOTAL B	**1,977**	**329**	**198**	**1,449**	**0**	**1,075,891**	**0**
TOTAL A + B	**136,090**	**7,212**	**13,339**	**115,353**	**186**	**5,406,313**	**0**

Note:

The table shows, with reference to customer positions, the breakdown by credit quality. Specifically, it shows financial assets from exposure with customers 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 b) receivables from customers" of the balance sheet. It does not include equity investment and shares in mutual funds for 86,803 thousand euro and securities issued by banks for 8,834 thousand euro.

A.1.7a Cash exposures to 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	**1,897**	**0**	**0**	**1,897**	**0**	**170**	**0**	**0**	**170**	**0**	**1,727**	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 measures no longer in conformity with GL and not measured as forborne	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	1,897	0	0	1,897	0	170	0	0	170	0	**1,727**	0
B. Loans to probable defaults	**19,747**	**0**	**0**	**19,747**	**0**	**4,229**	**0**	**0**	**4,229**	**0**	**15,518**	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 measures no longer in conformity with GL and not measured as forborne	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	19,747	0	0	19,747	0	4,229	0	0	4,229	0	**15,518**	0
C. Impaired overdue loans	**4,380**	**0**	**0**	**4,380**	**0**	**159**	**0**	**0**	**159**	**0**	**4,221**	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 measures no longer in conformity with GL and not measured as forborne	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	4,380	0	0	4,380	0	159	0	0	159	0	**4,221**	0
D. In bonis overdue loans	**5,875**	**1,346**	**4,529**	**0**	**0**	**54**	**3**	**51**	**0**	**0**	**5,821**	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 measures no longer in conformity with GL and not measured as forborne	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	5,875	1,346	4,529	0	0	54	3	51	0	0	**5,821**	0
E. Other in bonis loans	**497,502**	**428,146**	**69,357**	**0**	**0**	**1,285**	**567**	**718**	**0**	**0**	**496,218**	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 measures no longer in conformity with GL and not measured as forborne	0	0	0	0	0	0	0	0	0	0	**0**	0
c) Subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0	**0**	0
d) New loans	497,502	428,146	69,357	0	0	1,285	567	718	0	0	**496,218**	0
TOTAL A+B+C+D+E	**529,401**	**429,492**	**73,886**	**26,024**	**0**	**5,897**	**570**	**769**	**4,558**	**0**	**523,504**	**0**

A.1.9 Cash exposures to customers: dynamic of gross impaired exposures

Causal factors/Categories	Non-performing loans	Probable defaults	Impaired overdue loans
A. Initial gross exposure	**131,711**	**98,475**	**3,434**
- of which: accounts disposed of but not derecognised	0	0	0
B. Additions			
B.1 entries from in bonis receivables	5,159	86,031	26,888
B.2 entries from impaired financial assets purchased or originated	0	0	0
B.3 entries from other categories of impaired exposures	3,513	2,108	12
B.4 contract modifications without derecognition	0	0	0
B.5 other additions	8,194	1,402	354
C. Reductions	0	0	0
C.1 transfers to in bonis receivables	0	6,395	474
C.2 write-offs	11,804	0	0
C.3 collections	13,316	25,668	8,960
C.4 income from disposals	0	3,357	7,175
C.5 losses from disposals	0	606	1,260
C.6 transfers to other categories of impaired receivables	1,421	3,319	892
C.7 contract modifications without derecognition	0	0	0
C.8 other reductions	0	0	0
D. Final gross exposure	**122,035**	**148,669**	**11,928**
- of which: accounts disposed of but not derecognised	0	0	0

Note:

Line items C.4 and C.5 show the *pro-soluto* disposal transaction of a portfolio of impaired receivables perfected by the Bank during the fiscal year.

A.1.9 bis Cash exposures to customers: dynamics of gross forbearance exposure subdivided by credit quality

Causal factors/Categories	Forbearance: impaired	Forbearance: in bonis
A. Initial gross exposure	**72,724**	**83,953**
- of which: accounts disposed of but not derecognised	0	0
B. Additions	**31,363**	**18,778**
B.1 entries from in bonis receivables without forbearance	4,827	3,476
B.2 entries from in bonis receivables with forbearance	16,508	0
B.3 entries from impaired receivables with forbearance	0	4,224
B.4 entries from in paired receivables without forbearance	0	0
B.5 other additions	10,028	11,078
C. Reductions	**19,704**	**34,387**
C.1 transfers to in bonis receivables without forbearance	0	3,371
C.2 transfers to in bonis receivables with forbearance	4,540	0
C.3 transfers to impaired receivables with forbearance	0	18,147
C.4 write-offs	0	0
C.5 collections	0	0
C.6 income from disposals	0	0
C.7 losses from disposals	0	0
C.8 other reductions	15,164	12,869
D. Final gross exposure	**84,384**	**68,344**
- of which: accounts disposed of but not derecognised	0	0

A.1.11 Impaired cash exposures to customers: dynamics of overall value adjustments

Causes/Categories	Non-performing loans		Probable defaults		Impaired overdue loans	
	Total	of which: forborne	Total	of which: forborne	Total	of which: forborne
A. Initial overall adjustments	69,716	0	33,884	24,939	358	3
- of which: accounts disposed of but not derecognised	0	0	0	0	0	0
B. Additions						
B.1 value adjustments from impaired financial assets purchased or originated	0	0	0	0	0	0
B.2 other value adjustments	27,767	0	23,692	14,518	456	0
B.3 losses from disposals	0	0	81	0	255	0
B.4 entries from other categories of impaired exposures	856	0	138	79	4	0
B.5 contract modifications without derecognition	0	0	0	0	0	0
B.6 other additions	0	0	0	0	1,775	0
C. Reductions	0	0	0	0	0	0
C.1 write-backs of value from measurements	16,154	0	961	0	7	0
C.2 write-backs of value from collections	1,613	0	6,019	7,000	15	0
C.3.gains from disposal	0	0	393	0	465	0
C.4 write-offs	11,851	0	0	0	0	0
C.5 transfers to other categories of impaired receivables	77	0	830	0	91	0
C.6 contract modifications without derecognition	0	0	0	0	0	0
C.7 other reductions	0	0	5,125	2,469	1,295	3
D. Final overall adjustments	**68,643**	**0**	**44,467**	**30,067**	**976**	**0**
- of which: accounts disposed of but not derecognised	0	0	0	0	0	0

A.2 Classification of exposures based on internal and external ratings

A.2.1 Distribution of cash and off balance sheet exposures by class of external ratings

Exposures	Class of external ratings						without rating	Total 31/12/2022
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost								
- First stage	0	0	354,077	0	0	0	2,914,001	3,268,078
- Second stage	0	0	0	3,845	3,043	0	321,736	328,624
- Third stage	0	0	0	0	0	0	282,229	282,229
- Impaired purchased or originated	0	0	0	0	0	0	920	920
B. Financial assets measured at fair value with impact on total profits								
- First stage	0	0	592,420	0	0	0	0	592,420
- Second stage	0	0	0	2,256	0	0	0	2,256
- Third stage	0	0	0	0	0	0	0	0
-Impaired purchased or originated	0	0	0	0	0	0	0	0

Exposures	Class of external ratings						without rating	Total 31/12/2022
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
C. Financial assets in course of divestment								
- First stage	0	0	0	0	0	0	0	0
- Second stage	0	0	0	0	0	0	0	0
- 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 + C)	**0**	**0**	**946,497**	**6,101**	**3,043**	**0**	**3,518,886**	**4,474,527**
D. Commitments to disburse funds and issued financial guarantees								
- First stage	0	0	0	0	0	0	983,946	983,946
- Second stage	0	0	0	0	0	0	66,274	66,274
- Third stage	0	0	0	0	0	0	25,068	25,068
- impaired purchased or originated	0	0	0	0	0	0	0	0
Total (D)	**0**	**0**	**0**	**0**	**0**	**0**	**1,075,287**	**1,075,287**
Total (A + B + C + D)	**0**	**0**	**946,497**	**6,101**	**3,043**	**0**	**4,594,173**	**5,549,814**

Class 1 = AAA/AA-
Class 2 = A+/A-
Class 3 = BBB+/BBB-
Class 4 = BB+/BB-
Class 5 = B+/B-
Class 6 = Lower than B-

A.3 Distribution of secured exposures by type of guarantee

A.3.2 Secured credit exposures to banks - part 1

Line items	Gross exposure	Net exposure	Collateral (1)			
			Real property for mortgage	Real property for financial assets	Securities	Other collateral
1. Secured cash exposures:						
1.1 fully secured	2,310,566	2,245,749	1,603,324	0	10,421	17,484
- of which: impaired	179,904	127,371	100,363	0	29	151
1.2 partially secured	396,434	383,139	559	0	14,918	3,247
- of which: impaired	33,806	23,494	54	0	0	70
2 Secured off balance sheet exposures:						
2.1 fully secured	157,799	157,799	5,771	0	567	9,313
- of which: impaired	6,333	6,333	302	0	0	504
2.2 partially secured	50,289	50,289	193	0	349	1,707
- of which: impaired	3,532	3,532	0	0	0	0

A.3.2 Secured credit exposures to customers - part 2

Line items	Personal security (2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivatives				Public administrations	Banks	Other finance companies	Other parties	
		Central counterparties	Banks	Other finance companies	Other parties					
1. Secured cash exposures:										
1.1 fully secured	0	0	0	0	0	356,391	1,693	11,982	241,796	**2,243,091**
- of which: impaired	0	0	0	0	0	11,056	0	661	14,773	**127,033**
1.2 partially secured	0	0	0	0	0	233,062	0	2,636	69,021	**323,443**
- of which: impaired	0	0	0	0	0	15,169	0	768	5,178	**21,239**
2 Secured off balance sheet exposures:										
2.1 fully secured	0	0	0	0	0	18,385	72	1,537	121,821	**157,467**
- of which: impaired	0	0	0	0	0	909	0	1,056	3,403	**6,173**
2.2 partially secured	0	0	0	0	0	16,956	0	388	19,088	**38,681**
- of which: impaired	0	0	0	0	0	1,910	0	0	1,265	**3,175**

B. Distribution and concentration of credit exposure

B.1 Sector distribution of off balance sheet cash 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	1,405	1,721	0	0
- of which: forborne	0	0	0	0	0	0
A.2 Probable defaults	0	0	1,146	173	0	0
- of which: forborne	0	0	0	0	0	0
A.3 Impaired overdue positions	0	0	0	0	0	0
- of which: forborne	0	0	0	0	0	0
A.4 In bonis exposures	1,003,643	551	334,165	163	0	0
- of which: forborne	0	0	255	4	0	0
TOTAL A	**1,003,643**	**551**	**336,717**	**2,057**	**0**	**0**
B. Off balance sheet exposures						
B.1 Impaired accounts	0	0	700	0	0	0
B.2 In bonis exposures	1,092	0	78,956	1	0	0
TOTAL B	**1,092**	**0**	**79,656**	**1**	**0**	**0**
TOTAL (A+B) 31/12/2022	**1,004,735**	**551**	**416,373**	**2,058**	**0**	**0**
TOTAL (A+B) 31/12/2021	**850,130**	**119**	**417,709**	**1,981**	**3,733**	**19**

B.1 Sector distribution of off balance sheet cash exposures to customers (book value) - part 2

Exposures/counterparties	Non finance companies		Families	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures				
A.1 Non-performing loans	27,204	54,047	24,782	12,875
- of which: forborne	0	0	0	0
A.2 Probable defaults	74,484	35,138	28,575	9,153
- of which: forborne	30,193	22,162	23,318	7,905
A.3 Impaired overdue positions	7,557	649	3,395	327
- of which: forborne	0	0	0	0
A.4 In bonis exposures	1,491,257	16,195	1,332,808	3,117
- of which: forborne	37,026	2,104	28,183	587
TOTAL A	**1,600,502**	**106,028**	**1,389,560**	**25,473**
B. Off balance sheet exposures				
B.1 Impaired accounts	22,165	1,449	1,084	0
B.2 In bonis exposures	877,150	514	94,746	13
TOTAL B	**899,314**	**1,963**	**95,829**	**13**
TOTAL (A+B) 31/12/2022	**2,499,816**	**107,992**	**1,485,389**	**25,486**
TOTAL (A+B) 31/12/2021	**2,541,474**	**99,383**	**1,444,491**	**30,434**

B.1 Sector distribution of cash and off balance sheet credit exposures to customers (book value) - part 3

Exposures/counterparties	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	53,391	68,643
- of which: forborne	0	0
A.2 Probable defaults	104,205	44,464
- of which: forborne	53,510	30,067
A.3 Impaired overdue positions	10,952	976
- of which: forborne	0	0
A.4 In bonis exposures	4,161,873	20,026
- of which: forborne	65,465	2,695
TOTAL A	**4,330,422**	**134,109**
B. Off balance sheet exposures		
B.1 Impaired accounts	23,949	1,449
B.2 In bonis exposures	1,051,942	528

Exposures/counterparties	TOTAL	
	Net exposure	Overall value adjustments
TOTAL B	**1,075,891**	**1,977**
TOTAL (A+B) 31/12/2022	**5,406,313**	**136,086**
TOTAL (A+B) 31/12/2021	**5,253,804**	**131,918**

B.2 Territorial distribution of cash and off balance sheet credit exposures to customers (book value)

Exposure/Geographical area	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 credit exposures										
A.1 Non-performing loans	53,367	68,591	24	52	0	0	0	0	0	0
A.2 Probable defaults	104,205	44,464	0	0	0	0	0	0	0	0
A.3 Impaired overdue positions	10,952	976	0	0	0	0	0	0	0	0
A.4 In bonis exposures	4,144,975	20,000	13,542	23	1,288	0	731	1	1,337	6
TOTAL (A)	**4,313,499**	**134,031**	**13,566**	**75**	**1,288**	**0**	**731**	**1**	**1,337**	**6**
B. Off balance sheet exposures										
B.1 Impaired accounts	23,949	1,449	0	0	0	0	0	0	0	0
B.2 In bonis exposures	1,051,654	528	288	0	0	0	0	0	0	0
TOTAL (B)	**1,075,603**	**1,977**	**288**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2022	**5,389,102**	**136,008**	**13,854**	**75**	**1,288**	**0**	**731**	**1**	**1,337**	**6**
TOTAL (A + B) 31/12/2021	**5,244,948**	**131,846**	**11,644**	**70**	**1,870**	**0**	**670**	**0**	**952**	**1**

B.2 Territorial distribution of cash and off balance sheet credit exposures to customers (book value) - part 2

Exposure/Geographical area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	53,391	68,643
A.2 Probable defaults	104,205	44,464
A.3 Impaired overdue loans	10,952	976
A.4 In bonis exposures	4,161,873	20,030
TOTAL (A)	**4,330,422**	**134,113**
B. Off balance sheet exposures		
B.1 Impaired accounts	23,949	1,449
B.2 In bonis exposures	1,051,942	528
TOTAL (B)	**1,075,891**	**1,977**
TOTAL (A + B) 31/12/2022	**5,406,313**	**136,090**
TOTAL (A + B) 31/12/2021	**5,260,084**	**131,918**

Note:

The cash exposures shown in the table (4,330,422 thousand euro are those measured in the financial statements net of impaired receivables and with evidence of overall value adjustments.

Specifically, the table shows all the financial assets regarding customers taken from 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 b) receivables from customers" of the financial statements.

Equity investments and shares in mutual funds for 86,803 thousand euro and securities issued by da banks for 8,834 thousand euro are not included.

B.3 Territorial distribution of cash and off balance sheet credit exposure to banks (book value) - part 1

Exposure/Geographical area	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 credit exposures										
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 In bonis exposures	115,211	316	65,562	25	4,432	0	222	0	1,404	0
TOTAL (A)	**115,211**	**316**	**65,562**	**25**	**4,432**	**0**	**222**	**0**	**1,404**	**0**
B. Off balance sheet exposures										
B.1 Impaired accounts	0	0	0	0	0	0	0	0	0	0

Exposure/Geographical area	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
B.2 In bonis exposures	10,435	0	2,542	0	0	0	0	0	0	0
TOTAL (B)	**10,435**	**0**	**2,542**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2022	**125,646**	**316**	**68,104**	**25**	**4,432**	**0**	**222**	**0**	**1,404**	**0**
TOTAL (A + B) 31/12/2021	**285,824**	**240**	**58,944**	**28**	**0**	**0**	**0**	**0**	**1,160**	**0**

B.3 Territorial distribution of cash and off balance sheet credit exposure to banks (book value) - part 2

Exposures/Geographical areas	TOTAL	
	Net exposure	Overall value adjustments
A. Cash credit exposures		
A.1 Non-performing loans	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue positions	0	0
A.4 In bonis exposures	186,831	341
TOTAL (A)	**186,831**	**341**
B. Off balance sheet exposures		
B.1 Impaired accounts	0	0
B.2 In bonis exposures	12,977	0
TOTAL (B)	**12,977**	**0**
TOTAL (A + B) 31/12/2022	**199,808**	**341**
TOTAL (A + B) 31/12/2021	**345,928**	**267**

Note:
Cash exposures to banks (186,831 thousand euro) are those booked in the financial statements net of impaired receivables. Specifically, the table shows financial assets regarding banks taken from 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 banks" of the financial statements. Equity investments and shares in mutual funds, amounting to 86,803 thousand euro, and bonds issued by non-bank counterparties, amounting to 725,241 thousand euro are not included Data are distributed territorially based on the country of residence of the counterparty.

B.4 Large risks (according to regulatory legislation)

Line items/Values	31/12/2022			31/12/2021		
	Number	Book value	Weighted value	Number	Book value	Weighted value
a. Large risks	14	2,043,152	335,190	16	2,025,511	456,334
b. Zero weighted risks	3	1,574,471	0	3	1,366,095	0
Total Large Risks (A-B)	**11**	**468,680**	**335,190**	**13**	**659,417**	**456,334**

INFORMATION ON 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 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 Euro system;
- 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 Securitization 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 06 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	Tranching Senior	Rating at issue	Rating at 31.12.2022	Nominal	Outstanding amount at 31.12.2022	Amount outstanding after repayment 25.01.2023
Banca di Pisa e Fornacette	IT0005315210	Class A1 - 2017	84.00%	AA / AA-	AA / AA	181,656,000	61,725,461	60,401,439
Banca di Pisa e Fornacette	IT0005391237	Class A1 - 2019	84.00%	**AA / AA**	**AA / AA**	157,866,000	85,257,612	83,428,452
Banca Cambiano	**IT0005315228**	**Class A2 - 2017**	**84.00%**	**AA / AA-**	**AA / AA**	**360,925,000**	**136,458,503**	**134,557,207**
Banca Cambiano	**IT0005391245**	**Class A2 - 2019**	**84.00%**	**AA / AA**	**AA / AA**	**285,773,000**	**170,898,664**	**168,483,951**
		Class A Notes	**84.00%**			**986,220,000**	**454,357,240**	**446,871,049**
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 at 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 at 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.D.
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.D.

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)		
	% of 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 (reserve for expenses at issue)		
	% of 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 at 31.12.2022
Banca di Pisa e Fornacette Cash Reserve Amount	4,071,673	2,233,863
Banca Cambiano Cash Reserve Amount	7,688,433	4,669,382
Total Reserve	**11,706,106**	**6,903,245**

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 € 53,216.00 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 31/12/2022

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 2022.

Securitised assets

At the close of 2022, self-securitised credits were equivalent to their price of purchase, net of collections as at the transfer date of 31 December 2022, of the amounts to be received for collections due in the fiscal year but not yet transferred by the Servicers, and increased by accrued interest due as at 31 December 2022.

	31/12/2022
In bonis securitised assets	597,678,032
Receivables for interest accrued but not yet collected	53,747
Total	**597,731,780**

As at 31/12/2022 no accounts were classified as "non-performing", while positions classified as "UTP" amounted to 12,655.71 euro, and positions classified as "Past due" amounted to 18,222.08 euro.

Assets disposed of by Banca Cambiano had the following characteristics:

	31/12/2022
Residual capital	401,719,293
Number of loans	5,723
Average residual life (years)	14.75
Weighted average rate	2.87%
Average amount of the loan	70,194
Current LTV	0.65774

The table below indicates the outstanding securitised assets as at 31 December 2022 classified on the basis of their residual life:

	Total Portfolio		Banca Cambiano Portfolio	
	Balance at 31/12/2022	Incidence %	Balance at 31/12/2022	Incidence %
Up to 3 months	71,252	0.01%	49,181	0.01%
From 3 to 6 months	138,959	0.02%	108,468	0.03%
From 6 to 12 months	686,702	0.12%	523,073	0.13%
From 12 to 60 months	32,028,019	5.36%	23,990,785	5.97%
Over 60 months	564,753,101	94.49%	377,047,786	93.86%
Total	**597,678,032**	**100.00%**	**401,719,293**	**100.00%**

Finally, the table below shows the breakdown of the portfolio at 31 December 2022,by subdivision into categories:

	Total Portfolio		Banca Cambiano Portfolio	
	Number of positions	Balance at 31/12/2022	Number of positions	Balance at 31/12/2022
Up to 25,000	1,586	22,880,345	1,221	17,520,759
From 25,000 to 75,000	3,340	161,167,517	2,418	115,075,349
From 75,000 to 250,000	3,166	374,953,870	2,002	238,116,761
Over 250,000	103	38,676,300	82	31,006,424
Total	**8,195**	**597,678,032**	**5,723**	**401,719,293**

Use of available funds

Description	31/12/2022
Liquidity at BNY c/c n. 6983879780 (Expenses Acc.)	83,190
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.)	8,226,556
Liquidity at BNY c/c n. 6983999780 (Banca Cambiano Cash Reserve Acc.)	4,673,813
Liquidity at BNY c/c n. 6984009780 (BCC Pisa e Fornacette Cash Reserve Acc.)	2,235,978
Liquidity at BNY c/c n. 6983929780 (Payment Acc.)	2,110
Liquidity at BNY c/c n. 6983939780 (Banca Cambiano Suspension Acc.)	141,388
Liquidity at BNY c/c n. 6983949780 (BCC Pisa e Fornacette Suspension Acc.)	5,076
Receivables for transaction profit	4,549,052
Receivables from Servicers for collections to be received	579,580
Accrued interest income o securitised receivables	3,194,358
Prepaid expenses	31,786
Total	**23,722,887**

Interest on issued notes (economic competence)

	31/12/2022
Interest expenses on Class A Notes	3,639,813
Interest expenses on Class B Notes	9,106,352

Fees and commissions charged to the transaction

During the 2022 fiscal year, fees and commissions charged to the transaction are composed of the line items detailed in the table below:

Description	31/12/2022
Servicing fees (Banca Pisa)	81,227
Servicing fees (Banca Cambiano)	**171,501**
Computation agent fees	34,282
Sub Computation Agent fees	1,297
Listing Agent fees	3,000
Representative of the Noteholders fees	9,073
Account Bank, Cash Manager, Principal Paying Agent fees	14,540
Other	106,602
Total	**421,522**

Interest generated by securitised assets

As at 31 December 2022, the total portfolio of self-securitised loans generated the following interest amounts::

	31/12/2022
Interest on securitised receivables	13,014,463
Interest on early settlement	94,753
Other revenue	130,336
Total	**13,239,552**

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 claims);

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 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
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 Italia 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 orders 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* (that is, the fraction of notes competence of a bank with respect to the total outstanding notes) 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.

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. Each amount due to the respective originator as repayment of the price of insurance and relative pre-paid expenses sustained 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 the vehicle in favour of Banca di Pisa e Fornacette/Banca Cambiano.

E. Sale transaction

A. Financial assets sold but not fully derecognised

Qualitative and quantitative information

E.1 Sold financial assets recognised in full and connected financial liabilities: balance sheet values

Technical forms/Portfolio	Sold financial assets fully recognised				Connected financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject of sale contracts with agreement to repurchase	of which: impaired	Book value	of which: subject of securitisation transactions	of which: subject of sale contracts with agreement to repurchase
A. Financial assets held for trading				**X**			
1. Debt securities	18,511	0	18,511	X	18,553	0	18,553
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	186,462	0	186,462	0	186,798	0	186,798
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	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
Total 31/12/2022	**204,973**	**0**	**204,973**	**0**	**205,351**	**0**	**205,351**
Total 31/12/2021	**12,931**	**0**	**12,931**	**0**	**80,763**	**0**	**80,763**

E.3 Sales transactions with liabilities that have recourse exclusively on the transferred assets not fully derecognised: fair value

Technical forms/Portfolio	Fully recognised	Partially recognised	Total	
			31/12/2022	31/12/2021

A. Financial assets held for trading				
1. Debt securities	18,511	0	18,511	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	186,462	0	186,462	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
E. Financial assets measured at amortised cost (fair value)				
1. Debt securities	0	0	0	12,885
2. Loans	0	0	0	0
Total financial assets	**204,973**	**0**	**204,973**	**12,885**
Total connected financial liabilities	**205,351**	**0**	**X**	**13,007**
Net value at 31/12/2022	**-378**	**0**	**-378**	**X**
Net value at 31/12/2021	**-122**	**0**	**X**	**-122**

As regards receivables from customers and payables to customers, the "fair value" used in the table is equivalent to the amortised cost.

Section 2 – Market risks

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).

Qualitative information

A. General information

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 deriving from 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, subsequently updated during the meeting held on 26/03/2022.

Quantitative information

D.2.1.1 Regulatory trading portfolio: distribution by residual duration (re-pricing date) of cash financial assets and liabilities and financial derivatives – All currencies

Type/Residual duration	On demand	Up to 3 months	From over 3 months through 6 months	From over 6 months through 1 year	From over 1 year through 5 years	From over 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**

Type/Residual duration	On demand	Up to 3 months	From over 3 months through 6 months	From over 6 months through 1 year	From over 1 year through 5 years	From over 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
- other	0	0	0	49,332	6,072	11,041	0	0	**66,444**
1.2 Other assets	0	0	0	0	0	0	0	0	**0**
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	193,331	0	0	0	0	0	0	**193,331**
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	1,590,202	0	0	0	0	0	0	**1,590,202**
+ short-term positions	0	2,787,061	0	0	0	0	0	0	**2,787,061**
3.2 Senza 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	683	0	0	0	0	0	0	**683**
+ short-term positions	0	98	0	0	0	0	0	0	**98**

2.2 Interest rate risk and price risk – bank portfolio

Qualitative information

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.

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 securities portfolio is mainly keyed to maintaining the Bank'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.

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	From over 3 months through 6 months	From over 6 months through 1 year	From over 1 year through 5 years	From over 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	1,000	3,130	151,919	606,239	166,299	30,062	0	**958,649**
1.2 Loans to banks	86,973	84,303	0	0	0	0	0	0	**171,276**
1.3 Loans to customers									
- c/c	568,012	2,240	1,468	2,901	6,836	0	0	0	**581,456**
- Other loans									
- with early redemption option	82,288	42,881	6,675	165	0	0	0	0	**132,009**
- other	2,002,324	118,498	28,394	44,685	196,725	110,449	170,217	0	**2,671,292**
2. Cash liabilities									
2.1 Payable to customers									
- c/c	2,860,159	23,229	21,270	37,172	204,798	0	0	0	**3,146,628**
- other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	43,600	12,020	0	0	0	0	0	0	**55,620**
2.2 Payables to banks									
- c/c	78,959	0	0	0	0	0	0	0	**78,959**
- other liabilities	959,392	15,018	0	0	0	0	0	0	**974,410**
2.3 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	79	0	0	17,847	102,371	38,276	0	0	**158,574**
2.4 Other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- 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	8,585	0	0	0	0	0	0	**8,585**
+ short-term positions	0	48,038	6,444	0	0	0	0	0	**54,481**
4. Other off-balance sheet transactions									
+ long-term positions	7,780	5,169	1,408	4,493	2,987	0	1,907	0	**23,745**

Type/Residual duration	On demand	Up to 3 months	From over 3 months through 6 months	From over 6 months through 1 year	From over 1 year through 5 years	From over 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
+ short-term positions	23,745	0	0	0	0	0	0	0	**23,745**

Note:
Long-term and short-term positions in other derivatives at point 3.2 are expressed as notional values.

2.3 Exchange rate risk

Qualitative information

A. General information, management procedures and methods to measure the exchange rate risk

Exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to the effect of negative variations to foreign currencies.

The Bank's Finance Regulations defines, in accordance with the company RAF, the daily limit overall position on foreign exchanges. The aim is to have daily positions that are tendentially balanced, always in compliance with the limits specified in the Finance Regulations currently in force.

On a daily basis, the Risk Management office verifies compliance with the obligations/limits of the overall position in foreign exchanges. 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.

In relation to said risk, current regulatory regulations dictate the obligation to meet a capital equity requirement equal to 8% of the "net position in foreign exchanges", only if the latter exceeds 2% of own funds.

The Bank is marginally exposed to the exchange rate risk: at 31/12/2022 the "net position in foreign exchanges" was contained within 2% of own funds, thereby excluding the need to meet the aforementioned capital equity requirement.

Profits from exchange trading for the 2022 fiscal year was equal to € 15 million; this result was influenced by the positive effects of the last part of the previous fiscal year, that allowed seizing the positive trends and exchange market volatility with consistent margins.

Operations during the last part of the fiscal year, albeit in compliance with the daily limits set forth by the Finance Regulation, brought to light the need to review the entire system of proxies and operational limits, especially those relating to arbitration in foreign currency, which have remained substantially unvaried during the transition from cooperative credit bank to company limited by shares.

The basic reason that has rendered it necessary to review the entire business area, is the need to fully redefine the business area, based on new parameters, due to the increased operational dimensions, and the necessary ongoing interfacing with control systems for operations, to be considered also in connection with specific market dynamics, and the potential economic incidence, as well as the efficacy of the control on the degree of risk ascribable to trading in foreign currencies.

During the month of March 2023, the Board of Directors therefore decided for an overall review of the process, starting from the month of April 2023.

B. Hedging of exchange rate risk

The bank has no current hedging on exchange rate risk.

Quantitative information

2.3.1 Distribution by denominated currency of assets, liabilities and derivatives

Line items	Currencies					
	USA dollar	British sterling pound	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	11,211	100	276	69	35	311
A.4 Loans to customers	87,787	0	0	0	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**352**	**20**	**27**	**100**	**57**	**71**
C. Financial liabilities						
C.1 Payables to banks	55,798	0	0	0	0	2
C.2 Payable to customers	8,405	2,895	42	49	77	19
C.3 Debt securities	0	0	0	0	0	0

Line items	Currencies					
	USA dollar	British sterling pound	Swiss franc	Canadian dollar	Japanese yen	Other currencies
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	12,542	2,619	0	0	0	0
+ Short-term positions	47,575	0	267	0	0	0
Total assets	**111,892**	**2,740**	**302**	**169**	**92**	**382**
Total liabilities	**111,778**	**2,895**	**309**	**49**	**77**	**21**
Balance (+/-)	**114**	**-156**	**-7**	**120**	**14**	**361**

Section 3 – Derivative instruments and hedging policies

3.1 Derivative instruments from trading

A. Financial derivatives

3.1.A.1 Financial derivatives from trading: notional end period values

Underlying assets / Type of derivative	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options	0	0	0	0	0	40,000	0	0
b) Swap	0	0	0	0	0	0	67	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. Currencies 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	54,514	0	0	0	51,686	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**	**0**	**54,514**	**0**	**0**	**40,000**	**51,752**	**0**
Average values	**0**	**20,000**	**53,133**	**0**	**0**	**40,000**	**51,752**	**0**

3.1.A.2 Financial derivatives from trading: positive and negative gross fair value – subdivided by product

Underlying assets / Type of derivative	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	0	0	0	0	0	0	0	0

Underlying assets / Type of derivative	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
b) Interest rate swap	0	0	0	0	0	0	67	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	683	0	0	0	31	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**683**	**0**	**0**	**0**	**98**	**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	98	0	0	0	694	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**	**0**	**694**	**0**

3.1.A.3 Financial derivatives from OTC trading: notional values, positive and negative gross fair value by counterparties

Underlying assets	Central counterparties	Banks	Other finance 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) Currencies and gold				
- notional value	X	49,975	0	4,539
- positive fair value	X	592	0	90
- negative fair value	X	90	0	8
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) Currencies and gold				
- 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

Underlying assets	Central counterparties	Banks	Other finance companies	Other parties
- negative fair value	0	0	0	0

3.1.A.4 Residual life of financial derivatives from OTC trading: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	0	0	0	**0**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on currency and gold	54,514	0	0	**54,514**
A.4 Financial derivatives on goods	0	0	0	**0**
A.5 Other financial derivatives	0	0	0	**0**
Total 31/12/2022	**54,514**	**0**	**0**	**54,514**
Total 31/12/2021	**51,686**	**40,000**	**0**	**91,686**

3.2 Recognised hedges

A. Hedging of fair value

3.2.A.1 Hedge financial derivatives: notional end period values

Underlying assets / Type of derivative	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	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. Currencies 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**	**0**	**0**	**0**	**0**	**20,000**	**0**	**0**

Qualitative information

On first time application of the IFRS9 accounting standard, 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 125An 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 assets, that matured on 15/04/2022, was 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.

3.2.A.2 Hedging financial derivatives: positive and negative gross fair value – subdivided by product

Underlying assets / Type of derivative	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	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	0	0	0	0	141	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**	**141**	**0**	**0**

3.2.A.4 Residual life of financial derivatives from OTC trading: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2021
A.1 Financial derivatives on debt securities and interest rates	0	0	0	**0**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on currencies and gold	0	0	0	**0**
A.4 Other financial derivatives	0	0	0	**0**
Total 31/12/2022	**0**	**0**	**0**	**0**
Total 31/12/2021	**20,000**	**0**	**0**	**20,000**

D. Hedged instruments

3.2.D.1 Hedging of fair value

Description	Specific hedging: book value	Specific hedging - net positions: book value of assets or liabilities (before netting)	Specific hedging			General hedges: book value
			Accumulated adjustments of fair value of the hedged instrument	Termination of hedging: accumulated residual adjustments of fair value	Variations of the value used to measure the inefficiency of the hedging	
A. Assets						
1. Financial assets measured at fair value with impact on total profits – hedging of:						
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 Currencies 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 Currencies 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 31/12/2022	**0**	**0**	**0**	**0**	**0**	**0**
Total 31/12/2021	**20,163**	**20,163**	**-87**	**0**	**0**	**0**
B. Liabilities	0	0	0	0	0	0
1. Financial liabilities valued 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 Currencies and gold	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0
Total 31/12/2022	**0**	**0**	**0**	**0**	**0**	**0**
Total 31/12/2021	**0**	**0**	**0**	**0**	**0**	**0**

3.3 Other information on trading and hedging derivative instruments

A. Financial and credit derivatives

3.3.A.1 OTC financial and credit derivatives: net fair value by counterparties

	Central counterparties	Banks	Other finance companies	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
3) Currencies and gold				
- notional value	0	49,975	0	3,131
- net positive fair value	0	592	0	90
- net negative fair value	0	90	0	8
4) Goods				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
B. Credit derivatives				
1) Purchase hedging				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0

	Central counterparties	Banks	Other finance companies	Other parties
- net negative fair value	0	0	0	0
2) Sale hedging				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0

Section 4 – Liquidity risk

A. General information, management processes and methods to measure liquidity risk

Liquidity risk is managed principally by the Treasury and Own Portfolio Office, the Management Control Office and Risk Management, with the aim of verifying the Bank's capacity to efficiently face liquidity requirements and avoid situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or find funds at unfavourable rates with respect to market rates.

The overall model implemented by the Bank to manage and monitor liquidity risk is divided into three separate sectors, according to the perimeter of reference, the time span and the frequency analysis:

- management of intraday liquidity, that is management of daily adjustment of liabilities and receivables on various settlement, payment and compensations systems in which the Bank participates;
- management of operating funds, that is the management of decidedly unstable events that impact the Bank's liquidity standing, principally with the objective of maintaining the Bank's capacity to meet ordinary and extraordinary payment obligations, in a cost-effective manner;
- management of structural liquidity, that is, management of all the bank portfolio events that impact the Bank's overall liquidity position on the medium-term, aiming primarily to maintain an appropriate balance between assets and liabilities on the medium and long-term.

Significant support for liquidity risk management is provided by the monitoring activities carried out by the Risk Management Office, based on a management model that measures the effect of investment/financing operations based on the distribution by transaction expiry. Operations are measured using methods that allow evaluating and assessing both Bank cash flow requirements/surplus generated by unbalances between cash inflow and cash outflow, and the structural balance deriving from the correct composition by maturity of cash sources and lending.

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.

Within the scope of its liquidity policy and in accordance with the tolerance threshold decided by the Board of Directors, the Bank 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.

The Bank 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 Bank 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 Bank 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.

During 2017, the Bank extinguished the old "Pontormo RMBS 2012" self-securitisation transaction and set up a new self-securitisation transaction called "Pontormo RMBS 2017". This transaction was perfected with the intent of obtaining

securities that could be lodged with the European Central Bank for refinancing operations. The operation was finalized with the sale of a portfolio of performing real estate mortgage loans by the Bank, and undersigning by the same Bank of the Senior and Junior Notes issued by the special purpose vehicle.
Starting from the reference date of 9 July 2019, and on a weekly basis, the Risk Management office will transmit a special template to the Supervisory Authority for the purpose of monitoring liquidity.
For the sake of completeness of the information provided, details are provided in the respective section.

Effects deriving from the Covid-19 pandemic
Also in terms of liquidity, the Supervisory Authorities have issued a series of measured aimed at limiting the impact of the Covid-19 pandemic.
Specifically, TLTROs have been fundamental measures that the Board of Directors of the ECB have implemented to contrast the impact of the crisis associated to the pandemic, on the economy. Said monetary policies have been aimed and preserving more favourable lending conditions for banks during the pandemic, contributing to sustaining credit flows to all sectors of the economy, supporting economic activity, and safeguarding price stability over the medium-term. Within the scope of these measures, the Board of Directors further recalibrated the conditions of TLTRO-III, extended the period of application of the considerably more favourable conditions to June 2022, conducted three additional operations between June and December 2021, also increasing the total amount that Euro system counterparties could obtain in lending from 50% to 55% of their respective volume of eligible loans.
In order to incentivise banks to support the pre-existing level of bank credit transactions, the Board of Directors established that the extension of the more favourable conditions for TLTRO-III operations to June 2022 will be granted only to banks that reach a new objective in terms of volumes of eligible loans granted.
In response to the crisis caused by the Covid-19 pandemic, effective April 2020, the Board of Directors of the ECB has also adopted a series of measures to broaden the guarantees placed as collateral to back ECB financing operations. In March 2022, the ECB announced a schedule for the gradual elimination, between July 2022 and March 2024, of the temporary measures to slacken guarantees on collateral introduced during the pandemic.
On 21 December 2022, the Bank executed a first voluntary partial early repayment of TLTRO III tenders, for 110 million euro, falling due in March 2023, and on 26 January 2023 a second voluntary partial early repayment of TLTRO III tenders, for 110 million euro, falling due in June 2023, thus reducing the overall amount of ECB financing to 855 million euro.

Quantitative information

A.1 Time period distribution by residual contract life of financial assets and liabilities - All currencies – part 1

Line items/Time brackets	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 months	From over 1 month up to 3 months	From over 3 months up to 6 months
Cash assets						
A.1 Government bonds	472	0	1,028	0	605	1,600
A.2 Other debt securities	0	0	0	12	101	962
A.3 Shares of mutual funds	67,601	0	0	0	0	0
A.4 Loans	0	0	0	0	0	0
- Banks	37,003	0	0	0	0	0
- Customers	711,466	4,278	12,538	29,041	132,870	119,829
Cash liabilities						
B.1 Deposits and bank accounts	0	0	0	0	0	0
- Banks	78,977	0	0	15,000	0	0
- Customers	2,888,727	542	2,054	2,568	19,705	21,233
B.2 Debt securities	79	0	0	0	745	1,968
B.3 Other liabilities	5,253	182,634	0	0	12,001	110,000
“Off balance sheet” transactions						
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	3,006,202	665	9,066	38,794	6,541
- Short-term positions	0	3,023,455	665	9,014	38,359	6,444
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	6
- short-term positions	0	0	0	0	0	135
C.3 Deposits and loans to be received	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0
C.4 Irrevocable commitments to disburse funds	0	0	0	0	0	0
- Long-term positions	104	0	3,011	77	1,285	1,408
- Short-term positions	23,745	0	0	0	0	0

Line items/Time brackets	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 months	From over 1 month up to 3 months	From over 3 months up to 6 months
C.5 Issued financial guarantees	480	35	491	1,410	5,694	3,795
C.6 Received financial guarantees	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0

A.1 Time period distribution by residual contract life of financial assets and liabilities - All currencies – part 2

Line items/Time brackets	From over 6 months through 1 year	From over 1 through 5 years	Beyond 5 years	Indefinite duration	Totals
Cash assets					
A.1 Government bonds	183,976	615,150	200,000	0	1,002,830
A.2 Other debt securities	169	17,202	3,891	0	22,337
A.3 Shares of mutual funds	0	0	0	0	67,601
A.4 Loans	0	0	0	0	0
- Banks	0	50,000	0	84,273	171,276
- Customers	209,818	1,062,635	1,161,038	0	3,443,513
Cash liabilities					
B.1 Deposits and bank accounts	0	0	0	0	0
- Banks	0	0	0	0	93,977
- Customers	37,125	204,275	0	0	3,176,230
B.2 Debt securities	18,251	96,466	40,985	0	158,494
B.3 Other liabilities	250,000	605,000	0	0	1,164,887
“off balance sheet” transactions					
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0
- Long-term positions	0	0	0	0	3,061,268
- Short-term positions	0	0	0	0	3,077,937
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0
- Long-term positions	0	0	0	0	6
- short-term positions	0	0	0	0	135
C.3 Deposits and loans to be received	0	0	0	0	0
- Long-term positions	0	0	0	0	0
- Short-term positions	0	0	0	0	0
C.4 Irrevocable commitments to disburse funds	0	0	0	0	0
- Long-term positions	5,120	5,584	7,155	0	23,745
- Short-term positions	0	0	0	0	23,745
C.5 Issued financial guarantees	7,288	23,208	20,006	0	62,407
C.6 Received financial guarantees	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0
- Long-term positions	0	0	0	0	0
- Short-term positions	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0
- Long-term positions	0	0	0	0	0
- Short-term positions	0	0	0	0	0

List of guarantees – Situation with Cassa Compensazione e Garanzia and other parties at 31/12/2022

Isin	Security	Nominal value	Book value
IT0004644735	BTP 01.03.2026 4.5%	2,000	2,082
IT0004644735	BTP 01.03.2026 4.5%	13,000	13,534
IT0005246340	BTP 15.05.2024 1.85%	11,000	10,843
IT0005246340	BTP 15.05.2024 1.85%	4,000	3,943
IT0005282527	BTP 15.11.2024 1.45%	15,000	14,564
IT0005282527	BTP 15.11.2024 1.45%	29,500	28,642
IT0005327306	BTP 15.05.2025 1.45%	13,000	12,464
IT0005345183	BTP 15.11.2025 2.5%	5,000	4,891

Isin	Security	Nominal value	Book value
IT0005386245	BTP 01.02.2025 0.35%	8,000	7,535
IT0005386245	BTP 01.02.2025 0.35%	1,000	942
IT0005408502	BTP 01.07.2025 1.85%	16,000	15,534
IT0005413684	BTP 15.08.2023 0.3%	6,000	5,926
IT0005413684	BTP 15.08.2023 0.3%	24,000	23,703
IT0005439275	BTP 15.04.2024 0%	11,500	11,066
IT0005452989	BTP 15.08.2024 0%	20,000	19,022
IT0005482309	BTP 29.11.2023 0%	19,000	18,511
	Totals	**198,000**	**193,204**

List of guarantees – Situation with Euro system at 31/12/2022

Isin	Security	Nominal value	Book value	ECB assessment	ECB Differences	Portfolio
IT0005482309	BTP 29.11.2023 0%	10,000	9,743	9,224	-519	HTCS
IT0005419848	BTP 01.02.2026 0.5%	10,000	9,120	8,389	-731	HTCS
IT0005419848	BTP 01.02.2026 0.5%	50,000	50,681	41,944	-8,737	HTC
XS1811053641	BANCO BPM 18-23 1,75% /PRO	3,100	3,137	2,759	-378	HTC
IT0005413171	BTP 01.12.2030 1.65%	75,000	81,844	55,432	-26,412	HTC
IT0005438004	BTP GREEN 30.04.2045 1.50%	30,000	30,079	14,889	-15,190	HTC
IT0005425761	BTP FUTURA 17.11.2020 STEP	75,000	76,282	56,439	-19,843	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSYSTEM	499,179	499,179	339,442	-159,737	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSYSTEM	23,853	23,853	16,220	-7,633	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSYSTEM	283,168	283,168	175,564	-107,604	HTC
IT0005315228	PONTORMO RMBS	136,486	136,486	116,260	-20,226	Off balance sheet
IT0005391245	PONTORMO RMBS NOTES A2-19 SUB	170,899	170,899	144,800	-26,098	Off balance sheet
	Totals	**1,366,684**	**1,374,470**	**981,361**	**-393,109**	
	Financing taken out c/o Euro system - Use	965,000		-954,301		
	Credit line			**27,060**		

List of deposits with Eurosystem at 31/12/2022

Amount	Description	Rate	Expiry
110,000	Deposit c/o ECB - TLTRO III 4th auction	2.00%	28/06/2023
150,000	Deposit c/o ECB - TLTRO III 5th auction	2.00%	27/09/2023
100,000	Deposit c/o ECB - TLTRO III 6th auction	2.00%	20/12/2023
70,000	Deposit c/o ECB - TLTRO III 7th auction	2.00%	27/03/2024
100,000	Deposit c/o ECB - TLTRO III 8th auction	2.00%	26/06/2024
320,000	Deposit c/o ECB - TLTRO III 9th auction	2.00%	25/09/2024
115,000	Deposit c/o ECB - TLTRO III 10th auction	2.00%	18/12/2024
965,000	Total deposits c/o ECB	**2.00%**	

Section 5 – Operational Risks

Qualitative information

General information, management processes 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 Bank 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 identifying 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 Bank, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Bank'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 2022 was € 16,729,984.

Effects deriving from 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 follow, especially in 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, indispensable to ensure operational continuity.

All remote connections were set up guarantying the best access control possible and using the most secure methods available.

The 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 operational continuity, forcing a change of perspective in terms of continuity evaluation.

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.

The Plan was last revised on 28/04/2022, extending it to all of the companies in the Group, updating the Business Impact Analysis (BIA) following the revision of the full range of applications and programs, updating the list of emergency contacts, and the list of critical resources. Also, the updated PCOs of the outsourcer, Cabel, and of other critical suppliers were purchased.

Quantitative information

The number of losses actually verified 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 events resulting in loss Categories of the event (Level 1)	Definition	2022	2021
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.	569,408	570,418
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.	3,138,640	183,970
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	0
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.	69,538	37,451
TOTAL		**3,777,586**	**791,839**

Public disclosure of information

Information regarding capital adequacy, risk exposure and the characteristics of the systems set up to identify, measure and manage the aforementioned risks, as required by the "Supervisory Instructions for Banks" (Circular n. 285 of 17 December 2013), under Title III "Public Disclosure", is published on the Bank's web site, at the URL address: www.bancacambiano.it.

PART F – Information on capital

Section 1- Shareholders' equity

A. Qualitative information

The Board of Directors 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, Banca 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. Said plan is being renewed for the 2022-2025 period.

The Bank's shareholders' equity is determined by the sum of share capital, premium share reserve, reserves from gains, valuation reserves, capital instruments and profit for the fiscal year, in the amount destined to reserve, as specified in Part B of this Section.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Line items\Values	Amount 31/12/2022	Amount 31/12/2021 (*)
1. Share capital	232,800	232,800
2. Premiums on the issue of new shares	803	803
3. Reserves	-53,655	-50,311
- gains	-53,655	-50,311
a) legal	1,870	1,465
b) statutory	0	0
c) treasury shares	0	0
d) other	-55,525	-51,776
- other	0	0
4. Capital instruments	30,000	27,000
5. (Treasury shares)	0	0
6. Valuation reserves	-20,516	-1,161
-Capital securities measured at fair value with impact on total profits	-336	-85
- Hedges on capital securities measured at fair value with impact on total profits	0	0
- Financial assets (other than capital securities) measured at fair value with impact on total profits	-20,429	-2,074
- Property, plant and equipment	0	0
- Intangible assets	0	0
- Hedging of foreign investments	0	0
- Hedging of cash flows	0	0
- Hedging instruments (unmeasured elements)	0	0
- Exchange rate differences	0	0
- Non-current assets and groups of assets in the course of divestment	0	0
- Financial liabilities measured at fair value with impact on profit and loss account (variations to own creditworthiness)	0	0
- Actuarial profit (loss) related to defined benefit plans	-687	-1,036
- Shares of valuation reserves related to subsidiaries measured at shareholders' equity	936	2,035
- Special revaluation laws	0	0
- Financial assets available for sale (ex IAS 39)	0	0
7. Profit (loss) for the year	17,762	-822
Total	**207,194**	**208,310**

The column relative to 31 December 2021 was adjusted retroactively in accordance with accounting principle "IFRS 3 – Accounting principles – company mergers ".

The amount booked at 31 December 2021 in line item 7 "Profit (loss) for the year" was rectified, in compliance with the IFRS 3 accounting principle, paragraph 45, as detailed in other parts of these Explanatory Notes.

Line item 3.1 "Ordinary/extraordinary reserve" decreased by overall 1,922 thousand euro, due to the allocation of the loss from the previous fiscal year, equal to € 822 thousand, booked following the retroactive adjustments already described in detail in part G), and the effects of the distribution of the dividend, previously calculated on temporary profit, for 1,100 thousand euro.

B.2 Valuation reserves of financial assets measured at fair value with impact on total profits: breakdown

Assets/Values	Total 31/12/2022		Total 31/12/2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2	20,431	148	2,222

2. Capital securities	60	396	72	158
3. Loans	0	0	0	0
Total	**63**	**20,827**	**220**	**2,380**

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	**-2,074**	**-85**	**0**
2. Additions	**1,566**	**57**	**0**
2.1 Increases of fair value	162	0	0
2.2 Value adjustments due to impairment	436	0	0
2.3 Reversal to income statement of negative reserves from disposal	968	0	0
2.4 Transfer to other components of shareholders' equity (capital securities)	0	57	0
2.5 Other variations	0	0	0
3. Reductions	**19,921**	**307**	**0**
3.1 Reductions of fair value	19,805	307	0
3.2 Write-backs of value due to impairment	74	0	0
3.3 Reversal to income statement from positive reserves: from use	41	X	0
3.4 Transfers to other components of shareholders' equity (capital securities)	0	0	0
3.5 Other variations	0	0	0
4. Final values	**-20,429**	**-336**	**0**

Section 2 – Own funds capital adequacy ratios

The obligatory minimum external capital requirements that the Bank uses as reference are composed of the minimum parameters set forth in article 92 of the CRR, the decisions relating to capital issued by Bank of Italy on conclusion of the periodical SREP prudential review process, and by the combined capital reserve requirement (capital conservation reserve -CCoB- and anti-cyclical capital reserve -CCyB-) that is currently applicable.
In consideration of the above, and of the fact that the CCyB is set at 0%, Banca Cambiano 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 31/12/2022 amounts to 10.94% of CET1, 12.57% of Tier1 and 15.89% 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 reported values are calculated using the so-called transitory regime, in reference to:

- (EU) Regulation 2017/2395: starting in 2018, the Bank opted for the incremental impact registered on the measurement of performing and impaired exposures at the date of transition to the new accounting principle (so-called "static" approach on FTA); therefore, during the phase-in periods, in its CET1, the Bank sterilised progressively decreasing shares of the impact of IFRS 9 relative to only the First Time Adoption (FTA) component referred to impairment. At 31/12/2022, the Cet1 *add-back* component was equal to 25% of the total FTA, for an overall amount of 19 million euro.
- (EU) Regulation 2020/873 (so-called "Quick fix"): in 2020, the Bank opted to extend the transitory period (art. 473 bis CRR), reformulating the intervention on allocations for expected losses on loans recognised starting from 01/01/2020 in response to the Covid-1 emergency and, starting from 31/03/2021, applied the prudential filters (so-called 'new dynamic approach'). At 31/12/2022, the Cet1 *add-back* component was equal to 75% of the difference in the increase of allocations for expected losses, net of taxes on loans in stage 1 and stage 2, as compared to the allocations referred to the same stages present at 01.01.2020, for an overall amount of 4.3 million euro.
- RWA: risk weighted assets increased, in connection to the reduction of the admissible amount of overall value adjustments on exposures falling within the perimeter of application of impairment regulations (*static approach* and *new dynamic approach* perimeter), to the extent of 100% of the amount itself. The Bank,

therefore, chose to use said calculation (pursuant to art. 473 bis, par. 7 bis) in place of the “graduation factor”, the calculation method of which is specified in art. 473 bis, par. 7 letter b) .

- (EU) Regulation 2020/873 (so-called “Quick fix”): in 2020, the Bank opted for the temporary application of the so-called prudential filter unrealised gains and losses for exposures with central administrations, classified in the category of ‘Financial assets measured at fair value with impact on total profits’ (art. 468 CRR). At 31/12/2022 Cet1 add-back component was equal to 40% of unrealised gains and losses, net of taxes, for an overall amount of 8.4 million euro.
- (EU) Delegated Regulation 2020/2176 : only from the 4th quarter of 2022, the Bank began applying the deduction of assets in the form of software from CET1 elements, through the calculation of prudential depreciation calculated over 3 years, regardless of the estimated service life for accounting purposes. At the date of closing of the financial statements, the minor deducted amount is equal to 1.1 million euro.

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 regime in effect until 2025, and the sterilisation of the reserve on government bonds in effect until 2022, amounts to 9.00% of CET1, 10.66% of Tier1 and 14.03% 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.

As provided for by the 7th Update of Circular 262 “Banking financial statements: schedules and regulations for preparation”, please consult the contents of the public disclosure information (“Third Pillar”), provided at a consolidated Gruppo Bancario Cambiano level.

PART G – Merger transactions regarding businesses or company branches

Section 1 – Transactions during the fiscal year

During the fiscal year in review, there were no company merger transactions.

Section 2 – Transactions after close of the fiscal year

After the close of the fiscal year in review, there were no company merger transactions.

Section 3 – Retroactive adjustments

As shown in the 2021 financial statements, during the previous fiscal year, the merger by incorporation of Invest Banca S.p.A. under extraordinary administration, into Banca Cambiano 1884 S.p.A. was perfected and booked according to the acquisition method provided for by IFRS 3.
Said principle 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 assets acquired and liabilities assumed 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").

In the transaction carried out, the purchaser is Banca Cambiano 1884 S.p.A., as the merging company. The merger came into full effect on 27 November 2021, date on which the Extraordinary Administration procedure was concluded. Nevertheless, pursuant to the provisions of the deed of merger, that backdated the accounting and fiscal effects of the transaction in question to 1 November 2021, in compliance with the IFRS3 accounting principle, the assets acquired and liabilities assumed of the incorporated party (Invest Banca under E.A.) were booked at the fair value measurable at the date of acquisition on 1 November 2021.

As regards the fair value of the assets acquired and liabilities assumed, 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 net value of assets acquired and liabilities assumed, as previously calculated, is shown in the table below.

ASSETS ACQUIRED AND LIABILITIES ASSUMED WITH INVEST BANCA

		31/10/2021	Fair value attributed during the acquisition stage	Merger difference
	Net value of assets acquired and liabilities assumed	**7,461,695**	**13,253,126**	**5,791,431**

Following the measurement of fair value and recognition of pre-paid taxes, the net value of assets acquired and liabilities assumed increases from 7.461 million euro to 13.253 million euro, of which, deducting the capital contribution of 11.0 million euro made by the Bank after 30 June 2021, resulting in an overall badwill of 2.253 million euro, booked at line item 220 "Other operating income".

On 8 July 2022, the Bank received a response from the Revenue Agency – Central Office for Major Taxpayers, relating to the request for ruling submitted on 15 October 2021, pursuant to art. 11, comma 2, of Italian Law n.212/2000, and subsequently integrated following a specific request by the same Revenue Agency, on 10/05/2022.
In the request in question (so-called "disapplication"), the Bank, specifically with reference to the merger by incorporation of Invest Banca, had requested the disapplication, by the Revenue office, of the anti-tax evasion provision provided for by art. 172, comma 7, of Italian Presidential Decree n. 917/1986; that is to say, the provision that allows

the incorporating company (in this case, Banca Cambiano 1884 s.p.a.) to deduct the losses of the companies involved in the merger, from the incorporating company's profit, provided that said losses not exceed the amount of shareholders' equity of the companies to which they refer, and further provided that "the income statement of the company whose losses are booked, relative to the fiscal period previous to that during which the merger was deliberated, show an amount of revenues and income from core business, and expenses for employees and related contributions, greater than 40 percent of the average amounts of the two previous fiscal years".
In its response to the request, the Revenue Agency deemed that, in the case in question, it was not possible to disapply the aforementioned provision, both because the incorporated company, Invest Banca, would not pass the shareholders' equity "test", and because of the substantial incapacity of the aforementioned bank to manifest a future and "latent" profit capacity such as to compensate, prospectively, the previous reported fiscal losses.

In terms of the accounting approach to be applied, resulting from the outcome of the aforementioned appeal, and of the effects on the financial statements, the provisions of accounting principle IFRS3 are therefore applicable, specifically paragraph n. 45, that sets forth the following: *"if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts of the items for which the accounting is incomplete. During the measurement period, the acquirer shall retroactively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable*".
The accounting items, booked in the 2021 financial statements of the Bank, affected by the negative response of the appeal, are summarised here following:

- DTA accrued on tax losses of former Invest Banca in 2020-2021 (up to 30 June 2021) booked by Banca Cambiano and subsequently transformed into tax credits for € 6,673,050;
- DTA accrued on tax losses of former Invest Banca between 30 June 2021 and 31 October 2021 booked in pre-paid taxes by Banca Cambiano at 31/12/2021 for € 1,152,158.55;
- DTA accrued on tax losses of former Invest Banca up to 2019 for € 1,643,354.13 recognised, based on the appeal response by the Revenue Office, only for 546,996.45 euro.

During the 3rd quarter of 2022, the Bank booked the effects of the appeal, that impacted the various line items of the financial statements are shown in the table below.

Financial statement line item	SCHEDULE	DEBIT AMOUNT	CREDIT AMOUNT	Retroactive adjustments as per IFRS3
Line item 100 a) Current tax receivables	ASSETS		1,668,263	Value adjustment to tax losses of former Invest Banca in the 2020-2021 period (up to 30 June 2021)
Line item 100 b) Pre-paid tax receivables	ASSETS		5,004,787	
Line item 200 Other operating expenses/income	INCOME STATEMENT	6,673,050		
Line item 100 a) Current tax receivables	ASSETS		1,096,358	Value adjustments to tax losses of former Invest Banca up to 2019 for € 1,643,354.13 recognised, based on the Revenue Offices response, only for 546,996.45 euro.
Line item 200 Other operating expenses/income	INCOME STATEMENT	1,096,358		
Line item 100 a) Current tax receivables	ASSETS		1,152,159	Value adjustments to tax losses of former Invest Banca from 30 June 2021 and 31 October 2021 booked in pre-paid taxes by Banca Cambiano at 31/12/2021 for € 1,152,158.55
Line item 270 Fiscal year income tax on current operations	INCOME STATEMENT	1,152,159		

Said entries had an overall impact on the 2021 income statement equal to 8,921,566.23 euro.

Below is the calculation of badwill recognised provisionally in the financial statements at 31/12/2021 and the recognition following the response to the appeal, that resulted in a retroactive adjustment of the data in question. At 31 December 2021, following the measurement of fair value and the recognition of pre-paid taxes, the net value of acquired assets and liabilities, equal to 7.462 million euro, increased to 13.253 million euro, which resulted, after deducting the capital contribution of 11.0 million euro made by the Bank after 30 June 2021, in an overall badwill of 2.253 million euro, booked in line item 220 "Other operating income" at 31 December 2021.

Following the outcome of the appeal, the retroactive adjustments resulted in a net value of acquired assets equal to 4.332 million euro, with residual assets before tax in the amount of 6.668 million euro, to which adjustments in the calculation of pre-paid taxes transferred from Invest Banca for 1.152 million euro must be made. The residual amount, equal to 5.516 million euro, was booked in line item 240 “Adjustment to value of goodwill” at 31 December 2021, insofar as considered unrecoverable and therefore subject to full impairment.

DATA TL 31/12/2021 calculated based on the “temporary” allocation of PPA	
Measurement of Badwill/Goodwill:	**Amounts**
Capital contribution	(11,000)
"Temporary" value of net assets acquired from Invest at 01/11/2021 (before measurement of fair value)	7,462
Adjustment to the fair value of the "temporary" net assets acquired from Invest at 01/11/2021	5,791
Badwill	**2,253**

DATA AT 31/12/2021 adjusted retroactively	
Measurement of Badwill/Goodwill:	**Amounts**
Capital contribution	(11,000)
"Final" value of net assets acquired from Invest at 01/11/2021 (before measurement of fair value)	7,462
Adjustment to overall fair value of retroactive adjustment of the “final” value of assets acquired from Invest at 01/11/2021	(3,130)
Retroactive adjustment taxes transferred from Invest	1,152
Goodwill	**(5,516)**

Below are the effects of the retroactive adjustments made in application of accounting principle IFRS3, on the line items affected by the variation in the accounting schedules of Banca Cambiano referring to 31 December 2021.

BALANCE SHEET AT 31/12/2021 – IFRS3 ADJUSTMENTS

	Asset line items	31/12/2021 published	IFRS3 Adjustments	31/12/2021
100.	Tax receivables	36,557,972	-8,921,566	27,636,406
	a) current	8,416,384	-1,668,263	6,748,122
	b) pre-paid	28,141,588	-7,253,304	20,888,284
	Total assets	**4,865,247,010**	**-8,921,566**	**4,856,325,444**

	Liabilities and shareholders’ equity line items	31/12/2021 published	IFRS3 Adjustments	31/12/2021
180.	Fiscal year profit/loss	8,100,000	-8,921,566	-821,566
	Total liabilities and shareholders’ equity	**4,865,247,010**	**-8,921,566**	**4,856,325,444**

INCOME STATEMENT AT 31/12/2021 – IFRS3 ADJUSTMENTS

	Income statement line items	31/12/2021 published	IFRS3 Adjustments	31/12/2021
200.	Other operating costs/income	7,313,845	-2,253,034	5,060,810
210.	**Operating costs**	**-68,155,138**	**-2,253,034**	**-70,408,172**
240.	Adjustment to value of goodwill	0	-5,516,373	-5,516,373
260.	**Profit (Loss) of current operations gross of taxes**	**9,330,627**	**-7,769,408**	**1,561,220**
270.	Fiscal year income tax on current operations	-1,230,627	-1,152,159	-2,382,786
280.	**Profit (Loss) of current operations net of taxes**	**8,100,000**	**-8,921,566**	**-821,566**
300.	**Profit (loss) for the year**	**8,100,000**	**-8,921,566**	**-821,566**

PART H – Transactions with related parties

Introduction

At 31 December 2022, the Bank is the Parent Company of the Gruppo Bancario 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 Bank, directly or indirectly, including the Bank directors.
In conformity with the provisions of Bank of Italy Circular n. 262 of 22 December 2005 (7th 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 2021, for directors, statutory auditors and executives having strategic responsibilities.

Information regarding compensation for executives having strategic responsibility (gross amounts)

Line items	31/12/2022	31/12/2021	Variation	% Var.
a) Compensation for directors	379	385	-6	-1.54%
b) Compensation for statutory auditors	236	236	0	0.00%
c) Compensation for executives	1,223	1,194	29	2.45%
Total	**1,838**	**1,814**	**23**	**1.29%**

Information on transactions with related parties

Directors	31/12/2022	31/12/2021	Variation	% Var.
a) Receivables	11,096	8,689	2,407	27.70%
b) Issued guarantees	1,500	1,200	300	24.97%
Total	**12,596**	**9,890**	**2,707**	**27.37%**

Statutory auditors	31/12/2022	31/12/2021	Variation	% Var.
a) Receivables	76	83	-6	-7.58%
b) Issued guarantees	0	0	0	
Total	**76**	**83**	**-6**	**-7.58%**

Information on transactions with related parties

The schedule below shows the assets, liabilities, guarantees and commitments as at 31 December 2021, subdivided by the various types of related party, in accordance with IAS 24.

Balance sheet line items	Parent company	Subsidiaries	Directors	Auditors	Managers with strategic responsibilities	Other related parties	Total	% of balance sheet line item
Line item 40 - Financial assets measured at amortised cost - a) receivables from banks	0	0	0	0	0	0	0	0.00%
Line item 40 - Financial assets measured at amortised cost - b) receivable from customers	9,834	244,149	11,096	76	211	2,500	267,866	7.43%
Line item 120 - Other assets	0	0	0	0	0	0	0	0.00%

Balance sheet line items	Parent company	Subsidiaries	Directors	Auditors	Managers with strategic responsibilities	Other related parties	Total	% of balance sheet line item
Total assets	**9,834**	**244,149**	**11,096**	**76**	**211**	**2,500**	**267,866**	**5.50%**
Line item 10 - Financial liabilities valued at amortised cost - a) payables to banks	0	0	0	0	0	0	0	0.00%
Line item 10 - Financial liabilities valued at amortised cost -b) payables to customers	0	1,256	10,215	0	2,602	3,857	17,931	0.53%
Line item 50 - Other liabilities	874	0	0	0	0	0	874	0.00%
Total liabilities	**874**	**1,256**	**10,215**	**0**	**2,602**	**3,857**	**18,805**	**0.39%**
Issued guarantees	**0**	**6,987**	**1,500**	**0**	**15**	**4,144**	**12,646**	

As regards transactions with parties that exercise administrative, management and control functions vis-à-vis the Bank, article 136 of Legislative Decree 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;
2) Contracts relative to execution by the Parent Company of Anti-Money Laundering, inquiry and risk management activities for subsidiaries;
3) 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;
    b) Financing for cash flow flexibility related to the financial needs of Cabel Leasing amounting to 300 million euro, granted in the technical form of opening credit in bank accounts, at a Euribor 3m + 1.30% rate;
    c) Financing for cash flow flexibility related to the financial needs of Immobiliare 1884 srl amounting to 15 million euro, granted in the technical form of opening credit in bank accounts, at a 2% rate and unsecured loan for 776 thousand euro, at a 5.25% rate.

REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Shareholders,

This report acknowledges the results of the activity performed by the Board of Statutory Auditors during the fiscal year ended on 31 December 2022, also with reference to the functions attributed to it by Article 19 of Italian Legislative Decree n. 39/2010.

During the fiscal year in review, the Board of Statutory Auditors performed its supervisory activity as required by the Italian Civil Code, Legislative Decrees n. 385/1993 (consolidated law on banking - "TUB"), n. 58/1998 (unified financial services act - "TUF") and n. 39/2010 (consolidated act on statutory auditing), in statutory regulations, as well as special laws on the subject and pursuant to the provisions set forth by public Authorities in charge of vigilance and control (specifically, Bank of Italy and CONSOB), as well as considering the rules of conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and Tax Advisors.

The financial statements were audited by the company Deloitte & Touche S.p.A. in accordance with articles 2112 and 2558 of the Italian Civil Code and Consob Circular n. 10121 dated 30/06/1988. As regards the statutory audit, pursuant to article 14 of Legislative Decree n. 39 of 27 January 2010, please refer to their report.

As the Board of Statutory Auditors is not tasked with the legal auditing of the accounts, it carried out the supervisory activities required by Regulation 3.8. of the "Regulations for conduct of the Board of Statutory Auditors of non-listed companies", which consist in an overall inspection aimed at verifying that the financial statements have been prepared correctly. The verification of the correspondence of the accounting data is the responsibility of the statutory auditing company.

* * * * *

In accordance with article 2429, sub-section 2 of the Italian Civil Code, specific reference is made to the following aspects.

1. Supervisory activity performed in compliance with obligations

During the 2022 fiscal year, the Board of Statutory Auditors supervised compliance with law and the Articles of Association, as well as compliance with principles of proper administration and sound and prudent management, and also in consideration of the principle for conduct recommended by the National Council of Accountants and Tax Advisors.

The Board, also acting as the "Internal control and auditing committee" in accordance with Article 19 of Legislative Decree no. 39 of 27/01/2010, controlled the adequacy of the financial information process, finding it to be adequate to the business activity and regulatory requirements.

As will be set forth in detail below, we also supervised the effectiveness of the internal control system and internal audit system, capable of addressing the risks that arise in the Bank's activity.

The supervisory and control activity was performed in the different areas noted above, as follows:

1) participation at meetings of the Board of Directors (n. 24), of the Executive Committee (n. 24) and of only one member of the Board, usually the Chairman of the Risk Committee (n. 4), of the Ordinary Shareholders' Meeting (n. 1);
2) meetings with the company entrusted with the statutory audit;
3) controls with the managers of the various corporate departments, in particular with Internal Audit, Risk Management, Compliance, and Anti-money laundering;
4) exchange of information with the Supervisory Authority, in accordance with Legislative Decree

231/2001;

5) meetings with the Boards of Statutory Auditors of the various controlled companies were held, in view of closing of the financial statements.

By participating at the meetings of the Board of Directors and the Executive Committee, the necessary information was acquired, both to evaluate the Bank's trend with regard to its overall capital and economic development, as well as to evaluate its most significant operations. The Board of Statutory Auditors can confirm that, to the extent it is aware, management operations were performed in conformity with law and the Articles of Association, were in the Bank's interests, and did not appear to be manifestly imprudent, irrational or reckless in such a way that would compromise the integrity of the Bank's capital, create a conflict of interest, or conflict with the resolutions approved by the Shareholders' Meeting.

Within the scope of updating processes, during 2022, the members of the Board of Statutory Auditors participated in the course entitled "ABI Other training for the Board of Directors" and the course entitled "Sustainability and the supervisory expectations regarding climate and environmental risks".

With reference to the information provided in the Report on Management regarding significant events that occurred during the fiscal year, we consider it important to recall:

- Supervisory inspection assessment

  During the fiscal year in review, the Gruppo Bancario Cambiano underwent periodical supervisory inspection assessments from 18 May to 23 November 2022. Upon conclusion of the assessment, the Report of which was delivered on 20 March 2023 without the application of any administrative measures, the Bank initiated, and has in part already concluded, a plan of interventions; for more information please refer to the Report on Management, including the updated Business Plan.

- Ecological Transition –ESG Project

  During 2022, the Bank initiated a planning process aimed at the gradual integration of climate and environmental risks within its governance and control systems, the business model and company strategies, in the organisational system and operational processes, in compliance with supervisory expectations regarding climate and environmental risks.

- DTA – Request for ruling to the Revenue Office – Refusal Response – Appeal for reimbursement

  Following the merger by incorporation of Invest Banca into Banca Cambiano, a request for ruling was submitted regarding the disapplication of art. 172, comma 7, of DPR 917/1986 (Tuir). In relation to said request, Banca Cambiano had booked in Asset line item 100, tax credits for overall 9,468,563.68 euro, consequently recognised in shareholders' equity. In light of the refusal response received on 08/07/2022 from the Revenue Office, the Bank modified the "PPA" according to the provisions of IFRS3 (for details, please refer to part "G" of the Explanatory Notes to the 2022 financial statements), bringing "cumulative direct write-downs" for overall 8,921,566.23 to the aforementioned line item, and changing the net accounting balance to 546,996.45. On 01/02/2023, the Bank submitted an application for reimbursement to the Revenue Office, requesting the reimbursement of the amount already transformed into tax credit, pursuant to Law n. 178/2020 commas 233 and following of DTA on tax losses accrued by the incorporated company, Invest Banca, prior to the date of juridical effectiveness of the merger (from 01/01/2020 to 30/06/2021).

- Corporate governance structures

  At the end of November of last year, Bank of Italy published specific Guidelines aimed at strengthening the corporate governance structures of banks. Bank of Italy expects the implementation, on the part of intermediaries, of actions aimed at rapidly improving governance practices. The outcome of the considerations made by the Board of Directors and the illustration of the actions undertaken are contained in the 2022 self-evaluation document, submitted to the supervisory authority.

- Request for exemption from the role of parent company of Gruppo Bancario Cambiano by Ente Cambiano Scpa

On 12 September 2022, Ente Cambiano Scpa submitted the request to be exempted from the role of parent company of Gruppo Bancario Cambiano, pursuant to the provisions of the Consolidated Bank Act (TUB) regarding banking groups and the registry of banking groups, as modified by Legislative Decree D. Lgs. 182/2021, as well as Supervisory Provisions issued in the 39th update of Bank of Italy Circular n. 285 implementing article 21-bis of EU Directive 2013/36 (so-called "CRD"), as amended by EU Directive 2019/878 (so-called "CRD5"), the provisions of which became effective as of 14 July 2022. The authorisation procedure was concluded on 20 March 2023, when Bank of Italy communicated: "On the matter, seeing the provision of supervisory regulations on the subject matter, taking into account the objectives of the initiative, and considering the outcome of the preliminary enquiry conducted, the request for exemption is accepted, and therefore, it is hereby recognised that the role of parent company will herein continue to be carried out by Banca Cambiano 1884 S.p.A.". The structure of the bank group therefore remain unvaried, notwithstanding that, based on the CRR regulations, the obligations to meet the requirements set forth by the aforementioned regulations on the basis of the consolidated position of Ente Cambiano still exist. Said supervisory approach entails a doubtless burden on capital ratios, and objective difficulties in strengthening capital in a congruous manner.

Participation at the meetings of the Board of Directors also allowed us to verify that delegated individuals reported on the operations they performed in accordance with the powers attributed to them, the general management trend, and its foreseeable development. The directors also reported any cases of conflict of interest, in accordance with outstanding provisions of the Italian Civil Code in order to allow proper decision-making procedures to be implemented pursuant to Article 136 of the Consolidated Law on Banking, article 2391 of the Italian Civil Code "Interests of the administrators" and the Regulations for Operations with Related parties, adopted to implement the provisions of Supervisory Regulations.

It is noted that the auditors of the Independent Auditor company, with whom the Board of Statutory Auditors exchanged information related to audits of the financial statements and other controls that they performed, did not advise of any circumstances, irregularities or censurable facts that had to be reported to the Supervisory Authority or to the same Board of Statutory Auditors.

Audits of the overall structure of controls by the Board has taken into account the activities carried out by the Internal Audit function, as the recipient of the audit reports containing the results of the controls that this service carried out during the year, as mentioned, in co-sourcing with the company META Srl located in Empoli.

With respect to second level controls, the interaction, which has always been productive, regarded:

- the Risk Management Department, that supplied adequate information regarding risks, the object of periodic reports concerning the controls carried out directly, as well as the effectiveness of the departments entrusted with examining and measuring the different types of risks, and the co-ordination of such departments aimed at an overall vision of risks;
- Compliance (compliance to regulations), for the review and assessment of issues regarding the legal framework with which the Bank must comply and for reports regarding the state of company compliance with respect to areas of the Department's competence;
- Anti-Money Laundering, for reports regarding this delicate sector, documents whose level of clarification fully represent, among other things, organisation and electronic controls in terms of an adequate control of customers and the supply of information to the Centralised Computer Archive;
- The Budget, Planning and Management Control Office and the Credit Control Office whose reports, shared with Risk Management, provide this Board with adequate information regarding monitored risks pertaining to the specific competence of this function.

On the basis of the above premises, we consider the internal control system – in its entirety - suitable for guaranteeing the control of risks and compliance with applicable regulations and procedures.

In performing its controls, the Board of Statutory Auditors maintained a continuous dialogue with all Control Functions.

The Board paid particular attention of the organisational set-up of the control functions, aimed at monitoring risks, that centralises the 2nd and 3rd level control functions within the Parent Company.

During the fiscal year in review, still as regards internal audits, the Board of Statutory Auditors was also able to evaluate the compliance to the provisions of Bank of Italy Circular n. 285 dated 17 December 2013 "Vigilance provisions for Banks" and the continuing conformity of internal regulations.

The Board of Statutory Auditors also assessed and supervised the adequacy of the administrative and accounting system, as well as the latter's reliability in accurately representing management activity, by means of numerous meetings with the Budget, Planning and Management Control Office, the review of company documents and, primarily, the ongoing analysis of the results of the work carried out by the Independent Auditor, which was entrusted, as noted, with the specific task of the statutory audit of the accounts.

During the course of the audits and controls conducted, considering the information acquired, including by means of ad hoc reports prepared by the offices entrusted with control functions, no indications appeared of any irregularities in corporate management that would indicate any particular organisational deficiencies.

In conclusion, in consideration of the information obtained during the course of the supervisory activity performed, the Board of Statutory Auditors can confirm that the organisational structure, internal control system and accounting-administrative structure are consistent with the Bank's size, are adequate for its operating needs and have been timely adjusted/refined based on the evolution of such needs and, specifically, the laws and regulations that regulate the Bank's activity.

During the fiscal year, based on the information obtained by the Board of Statutory Auditors, no atypical and/or unusual operations were performed.

With resolution dated 27.10.2022, the Board of Directors introduced an updated version of the document entitled "Policy for the management of transactions with related parties" to manage transactions with related parties of the Gruppo Bancario Cambiano, and updated the regulations entitled "Resolution procedures for transactions with related parties".

Relationships with related parties took place on the basis of the Regulations in force and in compliance with the requirements of Bank of Italy Measures entitle «Risks and conflict of interest with respect to related parties ». The Board of Statutory Auditors, in its supervisory function, has always found compliance with the regulations on this matter. Transactions were always in line with market conditions or, where appropriate reference parameters were missing, according to cost and, in any event, on the basis of evaluations of objective reciprocal convenience and correctness. No large transactions were carried out with related parties, pursuant to the regulatory provisions of reference and criteria adopted within the scope of corporate policies, regarding which the Independent Directors, and/or the undersigned members of the Board of Statutory Auditors expressed a negative opinion or formulated reports.

The document «Remuneration policies for directors, employees and collaborators who are independent contractors» was found to be adequate, consistent with supervisory regulations and in conformity with what was indicated by the Internal Audit office, and the Board found that it was properly applied during the course of the fiscal year. In addition to the financial statements, the Shareholders' Meeting is being provided with the information, duly formulated and required, regarding the effective manner in which remuneration policies are applied.

With respect to the activity performed, the Board of Statutory Auditors wishes to specifically note the following business and corporate circumstances:

- The Board of Statutory Auditors met 20 times during the course of the fiscal year, of which one meeting was held jointly with the other Boards of the Group;
- No significant facts emerged from the inspection and control activities, requiring notification to the Bank of Italy;
- The Board of Statutory Auditors issued opinions in the cases explicitly required by law;
- during the course of the fiscal year, the Board carried out the activity of Supervisory Body in accordance

with Legislative Decree 231/2001. This activity consisted in examining the organisational and management model and the training program for personnel, as well as advising the Bank's managers of the need for ongoing collaboration, useful for allowing full and effective activity to prevent the crimes provided for by the above law;

- The Board of Statutory Auditors has fully endorsed the objectives and risk profiles contained in the "RAF Regulations" document approved by the Board of Directors, which provides the framework to calculate the Bank's Risk Appetite Framework (RAF), adopted in compliance with Supervisory regulations;
- Within the scope of its own annual planning, the Board of Statutory Auditors verified the Anti-Money Laundering process, and no significant critical profiles emerged, thus confirming that the controls adopted are substantially adequate to the task;
- The Board of Statutory Auditors monitored that the procedure for the autonomous assessment of capital adequacy (ICAAP) and of the liquidity risk governance and management system (ILAAP), was in line with the requirements of applicable regulations;
- the Board of Statutory Auditors constantly monitored the Capital Management Plan and the measures for capital strengthening defined by the Bank;
- Laws regarding the transparency of banking and financial services and transactions were applied;
- The Board of Statutory Auditors has ascertained that during 2022 the Bank continued compliance interventions provided for by the ICT security and anti-fraud systems enhancement plan;
- in terms of usury, the Bank's operations were conducted in compliance with Law n. 108/1996 and the Implementing Provisions of Bank of Italy;
- as required by article 136 of the Consolidated Law on Banking, the Board unanimously confirmed the transactions conducted, directly or indirectly, the by the Bank's representatives, all approved in accordance with law, including article 2391 of the Italian Civil Code;
- with reference to the 56 complaints received by the Bank in 2022, as compared to the 27 received in 2021, the enquiry procedure and management of such cases was found to be proper; further, it was determined that the parties involved were given a timely and reasoned response and that such complaints were properly represented to the Bank's bodies according to regulatory requirements; furthermore, due response was given to n. 3 requests for information from Bank of Italy for reports lodged by customers with the Supervisory Authority, as well as to n. 6 claims submitted by customers to the A.B.F and n. 5 claims submitted by customers to the A.C.F..
- training was conducted, with the due participation of personnel as required, on issues regarding anti-money laundering, financial consulting, the placement of insurance and financial products, occupational safety, banking transparency, and privacy.

The Board of Statutory Auditors has assessed the independence of the auditing company Deloitte & Touche S.p.A. and on this matter, lists the services, other than the audit, performed in favour of the Group, provided for by regulations as the responsibility of the subject performing the legal audit of accounts, that the Board of Statutory Auditor has acknowledged for the fiscal year 2022:

- report required by art. 23, comma 7, of the implementation regulation of articles 4-undecies and 6, comma 1, letter b) and c-bis) Lgs. Decree 58/98 pertaining to the illustration of organisational and procedural solutions and of the relative controls implemented by the Bank relative to the deposit and sub-deposit of customer assets;
- certification of conformity regarding the financial statements of Banca Cambiano 1884 S.p.A. and Ente Cambiano S.c.p.A.;
- report on the accuracy of the data notified relating to the third series of operations aimed at refinancing of longer term loans (TLTRO III) provided for by comma 1 art. 6 of the resolution of the European Central Bank 1311 of 22/07/2019.

In the events occurring after the close of the fiscal year, as mentioned in the management report, it is noted that:

- on 20 March 2023, Bank of Italy communicated the initiation of a new SREP procedure, based on which, on conclusion thereof, the new capital requirements that the Bank must comply with starting 30 June 2023 are the following:
    - CET 1 ratio: OCR CET1 ratio equal to 8.00%;
    - Tier 1 ratio: OCR T1 ratio equal to 9.90%;
    - Total Capital ratio: composed of an OCR TC ratio equal to 12.30%.
- On 19 March 2023 the Inspection Report was delivered; please consult the previous section of this Report.
- On 22 March 2023, First Capital S.p.A. and Banca Cambiano 1884 S.p.A. undersigned a new binding agreement for the purchase, by First Capital, of a shareholding equal to 88.5% of the share capital of Invest Italy SIM S.p.A. The consideration due for the transaction, equal to 1.1 million euro, includes goodwill of about 10% on the book net equity of IISIM, and will be settled by means of First Capital treasury shares. Banca Cambiano will therefore become a shareholder in First Capital, with a shareholding just under 2% of share capital. Furthermore, Banca Cambiano will continue to have capital holdings in IISIM, with a 10% shareholding, and representation in the Board of Directors. This transaction was subject to authorisation by the Supervisory Authority.
- The Strategic Plan that will cover the 2023-2025 fiscal years is currently being updated, and will be completed by 15 April next.

2. Fiscal year results

The Board of Statutory Auditors has examined the draft financial statements for the fiscal year closed on 31/12/2022 and the management reports, submitted to the same Board by the Board of Directors, within the term required by law.

As the Board of Statutory Auditors is not required to perform the statutory audit of the Financial Statements, the Board has verified the overall layout of the statements, its composition, its structure, the evaluation made of company assets and the management report, in conformity with current laws, provisions of the Supervisory authority and the International IAS/IFRS accounting standards.

The draft financial statements were submitted to review by the company Deloitte & Touche S.p.A., tasked with statutory audit of accounts, on 19 April 2023, in accordance with articles 14 and 16 of Legislative Decree n. 39/2010, the audit company has issued its professional opinion as to the reliability of the financial statements in question, without notes or objections.

The Explanatory Notes contain further information either deemed useful or required by law for a more exhaustive representation of corporate events and a better comprehension of balance sheet data.

The Board of Statutory Auditors also met with the company in charge of the statutory audit of the accounts, thus taking note of the work carried out by the latter and exchanging reciprocal information, as per article 2409-septies of the Italian Civil Code. As regards the items in the draft financial statements submitted to the Shareholders’ assembly, the Board of Statutory Auditors has carried out the controls required to be able to provide the following comments.

3. Comments to the financial statements

It is noted as follows:

- The draft financial statements were prepared, in implementation of Legislative Decree n. 38/2005, from a substantive standpoint, in accordance with the Supervisory Regulations contained in Circular

n. 262 of 22 December 2005 of the Bank of Italy and in application of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Union, and in effect as of the date the financial statements were closed, as well as the related interpretations (SIC/IFRIC). Such accounting standards are reported analytically in part A.1, section 2 of the Explanatory Notes. The above documentation duly considers what is provided in the Joint Document of the Bank of Italy, Consob and Isvap n. 4 of 3 March 2010, on the information to be provided in financial reports on controls of the reduction of value of assets (impairment test), on the contractual clauses of financial liabilities, on debt restructuring and on the "hierarchy of fair value";

- the draft financial statements, as prepared, correspond to the facts and information the Administrative Body was aware of as of the date of their approval;
- The Report on Operations contains the information required by outstanding law and completes, in a clear manner, the content of the fiscal year financial statements; specifically, in the Report on Operations and in the Explanatory Notes, the directors have provided the information required by Document no. 2 of Consob, the Bank of Italy and Isvap of 6 February 2009 on "business continuity" (going concern), and they prepared the financial statements based on an expectation of business continuity. The Board agrees with the judgment expressed and confirms the reasonable expectation that the company will continue operating in the foreseeable future.

As noted, with respect to the supervisory activity regarding the financial statements for which it is responsible, in addition to the provisions of the Italian Civil Code and provisions of the Supervisory Authority, the Board of Statutory Auditors complied with the rules of conduct established by the National Council of Accountants and Tax Advisors.

In conclusion, the Board of Statutory Auditors approves the 2022 fiscal year financial statements, which were duly made available within the prescribed term.

Moreover, during the course of the 2021 fiscal year, the Board of Statutory Auditors met with the auditing company Deloitte & Touche S.p.A. and exchanged information, as provided for by Italian Legislative Decree n. 39 of 27 January 2010, implementing European Community directives regarding statutory auditing of accounts. In accordance with article 11 of (EU) Regulation 537/2014, the aforementioned auditing company also provided the required supplementary report for the internal audit committee and for the purpose of the accounting audit, in which the company confirmed finding no significant deficiencies in the internal control system with respect to the financial information process, the accounting system and the statement, in accordance with article 6, sub-section 2, letter a) of (EU) Regulation n. 537/2014, and that no situations were found that might have compromised independence, as per articles 10 and 17 of Italian Legislative Decree n. 39/2010 and articles 4 and 5 of (EU) Regulation 537/2014.

As regards the consolidated financial statements, we have observed the correct preparation of the same, as regards the applicable accounting standards, the definition of the area of consolidation, and compliance with the regulations of reference. In so doing, we were also able to appreciate the efficiency of the underlying data supply and operational control systems.

To the best of our knowledge, in preparing the financial statements, management has not strayed from provisions of law as per art. 2423, comma 5 of the Italian Civil Code and have provided all the indications required by art. 10 of Law n. 72 or 19 March 1983 in a specific annex to the financial statements.

4. Proposals regarding the financial statements and the approval thereof

On conclusion of the specific controls carried out, and for all the above, having viewed the audit report of the auditing company Deloitte & Touche S.p.A., which did not find any irregularities, nor did it make any requests for additional information, the Board certifies that the financial statements for the fiscal year and the consolidated accounts of Gruppo Bancario Cambiano at 31/12/2022 are prepared in compliance with pertinent regulations and criteria and are a precise and truthful representation of the income, asset and financial situation of the Company and of the Group. The Board considers the report on operations as consistent with the Bank's financial statements as at 31 December 2022 and indicates business performance, its current trend and outlook, illustrating the current and future evolution. This is true with reference to both so-called financial information, as an analysis of the income, asset and financial situation and indicators of capital adequacy, as well as with respect to other information, such as risks and uncertainties concerning the Bank's activity, its management, human resources, security, and evolution of management. The significance of credit risk, liquidity risk and market risk was adequately indicated, also in consideration of the strong market tensions. The Explanatory Notes indicate the measurement criteria used and provide all of the information required by laws currently in force, including information on credit risk, market risk, liquidity risk and operational risks.

In conclusion of our report, in repeating that on the basis of the supervisory activity carried out no critical events appeared and no omissions or irregularities were found, the Board of Statutory Auditors expresses its favourable opinion, to the extent of our responsibility, for the approval of the financial statements for fiscal year 2021 and related proposal for the allocation of the fiscal year net profit, which it certifies conforms to law and the Articles of Association and is suitable in view of the Bank's economic and financial situation.

* * * * *

The Board sincerely thanks all the Bank's departments for the collaboration provided to the control body during the course of the fiscal year, while carrying out its institutional functions.

Florence, 19 April 2023

THE BOARD OF STATUTORY AUDITORS

Dr. Gaetano De Gregorio	Chairman
Prof. Riccardo Passeri	Acting Auditor
Dr. Manuela Sodini	Acting Auditor

REPORT OF THE AUDITING COMPANY

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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 D'ESERCIZIO

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Banca Cambiano 1884 S.p.A. (la "Banca"), costituito dallo stato patrimoniale al 31 dicembre 2022, 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 d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Banca al 31 dicembre 2022, 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 d'esercizio* della presente relazione. Siamo indipendenti rispetto alla 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 dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Classificazione e valutazione dei crediti verso la clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e inadempienza probabile

Descrizione dell'aspetto chiave della revisione	Come riportato nel paragrafo "Qualità del credito" della relazione sulla gestione e nelle informazioni di natura quantitativa della "Sezione 1 – Rischio di credito" della Parte E – Informazioni sui rischi e sulle relative politiche di copertura della nota integrativa al 31 dicembre 2022, i crediti verso clientela valutati al costo ammortizzato deteriorati della Banca Cambiano 1884 S.p.A. ammontano ad un valore lordo pari ad Euro 282,6 milioni, a cui sono associate rettifiche di valore specifiche pari ad Euro 114,1 milioni con un conseguente valore netto pari ad Euro 168,5 milioni. La relazione sulla gestione evidenzia inoltre che il grado di copertura (c.d. "coverage ratio") dei crediti verso clientela valutati al costo ammortizzato deteriorati al 31 dicembre 2022 è pari al 40,37%. 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 53,4 milioni, con un coverage ratio pari al 56,3% ed inadempienze probabili per un valore netto pari ad Euro 104,2 milioni, con un coverage ratio pari al 29,9%. Per la classificazione delle esposizioni creditizie per classi di rischio omogenee, la Banca 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, la Banca, nell'ambito delle proprie politiche di classificazione e 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 e risente, anche, dell'incertezza connessa all'attuale contesto macroeconomico caratterizzato dall'instabilità generata dal conflitto Russia-Ucraina e dalle pressioni inflazionistiche. 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 dei crediti verso clientela valutati al costo ammortizzato deteriorati iscritti in bilancio, della complessità dei processi di stima adottati dalla Banca 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, dei relativi tempi di recupero e del valore delle eventuali garanzie nonché le possibili strategie di recupero), abbiamo ritenuto che la classificazione dei crediti verso clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e a inadempienza probabile e la loro valutazione siano da considerare un aspetto chiave della revisione contabile del bilancio d'esercizio della Banca Cambiano 1884 S.p.A. al 31 dicembre 2022.
Procedure di revisione svolte	Nell'ambito delle attività di revisione sono state svolte, tra le altre, le seguenti principali procedure: • comprensione della normativa interna, dei processi e dei relativi presidi organizzativi e procedurali posti in essere dalla Banca 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 deteriorati classificati a sofferenza e inadempienza probabile mediante il calcolo di opportuni indicatori quali/quantitativi al fine di identificare eventuali elementi di interesse; • verifica, per un campione di posizioni selezionate, 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, 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; • verifica della completezza e della conformità dell'informativa fornita nel bilancio rispetto a quanto previsto dal quadro normativo di riferimento e dai principi contabili applicabili.

Classificazione dei crediti verso clientela valutati al costo ammortizzato non deteriorati a maggiore rischio

Descrizione dell'aspetto chiave della revisione	Come riportato nel paragrafo "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 2022, i crediti verso clientela valutati al costo ammortizzato non deteriorati della Banca Cambiano 1884 S.p.A. ammontano ad un valore lordo pari ad Euro 3.101,9 milioni, a cui sono associate rettifiche di portafoglio pari ad Euro 19,1 milioni, e ad un conseguente valore netto pari ad Euro 3.082,8 milioni, evidenziando un grado di copertura pari all' 0,62%. 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 322 milioni lordi con un grado di copertura del 4,08%. Nell'ambito delle proprie politiche di gestione dei crediti verso la clientela per finanziamenti, la Banca ha adottato processi e modalità di monitoraggio dell'andamento dei rapporti 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, la Banca ha tenuto in considerazione il particolare contesto di incertezza macroeconomica derivante dall'instabilità generata dal conflitto Russia-Ucraina e dalle pressioni inflazionistiche. 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 dalla Banca, tenuto anche conto delle circostanze connesse alle incertezze legate all'attuale contesto macroeconomico, abbiamo ritenuto che la classificazione dei crediti verso la clientela per finanziamenti non deteriorati a maggiore rischio, valutati al costo ammortizzato, rappresenti un aspetto chiave della revisione del bilancio d'esercizio della Banca Cambiano 1884 S.p.A. al 31 dicembre 2022.
Procedure di revisione svolte	Nell'ambito delle attività di revisione sono state svolte, tra le altre, le seguenti principali procedure: • comprensione della normativa interna e dei processi e dei relativi presidi organizzativi e procedurali posti in essere dalla Banca in relazione alle modalità di classificazione e di monitoraggio della qualità dei crediti verso clientela valutati al costo ammortizzato non deteriorati, eventualmente modificati per tener conto degli effetti derivanti dal

contesto di incertezza macroeconomica, al fine di verificarne la conformità al quadro normativo di riferimento e 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 non deteriorati al fine di identificare eventuali elementi di interesse;
- verifica, per un campione di posizioni selezionate, della classificazione dei crediti verso clientela valutati al costo ammortizzato non deteriorati a maggiore rischio sulla base del quadro normativo di riferimento e del contesto di incertezza macroeconomica;
- analisi degli eventi successivi alla data di chiusura del bilancio;
- verifica della completezza e della conformità dell'informativa fornita in bilancio rispetto a quanto previsto dal quadro normativo di riferimento e dai principi contabili applicabili.

Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio 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 della Banca di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, 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 d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Banca 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 della Banca.

Deloitte.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio 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 d'esercizio.

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 d'esercizio, 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 della Banca.

- 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 della Banca 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 la Banca cessi di operare come un'entità in funzionamento.

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

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 azioni intraprese per eliminare i relativi rischi o le misure di salvaguardia applicate.

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 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 della 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 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 d'esercizio 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 della Banca Cambiano 1884 S.p.A. al 31 dicembre 2022, inclusa la sua coerenza con il relativo bilancio d'esercizio 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 d'esercizio della Banca Cambiano 1884 S.p.A. al 31 dicembre 2022 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 d'esercizio della Banca Cambiano 1884 S.p.A. al 31 dicembre 2022 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. 27 gennaio 2010, n. 39, 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, 19 aprile 2023

REPORT OF THE INDEPENDENT AUDITOR IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND OF ARTICLE 10 OF EU REGULATION N. 537/2014.

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

REPORT ON THE ACCOUNTING AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the fiscal year financial statements of Banca Cambiano 1884 S.p.A. (the "Bank"), consisting of the balance sheet as at 31 December 2022, 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 financial statements represent in a truthful and accurate manner shareholders' equity and the financial situation of the Bank as at 31 December 2022, 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 financial statements for the fiscal year* in this report. We are independent with respect to 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. Such 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 on said aspects.

Classification and measurement of impaired receivables from customers measured at amortised cost 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 2022, Banca Cambiano 1884 S.P.A. impaired receivables from customers measured at amortised cost amount to a gross value of 282.6 million euro, to which value adjustments equal to 114.1 million euro are associated, with a resulting net value of 168.5 million euro.

The report on management also notes that the so-called "coverage ratio" of receivables from customers measured at amortised cost at 31 December 2022 is equal to 40.37%. 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 53.4 million euro, with a 56.30% coverage ratio, and probable defaults for a net value equal to 104.2 million euro, with a 29.90% coverage ratio.

As regards the classification of credit exposures for homogenous risk classes, the Bank 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 Bank, within the scope of its valuation policies, has applied valuation procedures and methods characterised 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, and is also affected by the uncertainty associated to the current macro-economic context, characterised by the instability generated by the Russia-Ukraine conflict and by inflationary pressure.

Information regarding the aspects described above is provided in the Report on Management and in the Explanatory Notes Part A – Accounting Policies, Part B – Information on the balance sheet, Section 4 of assets, Part C – Information on the income statement, Section 8, 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 Bank'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 and probable defaults, and the valuation thereof are to be considered a key aspect of the audit of the Bank's financial statements at 31 December 2022.

Auditing procedures carried out

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

- Comprehension of internal regulations, processes and relative organisational and procedural controls established by the Bank in relation to the methods for classification and determination of the recoverable value of impaired receivables from customers measured at amortised cost and classified as non-performing and probable defaults, in order to verify 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;

- Verification, for a sample of selected positions, 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, of the applicable accounting standards, 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 financial statements;

- Verification of the completeness and conformity of the information provided by the Bank in the financial statements, with respect to the requirements of applicable accounting standards and regulations.

Classification of in bonis receivables from customers measured at amortised cost 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 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 2022, Banca Cambiano 1884 S.p.A's in bonis receivables from customers measured at amortised cost amount to a gross value of 3,101.9 million euro, with portfolio adjustments for 19.1 million euro, for a resulting total net value of 3,082.8 million euro, showing a 0.62% coverage ratio. Of these, receivables from customers for in bonis loans at higher risk are essentially classified in the so-called "second stage", for 322 million euro with a 4.08% coverage ratio.

Within the scope of its policies regarding the management of receivables from customers for loans, the Bank 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 Bank has taken into consideration the unique context of macro-economic uncertainty deriving from the instability generated by the Russia-Ukraine conflict, and by inflationary pressure.

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 balance sheet, Section 4 Assets, Part C – Information on the income statement, Section 8, and Part E – Information on risks and relative hedging policies.

Considering the significance of the amount and the complexity of classification process used by the Bank, and also considering the circumstances connected to the uncertainties associated to the current macro-economic context, 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 the Bank's financial statements as at 31 December 2022.

Auditing procedures carried out

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

- Comprehension of internal regulations, processes and relative organisational and procedural controls established by the Bank in relation to the methods for classification and determination of the quality of in bonis receivables from customers measured at amortised cost, perhaps modified to take into account the effects deriving from the uncertain macro-economic context, in order to verify conformity to the regulatory framework of reference and applicable accounting standards;

- Verification of the implementation and operational efficacy of the identified key controls, as regards the aforementioned processes;

- Qualitative and trend analysis of in bonis receivables, in order to identify possible elements of interest;

- Verification, for a sample of selected positions, of the classification of greater risk in bonis receivables from customers measured at amortised cost based on regulatory framework of reference and on the context of macro-economic uncertainty;

- Analysis of the events subsequent to the date of closing of the financial statements;

- Verification of the completeness and conformity of the information provided by the Bank in the financial statements, with respect to the requirements of applicable accounting standards and regulations.

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

The directors are responsible for preparing the 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 Bank to continue operating as a working entity and, in preparing the 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 business continuity in preparing the financial statements, unless they have assessed the existence of conditions that require liquidation of the Company, or interruption of business activities, or that there are no realistic alternatives.

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

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

Our objectives are to acquire reasonable certainty that the 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 financial statements for the year.

Within the scope of the accounting audit conducted in compliance with the international auditing principle (ISA 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 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 Bank'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 business 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 Bank'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 Bank ceasing to operate as a business unit;

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

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 the aspects of which governance was informed, we identified those that were most relevant within the scope of the accounting audit of the financial statements for the fiscal year in review, which therefore constituted the key aspects of the audit. Said 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 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 article14, 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 Banca Cambiano 1884 S.p.A. at 31 December 2022, including its consistency with the respective 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 financial statements of the Banca Cambiano 1884 S.p.A. as at 31 December 2022, and on compliance with provisions of law, and for the purpose of issuing a declaration regarding any significant errors.

In our opinion, the report on operations is consistent with the financial statements of Banca Cambiano 1884 S.p.A. as at 31 December 2022 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.

Antonio Sportillo
Partner

Florence, 19 April 2023

ANNEXES

Schedules to the financial statements of subsidiaries within the scope of the Gruppo Bancario Cambiano

Cabel Leasing S.p.A.

BALANCE SHEET

	Asset line items	2022	2021
10.	Cash and cash equivalents	157,994	18,049
20.	Financial assets measured at fair value with recognition of income effects through profit and loss		
	a) financial assets held for trading		
	b) financial assets measured at fair value		
	c) other financial assets obligatorily measured at fair value		
30.	Financial assets measured at fair value with impact on total profits	18,402	18,402
40.	Financial assets measured at amortised cost	297,022,562	256,799,904
	a) receivables from banks	*137,081*	*81,649*
	b) receivables from financial companies	*1,252,009*	*1,295,970*
	c) receivables from customers	*295,633,472*	*255,422,285*
50.	Hedges		
60.	Adjustments of value of generic hedges for financial assets (+/-)		
70.	Equity investments		
80.	Property, plants and equipment	3,756,931	4,338,069
90.	Intangible assets	150,000	125,000
	of which:		
	- goodwill		
100.	Tax receivables	3,768,918	5,606,843
	a) current	*3,744,441*	*5,570,093*
	b) pre-paid	*24,477*	*36,750*
110.	Non-current assets and groups of assets in the course of divestment		
120.	Other assets	1,254,088	1,826,293
	Total assets	**306,128,894**	**268,732,559**

	Liabilities and shareholders' equity line items	2022	2021
10.	Financial liabilities valued at amortised cost	268,641,201	235,521,968
	a) payables	*268,641,201*	*235,521,968*
	b) outstanding securities		
20.	Financial liabilities from trading		
30.	Financial liabilities measured at fair value		
40.	Hedges		
50.	Adjustments of value of generic hedges for financial liabilities (+/-)		
60.	Tax liabilities	944,601	619,988
	a) current	*581,077*	*256,464*
	b) deferred	*363,524*	*363,524*
70.	Liabilities associates to assets in the course of divestment		
80.	Other liabilities	14,058,145	11,435,119
90.	Employee severance pay	207,845	231,484
100.	Risk and expense funds	70,788	27,145
	a) commitments and issued guarantees	*12,978*	*13,664*
	b) pensions and similar commitments		
	c) other risk and expense funds	*57,810*	*13,481*
110.	Share capital	10,000,000	10,000,000
120.	Treasury shares (-)		
130.	Capital instruments		
140.	Premiums on the issue of new shares		
150.	Reserves	10,896,854	10,322,685
160.	Valuation reserves		
170.	Profit (Loss) for the fiscal year (+/-)	1,309,459	574,169
	Total liabilities and shareholders' equity	**306,128,894**	**268,732,559**

INCOME STATEMENT

	Line items	2022	2021
10.	Earned interest and similar income	8,699,429	5,559,220
	Of which earned interest calculated using the actual interest method		
20.	Interest expenses and similar expenses	-3,520,835	-2,134,364
30.	**Interest income**	**5,178,594**	**3,424,856**
40.	Commission income	98,901	89,448
50.	Commission expenses	-245,286	-222,902
60.	**Net commissions**	**-146,385**	**-133,454**
70.	Dividends and similar income	102	128
80.	Net trading result		
90.	Net hedging result		
100.	Gains/losses from the disposal or repurchase of:		
	a) financial assets measured at amortised cost		
	b) financial assets measured at fair value with impact on total profits		
	c) financial liabilities		
110.	Net income of other financial assets and liabilities measured at fair value with recognition of income through profit and loss		
	a) financial assets and liabilities measured at fair value		
	b) other financial assets obligatorily measured at fair value		
120.	**Operating income**	**5,032,311**	**3,291,530**
130.	Net adjustments / write-backs due to impairment of:	-1,499,858	-712,717
	a) financial assets measured at amortised cost	*-1,499,858*	*-712,717*
	b) financial assets measured at fair value with impact on total profits		
140.	Profits /losses due to contract modifications without derecognition		
150.	**NET INCOME FROM FINANCIAL ASSETS**	**3,532,453**	**2,578,813**
160.	Administrative costs:	-1,930,166	-1,949,789
	a) personnel costs	*-999,576*	*-1,064,831*
	b) other administrative costs	*-930,590*	*-884,958*
170.	Net allocations to risk and expense funds	-43,643	-8,893
	a) commitments and issued guarantees	*686*	*-8,893*
	b) other net allocations	*-44,329*	
180.	Net adjustments / write-backs to property, plant and equipment	-59,531	-64,731
190.	Net adjustments / write-backs to intangible assets		
200.	Other operating income and expenses	492,953	258,430
210.	**OPERATING COSTS**	**1,615,357**	**-1,764,983**
220.	Profit (Loss) from equity investments		
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	-14,258	8,440
240.	Adjustments to value of goodwill		
250.	Gains (Losses) from disposal of investments		
260.	**Gains (Losses) from current operations before taxes**	**1,902,809**	**822,270**
270.	Fiscal year income tax on current operations	-593,350	-248,101
280.	**Gains (Losses) from current operations after taxes**	**1,309,459**	**574,169**
290.	Gains (Losses) from disposed assets after taxes		
300.	**Profit (Loss) for the fiscal year**	**1,309,459**	**574,169**

Invest Italy SIM S.p.A.

Balance sheet

Assets line items		31/12/2022	31/12/2021
10.	Cash and cash equivalents	1,244,681	914,756
40.	Financial assets measured at amortised cost	-	109,226
	c)receivables from customers	-	109,226
80.	Property, plant and equipment	20,971	174,337
90.	Intangible assets	1,281	2,534
100.	Tax assets	12,537	12,505
	a) current	*12,537*	*12,505*
120.	Other assets	25,529	72,966
TOTAL ASSETS		**1,304,998**	**1,286,324**

Liabilities and shareholders' equity line items		31/12/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	137,893	196,592
	a) payables	137,893	196,592
80.	Other liabilities	3,750	41,557
100.	Risk and expense funds:	94,340	98,000
	c) other risk and expense funds	94,340	98,000
110.	Share capital	1,134,808	4,011,419
150.	Reserves	315,366	(2,525,826)
170.	Profit (Loss) for the year	(381,159)	(535,419)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,304,998**	**1,286,324**

Income Statement

	Line items of the income statement	31/12/2022	31/12/2021
50.	Commission income	375,000	122,000
60.	Commission expenses	(285,514)	(307)
70.	Commission income and similar income	-	129
80.	Commission expenses and similar expenses	(684)	(2,222)
	OPERATING INCOME	**88,802**	**119,600**
120.	Net adjustments/write-backs of value due to impairment risk of:	(69,226)	(39,327)
	a) financial assets measured at amortised cost	(69,226)	(39,327)
	NET INCOME FROM FINANCIAL ASSETS	**19,576**	**80,273**
140.	Administrative expenses	(276,975)	(532,290)
	a) personnel expenses	(46,026)	(293,726)
	b) other administrative expenses	(230,949)	(238,563)
150.	Net allocations to risk and expense funds	3,660	-
160.	Net adjustments/write-backs of value on tangible assets	(29,836)	(66,674)
170.	Net adjustments/write-backs of value on intangible assets	(1,253)	(1,769)
180.	Other operating income and expenses	(96,330)	13,361
	OPERATING EXPENSES	**(400,735)**	**(587,372)**
	GAINS (LOSSES) FROM CURRENT OPERATIONS BEFORE TAXES	**(381,159)**	**(507,099)**
250.	Fiscal year income tax on current operations	-	(28,320)
	PROFIT (LOSS) FOR THE YEAR	**(381,159)**	**(535,419)**

Immobiliare 1884 S.r.l.

BALANCE SHEET - ASSETS	31/12/2022	31/12/2021
A) RECEIVABLES FROM SHAREHOLDERS FOR CONTRIB. STILL DUE		
I) part already called for	0	0
II) part to be called for	0	0
A TOTAL RECEIVABLES FROM SHAREHOLDERS FOR CONTRIB. STILL DUE	**0**	**0**
B) FIXED ASSETS		
I) INTANGIBLE ASSETS		
1) Start-up and expansion costs	0	4,932
7) Other intangible fixed assets	1,936	2,925
I TOTAL INTANGIBLE FIXED ASSETS	**1,936**	**7,857**
II) TANGIBLE FIXED ASSETS		
1) Land and buildings	1,947,160	2,017,878
3) Industrial and commercial equipment	2,402	3,112
4) Other assets	10,939	14,239
5) Fixed assets under construction and advance payments	7,527,300	6,214,144
II TOTAL TANGIBLE FIXED ASSETS	**9,487,801**	**8,249,373**
III) FINANCIAL FIXED ASSETS		
2) Receivables (financial fixed assets) from:		
db1) due within the next fiscal year	3,761,175	3,507,954
db2) due after the next fiscal year	152	76
db TOTAL due from others	**3,761,327**	**3,508,030**
2 TOTAL Receivables (financial fixed assets) from:	**3,761,327**	**3,508,030**
III TOTAL FINANCIAL FIXED ASSETS	**3,761,327**	**3,508,030**
B TOTAL FIXED ASSETS	**13,251,064**	**11,765,260**
C) CURRENT ASSETS		
I) INVENTORY		
4) finished products and assets	12,223,338	7,057,204
I TOTAL INVENTORY	**12,223,338**	**7,057,204**
Tangible fixed assets destined to disposal	**0**	**0**
II) RECEIVABLES FROM:		
1) Customers:		
a) due within the next fiscal year	15,02	1,631
1 TOTAL Customers:	**15,02**	**1,631**
5-bis) Tax receivables		
a) due within the next fiscal year	1,196,771	842,464
5-bis TOTAL tax receivables	**1,196,771**	**842,464**
5-quater) receivables due from others		
a) due within the next fiscal year	1,037,449	649,905
5-quater TOTAL receivables due from others	**1,037,449**	**649,905**
II TOTAL RECEIVABLES:	**2,249,240**	**1,494,000**
III) FINANCIAL ASSETS (not fixed assets)	**0**	**0**
IV) CASH AND CASH EQUIVALENTS		
1) Bank and post office accounts	11,262	821
IV TOTAL CASH AND CASH EQUIVALENTS	**11,262**	**821**
C TOTAL CURRENT ASSETS	**14,483,840**	**8,552,025**
D) ACCRUED INCOME AND PRE-PAYMENTS	**1,369**	**1,273**
TOTAL BALANCE SHEET – ASSETS	**27,736,273**	**20,318,558**

BALANCE SHEET – LIABILITIES	31/12/2022	31/12/2021
A) NET SHAREHOLDERS' EQUITY		
I) Share capital	13,500,000	13,500,000
II) Share premium reserve	0	0
III) Revaluation reserves	0	0
IV) Legal reserve	8,058	7,609
V) Capital reserves	0	0
VI) Other reserves:		

a) Extraordinary reserve	153,098	144,576
VI TOTAL other reserves:	153,098	144,576
VII) Reserves for hedging of future cash flows	0	0
VIII) Profit (loss) carried forward	0	0
IX) Profit (loss) for the financial year	**259,063**	**8,971**
Loss offset in the fiscal year	0	0
X) Negative reserve for treasury shares in portfolio	0	0
A TOTAL NET SHAREHOLDERS' EQUITY	**13,920,219**	**13,661,156**
B) RISK AND EXPENSE FUNDS	**0**	**0**
C) EMPLOYEE SEVERANCE INDEMNITY	**0**	**0**
D) PAYABLES		
4) Payables due to banks		
a) due within the next fiscal year	12,767,988	5,571,394
b) due after the next fiscal year	739,088	785,268
4 TOTAL Payables due to banks	**13,507,076**	**6,356,662**
7) Payables due to suppliers		
a) due within the next fiscal year	229,238	215,83
7 TOTAL Payables due to suppliers	**229,238**	**215,83**
12) Tax payables		
a) due within the next fiscal year	41,561	34,548
b) due after the next fiscal year	0	25,89
12 TOTAL Tax payables	**41,561**	**60,438**
13) Payables due to social security institutions		
a) due within the next fiscal year	2,423	2,422
13 TOTAL Payables due to social security institutions	**2,423**	**2,422**
14) Other payables		
a) due within the next fiscal year	30,098	20,599
14 TOTAL Other payables	**30,098**	**20,599**
D TOTAL PAYABLES	**13,810,396**	**6,655,951**
E) ACCRUED INCOME AND PRE-PAYMENTS	**5,658**	**1,451**
TOTAL BALANCE SHEET - LIABILITIES	**27,736,273**	**20,318,558**

INCOME STATEMENT	31/12/2022	31/12/2021
A) VALUE OF PRODUCTION		
1) Revenues from sales and other services	281,699	275,347
5) Other revenues and income		
b) Other revenues and income	2,958	6,45
5 TOTAL Other revenues and income	2,958	6,45
A TOTAL VALUE OF PRODUCTION	**284,657**	**281,797**
B) COST OF PRODUCTION		
6) for raw materials, consumables and goods	5,166,496	3,740,387
7) for services	53,407	64,477
10) amortisation and depreciation:		
a) amortisation of intangible fixed assets	5,921	5,179
b) amortisation of tangible fixed assets	74,728	74,728
10 TOTAL amortisation and depreciation:	80,649	79,907
11) variations to inventory of raw materials, consumables and goods	5,166,133	3,740,387
14) other operating expenses	127,411	39,661
B TOTAL COST OF PRODUCTION	**261,83**	**184,045**
A-B TOTAL DIFF. BETWEEN VALUE AND COST OF PRODUCTION	**22,827**	**97,752**
C) FINANCIAL INCOME AND CHARGES:		
16) Other financial income:		
a) income from receivables entered as fixed assets		
a5) other	412,735	0
a TOTAL financial income from receivables entered as fixed assets	**412,735**	**0**
d) income from other than the above		
d5) other	1	8
d TOTAL financial income other than the above	**1**	**8**
16 TOTAL Other financial income:	**412,736**	**8**
17) interest and other financial charges from:		

e) payables to others	144,271	82,393
17 TOTAL interest and other financial charges:	**144,271**	**82,393**
15+16-17±17bis TOTAL DIFF. BETWEEN FINANCIA INCOME AND CHARGES	**268,465**	**82,385**
D) VALUE ADJUSTMENTS ON FINANCIAL ASSETS AND LIABILITIES		
A-B±C±D TOTAL BEFORE TAXES	**291,292**	**15,367**
20) Income tax for the period, current, deferred and pre-paid		
a) current income tax	32,229	6,396
20 TOTAL current deferred and pre-paid income tax	**32,229**	**6,396**
21) Profit (loss) for the year	**259,063**	**8,971**

List of real estate properties, comprehensive of revaluations – Law19/03/1983 n. 72 art. 10

Description	Historical cost	Rev. L.576/75	Rev. L.72/83	Rev. L.413/91	Rev. From F.T.A. Ias 01/01/2005	Total real property at 31/12/2022	of which land value at 31/12/2022	of which value of buildings at 31/12/2022	Amortisation fund at 31/12/2022	Book value at 31/12/2022
Barberino V.E. - P.za Capocchini, 21/23 – Branch office	148,309	0	0	0	475,968	**624,277**	0	624,277	421,387	**202,890**
Castelfiorentino - Via Carducci 4 - Head office	557,166	0	0	0	0	**557,166**	0	557,166	66,860	**490,306**
Castelfiorentino - Via Carducci, 8/9 - Head office	2,071,527	0	0	63,974	2,409,822	**4,545,323**	1,800,000	2,745,323	2,348,363	**2,196,960**
Castelfiorentino - Via Cerbioni - Archive 1	642,111	0	0	0	227,844	**869,955**	185,000	684,955	473,193	**396,762**
Castelfiorentino - Via Cerbioni - Archive 2	497,075	0	0	0	98,101	**595,176**	150,000	445,176	257,459	**337,717**
Castelfiorentino - Via Gozzoli, 45 - Branch office	1,004,113	0	0	0	1,013	**1,005,126**	250,000	755,126	418,370	**586,756**
Castelfiorentino - Via Piave, 10 - Head office	239,743	0	0	0	0	**239,743**	0	239,743	28,769	**210,974**
Castelfiorentino - Via Piave, 6 (Garage) - Head office	146,707	0	0	0	0	**146,707**	0	146,707	16,681	**130,026**
Castelfiorentino - Via Piave, 8 - Head office	1,570,255	10,641	10,641	42,042	1,258,394	**2,891,972**	480,000	2,411,972	2,355,076	**536,896**
Castelfiorentino - Via Veneto/Via Piave - Head office	10,353,843	0	0	0	-70,200	**10,283,643**	755,020	9,528,623	262,090	**10,021,553**
Cerreto Guidi - Via V. Veneto, 59 - Branch office	475,736	0	0	0	216,286	**692,022**	0	692,022	380,091	**311,931**
Empoli - Via Cappuccini, 4 - Branch office	68,971	0	0	0	156,468	**225,439**	0	225,439	152,175	**73,263**
Empoli - Via Chiarugi, 4 - Branch office	4,522,834	0	0	0	2,747,576	**7,270,410**	2,000,000	5,270,410	4,249,983	**3,020,427**
Firenze - Via Maggio - Branch office	1,558,533	0	0	0	0	**1,558,533**	0	1,558,533	496,204	**1,062,328**
Firenze - Via Varchi, 2/4 - Branch office	12,119,907	0	0	0	0	**12,119,907**	1,222,000	10,897,907	2,603,460	**9,516,447**
Fucecchio - Piazza Montanelli - Branch office	4,880,190	0	0	0	0	**4,880,190**	900,000	3,980,190	1,199,800	**3,680,390**
Gambassi Terme - Via Garibaldi, 18 - Branch office	147,411	1,033	44,196	3,352	336,003	**531,995**	0	531,995	403,651	**128,344**
Gambassi Terme - Via Volta, 19/21 - Archive 3	1,694,125	0	0	0	0	**1,694,125**	552,655	1,141,470	469,597	**1,224,528**
Greve in Chianti - Piazza Matteotti - Branch office	845,729	0	0	0	0	**845,729**	73,200	772,529	157,038	**688,691**
Montespertoli - Via Romita 105 - Branch office	252,244	0	0	0	0	**252,244**	0	252,244	75,398	**176,846**
Poggibonsi - Via S.Gimignano, 24/26 - Branch office	2,255,453	0	0	0	710,082	**2,965,535**	935,000	2,030,535	1,559,872	**1,405,662**
Roma - Via De Cavalieri - Other	1,672,901	0	0	0	0	**1,672,901**	0	1,672,901	63,720	**1,609,181**
San Miniato - Via Tosco Romagnola - Branch office	271,697	0	0	0	0	**271,697**	50,193	221,504	53,193	**218,504**
Total	**47,996,582**	**11,673**	**54,837**	**109,367**	**8,567,356**	**56,739,814**	**9,353,069**	**47,386,746**	**18,512,431**	**38,227,384**

Expenses for statutory audit - comma 1, n. 16-bis, art. 2427 of the Italian Civil Code

In compliance with the provisions of article 2427, sub-section 1, n. 16-bis of the Italian Civil Code, below is a detail of the fees for the 2021 fiscal year set forth in the contract with the Auditing Company for the statutory accounting audit and for the performance of other services rendered to the Bank.
Amounts are net of VAT and expenses.

Type of service	Subject performing the service: auditing company / statutory auditor	Total amount of fees (in euro)
A) Statutory audit	Deloitte & Touche S.p.A.	55,217
B) Certification services	Deloitte & Touche S.p.A.	2,951
C) Tax advisory services	-	-
D) Other services	Deloitte & Touche S.p.A.	14,000
Total fees		**72,168**

BANCA
CAMBIANO 1884
SOCIETÀ PER AZIONI