Annual financial report 2022

GRUPPO CASSA CENTRALE
CREDITO COOPERATIVO ITALIANO

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Cassa Centrale Banca Credito Cooperativo Italiano
Cooperative Banking Group

Annual financial report 2022

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BANCA CENTRO EMILIA - CREDITO COOPERATIVO - Cooperative company
BANCA CENTRO LAZIO CREDITO COOPERATIVO - Cooperative company
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - Cooperative Company
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - Cooperative Company
BANCA DI BOLOGNA CREDITO COOPERATIVO - Cooperative Company
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - Cooperative company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - Cooperative company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - Cooperative company
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - Cooperative company
BANCA DI CREDITO COOPERATIVO DI ABRUZZI E MOLISE - Cooperative company
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - Cooperative company
BANCA DI CREDITO COOPERATIVO DI ANAGNI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI AQUARA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BARLASSINA (MILANO) - Cooperative company
BANCA DI CREDITO COOPERATIVO DI BRESCIA - Cooperative company
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - Cooperative company
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BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - Cooperative company
BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - Cooperative company
BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - Cooperative company
BANCA DI CREDITO COOPERATIVO DI SARSINA - Cooperative company
BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO - Cooperative company
BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - Cooperative company
BANCA DI CREDITO COOPERATIVO - LODI - Cooperative company
BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - Cooperative company
BANCA LAZIO NORD CREDITO COOPERATIVO - Cooperative joint-stock company
BANCA MALATESTIANA - CREDITO COOPERATIVO - Cooperative company
BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - Cooperative company
BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - Cooperative company
BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - Cooperative company
BANCA TERRITORI DEL MONVISO - CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - Cooperative company
BANCATER CREDITO COOPERATIVO FVG - Cooperative company
BANCO MARCHIGIANO Credito Cooperativo - Cooperative company
BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - Cooperative company
BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - Cooperative company
BVR BANCA - BANCHE VENETE RIUNITE - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - Cooperative company
CASSA DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Cooperative company
CASSA PADANA BANCA DI CREDITO COOPERATIVO - Cooperative company
CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Cooperative company
CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - Cooperative company
CASSA RURALE ALTOGARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO - Cooperative company

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

CASSA RURALE DOLOMITI - BANCA DI CREDITO COOPERATIVO - Cooperative company

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

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

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

CASSA RURALE RENON - RAIFFEISENKASSE RITTEN - Cooperative company

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

CASSA RURALE VAL DI NON – ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - Cooperative company

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

CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Cooperative company

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

CASTAGNETO BANCA 1910 – CREDITO COOPERATIVO - Cooperative company

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

CON.SOLIDA - Social cooperative company

CONSORZIO LAVORO AMBIENTE - Cooperative company

CONSORZIO MELINDA - Agricultural cooperative company

CORTINABANCA – CREDITO COOPERATIVO - Cooperative company

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

CREDITO COOPERATIVO CENTRO CALABRIA - Cooperative company

CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - Cooperative company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

FEDERAZIONE DEL NORD EST CREDITO COOPERATIVO ITALIANO - Cooperative company

FEDERAZIONE DELLE BCC DEL FRIULI VENEZIA GIULIA - Cooperative company

FEDERAZIONE TRENTINA DELLA COOPERAZIONE - Cooperative company

FONDO COMUNE DELLE CASSE RURALI TRENTINE - Cooperative company

FRIULOVEST BANCA - CREDITO COOPERATIVO - Cooperative company

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

PRIMACASSA – CREDITO COOPERATIVO FVG - Cooperative company

PROMOCOOP TRENTINA - Joint-stock company

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

SAIT CONSORZIO DELLE COOPERATIVE DI CONSUMO TRENTINE - Cooperative company

TRENTINGRANA CONSORZIO DEI CASEIFICI SOCIALI E DEI PRODUTTORI LATTE TRENTINI - Agricultural cooperative company

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

Preference shareholders

BANCA IFIS - Joint-stock company

BANCA POPOLARE ETICA - Cooperative joint-stock company

CHAMBER OF COMMERCE INDUSTRY AGRICULTURE AND CRAFTS - TRENTO

CASSA RAIFFEISEN BASSA VENOSTA - Cooperative company

CASSA RAIFFEISEN DELLA VAL PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - Cooperative Company

COOPERATIVA PROVINCIALE GARANZIA FIDI - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

MEDIOCREDITO TRENTINO-ALTO ADIGE - Joint-stock company

PROMOCOOP TRENTINA - Joint-stock company

AUTONOMOUS PROVINCE OF TRENTO

Corporate officers and Independent auditors

Board of Directors

Giorgio Fracalossi	CHAIRPERSON
Sandro Bolognesi	CHIEF EXECUTIVE OFFICER
Carlo Antiga	ACTING DEPUTY CHAIRPERSON
Enrica Cavalli	DEPUTY CHAIRPERSON
Paola Brighi	DIRECTOR
Isabella Chiodi	DIRECTOR
Carmela Rita D'Aleo	DIRECTOR
Maria Luisa Di Battista	DIRECTOR
Emanuele di Palma	DIRECTOR
Amelio Lulli	DIRECTOR
Enrico Macrì	DIRECTOR
Giorgio Pasolini	DIRECTOR
Claudio Ramsperger	DIRECTOR
Livio Tomatis	DIRECTOR
Roberto Tonca	DIRECTOR

Board of Statutory Auditors

Pierpaolo Singer	CHAIRPERSON
Lara Castelli	STANDING AUDITOR
Mariella Rutigliano	STANDING AUDITOR
Clara Carbone	ALTERNATE AUDITOR
Maurizio Giuseppe Grosso	ALTERNATE AUDITOR

General Management

Sandro Bolognesi	GENERAL MANAGER
Enrico Salvetta	ACTING DEPUTY GENERAL MANAGER

Independent Auditors

DELOITTE & TOUCHE S.p.A.

Executive Committee

Sandro Bolognesi	CHAIRPERSON
Carmela Rita D'Aleo	MEMBER
Claudio Ramsperger	MEMBER
Livio Tomatis	MEMBER
Roberto Tonca	MEMBER

Risks and Sustainability Committee

Maria Luisa Di Battista	CHAIRPERSON
Paola Brighi	MEMBER
Isabella Chiodi	MEMBER
Emanuele di Palma	MEMBER
Giorgio Pasolini	MEMBER

Appointments Committee

Enrico Macrì	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Amelio Lulli	MEMBER

Remuneration Committee

Isabella Chiodi	CHAIRPERSON
Enrico Macrì	MEMBER
Amelio Lulli	MEMBER

Independent Directors Committee

Paola Brighi	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Enrico Macrì	MEMBER

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Report and Consolidated Financial Statements of the Cassa Centrale Group

Letter to the Shareholders

Dear Shareholders,

Welcome to our usual appointment, when we come together at the Shareholders' Meeting at the end of a satisfying year, with a series of fundamental challenges that also await us in 2023.

Though inflation and the conflict in Ukraine are variables with effects that are still unpredictable on Italy's growth in the upcoming quarters, it is undeniable that the strength of the socioeconomic fabric of our territories was tested in 2022, which many did not expect.

If we analyse the current situation, with the residual effects of the pandemic on credit now nearly completely absorbed, with GDP growth close to 4% this year and a stock of net non-performing bank loans also decreasing in 2022, we can say that our faith in the ability of Italian companies and households to adapt to the difficult economic environment of these years has been widely founded.

It will nevertheless be necessary to carefully monitor changes in the main factors of uncertainty, and, in light of this consideration, our strategy will therefore remain focused on the prudence that has always inspired the actions of the Parent Company since the start of the Cooperative Banking Group.

The Group's 2022 results are proof of the effectiveness of the growth and efficiency process undertaken. In particular, we note a profit for the year — which has increased for the fourth year in a row — of EUR 562 million, with an increase of nearly 27% on the 2022 budget and an increase of 229 million on the final figure at the end of 2021.

Total consolidated assets also increased slightly, totalling EUR 93 billion, up 1.3% from 2021. Excellent results were achieved in terms of capital strength, with a CET1 ratio at 22.8% — firmly the highest in Italy — and a coverage ratio of impaired loans with further growth to 82% from 74% in 2021 and from 64% in 2020.

Notable progress was also seen in terms of credit quality, thanks to much lower default rates than expected, the excellent results achieved from the perspective of recoveries and the expansion of the portfolio of performing loans.

The gross NPL ratio fell to 4.8% at 31 December 2022, while the net NPL ratio stood at 0.9% as a result of the extremely high coverage levels.

The improvement in the quality of the assets and the high coverage level for impaired loans achieved in these years, alongside the Group's high liquidity and capitalisation, are also some of the main elements that allowed Cassa Centrale Banca to be placed in the investment grade category by the Fitch and DBRS Morningstar ratings agencies.

With this important calling card, in early 2023, Cassa Centrale Banca entered the bond market publicly for the first time, successfully placing an inaugural senior preferred issue worth EUR 500 million, issued as part of a Euro Medium-Term Notes (EMTN) programme worth 3 billion.

The security proved to be extremely attractive, with orders for over EUR 1,700 million and wide participation of foreign investors, to whom 67% of the total issued was allocated.

As for future prospects, the 2022-2025 Strategic Plan sets out business development centred around the evolution of the distribution model, support for NRRP initiatives and the strengthening of the assets under management offer and the bancassurance business. With reference to the latter, the partnership agreement signed with the Assimoco Group (DZ Bank Group) will be of fundamental importance for the development of the Protection and Financial Life product catalogue, through which the Group aims to increase its assets under management by 4 billion by 2025.

Other key points of the Strategic Plan include operating efficiency, through optimisation of the territorial structure and digital transformation, and risk management centred around higher efficiency of capital requirements, active management of the NPE portfolio, focus on the performing portfolio and management of financial risks.

In its development plans, the Group has dedicated a great deal of attention to developing human capital and generational turnover, as well as the integration of ESG models into the main company processes.

In conclusion, the update to our articles of association and the renewal of the corporate bodies completed in 2022 offer us the chance to take stock of what has been achieved thus far and how Cassa Centrale Banca has evolved.

The number of employees of the Parent Company and its subsidiaries has doubled since the Group was founded. We are a team that grows together under the ideals of cooperative credit and with increasingly ambitious objectives.

To continue growing, it will be necessary to innovative to consolidate, also by challenging our model in light of a drastically different environment.

We can do even more with your support, working side by side with the usual passion to complete our projects and tackle any crisis with solutions that make us even stronger and more united than before.

By following this path, we are certain that, together, we will continue to overcome the challenges before us and support our territories with the devotion that has always distinguished and identified us.

Report on Consolidated Operations of the Cassa Centrale Group

2022 Financial Year

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

The Cooperative Banking Group

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

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

In fact, the active participation of the shareholding base, with its stock of cooperative values and knowledge of the regional needs, finds an implementation channel in the Regional Shareholders’ Meetings. Each meeting is not only an opportunity to share strategic projects of relevance to the entire Group, but also the joint responsibility of the partner BCCs to define the development guidelines that the Banks themselves, under the direction and coordination of the Parent Company, will then be called upon to implement.

The activity of the Cooperative Banking Group was conducted while maintaining full focus on implementing the provisions of the Reform Law and subsequent amendments. The drive to combine the value and autonomy of a system of local Banks - expression of the various territories - with the profitability, efficiency, growth and stability of a large Banking Group was particularly important.

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

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

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

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

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

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

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

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

The organisation structure of the Group

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

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

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

As at 31 December 2022, the Cassa Centrale Group consisted of:

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

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

Corporate governance

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

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

Shareholders' Meeting

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

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

The Board of Directors

The Board of Directors (hereinafter also referred to as the "BoD") is the body responsible for the strategic supervision and management of the company. For this purpose, the Board of Directors may carry out all the transactions that are necessary, useful or appropriate for implementation of the corporate purpose, whether they are ordinary or extraordinary in nature.

The Board of Directors of Cassa Centrale Banca consists of 15 members, including 4 Directors who meet the independence requirements, the Chairperson and one or two Deputy Chairpersons (one of whom is the Acting Deputy Chairperson). The Directors — no more than 10 — must be chosen from among individuals employed by the affiliate banks, and specifically individuals who hold or who have held positions in the administration or general management of the Affiliate Banks or the general management of Cassa Centrale Banca. Lastly, with the aim of guaranteeing gender balance within the Board of Directors, at least one third of the Directors must belong to the least represented gender.

The Articles of Association assign the strategic supervision function to the Board of Directors, delegating the management function to the Executive Committee and the Chief Executive Officer, which also carries out the functions of the General Manager. The Articles of Association also govern the powers, assignments and areas of competence of the Board of Directors in its collective form, which cannot be delegated, and, conversely, the functions and areas of competence of the delegated bodies appointed by it.

The Shareholders' Meeting of 30 May 2022 resolved to renew the appointment of the corporate bodies and appointed the 15 members of the Board of Directors and the Board of Statutory Auditors, who will remain in office for the next three years.

Chairperson of the Board of Directors

Pursuant to Circular 285, the Chairperson of the Board of Directors performs a decisive role in ensuring the smooth functioning of the Board of Directors, fostering internal dialectics and ensuring the balance of powers, in line with the tasks relating to the organisation of the Board's work and the circulation of information assigned to it by the Italian Civil Code.

Specifically, the Chairperson of the Board of Directors promotes the effective functioning of the corporate governance system, guaranteeing a balance of powers and acting as liaison with the internal control bodies and internal committees.

To effectively perform the duties of the position, the Chairperson may not have an executive role nor perform management functions.

In the event of absence or incapacity of the Chairperson of the Board of Directors, their functions shall be performed by the Senior Deputy Chairperson or, in the event of their absence or incapacity, by the other Deputy Chairperson. Before third parties the signature of the person replacing the Chairperson of the Board of Directors shall stand as evidence of their absence or incapacity.

Executive Committee

The Executive Committee, appointed by the Board of Director in the meeting of 30 May 2022, consisted of the Chief Executive Officer, who chairs it, and four Directors. Within the framework of the powers that the law and the Articles of Association do not reserve to the Board of Directors or to the Chief Executive Officer, the following matters are delegated to the Executive Committee:

- granting, classification and assessment of loans;
- real-estate transactions;
- issuing of debt instruments and transactions in financial instruments;
- implementation of corporate governance and risk management policies;
- internal organisation of the Company and the Cooperative Banking Group.

The Executive Committee also has the power to take in urgent circumstances decisions within the competence of the Board of Directors that are not reserved by law, by the Articles of Association or by provisions of the Cohesion Contract to the non-delegable competence of the Board of Directors, informing it in the next meeting.

Chief Executive Officer

The Board of Directors may appoint a Chief Executive Officer from among its members, to whom it entrusts the day-to-day management of the Parent Company in compliance with the general planning and strategic guidelines established by the Board of Directors. The Chief Executive Officer assumes the position and carries out the functions of General Manager pursuant to the Articles of Association.

Without prejudice to the competences assigned by the Articles of Association, in exceptionally urgent circumstances, after consulting the Chairperson of the Board of Directors, the Chief Executive Officer may take decisions on any transaction within the competence of the Executive Committee, provided they are not assigned by the mandatory provisions of the law or by provisions of the Articles of Association to the authority of the Board of Directors and of the Executive Committee as a whole. Decisions taken in this way must be reported to the Board of Directors and to the Executive Committee at the next meeting.

The Chief Executive Officer reports to the Board of Directors and to the Executive Committee, at least once a quarter, on the general management performance and its foreseeable outlook, as well as on the most significant transactions carried out by the Parent Company and the Group Companies. At the meeting of 30 May 2022, the Board of Directors appointed Sandro Bolognesi as Chief Executive Officer.

Board committees

In line with the provisions of article 31 of the Articles of Association, and in compliance with the provisions of Circular 285, the Board of Directors establishes an Appointments Committee, a Remuneration Committee and a Risks Committee made up of its members.

At the meeting of 30 May 2022, the Board of Directors merged the Sustainability and Identity Committee into the Risks Committee, thus establishing the Risks and Sustainability Committee, attributing to said Committee an investigative, propositional and advisory role with regards to evaluations and decisions on matters of sustainability and the cooperative identity.

Each Committee that is mandatory in terms of applicable regulations, consists of a minimum of three and a maximum of five non-executive Directors, the majority of whom are Independent.

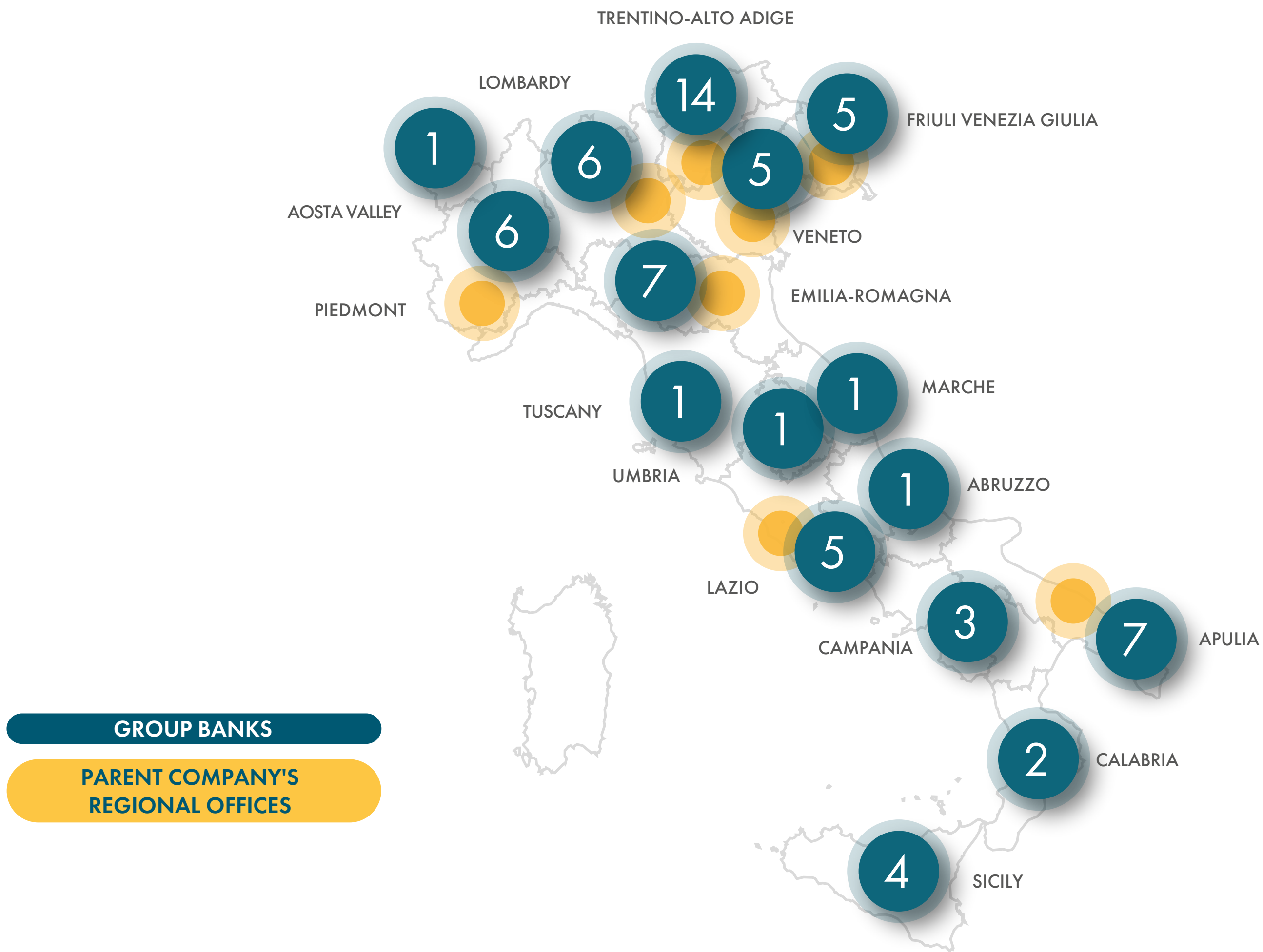
- The **Appointments Committee** conducts investigations and provides advice to the Board of Directors on appointment of the members and on the composition of the Board of Directors of the Parent Company and, where required, of the Affiliate Banks, when the responsibility rests with the Board, and carries out the other duties assigned to it by regulations in force and/or by the Board of Directors.
- The **Remuneration Committee** submits proposals and provides advice on the fees and on the remuneration and incentive systems to be adopted by the Parent Company and, where required, by the Affiliate Banks, and carries out the other duties assigned to it by regulations in force and by the Board of Directors.
- The **Risks and Sustainability Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;
- The **Independent Directors Committee** performs the tasks set forth in Circular 285 on the subject of decision-making procedures relating to related-party transactions, as well as on the subject of equity investments held by banks and banking groups. Lastly, it should be noted that, on the basis of the reference regulations, the Independent Directors meet separately from the other members of the Board of Directors periodically, at least once year, to discuss relevant issues. The **Independent Directors' Meetings (IDM)** are autonomous, separate, and different to board committee meetings.

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

Presence on the territory

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

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



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

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

As at 31 December 2022, the Group's geographical presence is characterised by 69 Affiliate Banks with 1,474 branches located across Italy and 10 regional offices of the Parent Company.

PRESENCE ON THE TERRITORY	31/12/2022					Total 31/12/2022	Total 31/12/2021	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
REGISTERED OFFICES								
Parent Company	7	2	2	2	1	**14**	**10**	**4**
Affiliated Banks	14	10	13	16	16	**69**	**71**	**(2)**
BRANCHES*								
Parent Company	1	0	0	0	0	**1**	**1**	**0**
Affiliated Banks	298	321	357	317	181	**1,474**	**1,483**	**(9)**

*Data referring to branches with CAB code

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

As can be seen from the table below, the number of Shareholders as at 31 December 2022 is approximately 464 thousand, mostly concentrated in the Central and North areas of the country and up by 8,894 compared to December 2021.

AREA	31/12/2022					Total 31/12/2022	Total 31/12/2021	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
No. of Shareholders	131,500	94,110	108,054	99,771	30,816	**464,251**	**455,357**	**8,894**
% of total	28.33%	20.27%	23.27%	21.49%	6.64%	**100.00%**		

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

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

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

The commitment to the territory is implemented both in the active presence in the local economic system through reinvestment in the areas of competence of savings collected, and in the support of initiatives in favour of bodies and associations that make the non-profit sector their objective.

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

The adoption by the Affiliated Banks of the Group Code of Ethics represents the formalisation of the commitment to translate the principles and values of all Group Companies into concrete and consistent conduct, also in the knowledge that taking social and environmental concerns into account helps to minimise exposure to banking and non-financial risks, and enhances reputation.

The activity of the Affiliated Banks is strongly oriented towards the provision of credit through traditional forms, such as mortgages and commercial loans, in order to better meet the financial needs of customers. Direct funding also consists of traditional offers such as deposit accounts, repos, current accounts, savings accounts and bonds, while indirect funding, and assets under management in particular, are characterised by the offer of products and services that combine profitability and risk containment.

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

Yet this has not prevented them from following the financial and technological evolution and innovation, through products, tools and advisory services consistent with the needs of a developed economy, expressed by most of the regions in which the Affiliated Banks are based.

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

Economic background

International scenario and Italian context

In 2022, three factors mainly characterised the trend in the global economic environment: Russia's invasion of Ukraine, which contributed to destabilising the global economy, in the first instance impacting increases in the cost of energy; high inflation, which affected all economies, albeit to varying degrees; the economic slowdown in China. The estimates by the International Monetary Fund (hereinafter "IMF"), published in October 2022 show that the growth of global GDP in 2022 will come in at 3.2%, compared to 6% in 2021. With regard to the main world economies in 2022, in the United States, GDP growth, according to the IMF, will be 1.6%, whereas, for the Eurozone, a 3.1% increase is envisaged. The likely occurrence of an economic slowdown, implicitly induced by inflation and restrictive monetary policies, leads to lower growth forecasts for 2023 (1% in the United States, 0.5% in Europe according to the IMF).

In the Eurozone, especially following the outbreak of the war in Ukraine, there was an acceleration of inflationary pressures. The IMF estimates an 8.3% price increase in 2022, mainly due to rising energy and food prices, whereas the price increase in 2023 is set to slow to 5.7%. The inflation trend was also supported by employment, which continued to show signs of improvement in 2022. The unemployment rate in the euro area is expected to be 6.8%, down on the 7.7% recorded in 2021.

As for the Italian economy, the macroeconomic scenario was characterised in a similar way to the rest of Europe by growing inflation and strong uncertainty linked to the ongoing conflict. These factors will also impact GDP growth in 2023, which ISTAT sees to be slowing, aided by the negative repercussions of high inflation, the deterioration of the trade balance and the decline in consumer confidence. According to ISTAT, GDP growth will stand at 3.9% in 2022, driven by internal demand, whereas a sharp deceleration is expected for 2023 (0.4%). As regards the Italian labour market, ISTAT confirms that the trend in the unemployment rate has recorded a gradual normalisation, with a significant drop in the unemployment rate in 2022 to 8.1%, compared to the value of 9.3% in 2021.

In 2022, there was a prolonged phase of acceleration in inflation in Italy, which may have peaked in the fourth quarter of 2022, when gradual changes were recorded in October and November equal to 11.9% and 11.8% respectively. ISTAT estimates that, for 2022, the rate of change in the household expenditure deflator is expected to grow by 8.2%, a clear increase on the 1.6% recorded in 2021. On the other hand, for 2023, and thanks to the contained increase in the price of commodities, ISTAT expects the deflator to slow down, with an estimated figure of around 5.4%.

Financial and currency markets

During 2022, the trend on the financial and currency markets was heavily influenced by the implementation of restrictive monetary policies by the global central banks.

The ECB's path towards normalisation of the ultra-expansive monetary policy began in the first quarter with the decision to gradually reduce net purchases of financial assets, a key measure introduced in previous years. Firstly, there was a reduction in net purchases of financial assets conducted within the framework of the pandemic emergency purchase programme for public and private securities (so-called PEPP) to the point of suspending them on 31 March, nevertheless confirming the reinvestment of capital repaid on maturing securities until at least the end of 2024. The decision to further reduce recourse to the purchase of bonds was made by the ECB at the meeting on 9 June 2022, this time as part of the financial asset purchase programme (FAPP), as of 1 July 2022. The prospect that the direct intervention by the Central Bank on the bond markets could be withdrawn — in a very uncertain macro and geopolitical environment — caused volatility and a progressive widening of the spreads of peripheral bonds. Faced with this scenario, which could have caused a substantial fragmentation of the monetary policy in Europe, on 15 June 2022, the ECB called an ad hoc meeting, at which it announced that reinvestments of redemptions coming due in the PEPP portfolio would be done flexibly, between asset classes, between countries, and over time. It also communicated the intention to create a new instrument to counter the risk of market fragmentation in order to safeguard the correct functioning of the transmission mechanism of the monetary policy and prevent the rise in rates from being accentuated by speculation in peripheral government bonds. This instrument, the Transmission Protection Instrument, was launched at the meeting on 21 July 2022.

Excessively high inflation and the belief that it could no longer be considered a transitory phenomenon drove the ECB, at the meeting on 21 July 2022, to launch a substantial cycle of rate increases which brought the main refinancing rate from 0% to 2.5% in just under half a year.

In July, the ECB opted for an increase in all benchmark interest rates (main refinancing rate, overnight deposit rate, marginal lending rate) by 50 basis points. In September, the European Central Bank continued with the monetary restriction intended to counter the increase in inflation, launching a new increase of all interest rates by 75 basis points, well above operator expectations.

At the meeting in September, the ECB also amended other related monetary policy measures which contributed to a strengthening in the restrictive approach of the monetary policy and the more fluid functioning of the government bonds market in the euro area. The Governing Council decided to suspend the two-tier system for the remuneration of excess reserve holdings by setting the tiering multiplier to zero. Measures intended for this purpose were also adopted in the meeting on 27 October 2022, when the ECB also resolved on a remuneration of the compulsory reserves held by credit institutions of the Eurosystem from 21 December 2022 equal to the deposit facility rate rather than the rate on main refinancing operations. Lastly, the calculation method for the interest rate of TLTRO-III was amended, and three additional dates for voluntary early repayments for these transactions were established. The new calculation method, intended to ensure a better transmission of the increases in the cost of money under bank lending conditions, came into force on 23 November 2022. At the same meeting in October, the European Central Bank again increased all interest rates by 75 basis points.

Lastly, reiterating the restrictive direction also at the meeting on 15 December 2022, the European Central Bank decided to increase the interest rates by another 50 basis points, bringing the main refinancing rate to 2.50%, the overnight deposit rate to 2.00% and the marginal lending rate to 2.75% at the end of 2022. The same Council resolved on the gradual reduction in the stock of securities held by the ECB in the FAPP at the rate of EUR 15 billion in the first half of 2023, before evaluating how to proceed in the second half of 2023 on the basis of the economic situation.

As for the US, the Federal Reserve increased the target range for Federal Funds interest rates by a total of 425 basis points to 4.25-4.50% in 2022. The first increase of 25 basis points at the meeting in March was first followed by an increase of 50 basis points in May, then by four increases of 75 basis points in June, July, September and October and by a final increase of 50 basis points in December. At the beginning of March, the Central Bank ended its monthly net purchases of securities and at the meeting of the FOMC of 3-4 May 2022 announced the start of the quantitative tightening plan, which envisages a reduction of the securities portfolio by USD 47.5 billion monthly from June to August and by USD 95 billion monthly from September.

The Federal Reserve embarked on the process of monetary normalisation well in advance of the ECB, leading to a marked strengthening of the US dollar against the euro on the currency markets, which contributed to a general increase in risk aversion linked to fears of a slowdown in the global economic cycle. Another factor that favoured this strengthening was the higher exposure of the Eurozone economy compared to the US economy to the Russia-Ukraine conflict. Overall, the EUR/USD cross moved from the 1.1330 area to 1.0670 (-6.19%) over the twelve months of 2022.

The increase in interest rates by the central banks in order to limit inflation after the worsening in the geopolitical situation in Ukraine led to strong increases in yields for all the main government bonds, resulting in 2022 being one of the worst years in recent history. In Europe, the yield on the 10-year Bund went from -0.25% to 2.50% in just a few months in late 2022, creating new all-time highs for the last 10 years. In a generalised context of rate increases, the performance of Italian government bonds was also influenced by Italian political events during which the presidential elections and the resignation of PM Mario Draghi drove the spread to 240 basis points, whereas at the end of the year the rate of the ten-year BTP of reference reached new highs of 4.65%. The increase in the rates and their credit spreads was also significant for the corporate sector. Contracts to insure against the risk of default for corporate investment grade securities rose from around 50 basis points at the start of the year to 90 in late 2022.

The same drivers that affected the performance of the bond markets also drove performance on the equity markets, where the main global indexes closed with declines over 10 percentage points in Europe and around 20 points in America. Energy stocks especially benefited from the geopolitical and economic environment, while technology stocks suffered from the increase in rates as well as the shortage of raw materials in a similar manner to the more cyclical sectors, such as the automotive sector. In Italy, the main index performed in line with the other European indices.

Italian banking system

Economic growth in Italy, which was barely positive in early 2022, accelerated in the second quarter, stabilised in the summer quarter, before finally slowing down in the last three months of the year due to energy prices that remain high and a slowdown in the recovery of the sectors hardest hit by the pandemic.

The slowdown in the economy and the worsening of expectations were also reflected in bank loans to the private sector, with a weakening in demand between August and November from companies for investment purposes and households for the purchase of homes, and the tightening of the offer criteria.

In December 2022, based on data published by the ABI [1], loans to residents in Italy (including the private sector and public administrations) amounted to EUR 1,742.7 billion, marking an annual increase of 1.9% [2]. Specifically, loans to the private sector [3] recorded an annual acceleration of 2.1%, while the change in loans to households and non-financial corporations saw an annual increase of 1.6%.

An analysis of the distribution of credit shows that in 2022, manufacturing, mining and services accounted for a share of total loans of about 58.4% (the share of manufacturing alone is 27.7%). This is followed by trade and accommodation and catering activities with around 22.4%, the construction sector with 8.8%, and the agricultural sector with 5.6% and, lastly, residual activities with approximately 4.8%.

Looking at the risk profile, bad bank loans (net of writedowns and provisions already made) decreased year-on-year at the end of 2022, for a total of approximately EUR 14.2 billion (-6.5% year on year), with a ratio of net bad loans to total loans of 0.81% (0.87% in December 2021).

Total funding from customers of banks in Italy (resident customer deposits

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[1] ABI, "Monthly Outlook Economy and Financial-Credit Markets", February 2023.

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

[3] Non-financial corporations consumer households, producer households, non-profit institutions, insurance companies and pension funds and other financial institutions net of repos with central counterparties.

and bonds net of those repurchased by banks) was EUR 2,059.5 billion at December 2022, with a decrease of 0.4% on an annual basis. In detail, deposits (EUR 1,850.4 billion) decreased at an annual rate of 0.5%. On the other hand, bonds slightly increased (EUR 209.0 billion) by 0.1% compared to December 2021.

With reference to the trend in interest rates, the average rate of bank funding from customers calculated by ABI (figure which includes the return on the stock of deposits, bonds and repurchase agreements in Euro applied to the household and non-financial corporations sectors) is 0.61% at December 2022 (0.44% at December 2021). In the same month, the weighted average rate on total loans to households and non-financial corporations rose to 3.20% (in December 2021 it had reached an all-time low of 2.13%).

Significant events during the year

The main events of the year ended 31 December 2022 are provided below.

Business combinations between Affiliated Banks

During 2022, there were two business combinations among Affiliated Banks. Therefore, the number of Affiliated Banks decreased from 71 at the beginning of 2022 to 69.

Details of the business combinations carried out in 2022 are shown below:

- Cassa di Trento e Cassa Rurale Alta Vallagarina e Lizzana: new name Cassa di Trento, Lavis, Mezzocorona, Valle di Cembra e Alta Vallagarina – Banca di Credito Cooperativo – Soc. Coop., effective from 1 April 2022, Trentino-Alto Adige region;
- Cassa Rurale Val di Non e Cassa Rurale Rotaliana e Giovo: new name Cassa Rurale Val di Non – Rotaliana e Giovo, as of 1 July 2022, Trentino-Alto Adige region.

Business combinations between Affiliated Banks are part of the rationalisation of the regional control unit outlined in the Group's Strategic Plan, aimed at pursuing competitiveness and efficiency objectives. These transactions had no impact on the consolidated financial position as they are mergers between entities under common control. In the reporting year, two further aggregation processes were launched - one of which has already been completed - which, upon completion of the authorisation process and approval by the Extraordinary Shareholders' Meetings of the affiliated banks involved, will lead to a further rationalisation of the Cooperative Banking Group's regional presence.

2022-2025 Strategic Plan

On 30 June 2022, the Board of Directors of Cassa Centrale Banca approved the Group's Strategic Plan (hereinafter also referred to as "SP") with a 2022-2025 time period, which updates the 2021-24 SP approved last year.

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

The main lines of action of the Plan are listed below:

- **Drive the distribution model**, with the aim of fostering and encouraging greater adoption of advanced customer relationship management tools, which represent the true distinguishing asset of the Cassa Centrale Group;
- **Accelerate investments in technology**, to continue the journey of digital transformation already embarked upon and evolve the information system to better support all banking activities, particularly those aimed directly at customers.
- **Allocate specific resources to product companies** , with the aim of offering competitive products and services on the market;
- **Put people first**, increasing investments and initiatives to growth and develop the distinctive skills of the Group;
- **Prioritise risk management**, with the aim of providing Shareholders and depositors of Affiliated Banks with security and stability, with some of the highest provisioning levels for credit risk and primary capitalisation in Europe;
- **Sustainability**, with the aim of preserving and further enhancing the efforts by BCC-CR-RAIKA in the reference regions and local communities, in line with the principles of mutual cooperation that characterise the Group. The commitment to support community and environmental initiatives will be incentivised through the Sustainability Plan.

The economic-financial and equity projections define an evolution that shows a strengthening of the Group's ability to achieve revenues, pursue a containment of operating costs and adopt prudent provisioning policies to face the many uncertainties characterising the current macroeconomic scenario.

The Group has adopted a so-called "rolling" logic in its strategic planning process, according to which the Plan is reviewed on an annual basis. This logic has been adopted taking into account that the Group has been operating since 2019 and is moving in a continuously and rapidly evolving market and regulatory context and, particularly, a macroeconomic context that is heavily influenced by the war between Russia and Ukraine, by the sharp rise in inflation and energy costs and by the consequent increase in market returns at global level.

Impaired asset management and Group NPE strategy

In 2022, in an environment influenced by a macroeconomic framework characterised by high uncertainty following the gradual overcoming of the problems caused by the COVID-19 health emergency and the negative consequences arising from the ongoing geopolitical tensions, the Cassa Centrale Group, through dedicated structures within the Parent Company and the Affiliated Banks, has continued its careful monitoring of the quality of the loan portfolio and the management and reduction of impaired assets.

In this context, the Parent Company prepared the new NPE Strategy and the related Group Operating Plan, with a 2022-2024 time frame. The NPE Strategy and Operating Plan were presented for approval before the Board of Directors of the Parent Company on 31 March 2022 and subsequently sent to the ECB.

The NPE strategy was developed maintaining a prudent approach, considering the volatility of the available macroeconomic forecasts in light of the uncertainty of the actual impacts of the health emergency and the ongoing conflict on Italy's economy. This prudential approach was applied through the adoption of a particuarly high provisional default rate for the 2022-2024 period compared to the figures of the last few years. According to this logic, the Group's NPE Strategy envisages a slight reduction in the gross NPL ratio for 2022 and 2023, from 5.5% at the end of 2021 to 5.3% at the end of 2023, and a more significant reduction in 2024, which will bring the Group below the threshold of 5% (4.8%). On the other hand, with regard to coverage levels, on the strength of the coverage levels that the Cassa Centrale Group had reached by the end of 2021 (73.6%), NPE Strategy forecasts a slight decrease in the index, nevertheless retaining a provisional level for 2024 of 67%, which appears to be somewhat higher than the figures of the Italian and European banking system. The combined effect of the reduction in the gross NPL ratio and the retention of a high coverage level on impaired loans will enable the Group to maintain a net NPL ratio of 1.6% at the end of the plan, in line with the figures of the main Italian banking groups.

The final figures at 31 December 2022 showed much better results than the forecasts formulated as part of the NPE Strategy, especially in terms of default rates, which currently do not yet show the negative impacts of the ongoing geopolitical tensions. In 2022, the Cassa Centrale Group achieved a default rate on the performing loan portfolio of around 1%, compared to an estimate of 2.08%. The recovery performance of impaired loans was also better than expected, with collections totalling EUR 502 million against an estimate of EUR 425 million.

The effect of these dynamics on impaired loans, combined with the higher increase in performing loans than expected, led to the achievement of an gross NPL ratio of 4.8% [4] and a net NPL ratio of 0.9% as at 31 December 2022.

The positive performance, as regards the net NPL ratio, is also due to the maintenance of a prudent impaired exposures provision policy in view of the continuation of the macroeconomic uncertainty. This policy made it possible to achieve a level of coverage of impaired exposures of 81.8%, placing the Cassa Centrale Group among the top performers in Italy and Europe in terms of *coverage ratio*.

[4] The calculation of the gross and net NPL ratio was carried out on the basis of the EBA data model ("EBA methodological guidance on risk indicators", last updated in October 2021).

Appointment of new CEO and General Manager Sandro Bolognesi

In December 2021, Mr Mario Sartori resigned from his position as Chief Executive Officer and General Manager of Cassa Centrale Banca with effect from 1 February 2022.

Following this, the Board of Directors, during its meeting of 3 February 2022, co-opted Sandro Bolognesi, former CFO and Deputy General Manager of the Parent Company, and appointed him as Chief Executive Officer and General Manager.

The Shareholders' Meeting of 30 May 2022 renewed the corporate offices by appointing General Manager Sandro Bolognesi as Director, who was confirmed in the role of CEO by the Board of Directors at the same meeting.

Renewal of the Board of Directors and the Board of Statutory Auditors

The Shareholders' Meeting of 30 May 2022 resolved to renew the appointment of the corporate officers and appointed the 15 members of the Board of Directors, who will remain in office for the next three years: 10 Directors are representatives of the Affiliated Banks, with the Chairperson and the Acting Deputy Chairperson selected from among them.

The new Board of Statutory Auditors was also appointed.

On the same day, the Board of Directors appointed:

- the Deputy Chairperson;
- the CEO;
- the Executive Committee;
- the Board Committees.

Extraordinary shareholders' meeting for amendments to the articles of association

Following the approval by the ECB of the application for assessment pursuant to Article 56 of the TUB of the amendments to the Articles of Association approved by the Board of Directors at the meeting of 2 December 2021, an Extraordinary Shareholders' Meeting was held on 25 March 2022, which approved a number of amendments to the Articles of Association, incorporating regulatory adjustments and updating the governance structure three years after the launch of the Cooperative Banking Group.

For more information please refer to the Report on Consolidated Operations as at 31 December 2021.

Appointment of the new Chief Financial Officer

At the meeting of 10 March, the Board of Directors, in line with the provisions set out in the C-Suite Succession Plan of the Parent Company and having obtained the approval of the CEO, identified Alessandro Failoni as the candidate for the role of Chief Financial Officer (CFO).

The Board, having taken into consideration the positive assessment of the Appointments Committee, confirmed that the candidate meets the requirements set forth in Ministerial Decree 169/2020 for this role.

On 9 June the appointment was approved by the ECB and therefore the Board of Directors, at the meeting of 29 June 2022, appointed Alessandro Failoni as the new CFO, effective from 1 July 2022.

Appointment of the new Chief Operating Officer

At the meeting of 25 August, the Board of Directors appointed Paolo Sacco as Chief Operating Officer (COO) and as head of the new Organisation and Human Resources Department, effective from 1 September 2022.

Climate Risk Stress Test

As part of its climate roadmap, the ECB launched a specific climate stress test exercise ("2022 SSM Climate Risk Stress Test"), starting on 27 January 2022 and concluding in early July 2022 with the publication of the system results. This stress test required financial institutions to report on a common set of climate risk metrics, including the volume of greenhouse gas emissions they finance, with the aim of assessing the degree of preparedness and capacity of European banks to cope with financial and economic shocks from climate risk. Moreover,the exercise required a number of participating banks to assess their short-term exposure to physical and transition risk, and their exposure to transition scenarios over the next 30 years.

The "*2022 SSM Climate Risk Stress Test*" was a complex and very demanding exercise for the Cassa Centrale Group, also in view of the fact that it was conducted during a pandemic.

To perform the exercise, various preliminary activities were activated, with very significant costs both in terms of the commitment of internal departments (IT, FTE) and in terms of economic investments.

In the letter inviting institutions to take part, the ECB emphasised that this exercise should be seen as a "learning exercise", both for the participating banks and the supervisor, which will improve the quality and availability of data and ultimately aim to identify vulnerabilities, best practices and challenges faced by European banks, the results of which will be integrated into the Supervisory Review and Evaluation Process (SREP) using a qualitative approach (no direct capital impact on Pillar 2 guidance is foreseen).

The stress test consists of three modules:

- Module 1: general questionnaire to assess how banks are building their climate stress test capabilities as a risk management tool. Module 1 provides an overview of the positioning of banks in this process.
- Module 2: benchmarking analysis to compare banks on a common set of climate risk parameters. This translates into the calculation of two specific metrics aimed at estimating how much banks depend on income from greenhouse gas-intensive industries and how much greenhouse gas emissions banks finance. Module 2 provides an indicative proxy for the sustainability of the banks' business model and how exposed banks are to emission-intensive companies.
- Module 3: bottom-up stress test focusing on transition and physical risks. The stress test assesses how extreme weather events would affect banks in the coming year, how vulnerable they would be if the price of carbon emissions rose sharply over the next three years, and how banks respond to transition scenarios over the next 30 years.

In general, the poor availability of data (greenhouse gas emission data, EPC rating, geo-location guarantees, etc.) was the most critical aspect. The process to collect or reconstruct this data involved enormous effort and required the commitment both of time and dedicated personnel, as well as the use of data provided by specialised third-party providers (such as data on Scope 1, 2 and 3 greenhouse gas emissions) by the Group and its Italian peers.

On the whole, the outcome of some of the assessments conducted by the Supervisory Authority was the result of a prudential approach adopted by the Group in participating in the exercise which, on the reference date of 31 December 2021, was at an early stage of structuring the entire climate stress test framework, in full compliance with the Thematic Review on climate and environmental risks.

Therefore, the data collection process of the climate risk exposure assessment suffered in the initial stages, although the Supervisory Authority greatly appreciated the quality and availability of the numerical data used, as well as the adherence to the timelines outlined in the exercise, the reworkings and level of detail of the explanations provided.

At system level, the ECB considers that banks should establish a robust governance structure for their climate risk stress testing framework and integrate the results of climate risk stress tests into their core business and planning. In general, banks should improve their climate risk management, understand their customers' transition plans and strengthen their strategic plans to benefit from the opportunities of the green transition.

Complaints and disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by

EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

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

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

The proceedings ended with a judgement of 15 November 2021 by which the Court of Genoa, in acceptance of the claims of the defendants, ascertained the validity of the capital increase resolution adopted by Carige on 20 September 2019 and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs.

In December 2021, Malacalza Investimenti S.r.l., Malacalza Vittorio and 5 small shareholders out of the initial 42 appealed against the first-level ruling before the Court of Appeal of Genoa, (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

In March and April 2022, Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal.

At the hearing of 20 April 2022, the Court ordered the joinder of all the proceedings, reserving any decision until the continuation. Following various postponements, the Court set the first hearing for 8 February 2023 to verify the necessary notification of the defaulting parties and proceed with the ruling.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and expenses in line with the provisions of the IAS/IFRS international accounting standards.

On 5 January 2022, the Court of Cassation published an order dismissing the appeal filed by North East Services S.p.A. under extraordinary administration (hereinafter NES) against the order of the Court of Treviso issued in the challenge against the bankruptcy liabilities of the insolvency procedure.

Specifically, with respect to the claim for the values deposited by Cassa Centrale Banca and owned by the same (amounting to EUR 930,327.90 at the time of the declaration of insolvency of NES), the Official Receiver the Court of Treviso dismissed the claim and ordered that Cassa Centrale Banca be established as an unsecured creditor only. In view of this, Cassa Centrale Banca challenged the bankruptcy liabilities, appealing against the decision of the Official Receiver in the part in which it excluded the claim in its entirety and established Cassa Centrale Banca as an unsecured creditor for the claimed amount of EUR 930,327.90.

In the challenge against the bankruptcy liabilities, the Court of Treviso, with order dated 7 January 2016, recognised in favour of Cassa Centrale Banca the claim/return of part of the money that NES should have kept at the date of the opening of the proceedings (EUR 273,074.36) and allowing a residual claim of approximately EUR 657,253.54 in bankruptcy on an unsecured basis.

In a subsequent appeal, NES requested the repeal of the aforementioned order and the confirmation of the bankruptcy liabilities in the part in which it established Cassa Centrale Banca for the whole of its claim as an unsecured creditor. The Court of Cassation dismissed the appeal and ordered NES to pay the legal costs.

Rating updates

DBRS Morningstar

On 8 February 2022, the rating agency DBRS Morningstar, at the end of the first assessment process carried out on Cassa Centrale Banca, awarded the latter a BBB (Low) rating in relation to the Long-Term Issuer Rating and Long-Term Senior Debt profiles. In this way, the issuer and the related issues of financial instruments are placed in the "Investment Grade" category. This category includes instruments considered to be of higher quality, issued by companies characterised by positive management and favourable development prospects.

DBRS's assessment takes into account the role of Parent Company played by Cassa Centrale Banca since the establishment of the Cooperative Banking Group in 2019, in exercising management and coordination over the affiliated Cooperative Credit Banks - Rural Banks and Raiffeisenkassen, monitoring the stability of the Group.

In particular, the levels of liquidity, capitalisation and funding were considered positive. Further strengths of the Group were found in the improvement of asset quality and the high level of coverage of impaired loans.

Fitch

The rating agency Fitch has assigned a long-term issuer rating of BBB- to Cassa Centrale Banca. The score falls within the investment grade category. The rating implies a low risk of insolvency and adequate capacity to honour the financial commitments.

The rating was influenced by the Group’s virtuous characteristics, such as a stable, broad and diversified customer base and a high level of liquidity and capitalisation. The process of reducing impaired exposures undertaken since the launch of the Group, and the high coverage rate of NPLs, were also positively evaluated. The stable outlook confirms the prediction that the Group will be able to maintain its current levels of capitalisation, reducing exposure to sovereign debt and offsetting any impact of external events.

Moody's

On 9 August 2022, Moody's announced that it had amended the outlook of 14 Italian financial institutions, including Cassa Centrale Banca, from stable to negative.

On 28 November 2022, Moody's assigned the long-term rating Baa2 (from Baa1) to the deposits of Cassa Centrale Banca and Ba2 (from Ba1) to the issuer. All the other ratings and scores were confirmed, including the Ba1 rating for the Baseline Credit Assessment (BCA) and the adjusted BCA.

MREL Requirement

As part of the regulatory framework for the recovery and resolution of credit institutions and investment firms (the so-called BRRD), the Single Resolution Board (or SRB) communicated in April 2022 to Cassa Centrale Banca, as the Group's resolution entity, the Minimum Requirement of Eligible Liabilities (MREL [5]) to be met at a consolidated level for Cassa Centrale Banca and at an individual level for the Affiliated Banks identified as Relevant Entities by the relevant legislation in the 2021 resolution cycle [6]. The MREL Requirement, formulated in accordance with Article 12 bis, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE), was communicated by the Single Resolution Committee [7].

Given the general-hybrid approach adopted by the Single Resolution Committee, own funds on a consolidated basis shall be considered suitable to meet the consolidated MREL requirement, while the only eligible liabilities

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

[6] In the first four months of 2023, the Group expects to receive a new MREL communication from the SRB, which will define the MREL requirements to be met at consolidated level for Cassa Centrale Banca and at individual level for the affiliated banks identified as relevant entities by the relevant legislation in the 2022 resolution cycle.

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

will be those issued directly by the Parent Company Cassa Centrale Banca (as the "central entity" of the Resolution Group) and that will comply with the eligibility conditions set out in Regulation no. 877/2019 ("SRMR2"). This consideration stems from the single-point-of-entry (SPE) Resolution Strategy defined by the Supervisory Authority for the Group, according to which resolution tools and powers would be applied exclusively to the Parent Company.

The minimum requirement for own funds and eligible liabilities on a consolidated basis (with which the Parent Company must comply) is 21.79% of TREA (to which the combined capital reserve requirement (CBR) of 2.5 per cent should be added) and 5.91% of LRE. The Parent Company is required to meet the above requirements by 1 January 2024. From 1 January 2022, the Group is required to meet an interim requirement of 18.19% of TREA (to which the combined capital reserve requirement (CBR) of 2.5 per cent should be added) and 5.91% of LRE.

There are no subordination requirements to meet the above targets.

At the reference date of 31 December 2022, Cassa Centrale Banca complies with the mandatory intermediate level of the MREL requirement, both as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE), on a consolidated basis.

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

In the first half of 2021, the Banking Group was subject to an inspection by the Bank of Italy aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services. The results of the inspection were communicated by means of an inspection report dated 12 January 2022.

The Supervisory Authority found that three years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's anti-money laundering and transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks. The areas of intervention have been analysed and a detailed timetable has been drawn up for the implementation of the action plan on Anti-Money Laundering and Transparency. The schedule was sent to the Supervisory Authority on 24 March 2022 along with the response to the inspection report. The remedial actions indicated in the plans of action are progressively implemented and reported to the Bank of Italy according to its indications provided from time to time.

European Central Bank inspection on capital adequacy

At the end of 2021, the ECB's capital adequacy audit of the Cassa Centrale Group was completed, aimed at assessing the calculation of Pillar 1 capital requirements.

The outcome of the audit which was notified in early 2022, highlighted a number of points of concern for which the Group took prompt action to resolve. A dialogue was initiated with the JST aimed at representing the remedial plan undertaken by the Group in this regard with the aim that it will be finalised according to the timeframe expected by the Supervisory Authority.

European Central Bank inspection on credit and counterparty risk

In January 2022, the ECB notified the start of an on-site inspection (or “OSI”), from March 2022, on credit and counterparty risk with the aim of assessing the compliance and implementation of IFRS 9. The inspection focused on the segment of exposures to commercial real estate, as part of the broader spectrum of control and analysis activities conducted on the entire European banking system. The inspection team carried out a credit quality review on a sample group of positions and assessed the credit risk processes, including all ancillary aspects (see governance, credit processes, internal regulations, as well as the IFRS 9 models and rating systems adopted by the Group).

The ECB’s final report will be provided in 2023 and will include the results of the inspection, namely the findings that were discussed in a preliminary manner during the closing meeting of the activity in July 2022.

European Central Bank inspection on IT risk

In a letter dated 17 June 2022, the ECB informed the Cassa Centrale Group that an on-site inspection of IT risk would commence in September 2022, with the aim of assessing the management of IT operations and of IT projects, including any ancillary aspects related to these purposes and scope.

The inspection, officially started in September and concluded in November, involved areas of the Parent Company, Allitude, the Affiliated Banks and the Group Companies related to processes associated with IT operations (IT asset inventory and end-of-life management of systems, change management, capacity and performance management, incident and problem management, management of infrastructure operations) and to the framework of IT project management (alignment of ICT projects with the Group's Business Strategy, management of ICT demand, the creation of ICT solutions).

The results of the inspection and any findings will be communicated in a specific report during 2023, which will form the basis of the next meeting with the Supervisory Authorities over the subsequent months regarding any exceptions identified and the definition of the consequent remedial plan.

Update to the Equity Investments of Cassa Centrale Banca

Renewal of corporate appointments of CCB subsidiaries

The Shareholders' Meetings of the Cassa Centrale Banca subsidiaries were held in October for the appointment of the new Boards of Directors and Boards of Statutory Auditors, which shall remain in office for three years until the approval of the financial statements as at 31 December 2024 (spring 2025).

The new corporate bodies, in line with the Parent Company's guidelines, will be tasked with implementing the development approaches and projects referred to in the 2022-2025 Strategic Plan.

Change in organisational structure and voluntary liquidation of the Company Centrale Credit Solutions S.r.l.

Following the establishment of the Re.o.Co. Management Structure, Centrale Soluzioni Immobiliari S.r.l., the Board of Directors of Cassa Centrale Banca, in its meeting of 27 January 2022, ordered the convening of an Extraordinary Shareholders' Meeting of Centrale Credit Solutions S.r.l. to start the procedure for the liquidation of the Company. On 4 March the Extraordinary Shareholders' Meeting was held which resolved on the voluntary liquidation of the company and appointed the receiver.

Liquidation of Centrale Credit Solutions S.r.l. was completed in September. At the end of the liquidation activities, the Shareholders' Meeting resolved to distribute the assets to the sole shareholder Cassa Centrale Banca for an amount of EUR 4,129,557.

Share capital increase of Neam

In its meeting of 2 December 2021, the Board of Directors of Cassa Centrale Banca resolved to subscribe to the share capital increase promoted by the Board of Directors of NEAM. The capital increase, which was completed on 17 January 2022 for an amount of EUR 1,525,000, was necessary to provide the company with the resources required to meet its capital ratios following the increase in the company's assets under management.

After the increase, NEAM's share capital now consists of 240,000 shares of 12.5 EUR/share, for a value of EUR 3,000,000.

Share capital increase of Prestipay

In October, the Shareholders' Meeting of Prestipay S.p.A. resolved on a share capital increase totalling EUR 6 million, 60% subscribed by Cassa Centrale Banca, for a value of EUR 3.6 million, and the remaining 40% subscribed by Deutsche Bank, for a value of EUR 2.4 million. The underlying motivations for the share capital increase include an increase in loans higher than the forecasts for 2022, and prospectively for 2023. This increase led to a higher capital absorption for credit risk, which resulted in the need for early capital strengthening compared what was proposed in the Company's business plan.

Sale of the equity investment in Iccrea S.p.A. – Tranche 4

With regard to the equity investment in Iccrea Banca S.p.A., note that the third tranche of the sale of its shares, equal to 897,000 shares for a value of EUR 47,361,600, originally scheduled for 31 December 2021 and included in the "shareholding structure" Transaction Agreement of 14 October 2019, was finalised - subject to agreement between the Parties - on 19 January 2022.

On 21 December 2022, the fourth and final tranche of the sale of Iccrea assets held by the Affiliated Banks was completed. The transaction, part of the shareholding structure agreements, involved the sale of 899,078 shares for a value of EUR 47,471,318.41. Following this transaction, the entity shareholder structure process was completed and there are therefore no more crossing interests between the two Cooperative Credit Banking Groups.

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

Following the promotion of the full takeover bid by BPER Banca on Banca Carige ordinary shares involving a total of 156,568,928 ordinary shares, representing 20.582% of the Issuer's share capital, for a consideration of EUR 0.80 per ordinary share, the Board of Directors of Cassa Centrale resolved to join the takeover bid in question, thus selling, in July 2022, the entire equity investment held by Cassa Centrale equal to 45,000,000 ordinary shares.

Launch of the partnership with Assimoco Group in the bancassurance sector

On 10 March 2022, the Board of Directors of Cassa Centrale Banca resolved to continue exclusive negotiations with the Assimoco Group in order to define a five-year collaboration for the distribution of a complete range of life and non-life insurance products through the Affiliated Banks of the Cassa Centrale Group and through its subsidiary Assicura Agenzia.

Assimoco is a subsidiary of the German insurance company R+V Versicherung, which belongs to the DZ Bank Group, a historical partner of Cassa Centrale Banca and an expression of German cooperative credit.

Following the negotiations, a framework agreement was signed on 17 May 2022 between R+V Versicherung, the Assimoco Group companies, Cassa Centrale Banca and Assicura Agenzia, aimed at defining the rules of the strategic partnership in the context of the project and the shared financial and commercial objectives. In addition to the framework agreement, a distribution mandate was also signed, whereby the companies grant Assicura an agency mandate for the distribution of insurance products, and the management mandate defining the collaboration in the field of asset management between the companies and Cassa Centrale Banca.

Classification and measurement of loans to customers in light of the Russia-Ukraine war.

In order to calculate expected loss at 31 December 2022, the Cassa Centrale Group has incorporated the macroeconomic scenario as at October 2022 into its IFRS 9 impairment model, including the effects of the ongoing conflict in Ukraine and the uncertain evolution of the economic environment, aspects which have a major influence on growth forecasts, the main macroeconomic variables and the financial indicators for 2023-2025, compared to the previous forecasts.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2022, conservative criteria — in accordance with the IAS/IFRS accounting standards — were adopted, taking into account the socioeconomic effects resulting from the pandemic crisis, as well as the uncertainty arising from the Russian-Ukrainian conflict and the still ongoing inflationary spiral. However, given the difficulty in estimating their duration and development, the Bank incorporated the potential impacts of the aforementioned events - which suggest a possible increase in insolvency rates in the future - into its credit evaluations.

On 28 October 2022, ESMA issued a public statement on "European common enforcement priorities for 2022 annual financial reports", underlining that the current macroeconomic environment poses a significant challenge for the expected credit loss models used by European financial institutions due to a lack of experience in modelling such circumstances. Furthermore, acknowledging that different groups of borrowers may be affected differently by the current macroeconomic developments, ESMA draws attention to the need for a greater consideration of the risk drivers of specific economic sectors in measuring the expected loss.

In light of these considerations and also taking account of the further deterioration of the macroeconomic growth forecasts associated with the Russian-Ukrainian conflict, the Group adopted new mechanisms for determining suitable minimum coverage of allocation (floors) on the performing positions, on the basis of Group risk drivers that include a high impact of the overall cash exposure at Group level allocated to Stage 2, as well as the entrusted counterparty belonging to economic sectors deemed most vulnerable in the new risk environment (sectors related to energy-intensive and gas-intensive sectors and/or those impacted directly or indirectly by the Russian-Ukrainian conflict).

For the purposes of calculating the expected loss as at 31 December 2022, the Cassa Centrale Group has used the three scenarios — mild, baseline and adverse — appropriately averaging their contributions, in light of macroeconomic projections that expect continued high variability in the future and potential uncertainty linked to the possible evolution of the health emergency and the Russian-Ukrainian conflict. The scenarios used were those provided by the info-provider Prometeia, using a scenario generation system that considers publications from leading forecasting bodies as well as publications issued by the Supervisory Authorities, with no corrections.

Despite a confirmed growth trend, the updating of the macroeconomic scenarios shows a lowering of expectations for the 2023-2025 period, with a negative impact on medium-long term forecasts compared to the projections based on the scenarios in late 2021.

The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current context, with particular reference to the sectors of the economy impacted by the sharp increase in energy prices. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, probability of default (PD) curves were differentiated by sector, a component calibrated using the Group's internal data and refined in the first half of 2022. This had effects on staging and on the calculation of expected losses, refining the previous approach of penalisation (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic and the current stress introduced by price rises and the uncertainty in the availability of raw materials resulting from the conflict in Ukraine.

Update on cyber risk management in the light of the Russian-Ukrainian conflict

In relation to the ongoing Russian-Ukrainian conflict, specific actions were adopted to strengthen the security monitoring of the Cassa Centrale Group. In particular, the actions involved continuous threat analysis, collection and enhancement of indicators of compromise shared by cyberthreat intelligence sources and targeted information and awareness activities, all of which concerned the Group, with the involvement of the corporate control functions and top management.

Following the communication sent in March to critical third parties, with a request for increased security monitoring and prompt reporting to the Group of possible impacts resulting from security incidents, no reports and/or critical issues were sent.

Significant regulatory events during the year

The reference regulatory context in which the Group operates, also following its recognition as a significant supervised entity, is broad and articulated and has led, over time, to a process of organisational and procedural adjustment. In 2022, various regulations affecting the banking sector came into force.

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

Transparency

Early repayment of consumer credit agreements (Constitutional Court Ruling no. 263/2022)

On 22 December 2022, ruling no. 263 of the Constitutional Court was filed in the registry, which declared the partial constitutional illegitimacy of Art. 11-*octies*, paragraph 2, introduced during conversion of Decree Law no. 73 of 2021 (so-called *Sostegni bis* Decree) into Law no. 106 of 2021.

Notably, Art. 11-*octies*, under paragraph 1, letter c, replaces Art. 125-Sexies*sexies* ("Early repayment") of the Consolidated Law on Banking, Chapter II (Consumer Credit), stating that: "the consumer may repay early, at any time, wholly or partly, the amount due to the creditor, and, in such case, has the right to the reduction proportional to the residual life of the agreement, the interest and all costs included in the total cost of the credit, excluding taxes".

Paragraph 2 of Art. 11-*octies* introduced the regulation challenged in the ruling in question under which "*Article 125-sexies of the consolidated laws on banking and credit, set out by Legislative Decree no. 385 of 1 September 1993, as replaced by paragraph 1, letter c, of this article, applies to the agreements signed after the date of entry into force of the conversion law of this decree*. The provisions of Art. 125-*sexies* of the consolidated law set out by Legislative Decree no. 385 of 1993 continue to apply to the early repayment of agreements signed before the date the conversion law for this decree enters into force, as do the secondary regulations contained in the provisions on transparency and vigilance of the Bank of Italy in force at the date the agreements are signed".

With the ruling in question, the Constitutional Court resolved the question of interpretation raised by the Court of Turin with order of 2 November 2021, declaring the constitutional illegitimacy of Art. 11-*octies* in the part in which it limits the temporal scope of the consumer's right to the pro-rata reduction of the total cost of the credit to solely consumer credit agreements signed after 25 July 2021 (date of entry into force of the new Art. 125-*sexies* of the Consolidated Law on Banking). The article in question transposed the principle of law expressed by the Lexitor judgement of the Court of Justice of the European Union according to which, in case of early repayment, the consumer accrues the right to the reimbursement not only of the items subject to accrual over time (recurring costs), but also of those related to lending activities and fully exhausted at the time of signing the agreement (upfront costs), therefore limiting its efficacy to agreements signed after such date.

The Constitutional Court, restricting Art 11-*octies* in the part in which this time limitation is unlawfully introduced, therefore caused the expansion of the restitutory obligations borne by the financial intermediaries so as to also encompass the cases of early repayment/curtailment of consumer credit agreements stipulated before 25 July 2021.

In order to comply with the aforesaid principle of law, Cassa Centrale commenced analyses in order to identify the organisational and IT impacts, as well as the necessary adjustment measures.

Amendments to the Business Crisis and Insolvency Code (Legislative Decree no. 83 of 17 June 2022)

Legislative Decree no. 83 of 17 June 2022, implementing Directive (EU) 2019/1023 of 20 June 2019, introduced Art. 25-*decies* (Communication obligations for banks and financial intermediaries) of the Crisis Code, which provides for the following: "Banks and other financial intermediaries set out by Article 106 of the consolidated law on banking, when notifying customers of changes, revisions or withdrawals of loans, also communicate this information to the corporate control bodies, where these exist".

In relation to the new communication obligations incumbent upon the Banks, the Parent Company commenced the consequent analyses for the purpose of an operational interpretation of the newly established obligations.

Accessibility of banking products and services

Legislative Decree no. 82 of 27 May 2022, transposing Directive (EU) 2019/882 on the accessibility requirements for products and services

On 1 July 2022, Legislative Decree no. 82 of 27 May 2022 implementing Directive (EU) 2019/882 was published in the Official Gazette, aimed at improving the accessibility of people with disabilities to products or services attributable to multiple production activities, including banking activities.

The Decree in question lists the products and services that, as of 28 June 2025, must meet the accessibility requirements envisaged by the EU Directive for their issue onto the market. In particular, the products targeted by the directive include "*computer hardware systems and operating systems for those hardware systems*" and "*self-service payment terminals*". Services that must be made accessible also include websites, "*mobile device-based services, including mobile applications*", and "*consumer banking services*".

The accessibility requirements — which must be met by the products and services set out by the above paragraph — are listed in Annex I of the decree. To this end, the characteristics that such products and services must possess in order to "optimise their predictable use by people with disabilities" are defined. These include but are not limited to the availability of information on the use of the product and/or service via more than one sensory channel, in fonts of adequate size and suitable shape, using combinations of text and voice to ensure accessibility to people susceptible to epileptic seizures, people with visual and hearing impairments and/or those affected by additional and other forms of disabilities.

The Parent Company commenced analyses to define the adjustments to be made to the products and services affected.

Payment services

Sanctions adopted by the European Union to combat Russian actions in Ukraine

Following the invasion of Ukraine by Russia, in February 2022 the European Union issued a series of new Regulations aimed at amending and updating those adopted following the annexation by Russia of Crimea in 2014.

With specific reference to payment services, these Regulations introduced bans and restrictions on operations with counterparties from Russia, Belarus or the Ukrainian regions of Donetsk and Luhansk.

Following these regulatory interventions, the Parent Company coordinated with the IT outsourcer Allitude S.p.A. to make the necessary adjustments to the information system to guarantee the blocking and monitoring, respectively, of payments to and from Russia and Belarus. With regard to payments to or from Ukraine, which are not subject to specific regulatory restrictions, Cassa Centrale has instructed its Affiliated Banks to warn the customers concerned that outgoing payments must be carefully assessed as their successful outcome cannot be guaranteed.

Finally, following the publication of Regulation (EU) 2022/345 of 1 March 2022, some Russian banks were removed from the Swift network; accordingly, the IT outsourcer promptly updated the list of banks to which payments are blocked.

Operation of multi-brand debit cards in contactless mode

With reference to the obligations associated with the process of early mass replacement of debit cards whose contactless function does not operate on the domestic system (i.e., despite the indication of both the Bancomat symbol and an international circuit symbol, when used in contactless mode the transactions are processed only on the international circuit), Cassa Centrale has forwarded to its Affiliated Banks the text of the notice to be sent to customers by 31 December 2021, in compliance with the requirements of the Bank of Italy in its Communication of 30 June 2020 concerning "Operation of multi-brand debit cards in contactless mode".

The gradual replacement of such cards was completed during the first half of 2022; for cards that are still active and have not yet been replaced with the new card received by the customer together with the above information, Cassa Centrale, in cooperation with the IT outsourcer, has activated a block that prevents their use and guarantees their replacement with cards that function on both the international and domestic circuits.

Exemption from strong customer authentication in case of online access to information related to payment account data

Commission Delegated Regulation (EU) 2022/2360 of 3 August 2022 made changes to the regulatory technical standards for strong customer authentication contained in Commission Delegated Regulation (EU) 2018/389 of 27 November 2017.

In particular, it required that strong customer authentication be renewed after 180 days (and no longer 90) since the last time the user accessed online the payment account information and strong customer authentication was applied (if the user accesses account information directly with the account servicing payment service provider or if access is made via an account information service provider).

Furthermore, the compulsory exemption from customer strong authentication was introduced for the specific case in which information is accessed via an account information service provider.

With reference to the impacts arising from the changes introduced by Reg. 2022/2360, the Parent Company commenced the appropriate analyses.

Supervisory Reports

5th update to Bank of Italy Circular 140/1991

As of 1 January 2022, the amendments to Bank of Italy Circular 140/1991 on customer classification came into force, motivated by the need to incorporate the new features introduced by the new "Regulation on the balance sheet items of credit institutions and of the monetary financial institutions sector" (ECB/2021/2), as well as certain regulatory provisions that came into force after the previous update of the Circular, which ensure alignment with the classification envisaged by the European System of Accounts.

In this regard, Cassa Centrale Banca, following the assessment of the impacts of the new features introduced with the 5th update of the Circular, led — also with the involvement of the IT outsourcer — to the necessary adjustments, providing the Affiliated Banks with information on the new features available within the IT procedure as from 7 January 2022.

Loan granting and monitoring

EBA guidelines on granting and monitoring of loans

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

With Note no. 13 of 20 July 2021, the Bank of Italy adopted these Guidelines in the form of "Supervisory Guidelines". As of said date, these Guidelines shall apply to newly originated loans disbursed and to the valuation, monitoring and revaluation of guarantees carried out after that date. The guidelines on lending procedures and price setting also apply to loans disbursed prior to 30 June 2021 in cases where the contractual terms and conditions are amended on or after 30 June 2022.

At the beginning of 2021, Cassa Centrale Banca began a process to ensure compliance with the EBA Guidelines, which has not yet been fully implemented, involving the formal incorporation of the organisational safeguards required by the EBA into its internal regulations and the implementation of appropriate IT functionalities for their automated management, by both the Parent Bank and the Affiliated Banks.

In particular, in the first six months of 2022, it was resolved to update the Group Credit Regulations, with the aim of uniformly defining preconfigured investigative processes in which the Affiliated Banks are called upon to carry out assessments of customers' creditworthiness. The Regulations were sent to the Affiliated Banks for adoption by the deadline of 30 June 2022.

In the second half of 2022, an update to the Group Regulations for monitoring and first-level controls on credit risk was approved, defining the processes and activities used by the Affiliated Banks and the Parent Company to ensure the prompt and uniform monitoring of credit exposures throughout their life cycle.

Additional adjustment measures will be adopted through progressive releases by the Parent Company and the IT outsourcer.

Renegotiation of the mortgage loan agreements signed before 1 January 2023

Art. 1, paragraph 322 of the 2023 Budget Law (Law 197 of 29 December 2022) states that until 31 December 2023, the borrower who, before 1 January 2023, has stipulated, or has taken on (including following fractionating) a mortgage loan agreement of an original amount no greater than EUR 200 thousand, for the purchase or renovation of property units for residential use, at variable rate and instalments for the entire term of the agreement, has the right to obtain from the lender the renegotiation of the loan, should at the time of the request he/she present certification of the equivalent financial situation index (ISEE) no greater than EUR 35 thousand and, unless agreed otherwise between the parties, has had no late payments in the loan instalments.

Renegotiation ensures, based on the customer's needs, for a period equal to the residual term of the lending (or for a shorter period agreed with the customer), the application of a fixed nominal annual rate no greater than the rate obtained based on the EUR 10-year IRS or the IRS of a duration equal to the residual duration of the loan, increased by the contractual spread, whichever is lower.

In relation to the option of renegotiation of the loan under the above terms, the Parent Company commenced the activities required to allow the Banks the operational management of such cases in compliance with the regulatory provisions.

Specifications on reports to the Central Credit Register regarding Guarantees given by the Central Guarantee Fund for SMEs

With communication of 19 June 2020, the Bank of Italy specified that, "in the guarantees received category, (I) public guarantees granted on the basis of laws, decrees and regulatory measures, and (II) guarantees given automatically once certain prerequisites are met, should not be reported to CCR. For example, guarantees granted by the SME Guarantee Fund pursuant to Decree Law 23/2020 should not be reported among the guarantees received." The exemption, pursuant to Art. 1 under Annex 1 of the Decree in question, concerned in particular public guarantees to be granted to businesses affected by the COVID-19 epidemic until 30 June 2022.

Cassa Centrale Banca, when adjusting to the aforesaid indications, communicated to the Banks the exemption from reporting to the Central Credit Register of the guarantees given by the SME Guarantee Fund on the accounts entrusted; in order to ensure alignment with uniform operating rules, a new taxonomy of guarantees was established, setting out the codes reserved for sureties granted by the Fund so as to eliminate the report from the Central Credit Register.

In the second half of 2022, the Bank of Italy specified that: "consistently with the interim regime, the guarantees approved between 1 July and 31 December 2022 should not be reported to the Central Credit Register among the guarantees received, in continuity with the regime envisaged until 30 June 2022."

Cassa Centrale Banca, in accordance with these indications, ensures that guarantees given in the meantime are also subject to said exemption.

Transfer of tax credits pursuant to Art. 119 and 121 of D.L. 34/2020 (so-called Relaunch Decree)

The transferability of tax credits from construction works (including the works under the so-called Superbonus 110) introduced by the Relaunch Decree, has been the subject of repeated regulatory interventions, all aimed at reducing instances of fraud.

In the first six months of 2022, in fact, several pieces of legislation were introduced. First, Law 234/2021 ("State Budget Forecast for the Financial Year 2022") extended the Superbonus subsidy until 2025 and the so-called minor building bonuses until 2024, setting specific deadlines as well as a progressive reduction of the subsidy rate.

With Decree Law 4/2022 (so-called *Sostegni Ter*) an amendment was introduced to article 121 of the Relaunch Decree, providing for the blocking of transfers subsequent to the first transaction: under this regulatory provision, credit transferred by the taxpayer or by the company that recognised the discount on the invoice could be used by the transferee (be it a bank or a third party) only in compensation.

Subsequently, Decree Law 13/2022 made changes to the provision contained in *Sostegni ter* Decree, providing that the credit transferred by the customer (be it the beneficiary of the discount or the company that recognised the discount on the invoice) could be the subject of further transfers, but with specific constraints and up to a maximum of two times. In fact, under the Decree Law the next two transfers would take place exclusively in favour of banks and intermediaries registered on the list referred to in article 106 of the Consolidated Banking Act, to companies belonging to banking or to insurance groups authorised to operate in Italy.

Law 34/2022 - converting, with amendments, Decree Law 17/2022 establishing urgent measures to limit electricity and natural gas costs, to develop renewable energies and to relaunch industrial policies - intervening again on article 121, paragraph 1, of the Relaunch Decree, provided that the Banks, in relation to the credits for which the number of possible transfers has been met, may proceed with a further transfer exclusively in favour of the parties with which they have entered into a current account agreement, without the option of further transfer. Decree Law 50/2022 further amended this provision, specifying that *"banks, or companies belonging to a banking group registered on the register referred to in article 64 of Legislative Decree no. 385 of 1 September 1993, are always permitted to assign their current accounts to private professional clients, as referred to in Article 6(2)-quinquies of Legislative Decree no. 58 of 24 February 1998, who have entered into a current account agreement with the bank itself, or with the parent bank, without the right to further transfer".*

Indeed, the legal framework is still not fully defined and continues to evolve, particularly considering intentions of the legislator to intervene further on the subject.

Moreover, in addition to the regulatory sources listed above, specific circulars of the Italian Revenue Agency intervened during the period to clarify their concrete application in greater detail. These include Circular 23/E of 23 June 2022, which concerned the issue of liability profiles arising from the purchase and use of tax credits.

Considering the continual development of the regulatory context, Cassa Centrale Banca promptly notified the Affiliated Banks of the changes as they occurred, providing - through the IT outsourcer - the appropriate procedural implementations where necessary.

Investment services

On 12 April 2022 ESMA published the translation into the official languages of the European Union of the "Guidelines on certain aspects of the MiFID II appropriateness and execution only requirements". In response, by the notice of 25 May 2022, CONSOB declared to have ensured compliance with the guidelines by providing for their integration into its supervisory practices. The Guidelines provide operational guidance on how to implement the obligations under MiFID II for intermediaries providing investment services under the appropriateness and execution only scheme and will become effective on 12 October 2022. The Parent Company is currently implementing a project to revise the current Group model for the provision of consultancy services and suitability assessments, taking into account the Guidelines with regard to the provision of executive investment services.

On 23 September 2022, ESMA published the final report "*Guidelines on certain aspects of the MiFID II suitability requirements*" which updates the previous Guidelines on several aspects of the suitability assessment issued in 2018. The main updates concern the methods of acquiring and assessing the customer's sustainability preferences, which the intermediaries must consider, in the context of the suitability assessment of a financial investment, pursuant to Commission Delegated Regulation (EU) 2021/1253, which came into force on 2 August 2022.

The Parent Company took account of the ESMA indications reported in the documents mentioned in the previous paragraphs as part of the project to review the MiFID questionnaire and the Group's suitability assessment model launched in 2022.

In 2022, activities were also launched to make adjustments to Commission Delegated Regulation (EU) 2022/1288 on public disclosure of sustainable finance topics and Commission Delegated Regulation (EU) 2021/1269 as regards the integration of sustainability factors into the product governance obligations of financial instruments and insurance investment products.

Market Abuse

On 13 April 2022, ESMA published the translation into the official languages of the European Union of the "Market Abuse Regulation (MAR). Delay in the disclosure of inside information and interactions with prudential supervision", replacing the pre-existing Guidelines. In response, by the notice of 10 June 2022, CONSOB declared to have ensured compliance with the guidelines by providing for their integration into its supervisory practices. The Guidelines set out an indicative, non-exhaustive list of legitimate interests of issuers that could be adversely affected by the immediate public disclosure of inside information and of situations in which a delay in the disclosure of inside information could mislead the public. The Parent Company started integrating Group regulations.

Usury

In the second half of 2022, the Parent Company prepared the Group's related regulations. In particular, the Group Anti-Usury Regulations were approved, as were the Group Anti-Usury Procedure and the Group Anti-Usury Reporting Procedure.

At the same time, in September 2022, a communication was published on the Bank of Italy's website announcing that the consultation launched on 20 May 2020 had been closed without amending the Instructions for the collection of the TEGMs under the Usury Law. The communication stated that, as a result of the large number of questions and comments raised by participants in the consultation, Bank of Italy had recognised the opportunity for a broader consideration, thus postponing the update of the Instructions to a future date.

Remuneration policies

The 37th update of the Bank of Italy Circular 285/2013 on remuneration and incentive policies and practices in banks and banking groups, which came into force at the end of 2021 (24 November 2021), transposed the changes introduced by Directive (EU) 2019/878 (CRD V) and the EBA Guidelines on sound remuneration policies pursuant to Directive 2013/36/EU (EBA/GL/2021/04) and set the deadline for the adjustment of remuneration and incentive policies as the Shareholders' Meeting called to approve the 2021 financial statements. This amendment, which first involved the Affiliated Banks and the other Group Companies, was concluded through the approval by the Shareholders' Meeting of Cassa Centrale Banca on 30 May 2022 of the Group 2022 Remuneration and Incentive Policies (adopted by the Parent Company's Board of Directors on 31 March 2022). At the same juncture, the 2021 ex-post reporting on the basis of the new models introduced by Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 was submitted to the Shareholders' Meeting of the Parent Company for approval, while the "Implementing Technical Standards on public disclosures (ITS) by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013" were adopted.

As part of the overall process of compliance with the European regulations on the subject, during the first part of the year the process of identifying the most relevant Personnel, both at individual and consolidated level, was carried out in application of the criteria established in the document "Group Policy and Regulations for the Identification of the Most Relevant Personnel", approved by the Board of Directors on 13 January 2022, transposing Delegated Regulation (EU) 923/2021 of the European Commission of 25 March 2021 ("Regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in article 92(3) of that Directive").

On 30 June 2022, the EBA published two final drafts of the Guidelines:

- "Draft Final report on Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU", updating the remuneration benchmarking guidelines following the introduction of Directive (EU) 2019/878 (CRD V), extending the relative information to the gender pay gap;
- "Draft Final report on Guidelines on the data collection exercises regarding high earners under Directive 2013/36/EU and under Directive (EU) 2019/2034, updating the data collection guidelines for so-called high earners following the introduction of Directive (EU) 2019/878 (CRD V) and Directive (EU) 2019/2034.

Following the translation into the official languages of the European Union, the Bank of Italy published the communication on 1 December 2022 declaring its compliance with the new EBA guidelines. Following analysis of the new developments regarding the transmission of remuneration information, the Parent Company will, within the time frames and using the methods indicated by the aforesaid Guidelines, send the relevant reports to the Supervisory Authority, providing, if necessary, the relevant indications to the Affiliated Banks

Anti-Money Laundering

The regulatory framework on anti-money laundering and countering the financing of terrorism has been supplemented as follows:

Law no. 15/2022, which came into force on 1 March 2022, amended Legislative Decree no. 231/2007 on customer identification without the physical presence of the customer, the protection of those who report suspicious transactions and limits on cash transfers between private individuals which was extended to EUR 2,000 until 31 December 2022. Subsequently, Law no. 197/2022, concerning the State Budget for the 2023 financial year and multi-annual budget for the 2023-2025 three-year period, once again amended art. 49 of Legislative Decree no. 231/2007, bringing the threshold for cash transfers between private individuals to EUR 5,000 from 1 January 2023.

In the light of the financial analysis of reports of suspicious transactions and information exchanges with foreign counterparties associated with the pandemic situation and taking into account changes to regulations, the Financial Intelligence Unit, following its previous Notices dated 16 April 2020 and 11 February 2021, provided further updates and specifications, with a Notice dated 11 April 2022, on the risks related to tax credit transfers, also considering the National Recovery and Resilience Plan (NRRP). The Notice was circulated to the Affiliated Banks for prompt consultation.

In the Official Gazette no. 121 of 25 May 2022, the Decree of the Ministry of Economy and Finance (MEF) no. 55 of 11 March 2022 was published, on the "Regulation concerning provisions on communication, access and consultation of data and information on the effective ownership of companies constituting a legal entity, private legal entities, trusts with legal effects relevant for tax purposes and legal institutions similar to trusts". The Regulation lays down provisions on the disclosure to the Business Registry Office of data and information on the effective ownership of companies constituting a legal entity, private legal entities, trusts with legal effects relevant for tax purposes and legal institutions similar to trusts for their registration and maintenance in the autonomous section and special section of the Business Register and related data access. The Decree came into force on 9 June 2022. The operation of the register is subject to the adoption of the relevant implementing provisions.

The Bank of Italy informed the European Banking Authority (EBA) of its intention to comply with the Guidelines on policies and procedures in relation to compliance management and the role of the AML officer (EBA/GL/2022/05), which describe the role, tasks and responsibilities of the anti-money laundering and countering the financing of terrorism (AML/CFT) compliance officer, of the management body and of the senior executive in charge of compliance with the AML/CFT requirements. To this end, the Bank of Italy will amend the Provisions on AML organisation, procedures and internal controls of 26 March 2019. Pending these amendments, the banking intermediaries and lenders will continue to apply the Provisions currently in force.

On 22 November 2022, the EBA published on its website the "Final Report Guidelines on the use of Remote Customer Onboarding Solutions under Article 13(1) of Directive (EU) 2015/849". The Guidelines establish the steps and measures that the parties required to comply must follow when choosing instruments for remote customer identification, as well as the actions that they must take to ensure that the chosen instrument is adequate and reliable. They also define the common standards that the parties required to comply must adopt for the development and implementation of remote customer identification processes. The Guidelines are yet to be translated into the official languages of the European Union. Once this is done, the competent national authorities must notify the EBA of their compliance or intention to comply with the Guidelines.

On 23 February 2022, the European Union adopted a package of restrictive measures, further strengthened in the following months and reflected in the notices issued by the Financial Intelligence Unit, relating to actions that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, including measures against designated parties aimed at freezing funds and economic resources. Cassa Centrale Banca has complied with the measures by listed the designated parties to its internal sanctions list, making the necessary notifications on the deposits of Russian and Belarusian entities to the Financial Intelligence Unit and adopting specific safeguards.

Privacy

Presidential Decree no. 26 of 27 January 2022 was published in Official Gazette no. 74 of 29 March 2022, defining the operation of the new Public Opt-Out Registry which covers all numbers, whether landline or mobile, not in public telephone directories, in accordance with the provisions of Law no. 5 of 11 January 2018.

Pursuant to the provisions of the Decree, as from 27 July 2022 it is possible to include in the Public Opt-Out Registry all landline numbers, including those not entered in a public telephone directory, and mobile telephone numbers. The Registry must be consulted regardless of the manner in which the processing of numbers is carried out, i.e. with or without a telephone operator, but also more generally by automated calling systems without the intervention of an operator.

For this reason, the Parent Company revised the Marketing and Privacy FAQs document, issuing an updated version in July 2022.

The Data Protection Authority also stated that without the guarantees provided by the EU Regulation, the website, which uses the Google Analytics (GA) service, breaches data protection law because it transfers user data to the United States, a country without an adequate level of protection.

The Authority therefore drew the attention of all Italian website operators, both public and private, to the unlawfulness of transfers made to the United States through GA, and called on all data controllers to verify the compliance of the use of cookies and other tracking tools used on their websites, with particular attention to Google Analytics and other similar services, through personal data protection law. Following appropriate assessments, the Parent Company sent a communication to the competent internal functions and the Affiliated Banks on 17 August 2022.

On 29 July 2022, Legislative Decree no. 104/2022 (so-called "Transparency Decree") was published in the Official Gazette. In transposing Directive (EU) no. 2019/1152 on transparent and predictable working conditions, the Decree amends Legislative Decree no. 152/1997 and introduces new disclosure obligations for the employer at the time of signing the employment contract.

The Transparency Decree also expanded employer obligations on personal data protection. Specifically, Article 4 of the Transparency Decree added art. 1-bis to Legislative Decree no. 152/1997, which — under "Additional disclosure obligations in case of use of automated decision-making or monitoring systems" — requires the employer to inform the worker of any use of automated decision-making or monitoring systems responsible for providing the indications envisaged by the Decree.

In this regard, the Parent Company instructed the Affiliated Banks to check for any use of automated decision-making systems and, if so, to adopt measures intended to ensure their compliance.

Administrative liability of entities

On 23 March 2022 Law no. 22 of 9 March 2022 came into force: "Provisions on crimes against the cultural heritage". The reform incorporates the criminal offences currently divided between the Criminal Code and the Cultural Heritage Code (Legislative Decree No. 42/2004) into the Criminal Code, under the new Title VIII-*bis* ("Crimes against the cultural heritage"), introducing new offences and raising the relative penalties, and thus implementing Italy's constitutional principles to ensure the strengthened protection of the country's cultural and landscape heritage.

The intervention also amends Legislative Decree no. 231/2001 by providing, in the new articles 25-*septiesdecies* and 25-*duodevicies*, for the administrative liability of legal entities when offences against cultural heritage are committed in their interest or to their advantage.

On 28 March 2022 Law no. 25 of 28 March 2022 came into force: "Conversion into law, with amendments, of Decree Law no. 4 of 27 January 2022, on urgent measures to support businesses and economic, labour, health and regional service operators, related to the COVID-19 emergency, as well as to limit the effects of price increases in the electricity sector".

The interventions introduced by the legislation, which makes changes to some of the offences provided for in the Criminal Code, have affected some of the predicate offences referred to in article 24 of Legislative Decree no. 231/2001 in order to extend the criminal protection of public resources, including fraud in the context of subsidies granted by the State to promote economic recovery ("superbonus"), by modifying certain criminal offences which were already subject to corporate liability.

On 1 February 2022, Law 238 of 23 December 2021, "Provisions for the fulfilment of obligations arising from Italy's membership of the European Union – European Law 2019-2020", entered into force, in order to adapt the domestic system to EU legislation (also following some infringement proceedings initiated by the European Commission against Italy).

Specifically, the most significant changes relate to three categories of criminal offences relevant to corporate liability resulting from an offence (Legislative Decree no. 231/2001):

- amendment of certain predicate crimes falling within the category of computer crimes (predicate crimes referred to in article 24-*bis* of Legislative Decree no. 231/2001) which were already subject to corporate liability;
- amendment of a predicate crime falling within the category of crimes against the individual (predicate crimes referred to in article 25-*quinquies* of Legislative Decree no. 231/2001);
- amendment of a predicate crime falling within the category of Market Abuse (predicate crimes referred to in article 25-*sexies* of Legislative Decree no. 231/2001).

Cassa Centrale Banca started the analyses aimed at identifying the consequent changes to be made to the Organisational, Management and Control Model pursuant to former Legislative Decree no. 231 of 8 June 2001. This activity was concluded with the approval by the Board of Directors of the update of the Model on 12 May 2022, which incorporated the regulatory interventions mentioned above as well as those that took place in November 2021, as noted in the previous Report (i.e. Legislative Decree no. 184/2021 of 8 November 2021 and Legislative Decree no. 195/2021 of 8 November 2021).

During the reporting period, two additional regulatory updates were made, represented by:

- Legislative Decree no. 156 of 4 October 2022, which came into force on 6 November 2022 and amended Art. 25-*quinquiesdecies* of the Decree, also making corrections and additions to Legislative Decree no. 75 of 14 July 2020, in implementation of Directive (EU) 2017/1371 (the "PIF Directive") on the fight against fraud to the Union's financial interests by means of criminal law;

- Legislative Decree no. 150 of 10 October 2022, the entry into force for which was postponed to 30 December 2022 by Legislative Decree no. 162 of 30 October 2022, amending in particular Art. 64 of the Decree.

Legislative Decree no. 156 of 4 October 2022, in particular, amended art. 25-*quinquiesdecies*, paragraph 1-*bis* of Legislative Decree no. 231 of 2001 on the administrative liability of entities, in order to better define unlawful conduct to be prosecuted in that it is associated with the territory of other States, guaranteeing compliance with the principle of Union-level transnationalism relevant for the purposes of administrative liability. The aforesaid article was therefore rephrased to state that the application of pecuniary sanctions for the crimes of false or incomplete statements and undue compensation should be subject to the condition that the crimes have been committed in order to evade value added tax in the context of cross-border fraudulent schemes associated with the territory of at least one other Member State of the European Union, which gives or may give rise to total damage equal to or greater than EUR 10 million.

Article 6 of Decree Law no. 162 of 31 October 2022 postpones until 30 December 2022 the entry into force of Legislative Decree no. 150 of 10 October 2022, on the criminal justice reform (so-called Cartabia Reform). The reform amended several provisions contained in the Criminal Code and in Legislative Decree no. 231/2001, and in particular Art. 640, paragraph 3 of the Criminal Code, Art. 640-*ter*, paragraph four of the Criminal Code, and Art. 64, paragraph 1 of Legislative Decree no. 231/2001.

In relation to these regulatory updates, the appropriate analyses are under way by the competent structures of the Parent Company, with the aim of identifying the impacts in on the Cassa Centrale Banca Model and the Affiliated Banks in order to provide much-needed support in the respective update activities.

Climate and environmental risks

On 24 January 2022, the European Banking Authority (EBA) published the final draft ITS on Pillar 3 disclosures on ESG risks (EBA/ITS/2022/01). In particular, the final draft of the ITS proposes comparable disclosures that represent institutions' exposure to climate risks, as well as key performance indicators (KPIs) aimed at representing the funding granted towards activities classified as environmentally sustainable under the EU taxonomy.

ICT Compliance

40th update to Bank of Italy Circular 285/2013

On 3 November 2022, Bank of Italy published the 40th update to Circular 285/2013 concerning the amendment to Chapter 4 "The Information System" and Chapter 5 "Business Continuity" of Part One, Title IV of the Circular, in order to implement the "Guidelines on ICT and security risk management" (EBA/GL/2019/04) issued by the EBA on 3 March 2020.

The EBA Guidelines define a harmonised framework of ICT and security risk management measures that banks must adopt.

Chapter 4 no longer mentions ICT Compliance, but a second-level control function responsible for the management and supervision of ICT and security risks.

Its tasks include:

- helping to define the information security policy and being informed about any activity or event that could affect the Group's risk profile in a relevant way, significant operational or security incidents, as well as any substantial changes to the ICT systems and processes;
- be actively involved in the projects creating substantial changes to the information system and, in particular, in the risk control processes related to such projects.

The Banks may establish a specific function or may assign these tasks to the risk control and compliance corporate functions, in relation to the roles, responsibilities and tasks specific to each of the two functions, provided that the correct performance of the tasks, the efficacy of the controls and the necessary technical expertise are ensured. Banks must adjust to the provisions by 30 June 2023, while by 1 September 2023 they must send to the Bank of Italy a Report describing the measures taken to ensure compliance with the provisions.

Cassa Centrale Banca has begun analysing the changes to the text compared to the previous version and an initial round table was set up between the Compliance Department and the Risk Management Department in order to assess the impacts of the update on the operations of the Control Functions.

Further interventions

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

- publication by the EBA on 13 January 2022 of the "Guidelines on improving resolvability for institutions and resolution authorities". These Guidelines establish the requirements to improve resolution methods that must be met by institutions and resolution authorities by 1 January 2024.
- publication by the EBA on 10 June 2021 of the final version of the document called "Final Report. Revised Guidelines on major incident reporting under PSD2", transposed by means of a Bank of Italy notice on 29 October 2021, on its website, implementing for payment service providers the updated EBA Guidelines on the reporting of serious accidents pursuant to the PSD2 Directive (EBA/GL/2021/03). The Guidelines set out the criteria for classifying serious operational or security accidents, as well as the contents, format and procedures for reporting these accidents to the national authorities. Compared to the previous version, the framework is updated to strengthen and, at the same time, simplify the reporting system of serious accidents in the light of the experience gained. In particular, a new warning criterion related to the breach of security of the network or information systems is introduced, with the aim of better capturing accidents resulting from malicious action that has compromised the availability, authenticity, integrity or confidentiality of the network or information systems (including data) related to the provision of payment services. Moreover, to reduce the reporting cost on PSPs, the EBA proposed to remove some unnecessary steps in the reporting process by allowing more time for the submission of the final accident report to the authority (from two weeks to 20 working days). At the same time, the Authority proposed to simplify and streamline the serious accident reporting form, also with a view to aligning the various EU accident reporting frameworks. The new Guidelines repealed and replaced the previous 2017 Guidelines and entered into force on 1 January 2022.

Main regulatory interventions following the COVID-19 pandemic

On 1 January 2022, Law no. 234/2021 concerning the "State Budget for the 2022 financial year and multi-annual budget for the three-year period 2022-2024" entered into force, which provided for the start of a gradual withdrawal of the extraordinary public measures implemented to combat the pandemic.

The provision mainly concerned:

- the moratoria pursuant to Decree Law 18/2020 (so-called "Cure Italy Decree"), which were withdrawn on 31 December 2021; as of this date, the Affiliated Banks could only consider granting "ordinary" moratoria;
- Loans pursuant to Decree Law 23/2020 (so-called Liquidity Decree), with the reduction of the guarantee percentage, the reinstatement of the one-off guarantee fee to be paid to the SME Guarantee Fund, and the reintroduction, as of 1 July 2022, of the default probability assessment model for access to the guarantee;
- the extension to 30 June 2022 of the SACE Italy guarantee;
- the extension to 31 December 2022 of the exceptions to the "Solidarity Fund for mortgages for first-time buyers" (so-called Gasparrini Fund) guidelines and to the "Guarantee Fund for mortgages for first-time buyers" guidelines (so-called Consap mortgages).

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

Operating performance of the Cassa Centrale Group

Performance indicators of the Group

The main performance indicators for the year ended 31 December 2022 are shown below.

RATIOS	31/12/2022	31/12/2021	% change
STRUCTURAL RATIOS			
Loans to customers * / Total assets	51.6%	50.6%	1.9%
Direct funding / Total assets	72.4%	71.5%	1.3%
Net equity / Total assets	7.8%	7.7%	1.4%
Net loans / Direct funding from customers	71.4%	70.8%	0.8%
PROFITABILITY INDICES			
Net profit / Net equity (ROE)	7.8%	4.7%	64.4%
Net profit / Total assets (ROA)	0.6%	0.4%	66.7%
Cost / Income **	62.6%	61.5%	1.7%
Interest margin / Net interest and other banking interest	73.4%	59.3%	23.7%
Net commissions / Net interest and other banking interest	30.0%	30.7%	(2.2%)
Net interest and other banking interest / Total assets	2.7%	2.6%	5.8%
OPERATING EFFECTIVENESS INDICES			
Operating costs / Traded volumes ***	1.1%	1.0%	6.5%
Traded volumes per employee (million) ****	12.8	12.7	0.7%

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

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

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

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

The indicators shown represent the main operating trends of the Cassa Centrale Group as at 31 December 2022.

With regard to structural ratios, loans to customers represent 51.6% of the total consolidated assets of the Cassa Centrale Group, confirming the predominant activity of the Affiliated Banks aimed at financing the reference territory, households and small economic operators in the context of their business activities. The index has increased compared to December 2021, reflecting the Group's commercial dynamism and confirming the role of the Affiliated Banks in support of households and businesses.

Direct funding from customers remained the Group's main source of funding, accounting for 72.4% of total assets. The trend in direct funding, which rose in 2022, reflects the ability of the Cassa Centrale Group to attract depositing customers through the Affiliated Banks.

In light of the evolution in the lending activities, the ratio of net loans to direct funding from customers, at December 2022, confirms the high degree of liquidity of the Cassa Centrale Group, at 71.4%, up on the figure at the end of 2021.

With reference to profitability ratios, the ROE, calculated as the ratio of profit for the year to equity, is 7.8%, while the ROA [8], calculated as the ratio of net profit to the financial statements total, is 0.6%, up from 0.4% in 2021.

Productivity, measured through the index of traded volumes per employee, grew to 12.8 million in December 2022, confirming the path undertaken by the Cooperative Banking Group aimed at progressively increasing industrial efficiency, while the incidence of operating costs on volumes traded amounted to 1.1%, a slight increase on the figure for December 2021.

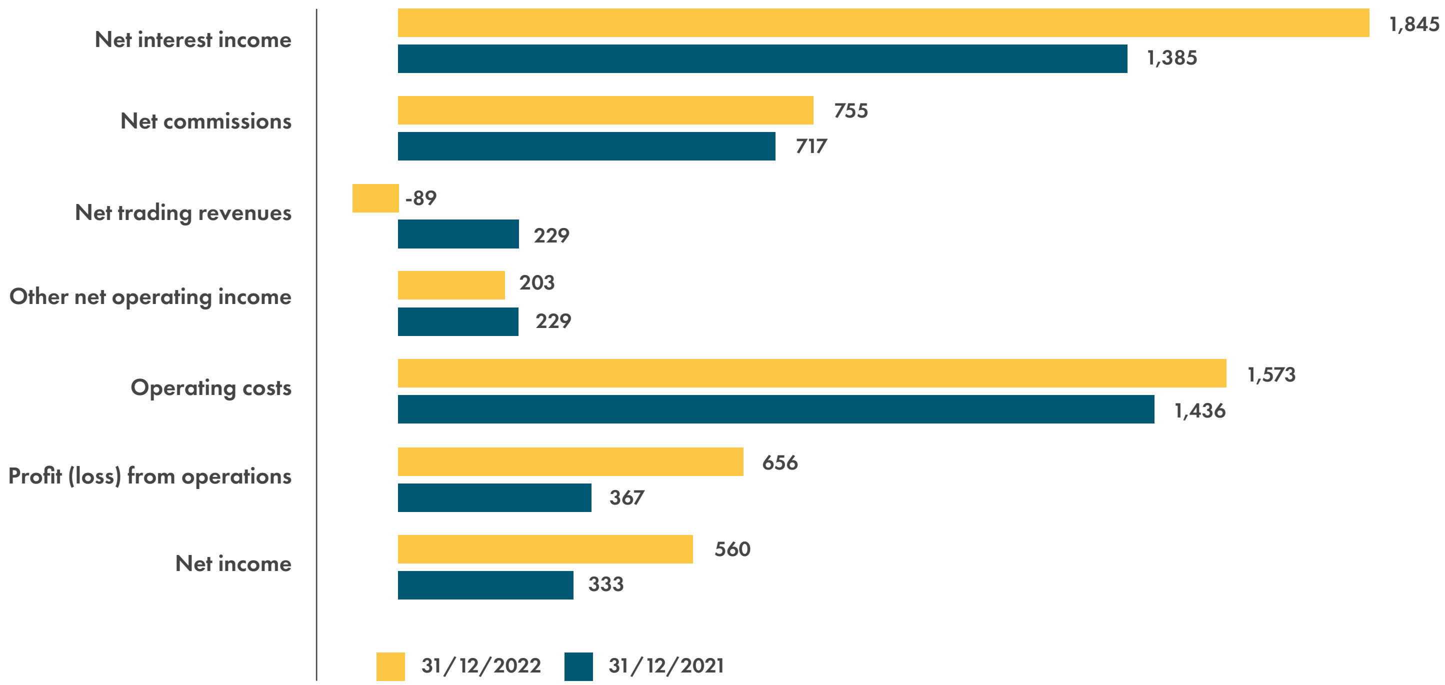
The following paragraphs provide a brief description of the Group's main income statement and balance sheet aggregates, together with further management evidence commenting on the indicators previously reported.

Summary of results

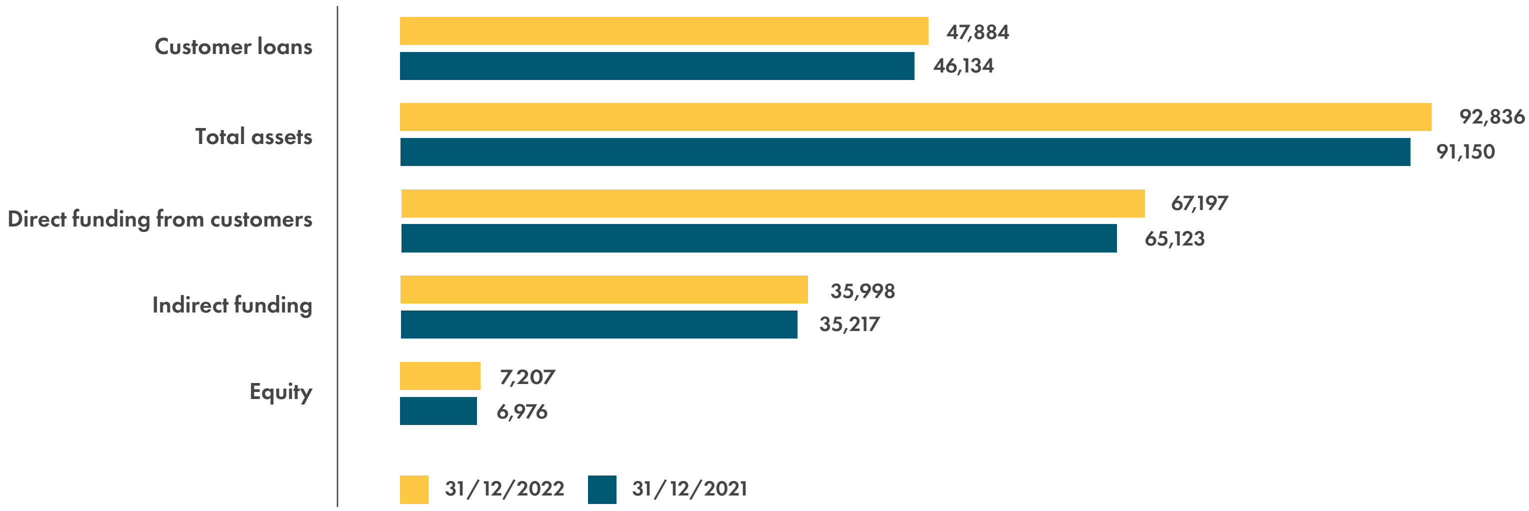
A graphic representation of the results of the main items in the income statement and balance sheet is provided below. Please refer to the specific sections for details of individual items.

[8] The ROA is calculated in accordance with Directive (EU) no. 36/2013 (CRD IV).

Consolidated income statement figures (millions of euro)



Consolidated balance sheet figures (millions of euro)



Economic results

Reclassified income statement [9]

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Interest margin	**1,845**	**1,385**	**460**	**33.2%**
Net commissions	755	717	38	5.3%
Dividends	4	3	1	33.3%
Net trading revenues*	(89)	230	(319)	(138.7%)
Net interest and other banking income	**2,515**	**2,335**	**180**	**7.7%**
Net value adjustments/write-backs	(273)	(526)	253	(48.1%)
Income from financial activities	**2,242**	**1,809**	**433**	**23.9%**
Operating expenses **	(1,760)	(1,628)	(132)	8.1%
Net allocations to provisions for risks and expenses	(12)	(34)	22	(64.7%)
Other income (expenses)	199	226	(27)	(12.0%)
Value adjustments to goodwill and other intangible assets	(1)	-	(1)	(100.0%)
Profit (loss) from disposal of investments and equity investments	(12)	(6)	(6)	100.0%
Gross current result	656	367	289	78.8%
Income tax	(94)	(36)	(58)	n.s.
Profit (loss) for the year for minority interests	(2)	2	(4)	n.s.
Net income of the Parent Company	**560**	**333**	**227**	**68.2%**

* This item includes Net result from trading, Profit/(loss) from disposal/repurchase of financial assets, and Net result from other financial assets and liabilities designated at fair value through profit or loss.

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

As at 31 December 2022, the net interest and other banking income of the Cassa Centrale Group stood at 2.5 billion, up by 180 million compared to the end of 2021. The Group's margins are mainly attributable to the interest margin, up EUR 460 million, benefiting from the widening of the credit spread and the growing contribution of inflation-linked securities.

Net commissions rose to EUR 755 million and represent 30% of the net interest and other banking income, confirming the growing focus of the Cassa Centrale Group on the development of the service margin.

Net trading revenues have fallen compared to the end of 2021, standing at EUR -89 million, as a result of the portfolio repositioning intended to benefit from growing market returns.

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

Net value adjustments amounted to 273 million in December 2022, albeit in the presence of significant write-backs. Total allocation for impaired loans rose to 82%, a strong increase compared to the 74% in late 2021, confirming the high level of credit risk monitoring.

The higher operating expenses (+8.1%) compared to the end of 2021 reflect the trend in administrative expenses and the increase in operating amortisation, as shown in the following paragraphs.

Profit before tax amounted to EUR 656 million, up sharply compared to December 2021 (+78.7%), with the net profit pertaining to the Parent Company standing at EUR 560 million.

Interest margin

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Financial instruments	845	290	555	n.s.
- Financial assets measured at amortised cost not comprising loans	*670*	*245*	*425*	*n.s.*
- Other financial assets and liabilities measured at FVTPL	*5*	*4*	*1*	*25.0%*
- Other financial assets measured at FVOCI	*170*	*41*	*129*	*n.s.*
Customer relations	1,099	940	159	16.9%
- Net interest to customers (loans)	*1,132*	*984*	*148*	*15.0%*
- Debt securities in issue	*(33)*	*(44)*	*11*	*(25.0%)*
Net interest to banks	(149)	12	(161)	n.s.
Differentials on hedging derivatives	(3)	(7)	4	(57.1%)
Other net interest	53	150	(97)	(64.7%)
Total interest margin	**1,845**	**1,385**	**460**	**33.2%**

The interest margin at the end of 2022 stands at EUR 1.85 billion, recording a 33% growth compared to the end of 2021, equal to 460 million.

This is mainly due to the growing contribution from financial instruments (EUR +555 million compared to the end of 2021) as a result of the higher return on the proprietary portfolio, driven by index-linked securities and the general increase in returns.

The contribution arising from transactions with customers also increased, up +15.0% compared to the end of 2021 thanks to the growth in volumes and the widening of the credit spread. In terms of lending, the Group benefited from the constant increase in new disbursements as well as the increase in average unit returns. In relation to funding from customers, the increase in volumes, combined with a partial increase in the average rate, led to higher interest expenses.

The sharp decrease in net interest to banks, compared to the previous year, reflects higher interest expenses on ECB refinancing operations resulting from the increase in market rates.

Net commissions

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Fees and commissions income	**871**	**818**	**53**	**6.5%**
Financial instruments	128	127	1	0.8%
Management of collective portfolios	65	59	6	10.2%
Custody and administration	4	5	(1)	(20.0%)
Payment services	387	351	36	10.3%
Breakdown of third party services	111	97	14	14.4%
Structured finance	-	1	(1)	(100.0%)
Financial guarantees given	16	16	-	0.0%
Financing transactions	117	117	-	0.0%
Foreign currency trading	1	1	-	0.0%
Other fees and commissions income	42	44	(2)	(4.6%)
Fees and commissions expenses	**(116)**	**(101)**	**(15)**	**14.9%**
Financial instruments	(12)	(13)	1	(7.7%)
Custody and administration	(16)	(15)	(1)	6.7%
Collection and payment services	(66)	(53)	(13)	24.5%
Servicing activities for securitisation operations	(2)	(1)	(1)	100.0%
Out-of-branch offer of financial instruments, products and services	(8)	(9)	1	(11.1%)
Other fees and commissions expenses	(12)	(10)	(2)	20.0%
Total net commissions	**755**	**717**	**38**	**5.3%**

Net commissions for the fiscal year 2022 totalled 755 million, up 5.3% compared to 2021.

The comparison with 2021 shows the increasing contribution of the payment systems, driven by the e-money segment, and the Asset Management and Insurance sector, in line with the increase in the Group's net direct funding across all sectors.

Net income from financial operations

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Financial assets and liabilities held for trading	9	10	(1)	(10.0%)
- Derivative instruments	*6*	*10*	*(4)*	*(40.0%)*
- Other	*3*	*-*	*3*	*100.0%*
Net income from the sale of financial assets and liabilities	(63)	202	(265)	n.s.
Net result from hedging activities	1	1	-	0.0%
Dividends and similar income	4	3	1	33.3%
Net change in value of other financial assets and liabilities	(36)	17	(53)	n.s.
Total net result from financial operations	**(85)**	**233**	**(318)**	**n.s.**

The net result from financial operations at December 2022 amounted to -85 million, down from the previous year. This change is mainly attributable to the repositioning of the proprietary portfolio intended to benefit from the growing market returns.

Operating costs

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Administrative expenses	(1,627)	(1,507)	(120)	8.0%
- staff expenses	*(945)*	*(901)*	*(44)*	*4.9%*
- other administrative expenses	*(682)*	*(606)*	*(76)*	*12.5%*
Operating amortisation/depreciation	(133)	(121)	(12)	9.9%
Other provisions (excluding credit risk adjustments)	(12)	(34)	22	(64.7%)
- of which on commitments and guarantees	(5)	(19)	14	(73.7%)
Other operating expenses/income	199	226	(27)	(12.0%)
Total operating costs	**(1,573)**	**(1,436)**	**(137)**	**9.5%**

Operating costs amounted to EUR 1.6 billion at the end of 2022, up year-on-year by EUR 137 million (+9.5%).

Staff expenses, equal to EUR 945 million and higher than the end of 2021 by EUR 44 million, mainly reflect the higher spending for wages and contributions, as a result of the increase in the number of employees and the impact of the renewal of the CCNL.

The Group recorded an increase in other administrative expenses for EUR 76 million compared to the previous period, attributable to the increase in costs for office operations, as a result of the inflationary dynamic recorded in the year, and the increase in IT and professional expenses to support the Group's needs.

Compared to 2021, contributions to Deposit Guarantee Schemes (DGS) and Single Resolution Funds (SRF) have also increased.

Depreciation/amortisation, amounting to EUR 133 million, was up compared to the end of 2021, while other operating income/expenses amounted to EUR 199 million, a decrease of 11.9% due to lower revenue of the instrumental companies from third parties to the Cassa Centrale Group.

Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Loans to customers	(277)	(524)	247	(47.1%)
- of which write-offs	*(6)*	*(21)*	*15*	*(71.4%)*
Loans to banks	7	(1)	8	n.s.
OCI debt securities	(2)	-	(2)	(100.0%)
Contractual changes without derecognitions	(1)	(1)	-	0.0%
(Net value adjustments)/write-backs	**(273)**	**(526)**	**253**	**(48.1%)**

Net value adjustments at December 2022 amounted to EUR 273 million. Gross value adjustments were also high in 2022, despite the high coverage levels of the Group, but were offset by consistent write-backs, proving the Group's close attention to monitoring credit risk.

Financial position aggregates

Reclassified balance sheet [10]

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
ASSETS				
Cash and cash equivalents	558	592	(34)	(5.7%)
Exposures to banks	913	3,836	(2,923)	(76.2%)
Exposures to customers	47,884	46,134	1,750	3.8%
- of which at fair value	*233*	*284*	*(51)*	*(18.0%)*
Financial assets	39,130	37,235	1,895	5.1%
Equity investments	58	64	(6)	(9.4%)
Tangible and intangible assets	1,314	1,328	(14)	(1.1%)
Tax assets	783	778	5	0.6%
Other asset items	2,196	1,183	1,013	85.6%
Total assets	**92,836**	**91,150**	**1,686**	**1.9%**
LIABILITIES				
Due to banks	16,391	16,611	(220)	(1.3%)
Direct funding	67,197	65,123	2,074	3.2%
- Due to customers	*64,114*	*61,388*	*2,726*	*4.4%*
- Debt securities in issue	*3,083*	*3,735*	*(652)*	*(17.5%)*
Other financial liabilities	9	33	(24)	(27.7%)
Provisions (Risks, expenses and personnel)	467	473	(6)	(1.3%)
Tax liabilities	36	58	(22)	(37.9%)
Other liability items	1,529	1,876	(347)	(18.5%)
Total liabilities	**85,629**	**84,174**	**1,455**	**1.7%**
Minority interests	-	1	(1)	(100.0%)
Group's equity	7,207	6,975	232	3.3%
Consolidated equity	**7,207**	**6,976**	**231**	**3.3%**
Total liabilities and equity	**92,836**	**91,150**	**1,686**	**1.9%**

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

As at 31 December 2022, the Cassa Centrale Group's assets amounted to approximately EUR 92.8 billion (+1.9% compared to EUR 91.2 billion at December 2021) and consisted mainly of exposures to customers which included loans measured at amortised cost and at fair value totalling EUR 47.9 billion. Financial assets were down compared to the end of 2021, with loans to banks amounting to EUR 0.9 billion, reflecting the decrease in deposits with the European Central Bank and a partial reallocation of resources towards the securities portfolio.

Liabilities are mainly made up of direct funding from customers which, at December 2022, stood at EUR 67.2 billion (+3.2% compared to EUR 65.1 billion in December 2021) and whose details are shown in the following table. Due to banks amounted to EUR 16.4 billion at the end of 2022, down from the figure recorded at the end of the previous year (EUR -220 million), while the Group's equity amounted to EUR 7.2 billion, including the profit realised in the period.

Overall customer funding

(Figures in millions of euro)	31/12/2022	% impact	31/12/2021	Change	% change
Current accounts and deposits on demand	60,310	90%	58,289	2,021	3.5%
Fixed-term deposits	1,575	2%	2,070	(495)	(23.9%)
Repos and securities lending	1,480	2%	271	1,209	446.1%
Bonds	764	1%	1,165	(401)	(34.4%)
Other funding	3,068	5%	3,328	(260)	(7.8%)
Direct funding	**67,197**	**100%**	**65,123**	**2,074**	**3.2%**

The total amount of direct funding from customers of the Cassa Centrale Group came to 67.2 billion, up by +3.2% (+2.1 billion) compared to the previous year, confirming the ability of the Cassa Centrale Group, through the Affiliated Banks, to attract depositing customers. The analysis of the direct funding shows a prevalence of short-term funding from customers, and mainly from current accounts (89.8% of direct funding) which amounted to EUR 60.3 billion, up by 2 billion compared to December 2021.

Fixed-term funding, in the form of deposits, repos and bonds, amounted to EUR 3.8 billion, equal to 5.7% of total direct funding volumes, a slight increase compared to the previous year (EUR +0.3 billion). At December 2022, repos include refinancing transactions on the market with the counterparty Cassa di Compensazione e Garanzia for a total of EUR 1.3 billion (compared to 54 million in December 2021). The Bonds product also includes the MREL issue, equal to EUR 200 million, which took place in 2022.

(Figures in millions of euro)	31/12/2022	% impact	31/12/2021	Change	% change
Assets under management	**23,314**	**65%**	**23,399**	**(85)**	**(0.4%)**
Mutual funds and SICAVs	7,087	20%	7,518	(431)	(5.7%)
Asset management	8,424	23%	8,486	(62)	(0.7%)
Banking-insurance products	7,803	22%	7,396	407	5.5%
Assets under administration	**12,684**	**35%**	**11,818**	**866**	**7.3%**
Bonds	10,449	29%	9,377	1,072	11.4%
Shares	2,235	6%	2,441	(206)	(8.4%)
Indirect funding*	**35,998**	**100%**	**35,217**	**781**	**2%**

*Indirect funding is expressed at market values.

Indirect funding of the Cassa Centrale Group, valued on the market, amounted in December 2022 to approximately 36 billion (+2.2% compared to the end of December 2021). Assets under management, amounting to approximately EUR 23.3 billion (-0.4% compared to the comparison period), accounted for 64.8% of indirect funding and was affected by weakness on the financial markets in 2022. In the Bancassurance segment, life, investments and pensions, there was constant growth in traded volumes (+5.5% compared to 2021), despite a difficult market context.

The assets under administration amounted to EUR 12.7 billion at the end of 2022, up by 7.3% compared to December 2021, benefiting from growing returns on the bond market.

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

Percentage composition of funding

PERCENTAGE COMPOSITION OF FUNDING	31/12/2022	31/12/2021
Direct funding	65.1%	64.9%
Indirect funding	34.9%	35.1%

The Group's funding, consisting of total assets under administration on behalf of customers, amounted to EUR 103.2 billion as at 31 December 2022 and consisted of 65% of direct funding with the remaining 35% represented by indirect funding, with the managed assets component accounting for about 23% of total volumes.

Net loans to customers

(Figures in millions of euro)	31/12/2022	% impact	31/12/2021	Change	% change
Loans at amortised cost	**47,651**	**99.5%**	**45,850**	**1,801**	**3.9%**
Mortgage loans	37,931	79.2%	36,616	1,315	3.6%
- of which adjustment for macro-hedging	*(118)*	*n.s.*	*17*	*(135)*	*n.s.*
Current accounts	3,646	7.6%	3,367	279	8.3%
Other loans	3,762	7.9%	3,525	237	6.7%
Finance leases	763	1.6%	675	88	13.0%
Credit cards, personal loans and salary-backed loans	1,094	2.3%	909	185	20.4%
Impaired assets	455	1.0%	758	(303)	(40.0%)
Loans at fair value	**233**	**0.5%**	**284**	**(51)**	**(18.0%)**
Total net loans to customers	**47,884**	**100.0%**	**46,134**	**1,750**	**3.8%**

At the end of 2022 the Group's net loans to customers amounted to EUR 47.9 billion. Almost all of these are loans at amortised cost, amounting to EUR 47.7 billion, which increased by 3.9% (+1.8 billion) compared to December 2021. The aggregate consisted mainly of mortgages, which amounted to EUR 37.9 billion and accounted for 79.2% of total loans to customers, current accounts amounting to EUR 3.6 billion and other loans amounting to EUR 3.8 billion. The changing dynamic shows growth across the board in the different forms of demand and term loans. Impaired assets, on the other hand, were down 40% compared to figures at December 2021, thanks to the active management of impaired loans conducted by the Group.

Initiatives to support of businesses, households and the region

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

The measures and agreements to support the economy based on moratoria and new state-guaranteed loans were initially planned for a limited duration to 2020 and subsequently - due to the continuation of the challenging pandemic situation - were extended into 2021.

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

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

In 2022, the lending trend continued to benefit from credit support measures, in particular, from public guarantee instruments. However, as economic activity recovered up, there has been a pronounced decline in loans under moratorium.

Demand for newly originated loans remained modest on the whole, in the presence of ample cash equivalents accumulated by companies in the recent two-year period and in an economic environment characterised by multiple factors of uncertainty, also a consequence of geopolitical tensions that led to a notable increase in the costs of certain raw materials, especially energy.

The following table provides data on the situation as at 31 December 2022 of loans that have benefited from COVID-related moratoria (EBA compliant and non-EBA compliant) during the last two years and loans covered by a state guarantee granted in 2022 [11].

[11] Data source: EBA - COVID19 reporting as at 31 December 2022 on legislative and non-legislative moratoria on loans.

MORATORIA GRANTED AS AT 31/12/2022	Number of loans*	Amount** (in millions of euro)	Performing** (in millions of euro)	Impaired** (in millions of euro)	% impaired amount
Total moratoria granted	**122,922**	**11,224**	**10,419**	**804**	**7%**
By source of reference:					
of which EBA compliant	83,420	8,148	7,716	430	5%
of which other COVID-related moratoria	33,732	2,574	2,451	123	5%
of which Moratoria subject to forbearance	5,770	503	252	251	50%
By moratoria status:					
Existing (suspended repayment plan)	**584**	**25**	**24**	**1**	**3%**
- of which: Households	171	2	2	0	13%
- of which: non-financial corporations	405	23	22	1	2%
Past due (reactivated repayment plan)	**122,338**	**11,199**	**10,396**	**803**	**7%**
- of which: Households	49,936	3,867	3,606	261	7%
- of which: non-financial corporations	62,558	7,187	6,647	540	8%

* The figure refers to individual positions.

** Gross amount

The number of loans that had not yet resumed normal amortisation under the original plan as at 31 December 2022 fell to a minimal amount (0.23% of the total outstanding debt of all agreements that benefited from a COVID moratorium). This confirms the gradual return to normality already seen last year, despite the fact that other sources of tension in the economy (the ongoing war in Ukraine and rising energy prices) are leading to a maintained cautious approach in managing the entrusted undertakings.

LOANS GRANTED WITH A STATE GUARANTEE AS AT 31/12/2022	Number of loans*	Amount** (in millions of euro)
Total loans granted	**73,909**	**5,998**
By type of customer:		
- of which: Households	*30,962*	*812*
- of which: non-financial corporations	*42,732*	*5,169*
By residual duration:		
Less than/equal to 12 months	590	47
More than 12 months	73,319	5,951

*The figure refers to individual positions.

**Gross amount

The increase in publicly backed loans also continued in 2022, albeit following a much flatter curve compared to the sharp increase in debt observed with the onset of the pandemic in 2020.

New requests in the year were marginally attributable to the actual difficulties of companies, which had instead resorted to guaranteed finance, mainly to reschedule their debts in the medium/long term or replace the previous measures backed by the same facility

The possibility of obtaining loans with public guarantees through a simplified selection procedure (namely in cases where the guarantee is issued without any prior selection based on the MCC rating of the applicant), ended in the first half of the year as a result of the planned termination of the effects of the Temporary Framework on 30 June 2022.

From the second half of 2022, new forms of publicly backed loans were finalised for the new Temporary Crisis Framework, approved by the European Commission in response to the economic tensions caused by the conflict between Russia and Ukraine.

Credit quality

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

Customer loans

(Figures in millions of euro)	31/12/2022			
	Gross exposure	Writedowns	Net exposure	*Coverage*
Impaired exposures at amortised cost	**2,494**	**(2,039)**	**455**	**81.8%**
- of which forborne	*1,131*	*(940)*	*191*	*83.1%*
Non-performing	806	(740)	66	91.9%
Unlikely to pay	1,625	(1,274)	351	78.4%
Overdue/past due	64	(25)	38	40.0%
Performing exposures at amortised cost	**47,967**	**(653)**	**47,314**	**1.4%**
- of which forborne	*967*	*(107)*	*860*	*11.1%*
Total customer loans at amortised cost	**50,461**	**(2,692)**	**47,769**	**5.3%**
Adjustment of the assets subject to macro-hedging	**(118)**	**-**	**(118)**	**0.0%**
Impaired exposures at fair value	**-**	**-**	**-**	**-**
Performing exposures at fair value	**233**	**-**	**233**	**0.0%**
Total customer loans	**50,576**	**(2,692)**	**47,884**	**5.3%**

(Figures in millions of euro)	31/12/2021			
	Gross exposure	Writedowns	Net exposure	*Coverage*
Impaired exposures at amortised cost	**2,876**	**(2,118)**	**758**	**73.6%**
- of which forborne	*1,395*	*(1,005)*	*390*	*72.0%*
Non-performing	976	(851)	125	87.2%
Unlikely to pay	1,850	(1,252)	598	67.7%
Overdue/past due	50	(15)	35	30.0%
Performing exposures at amortised cost	**45,642**	**(567)**	**45,075**	**1.2%**
- of which forborne	*1,145*	*(112)*	*1,033*	*9.8%*
Total customer loans at amortised cost	**48,518**	**(2,685)**	**45,833**	**5.5%**
Adjustment of the assets subject to macro-hedging	**17**	**-**	**17**	**0.0%**
Impaired exposures at fair value	**-**	**-**	**-**	**-**
Performing exposures at fair value	**284**	**-**	**284**	**0.0%**
Total customer loans	**48,819**	**(2,685)**	**46,134**	**5.5%**

At the end of 2022, the Group had net loans to customers of EUR 47.9 billion, compared to a gross exposure of EUR 50.6 billion, and adjustment provisions totalling EUR 2.7 billion, allowing it to maintain an average portfolio coverage of 5.3%.

Net performing loans at December 2022 amounted to EUR 47.4 billion (EUR 45.4 billion as at December 2021) and accounted for 99.0% of total loans, while net impaired loans, amounting to EUR 455 million (EUR 758 million at the end of 2021), fell to 1.0%. These ratios confirm the attention of the Cassa Centrale Group to the management of impaired loans despite an economic context of great uncertainty.

The impaired loan portfolio, in terms of net exposure, had in December 2022 non-performing positions amounting to EUR 66 million written down by a total of EUR 740 million, and unlikely to pay amounting to EUR 352 million with value adjustments of EUR 1.3 billion. Within impaired exposures, which are transversal to the degree of risk, there are forborne exposures of EUR 191 million, equal to 0.4% of total loans, a decrease of EUR 199 million compared to December 2021.

Performing loans, as at December 2022, show value adjustments of EUR 653 million, representing a coverage level of performing loans of 1.4% (compared to a coverage level of 1.2% in December 2021). The item includes forborne positions of which the net value of EUR 860 million (1.8% of net loans), with a coverage ratio of 11.1% (9.8% as at December 2021).

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which stood at 91.9% and 78.4% respectively (compared to 87.2% and 67.7% in December 2021), allow the Group to provide significant protection against credit risk in a highly uncertain economic context.

The table below shows the main credit risk management indicators [12].

RISK MANAGEMENT RATIOS	31/12/2022	31/12/2021	Change
NPL ratio	**4.8%**	5.5%	(0.7%)
NPL coverage	**81.8%**	73.6%	8.2%
Texas ratio	**27.0%**	31.6%	(4.6%)

The NPL ratio as at 31 December 2022 is lower than the December 2021 figure, at 4.8% (5.5% at the end of 2021). This decrease confirms the improvement in asset quality that the Cassa Centrale Group has pursued in recent years, with a progressive and constant decrease in the stock of impaired loans, in line with the guidelines issued by the Supervisory Authority.

The constant attention paid to the valuation of NPLs is also reflected in the level of coverage of bad loans, where the Group records a level of NPL coverage of 81.8%, up by 8.2% compared to the end of December 2021.

The active management of impaired loans and their progressive reduction are reflected positively in the Group's Texas ratio, which in December 2022 stood at 27.0% (31.6% at the end of 2021), while the cost of risk [13] of the credit portfolio amounted to 57 bps.

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

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

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2022		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	286	(1)	285
Financial and insurance companies	815	(19)	795
Non-financial corporations	23,990	(1,752)	22,238
Consumer households and other non-classifiable businesses	25,485	(920)	24,565
TOTAL	**50,576**	**(2,692)**	**47,884**

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2021		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	240	(1)	239
Financial and insurance companies	1,187	(27)	1,160
Non-financial corporations	23,199	(1,747)	21,451
Consumer households and other non-classifiable businesses	24,194	(909)	23,285
TOTAL	**48,819**	**(2,685)**	**46,134**

In representing the loan portfolio by sector of economic activity, it is clear that the Cassa Centrale Group, reflecting the nature of the Affiliated Banks, has a prevalent allocation of loans to customers with counterparties represented by consumer households and non-financial corporations, which account for 51% and 46% of net exposures to customers, respectively.

Composition of financial instruments

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	233	303	(70)	(23.1%)
Financial liabilities	(1)	(1)	-	0.0%
Banking book assets (FVOCI)	10,919	11,036	(117)	(1.1%)
Financial fixed assets excluding loans (AC)	27,846	25,884	1,962	7.6%
Total securities portfolio	**38,997**	**37,222**	**1,775**	**4.8%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	7	6	1	16.7%
Trading liabilities (FVTPL)	(7)	(3)	(4)	133.3%
Total derivatives portfolio	**-**	**3**	**(3)**	**(100%)**
TOTAL FINANCIAL INSTRUMENTS	**38,997**	**37,225**	**1,772**	**4.8%**

The portfolio owned by the Group, as at 31 December 2022, amounted to 39.0 billion (EUR +1.8 billion on December 2021).

There was growth of 2 billion in financial assets measured at amortised cost, which amounted to EUR 27.8 billion in December 2022, and a decline in banking book assets (FVOCI), equal to EUR 117 million since the start of the year.

OTC derivative activities are mainly related to hedging the interest rate risk of the Group's banking book and, residually, to brokerage carried out by the Parent Company on these types of instruments in favour of customer Banks.

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Financial assets

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Debt securities	**38,655**	**36,707**	**1,948**	**5.3%**
- Obligatorily measured at fair value (FVTPL)	9	16	(7)	(43.8%)
- Measured at fair value through other comprehensive income (FVOCI)	10,800	10,807	(7)	(0.1%)
- Measured at amortised cost (AC)	27,846	25,884	1,962	7.6%
Equities	**133**	**243**	**(110)**	**(45.3%)**
- Obligatorily measured at fair value (FVTPL)	14	14	-	0.0%
- Measured at fair value through other comprehensive income (FVOCI)	119	229	(110)	(48.0%)
UCITS units	**210**	**273**	**(63)**	**(23.1%)**
- Obligatorily measured at fair value (FVTPL)	210	273	(63)	(23.1%)
Total financial assets	**38,998**	**37,223**	**1,775**	**4.8%**

At 31 December 2022, the Group's financial assets were nearly entirely formed of debt securities (99.1%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Loans to central banks	532	3,399	(2,867)	(84.4%)
Loans to other banks	381	437	(56)	(12.8%)
- Current accounts and deposits on demand	*147*	*177*	*(30)*	*(17.0%)*
- Fixed-term deposits	*2*	*75*	*(73)*	*(97.3%)*
- Other loans	*232*	*185*	*47*	*25.4%*
Total loans (A)	**913**	**3,836**	**(2,923)**	**(76.2%)**
Due to central banks	(15,350)	(15,948)	598	(3.8%)
Due to other banks	(1,041)	(663)	(378)	57.0%
- Current accounts and deposits on demand	*(412)*	*(467)*	*55*	*(11.8%)*
- Fixed-term deposits	*(49)*	*(83)*	*34*	*(41.0%)*
- Repos	*(476)*	*(10)*	*(466)*	*n.s.*
- Other loans	*(104)*	*(103)*	*(1)*	*1.0%*
Total payables (B)	**(16,391)**	**(16,611)**	**220**	**(1.3%)**
NET FINANCIAL POSITION (A-B)	**(15,478)**	**(12,775)**	**(2,703)**	**21.2%**

At the end of 2022, total loans to banks amounted to EUR 913 million (-2.9 billion compared to 31 December 2021), and mainly reflects the liquidity held on the ECB target account, amounting to EUR 544 million. Interbank funding of EUR 16.4 billion was down by 220 million compared to the previous period.

Eurosystem refinancing operations as at December 2022 amounted to a total of EUR 15.2 billion, down on the 15.9 in 2021.

Fixed assets

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Equity investments	58	64	(6)	(9.4%)
Goodwill	27	28	(1)	(3.6%)
Tangible	1,234	1,245	(11)	(0.9%)
Intangible	53	55	(2)	(3.6%)
Total fixed assets	**1,372**	**1,392**	**(20)**	**(1.4%)**

Fixed assets as at 31 December 2022 amounted to EUR 1.4 billion (-1.4% compared to December 2021) and mainly consist of real estate for functional use. Other intangible assets are mainly represented by user licenses and software, while goodwill refers to assets with an indefinite useful life included in intangible assets, as detailed in part B of the Explanatory Notes to the consolidated financial statements.

Consolidated equity

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Capital	1,271	1,272	(1)	(0.1%)
Own shares (-)	(867)	(866)	(1)	0.1%
Share premium	74	73	1	1.4%
Reserves	6,399	6,114	285	4.7%
Valuation reserves	(231)	43	(274)	(637.2%)
Equity instruments	1	6	(5)	(83.3%)
Profit (loss) for the year	560	333	227	68.2%
Group equity	**7,207**	**6,975**	**232**	**3.3%**
Minority interests	-	1	(1)	(100.0%)
Consolidated equity	**7,207**	**6,976**	**231**	**3.3%**

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

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,168	45
Effect of the consolidation of subsidiaries	5,972	568
Effect of the measurement of associates using the equity method	62	(11)
Reversal of write-downs of equity investments and recognition of goodwill impairment	(30)	12
Elimination of dividends received from subsidiaries and associates		(63)
Other consolidation adjustments	35	9
Balances as per the consolidated financial statements	**7,207**	**560**

Own funds and capital adequacy

Own funds and capital ratios

OWN FUNDS AND CAPITAL RATIOS	31/12/2022	31/12/2021
Common Equity Tier 1 capital - CET1	7,429	7,272
Tier 1 capital - TIER 1	7,430	7,278
Total own funds - Total Capital	7,432	7,283
Total risk-weighted assets	32,598	32,189
CET1 Capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	22.79%	22.59%
Tier 1 Capital ratio (Tier 1 capital/Total risk-weighted assets)	22.79%	22.61%
Total Capital Ratio (Total own funds / Total risk-weighted assets)	22.80%	22.63%

Risk Weighted Assets

(Figures in millions of euro)	31/12/2022	31/12/2021	Change	% change
Credit and counterparty risk	27,953	27,847	106	0.4%
Credit valuation adjustment risk	43	78	(35)	(44.9%)
Market risk	42	139	(97)	(69.8%)
Operational risk	4,560	4,125	435	10.5%
Total RWA	**32,598**	**32,189**	**409**	**1.3%**

Own funds, risk-weighted assets and solvency ratios at 31 December 2022 were determined on the basis of the prudential regulations applied to investment banks and companies and contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), respectively.

Total own funds of the Cassa Centrale Cooperative Banking Group consist of Tier 1 (T1) capital and Tier 2 (T2) capital. Specifically, Tier 1 capital consists of the sum of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

The aforesaid aggregates include the effects of the IFRS9 transitional regime, for which the Group has chosen to adopt both the "static approach" and the "dynamic approach" introduced by Regulation (EU) 2017/2395 and amended by Regulation (EU) 873/2020 (so-called Quick Fix). As envisaged by the latter, from the second quarter of 2022, the Group, having opted for the sterilisation of unrealised profits and losses in relation to government securities measured at FVOCI, was able to benefit from the related effects on the CET1.

At the end of December 2022, the Common Equity Tier 1 (CET1) capital, determined in accordance with the aforementioned standards and references, stood at EUR 7,429 million. Tier 1 (T1) capital amounted to EUR 7,430 million. Tier 2 (T2) capital amounted to EUR 2 million.

Own funds therefore amounted to EUR 7,432 million. Of the latter, CET1, which nearly accounts for the total (99.96 % of the total), has increased compared to the previous year by a total of EUR 157 million (+2.16%) due to the algebraic sum of the performance of several of its constituent main items. In particular:

(i) the increase in reserves (EUR +214 million), mainly attributable to the profit for 2022 included in the CET1 (EUR +497 million), following the authorisation granted by the ECB on 10 February 2023, net of the OCI Reserve (EUR -264 million); (ii) the decrease in the component of the IFRS9 transitional regime (EUR -144 million) arising from the lower percentage applicable to the static component (from 50% to 25%) and dynamic component post-amendment to Quick Fix (from 100% to 75%), offset by the incremental effect arising from the application, from 30 June 2022, of the transitional regime on unrealised profits and losses on government securities classified in the FVOCI portfolio (EUR +88 million). On the other hand, the effects arising from the exception of deductions linked to software capitalised in application of the rules introduced by the CRR II (EUR +26 million), deductions linked to calendar provisioning with Pillar I impact pursuant to Regulation (EU) 630/2019 (EUR -0.8 million) and deductions for repurchase of own CET1 instruments (EUR -10 million) were marginal.

The other two Own Fund aggregates (Additional Tier 1 and Tier 2) changed significantly in relative terms (to EUR -5 million and EUR -3 million respectively), but marginally if compared in absolute terms with the values of total Own Funds.

Risk-weighted assets at 31 December 2022 amounted to EUR 32,598 million, an increase of 1.27% compared to the figure from the previous year (EUR 32,189 million).

Additionally, from Q4 of 2022, for the purposes of calculating the capital requirements in relation to credit risk, the use of the external ratings issued by a recognised ECAI has not only been extended to the Central Governments or Central Banks portfolio and Exposures to Securitisation, but also to the regulatory portfolios Exposures to Entities and Exposures to Companies.

Following this change, the adopted rating agencies are as follows, grouped by relevant segment:

- Central Governments or Central Banks: Moody's;
- Exposures to Securitisation: Moody's;
- Exposures to Entities: Moody's;
- Exposures to companies: CRIF ratings.

This choice is based on the more general framework of a progressive optimisation of risk-weighted assets, launched by the Group, also in consideration of the expected benefits associated with application of the new Basel IV provisions.

Furthermore, starting from the same quarter of reference, once the thresholds envisaged for application of the Original Exposure Method (OEM) at consolidated level are exceeded, for the purposes of calculating the capital requirements in relation to counterparty risk, the Group started to apply the Simplified Standard method (Simplified SA - CCR), pursuant to art. 281 of the CRR II.

As for the solvency ratios, the CET1 capital ratio stood at 22.79% (22.59% in December 2021), the Tier 1 capital ratio was 22.79 % (22.61% in December 2021) and the total capital ratio was 22.80% (22.63% in December 2021). Excluding the effects of transitional regimes, with a view to full application of prudential provisions at the same reference date, fully loaded CET1 capital amounted to EUR 6,973 million and the related fully loaded CET1 capital ratio is 21.55%; fully loaded Tier 1 capital amounted to EUR 6,974 million and the related fully loaded Tier 1 capital ratio is 21.55%; and finally, Total capital fully loaded amounted to EUR 6,976 million and the related fully loaded Total Capital ratio was 21.56%.

Main strategic business areas of the Cassa Centrale Group

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

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

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

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

Affiliated Banks

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

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

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

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

(Figures in millions of euro)

LOANS TO CUSTOMERS	31/12/2022					Total 31/12/2022	Total 31/12/2021	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Gross customer loans	10,765	10,848	10,682	11,083	4,966	**48,345**	47,022	1,322	2.8%
- of which performing	*10,127*	*10,372*	*10,249*	*10,544*	*4,632*	***45,924***	*44,229*	*1,695*	*3.8%*
- of which non-performing	*638*	*476*	*433*	*539*	*334*	***2,421***	*2,793*	*(373)*	*(13.3%)*
Value adjustments	716	566	475	543	282	**2,582**	2,562	19	0.8%
Net customer loans	10,049	10,282	10,207	10,540	4,685	**45,763**	44,460	1,303	2.9%

Gross customer loans of the Affiliated Banks totalled EUR 48.3 billion at 31 December 2022, up by +2.8% compared to the end of financial year 2021. The trend in loans to customers confirms the evolutionary trend underway since the establishment of the Cassa Centrale Group. The annual growth highlights the high commercial vitality of the Affiliated Banks and the constant support for the main economic context.

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

In 2022 ,the growth in performing loans of the Affiliated Banks totalled EUR 1.7 billion (+3.8% year-on-year), with changes in the various territorial areas ranging from +5% for the North East area to +0.9% for the Trentino-Alto Adige area.

At the counterparty level, the significant exposure of the overall credit disbursed to households and local small and medium-sized enterprises was confirmed, demonstrating the central role of the Affiliated Banks in supporting the growth of the territory.

In 2022, the active management of impaired loans continued in line with the Cassa Centrale Group's strategy, making it possible to further reduce total non-performing volumes (-13.3% year-on-year). In general, the ratio of impaired loans to gross loans to customers stood at 5.0%, with a regional trend that varied from 4.1% in the North West area to 6.7% in the South and Islands.

Confirming a strategy of the Cassa Centrale Group that is particularly attentive to credit risk management, and in the presence of a decrease in the total stock of impaired loans, provisions on bad loans of the Affiliated Banks stood at 82%, a further increase compared to 73% at the end of 2021. The average coverage levels of the Affiliated Banks remain among the highest in the national banking system.

(Figures in millions of euro)

FUNDING	31/12/2022					Total 31/12/2022	Total 31/12/2021	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Overall funding	22,978	20,592	22,501	19,378	8,305	**93,753**	92,242	1,511	1.6%
Direct funding	15,284	14,025	14,807	13,374	7,175	**64,665**	63,824	841	1.3%
Indirect funding*	7,694	6,566	7,694	6,004	1,130	**29,088**	28,418	670	2.4%
- of which administrated	*1,907*	*1,678*	*2,770*	*1,726*	*647*	***8,728***	*7,595*	*1,133*	*14.9%*
- of which managed	*5,787*	*4,888*	*4,925*	*4,277*	*483*	***20,360***	*20,823*	*(463)*	*(2.2%)*

* Indirect funding is expressed at market values.

Overall funding of the Affiliated Banks stood at EUR 93.8 billion as at 31 December 2022 (up +1.6% compared to the end of 2021).

Direct funding increased to EUR 64.7 billion (+1.3% year-on-year), confirming the high confidence of depositing customers in the Group's Affiliated Banks in an environment of strong uncertainty and high propensity to save.

The breakdown of direct funding among regional areas in 2022 continued the trend described above for credit volumes, with a growth in volumes across all areas ranging from +3.4% in the North East area to +0.7% in the Central area. The Trentino-Alto Adige area remained stable.

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

Total indirect funding of the Affiliated Banks increased to EUR 29.1 billion [14] (+2.4% year-on-year), despite a particularly negative market environment.

[14] Indirect funding is expressed at market values.

The impact of indirect funding on total funding was 31%, substantially unchanged since the end of 2021 (30.8%), although in a context of a more prudent approach by depositing customers. The regional analysis shows that indirect funding as a percentage of total funding exceed 30% in all areas, except for the South and Islands, where the ratio is 14%.

Looking specifically at the breakdown of indirect funding, the managed assets and insurance segment accounts for 70% of total indirect funding at the end of 2022.

The performance of the Affiliated Banks' indirect funding was affected by the negative market trend, which was reflected in a reduction in funding, valued on the market, of the entire Asset Management, Funds and SICAVs segment (-6.5% year-on-year). Nevertheless, the increase in net funding made it possible to partially counter the negative market effect, reflecting the ability of the Affiliated Banks to shift deposits to the indirect component, in line with the Group guidelines.

The increase in returns on the bond market in the second half of the year led to strong growth in indirect funding under administration (+14.9% year-on-year).

Albeit in a difficult market context, the Bancassurance segment also increased (+5.5%), driven by the definition of a new commercial partnership.

Although the particularly challenging economic context slowed down the rate of growth in indirect funding from the managed segment in 2022, this area remains a central objective for the Cassa Centrale Group, given the significant growth margins available to the Affiliated Banks compared to the rest of the banking industry, having historically favoured the placement of direct funding products in the past. The growth in this segment has been driven and accompanied by important investments in the specialist training of staff of the Affiliated Banks in order to increase their ability to offer Shareholders and customers a high level of advisory support. These investments, supported by the careful research of the Industrial Group's companies for products suitable for BCC-CR-RAIKAs' shareholders and customers, is gradually closing the gap with the system, while maintaining a high level of attention to the quality of the overall service offered to the savings customer.

(Figures in millions of euro)

MARGINS AND COMMISSIONS	31/12/2022					Total 31/12/2022	Total 31/12/2021	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Interest margin	436	384	331	379	200	**1,730**	1,331	400	30.0%
Net commissions	127	145	158	144	66	**641**	608	33	5.5%
Net interest and other banking income	510	488	502	522	279	**2,301**	2,149	152	7.1%

The interest margin of the Affiliated Banks at the end of 2022 totalled EUR 1.73 billion, recording an increase of +30% compared to 2021 and mainly benefiting from the greater contribution of inflation-linked securities in the securities portfolio and the widening of the credit spread, which remains the main source of profit for the Affiliated Banks.

Therefore, the contribution of the interest margin to overall profitability is high (equal to 75% of the net interest and other banking income), in line with the predominantly traditional banking operations that characterise the Affiliated Banks and the Group as a whole.

The net commissions of the Affiliated Banks totalled EUR 641 million, up +5.5% compared to 2021.

The commission margin of the Affiliated Banks contributes 28% on average to net interest and other banking income, with a regional incidence ranging from 31% in the North-West to 23% in the South and Islands areas.

The trend of the net interest and other banking income of the Affiliated Banks (+7.1% year-on-year) is completed by the contribution from dividend and similar income and trading in the Affiliated Banks' own securities portfolio, down compared to 2021 following the changes in the securities portfolio intended to benefit from the upward trend in market returns.

This development is carried out with a strong focus on the protection of shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks. This development is carried out with a strong focus on the protection of shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks.

Industrial Group

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

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

The main income statement and balance sheet aggregates of the Industrial Group as at 31 December 2022 are shown below.

(Figures in millions of euro)

LOANS TO CUSTOMERS*	31/12/2022	31/12/2021	Change	% change
Gross customer loans	**2,231**	1,797	434	24.2%
- of which performing	***2,157***	*1,715*	*442*	*25.8%*
- of which non-performing	***74***	*82*	*(8)*	*(9.7%)*
Value adjustments	**110**	122	(12)	(9.5%)
Net customer loans	**2,121**	1,675	446	26.6%

* Management data including all intra-group eliminations.

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

Gross loans to customers totalled approximately EUR 2.2 billion, up EUR 434 million on the end of the previous year (+24.2%). In particular, there was growth in the portfolio of the Parent Company and of Prestipay, which continues to expand its consumer credit service, as well as the portfolio of Claris Leasing. Performing loans to customers include exposures in margins and default funds to Cassa di Compensazione e Garanzia related to repos, which fell compared to the previous year.

Total gross allocations came to approximately EUR 110 million, down compared to the EUR 122 million at the end of 2021, reflecting, at least in part, the reduction in bad loans compared to 31 December 2021 (-9.7%).

As a whole, net loans to customers of the Industrial Group grew by EUR 446 million compared to the end of 2021 (+26.6%), reaching approximately EUR 2.1 billion.

(Figures in millions of euro)

FUNDING*	31/12/2022	31/12/2021	Change	% change
Overall funding	**9,441**	8,098	1,343	16.6%
Direct funding	**2,532**	1,299	1,233	95.0%
Indirect funding**	**6,909**	6,799	111	1.6%
- of which administrated	***3,956***	*4,223*	*(267)*	*(6.3%)*
- of which managed	***2,954***	*2,576*	*377*	*14.6%*

* Management data including all intra-group eliminations.

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

Total funding of the Industrial Group stands at EUR 9.4 billion and is almost entirely attributed to the Parent Company.

Direct funding (EUR 2.5 billion) grew by around EUR 1.2 billion; this increase is effectively due to the increase in Repos exposures to Cassa di Compensazione e Garanzia.

Indirect funding [15] was EUR 6.9 billion, with around EUR 3.0 billion (43%) represented by the assets under management segment (with transactions mainly related to asset management products), while assets under administration amounted to EUR 4 billion and represents around 57% of total indirect funding, with transactions mainly on the bond market. Assets under administration and assets under management were both impacted by a negative market effect. The decrease of approximately EUR 267 million in those under administration is essentially due to this factor.

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

(Figures in millions of euro)

MARGINS AND COMMISSIONS*	31/12/2022	31/12/2021	Change	% change
Interest margin	**115**	55	60	n.s.
Net commissions	**114**	110	4	4.1%
Net interest and other banking income	**214**	185	29	15.8%

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

Compared to 31 December 2021, the composition of net interest and other banking income has changed, with the interest margin having a greater impact. It more than doubled at the end of 2022 to come in at approximately EUR 115 million, representing 54% of net interest and other banking income. This growth is mainly due to higher interest income arising from the Parent Company's securities portfolio, in particular from returns on inflation-linked securities, as well as higher interest income realised by the consumer credit company Prestipay.

Net commissions totalled EUR 114 million, an increase of EUR 4 million compared to the same month in the previous year.

Net interest and other banking income grew by EUR 29 million, despite the EUR 60 million increase in the interest margin, the contribution from own securities trading of the Parent Company, which, at the end of 2021, had resulted in significant profits from trading, fell by around EUR 34 million.

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

1. Parent Company

The range of services offered by Cassa Centrale Banca is divided into the following areas:

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

Finance

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

Cassa Centrale Banca offers services to access the main bond, equity and derivatives markets both for retail customers and for management of the owned portfolio: in 2022, Cassa Centrale Banca carried out transactions on bond markets for approximately EUR 39.9 billion (up by approximately 59.5% compared to 2021) and on stock markets for approximately EUR 2.9 billion (-14.8% compared to 2021).

With regard to operations in the interbank sector, intermediation of refinancing operations with the ECB and securitised financing operations of Affiliated Banks and customers as part of the "Collateral Account" service decreased to EUR 15.5 billion at the end of 2022, compared to EUR 16 billion at the end of 2021. At the Cassa Centrale Group level, recourse to refinancing via the Eurosystem amounted to EUR 15.3 billion at the end of 2022, represented by participation in the TLTRO-III and LTRO operations.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of other customer Banks. During the year, OTC rate derivatives were traded for a total original notional amount of EUR 421 million. The types of OTC derivatives in the portfolio are configured into interest rate swaps (IRS) and interest rate options.

A further activity that is carried out within the Treasury support services of Affiliated Banks and customers is foreign currency trading. During 2022, the volume of spot and forward foreign currency trading (amounting to EUR 4 billion) increased compared with 2021 (+21%).

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

Among these, the main products and services offered are:

- **Asset Management**: Cassa Centrale Banca's Asset Management closed the second half of 2022 with EUR 11.1 billion [16] in assets under management and 110 active accounts. Despite the deterioration in the economic and financial situation, the tensions caused by the war between Russia and Ukraine and the strong inflationary pressures followed by highly restrictive measures from the central banks, the funding trend was positive during the year, with net contributions of over EUR 1.2 billion, of which EUR 600 million from assets under management of the Assimoco insurance products. This was only enough to offset the negative market effect, which brought volumes to the levels recorded at the beginning of the year. The *PIP CASH Doppia Opportunità* campaign contributed to the positive trend, providing for the remuneration of cash in the management account (gradually invested through the PIP) at a rate of 1.1% for the duration of the plan itself. The initiative was assigned a limit of EUR 700 million, around 90% of which had been used as at the end of 2022. This campaign has further fuelled the growth of periodic investment plans (PIPs). There are more than 26 thousand active accounts at the end of 2022. It is an instrument that has proven to be very defensive and useful in managing the most volatile phases of the market, reducing the risk on the timing of entry and offering the possibility for customers to gradually enter the market or take profits without exiting the investment. In a very difficult market environment — with negative results on the equity and bond components — the expansion of diversification on management lines, along with a cautious approach to the financial duration of securities, made it possible to mitigate the impact on the portfolios during the most negative phases. Towards the end of the year, the bond and equity components were both less underweight, confirming the approach of particular attention to risk already by selecting financial instruments of the highest quality.

[16] The amount refers to Asset Management opened directly with Cassa Centrale Banca for approximately EUR 2.7 billion, Asset Management placed through Affiliated Banks and Customer Banks for approximately EUR 6.6 billion, Institutional Asset Management for approximately EUR 950 million and pension funds, for which Cassa Centrale Banca has delegated management powers for approximately EUR 870 million.

The performance of the portfolios was in line with or, in some cases, better than the respective market benchmarks.

Participation in the CCB#LIVE webinar hosted on the digital platform Teams continued. The show discusses market trends, strategies on management lines, market views by Cassa Centrale Banca managers and NEF partner managers, and the analysis of funds and bancassurance products/services. The event is held fortnightly with an average participation of over 700 consultants from the Placement Banks.

- **Funds Partner**: the third-party fund placement platform called Funds Partner is made available to Affiliated Banks and client banks. This is a useful tool for advisors who can access a universe of around 3 thousand funds available through a platform on which Cassa Centrale Banca has activated a process of definition and maintenance of the list of funds that can be placed (funds with capitalisation of less than EUR 100 million and a track record of less than 3 years are excluded). The platform offers numerous tools provided by Morningstar, the reporting provided by the 13 investment houses and the "example portfolios" compliant with the MiFID risk profile. For these houses, Cassa Centrale Banca also carries out the service of entity appointed to perform payments. As at the end of the second half of 2022, traded volumes stood at around EUR 2.6 billion.
- **Advanced Advisory services**: the advanced advisory service is provided to customers of 15 Banks. Cassa Centrale Banca supports these Banks as advisor in identifying the best investment strategies.

Project to change the model for the provision of advice and adequacy assessment services – new MiFID questionnaire

In 2022, the Finance Department of Cassa Centrale launched a project to update the Group model for the provision of investment services, with the aim of preparing a new customer profiling questionnaire model in line with the most recent regulatory developments and ESMA and CONSOB indications, and redefining the logic for providing advice and adequacy assessment services, carried out for each operation, including in a portfolio logic, supplemented by a periodic adequacy assessment of the recommendations provided. On this occasion a structured training plan was prepared, dedicated to all authorised collaborators of the Group, regarding the new operations for collecting the questionnaire and inserting orders and recommendations, which will be active from spring 2023.

Credit

Cassa Centrale Banca's Credit Department provides support to its Affiliated Banks and Group companies in their lending activities and, with regard to these aspects, guides the direction and coordination of the Cooperative Banking Group. In the Credit area, the Group redefined its credit policy guidelines to consider the post-COVID-19 environment. These guidelines were developed in 2021 in anticipation of a growth in world trade and, in particular, a sustained increase in GDP, in the wake of Italy's economic recovery at the end of the 2020 economic downturn triggered by the COVID-19 pandemic. The sustained recovery seen in Italy at the beginning of the year partially tailed off from April 2022 due to (i) the effects of the Russian-Ukrainian war on world trade, (ii) inflation hikes, (iii) the difficulty procuring certain commodities such as energy and foodstuffs and, lastly, (iv) restrictions to the monetary policies by the European Central Banks from the second half of the year.

The main objectives of the Group's lending activities under the guidelines can be summarised as follows: (i) optimising the asset allocation of the portfolio in qualitative and quantitative terms; (ii) strengthening the sales network and repositioning its lending operations; (iii) maximising the use of public guarantees under the Temporary Crisis Framework; (iv) preventing the deterioration of credit quality, in the medium term, particularly on the largest risk groups.

The start of 2022 was characterised by a favourable economic situation due to a carry-over effect from a buoyant 2021, in which the general upturn across all activities was accompanied by consolidated value chains, mainly driven by exports. Only domestic consumption, which was adversely affected by a substantial stagnation in labour income, recovered significantly less strongly than initially expected.

In the second half of the year, due to the continuing effects of the war between Russia and Ukraine and the high level of inflation triggered by rising commodity prices and energy costs, GDP growth in the European Union and, consequently, Italy, was notably lower. Finally, the change in the ECB's monetary policy, with the decisive interest rate increases, further cooled the economy. This scenario also affected the banking business, which, after a strong start to the first half of the year with very high demand for credit, particularly for investments, and also bolstered by the Temporary Crisis Framework, began to slow down. The most noticeable consequences for businesses in the manufacturing segment in the second half of 2022 were the downscaling, compared to the beginning of the year, of loan applications and durable goods investment programmes. The tourist/hospitality sector continues to show clear signs of recovery from previous years, which were negatively affected by the COVID 19 pandemic.

The change in the operating environment as regards the initial growth forecasts for the second half of 2022 and the change in the outlook for the future are forcing a revision of the Group's credit portfolio management guidelines. This activity, although started during the second half of 2022, will also affect the Group for the entire first half of 2023 with a specific project on the loan portfolio aimed at assessing the prospective sustainability of debt by companies, taking into account:

- scenario analyses and assessment of deterioration and impairment rates in the various sectors;
- assessments of the impacts associated with the increase in energy costs and interest rates;
- the application of the 2023/2024 sector estimates on the 2022 financial statements of individual companies with the aim of making a projection of the expected cash flows and therefore of assessing the sustainability of the debt in the medium term.

In providing the newly originated loans, the utmost attention is still paid to credit quality, product, geographical and above all dimensional diversification. In fact, the dimensional aspect is considered of fundamental importance and represents the cornerstone of the Group's credit product strategy. The logic of spreading the risk over a multitude of small recipients, which has always been the main component of the credit approach of the Affiliated Banks, has been strengthened with the introduction of risk thresholds and through an operational practice pursued in the day-to-day relationships between the Group's corporate structures and the Credit Departments of the individual Affiliated Banks. More space was also given to distributed products (leasing, factoring, personal loans and salary-backed loans) due to their lower risk profile compared to similar banking transactions. With regard to the specific lending activities supported by the public guarantees system (Guarantee Fund and SACE), it should be noted that the Temporary Crisis Framework, launched in the first half of 2022 following the emergency triggered by the Russian-Ukrainian war and the consequent hike in energy costs and expiring on 31 December 2022, was extended until the end of 2023.

During 2022, the Cassa Centrale Group played a leading role in the territories served by its Affiliated Banks in supporting households and small businesses engaged in the energy upgrading of buildings. Thanks to a proprietary management system that integrates all stages of the process, from the reservation of the right to sell to the purchase of the credit and its subsequent offsetting in the Bank's payments and contributions, the Group has been able to respond effectively to a pressing and widespread demand from both established current account holders and many new customers. The Group's operations included all types of originating beneficiaries (households, businesses and condominiums) and all types of facilities, whether grouped together under the generic names of Ecobonus (credits with deductibility in 10 years) or Superbonus (credits deductible in 5 years). The widespread commercial success achieved in the main markets obliged some banks to supplement their ordinary tax capacity with re-transfer agreements with parties outside the Group, including those not belonging to the financial intermediaries sector, where possible. The relationship with large companies or general contractors was limited to a few cases, confirming the specific role of cooperative credit banks, focused on serving retail and small business customers in their territories. A predominant portion of the energy upgrade interventions supported by the Affiliated Banks did not give rise to requests for credit support during the phase that separates the start of the works from the collection of the price for the sale of the tax credit, confirming that these are mainly small unit cuts and that the customers served are concentrated among households with good availability of savings.

In 2022, Cassa Centrale Banca signed:

- a framework agreement with ASSINDUSTRIA VENETOCENTRO SERVIZI S.r.l. and with ASSINDUSTRIA VENETOCENTRO in order to develop a consolidated partnership in support of the financial needs of the associated businesses and to promote access to credit through the services of Cassa Centrale Banca and/or the Affiliated Banks.
- an agreement with Istituto per il Credito Sportivo: the Cultural Heritage Fund established within the Istituto per il Credito Sportivo is divided into two sub-funds, each allocated EUR 10 million, for the recognition of guarantees and the granting of interest subsidies on loans for projects to safeguard and enhance the cultural heritage. In order to allow the Affiliated Banks to operate under the Agreement in their own name and on their own behalf; and to standardise the necessary obligations required of the Banks (as defined in the Agreement) towards the Istituto di Credito Sportivo, in accordance with the procedures provided for by law and the applicable operating provisions and/or circulars, an Addendum was signed to the Agreement attached to the Sub-fund Regulation on interest subsidies referred to in Article 184, paragraph 4 of Legislative Decree no. 3 of 19 May 2020 and its relative annexes;
- with SACE - Guarantee Italy: contractual addendum and updated checklist to the SACE General Conditions Version 13.0 (ordinary guarantee) and 5.0 (MidCap guarantee) which incorporated the amendments introduced to Art. 8, paragraph 2 of Decree Law no. 21 of 21 March 2022 "Accrual of bills for energy consumption for the months of May 2022 and June 2022";
- an agreement with Neosperience Lab S.r.l.: NSP helps businesses to innovate their processes and products using digital technologies and transforming them into business advantages. In order to enable NSP to access the services of Cassa Centrale Banca and the Affiliated Banks to promote its services to business clients (legal entities), a specific agreement with the Banking Group was signed;
- Microcredito di Libertà: definition of the Regulation of the Fondo per il Microcredito di Libertà, the relative guidelines, and the public notice to Banks to express interest in joining the scheme;
- an agreement with SACE to promote access by businesses to the SupportItalia guarantee;
- a framework agreement with Pegaso2000 s.r.l. (third-party service provider in addition to Cerved and Innolva) for services involving: (i) instruction and forwarding to MCC of requests for guarantees from the SME Fund, (ii) instruction and forwarding to ISMEA of requests for direct guarantees and (iii) instruction of applications for grants under the Sabatini Law;
- a framework agreement with Confinet for portal use for the management of transactions with the credit guarantee consortia ("Confidi") of the Group's Banks;
- an agreement with Cassa Depositi e Prestiti for Supply Chain Contracts (5th Call) - Agriculture Sector as Lending Bank. Call issued under the National Investments Plan to support the NRRP by the Ministry of Agriculture, Food and Forestry Policies ("MIPAAF") for the implementation of supply chain contracts;
- an agreement with Cassa Depositi e Prestiti for the Group's Banks to use the Rotation Funds for Tourism Businesses.

Consumer credit services

Prestipay S.p.A., the Company specialised in consumer and household credit controlled by Cassa Centrale Banca and owned by Deutsche Bank, closed 2022 having continued the growth trend seen in its first year of operation.

At the end of 2022, the personal loans disbursed by the Company — which offers financing solutions channelled through the Prestipay brand to the Banks of the Cassa Centrale Group and its customers — performed better than the expectations of the business plan, recording volumes of EUR 250 million and with an increase on the same period in the previous year of 40.21%.

In terms of the number of transactions, the Company processed over 22,200 cases with an increase of 41.0 % compared to 2021, strengthening its commitment to the partner banks in order to support the credit access needs of customer households in their respective territories.

With reference to the methods of finalising loan contracts, it is worth mentioning the gradual consolidation of the percentage of paperless contracts signed through the certified digital signature service offered by the Company, which reached overall penetration of 85% of total contracts at the end of 2022.

The positive results achieved by Prestipay stand out especially when placed as part of a national market scenario that, albeit showing an overall positive trend in disbursements bridging the gap with pre-COVID-19 volumes, was negatively affected by the consequences of macroeconomic instability and the geopolitical tensions produced by the conflict between Russia and Ukraine.

After a good first half of the year, consumer credit flows of the members of Assofin — the association of the main banking and financial operators in the consumer and real estate loan sector — recorded a gradual slowdown from the third quarter, closing 2022 with an overall positive growth of 19.7 % compared to the previous year (Assofin data as at 30 November 2022).

The increase in Euribor and IRS interest rates, sustained by inflationary pressures and the decisions taken by the Central Banks in a context of general market tension, affected the pricing policies of the main market players, generating a consistent increase in the rates offered to customers in both the mortgage and personal loan segments.

Faced with a similar scenario, Prestipay S.p.A. was able to absorb a significant portion of the impacts due to the economic downturn, ensuring the partner banks a moderate impact on the terms offered to customers and also the timely monitoring of credit risk as default rates are expected to worsen in 2023.

The main internal activities undertaken by the Company in 2022 are as follows:

- start of the placement of the new instant lending product Prestipay Fast based on a proprietary automated credit scoring and policy rule decision-making engine, which has made it possible to streamline the placement processes of small loans with an immediate outcome and to respond to the needs of a new group of customers. The placement of the new product contributed to the overall result of Prestipay S.p.A. with disbursements worth several millions of euro, despite a limited average ticket of operations;
- strengthening of the monitor iring of the market segment of salary and pension backed loans (CQSP) through the definition of a new commercial agreement — which joins the one already in place with the minority shareholder Deutsche Bank — aimed at distributing the CQSP products of Sigla S.r.l., Prestipay white label products, through part of the network of the Cassa Centrale Group's Banks;
- completion of IT developments related to the creation of a reserved area for end customers through which users can find the main information about their existing loans and manage their position. The new functionality, already tested in a test environment, is to be released in January 2023;
- completion of various IT development related to product and process optimisation, which will make it possible to improve the industrial capabilities of internal processing;
- start of the partnership between Prestipay and Udinese Calcio with the finalisation of the club's sponsorship agreement, as co-sponsor, for the 2022/23 season. The Prestipay brand will feature on the first team's shirts, on the LED stadium advertising boards in the Dacia Arena and in many other communication initiatives intended to grow and consolidate brand awareness among current and potential customers;
- strengthening of the organisational structure intended to consolidate the service offered to the Affiliated Banks through the hiring of specialised resources, both to further increase the capacity to absorb the daily volumes of loan applications, and to strengthen the internal and commercial structure.

Payment systems

Settlements

With regard to settlements, the COVID-19 emergency led to a reorganisation of many activities in order to guarantee the operational continuity of the services provided with highly complex measures to ensure, in particular, the payment of pensions, incentives and subsidies granted by the government (and related entities) in favour of citizens and businesses and for cash management. With regard to the latter, the activity intended to guarantee the power supply to the ATMs and to keep the service operational, was particularly complex. Moreover, the new applications to manage the payments of subsidies that INPS started to disburse in April 2020 were implemented very quickly and are still being delivered. The agreement with INPS for the payment of pensions was also renewed in 2022, the Single Grant disbursement service was launched and the IBAN holder verification service was activated.

The continuous monitoring of the procedures relating to bank transfers, commercial collections, SEPA direct debit and check image truncation was guaranteed.

Cassa Centrale Banca actively participated in the national Work Group set up within the ABI for the adjustment of the CIT, CAI and Bills procedures following the numerous moratoria introduced by the various regulatory measures resulting from the COVID emergency. It also took part in the works of the newly founded ABI Working Group on the Digital Euro project.

For Cash Management, note that the migration activities of the Banks were completed with the consequent expansion of the valuable transportation network to all regions of Italy. The money purchase and sale service provided by Coinservice, which joins the traditional service of transportation of valuables, was activated in 23 Banks of the Group. The Cash Supply service was activated with the company Euronet for the supply and Breakdown of certified cash on the proprietary ATM network.

The accounting method for cash processing operations by vault operating firms was revised by increasing the level of detail per individual branch, operational point or GDO using the accounting services.

The number of SEPA payments processed in 2022 increased by 13% compared to the previous year, while the number of instant payments rose by 97%, representing over EUR 3 billion transferred.

Foreign relations

Unfortunately, 2022 was heavily influenced by the conflict between Russia and Ukraine, and the resulting shortage in commodities, which joined the already major logistics difficulties caused by two years of the pandemic. The main consequence of this was a hike in inflation, which reached the highest level since the introduction of the euro, and a tightening in the offer by the manufacturing segment.

This particular economic situation had a dual effect on operations in the foreign sector, which is always very sensitive to the expectations of economic operators. In trade finance, where instruments are used by companies especially when it is possible to plan purchases and sales in advance, there was a decrease of nearly 30% in the use of documentary credit and international guarantees. On the contrary, in 2022 the foreign payments segment experienced an increase in volumes by nearly 8% compared to 2021.

The Foreign Service also collaborated with the other corporate departments to define and introduce the necessary control measures following the issuance of the European Regulations aimed at sanctioning Russian and Belarusian entities involved in the conflict and controlling goods imported and exported to and from Russia and Belarus.

The Service is also working towards the implementation of the new Release Target2 Consolidation and the SWIFT CBPR+ projects — the launch of which was postponed to March 2023 — and towards the review of contracts for the entire foreign segment.

Lastly, in November, the Foreign Service was involved in the closure of the BCC SME Finance 1 securitisation transaction, the last operation based on performing loans of the Cassa Centrale Group, with full repayment of the senior and junior securities subscribed.

Centralised services

In the first half of 2022, the Service was involved in the final phases of the Group database project — Certification and Standardisation — which offers the possibility to define the data points as certain and verified with consequent overwriting on the local environments of the Affiliated Banks. In June and July 2022, the new functions developed in 2021 were rolled out to all Affiliated Banks of the Cooperative Banking Group. The Service remained active in the ordinary operations of the Group and Parent Company database processes as well as in the Group database working group — standardisation — which aims to define a unique data table structure at national level and draw up standardised data recording processes. Participation was also ensured during the year in a series of projects promoted by other departments of the Parent Company, but with effects on data.

As an active part of checks on anti-money laundering and countering the financing of terrorism on third-party products (prepaid cards and asset management), the service was also impacted by the new process changes arising from new checks on customers who hold prepaid cards promoted by the AML function of the Parent Company and active since May.

The second half of the year was also characterised by participation in the work group dedicated to changes in the methods and terms of communicating data to the Register of Financial Reports in force since 1 January 2023 following publication of the measure by the Director of the Italian Revenue Agency in late May.

During the year, operational changes were adopted concerning the Spunta Banca DLT service (automated backup of historical data and calculation of interest rates on bank accounts for clearing cycle in case of inversion of matching and reconciliation).

General Governments treasury

The Payment Systems Department also includes treasury activities carried out for several General Governments in Italy. As at 31 December 2022, the total number of bodies managed was 1,051, while 720 bodies had an IT mandate, confirming the ongoing commitment to introducing more modern ways of delivering the service.

E-money

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

The current health situation has undoubtedly changed the habits of consumers, who increasingly prefer to use payment cards both for purchases in shops (physical and virtual) and for payments to the public administration. Since the end of February 2021, two new solutions for accepting cards on POS are available thanks to the partnership with Nexi: SmartPOS and PagoPA POS (in December 2022, around 3,900 terminals were installed). From July 2022, following the decision to write off the Virtual Pay service, the necessary activities to promote the migration of the active e-commerce retailers to the XPay solution by Nexi were launched. At the end of the year, there were a total of around 1,200 active XPay POSs.

The activities relating to the tokenisation/virtualisation project for debit and prepaid cards were concluded. This is the innovative payment system that allows you to digitise a card within a smartphone and pay on the POS enabled through the Samsung, Google and Apple apps. Samsung Pay was activated in July 2021, Google Pay in August 2021, while Apple Pay was released to customers in February 2022. In 2022, the new Visa Debit and Bancomat Pay Business payment card products were released. Following Mastercard’s decision to close the Maestro circuit, the appropriate analyses were carried out to define a new debit card offer. The new mono-badged products will be released in early 2023.

As part of the activities related to monitoring the Collections, Payments and e-Money services and products, a study was conducted on the evolution of the commercial offer which allowed for an initial assessment of the performance of the Group’s Banks. This activity marks the first step in the new initiatives that will make it possible to prepare personalised reports to be shared with each Bank in support of commercial planning.

A feasibility study was also activated for an organisational review of the e-Money segment with a particular focus on the POS offer.

As at 31 December 2022, debit cards stood at around 1.59 million, prepaid cards at 441 thousand, credit cards at 450 thousand, POSs at EUR 80 thousand and ATMs at 2,265.

Governance and support

Also in 2022, the Parent Company's governance and support functions have worked to strengthen the organisational structures and develop the activities of the Cassa Centrale Group.

The Planning Department manages activities aimed at an orderly business development of the Group, with a dedicated structure that has constantly transferred the Parent Company's operational and strategic guidelines to the Affiliated Banks, ensuring their effective understanding and implementation. The tools and metrics in support of the Group's management control process are being updated. These elements will allow for a more complete monitoring of profitability and costs.

Activities also continued aimed at:

- management of activities aimed at defining the Group's 2022-25 Strategic Plan;
- supporting activities relating to merger projects among Affiliated Banks started and/or concluded during the financial year;
- development of methodology integrated with Group internal transfer rates;
- to manage the start of the strategic initiative in relation to the Group target distribution model.

In 2022, activities continued to strengthen the Administration and Tax Reporting Department, in order to further strengthen the controls aimed at ensuring the correct and timely representation of the Parent Company's individual and consolidated economic and financial results, and the fulfilment of the related accounting, supervisory and tax obligations. In this sense, the Parent Company has provided important support to the Affiliated Banks in the management of accounting, tax and reporting processes, as well as in the activities to improve efficiency and correct management of the Group's income statement and balance sheet consolidation processes.

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

The action of the ICT Governance Service has moved along two main lines: regulatory and strategic. In the regulatory sphere, work continued on issuing and accompanying the adoption of the internal regulatory framework, with the aim of achieving regulatory compliance and enabling an effective management of controls and risk. In this respect, at the request of the Supervisory Authorities, a self-assessment was carried out according to the EBA Guidelines on ICT Risk Management, defining and starting the implementation of the relative remediation plan, which was also subsequently subject to analysis during the European Central Bank's IT risk inspection. In terms of strategy, the 2022-2025 ICT Strategic Plan was updated, in close connection with the previous ICT Strategic Plan and in light of the new Group Strategic Plan, continuing the implementation and monitoring of the related initiatives.

The ICT Governance Service also contributed, within its remit, to the activities in the context of the SRB (Single Resolution Board) programme, CIPA surveys (Italy's interbank agreement on automation) and coordination for the Information Technology and Security Department in discussions with the Internal Audit Department.

With the intention to gather ideas for the definition and execution of strategic initiatives, strengthening synergies with international research institutes, Cassa Centrale Banca has joined the BIAN international consortia and the AbiLab IT Architecture Monitoring Unit.

The Information Security Service of the Parent Company, in collaboration with the Cyber Security Operations Service of Allitude, based on the updated assessment of compliance with the international standard of NIST (Cybersecurity Framework), updated the 2022-2025 Multi-Year Strategic Security Plan.

A series of governance projects was completed in the year by the Information Security Service, intended to promote alignment and collaboration with the Group's Banks. These initiatives aim to increase the maturity of the security measures and processes and promote the reduction of cyber risks, through integration in the Multi-Year Strategic Security Plan of the Banks' security requirements and through the extension and reinforcement of security information flows personalised to the context of each Bank.

In synergy with the Cyber Security Operations Service of Allitude, a series of technical projects were carried out, aimed at the evolution of cybersecurity measures in relation to threat intelligence, endpoint detection and response, identity governance, incident management, anti-fraud and data classification and protection processes. Reinforcement of these measures will also make it possible to expand the products of the Security service provided to the Group's Banks by the Allitude Cyber Security Operations Service.

Lastly, the Information Security Service completed the gap analysis in order to assess compliance with Digital Operational Resilience Act (DORA), involving the most affected structures of the Parent Company and Allitude. This assessment made it possible to identify the remedial initiatives in order to bridge the gaps that emerged, which were merged into a strategic roadmap of measures for DORA adjustment, including an estimate of the necessary costs/investments.

At regards the Services Governance Service, in 2022 cross-cutting initiatives were implemented - starting with the plans and objectives defined at the end of 2021 - aimed at enabling the gradual assumption of target responsibilities and the assumption of its governance and coordination role with respect to the administrative and banking back office services provided by Allitude. In particular, the initiatives focused on three complementary lines of action. On the one hand, processes to be implemented as a matter of priority were identified, considering their relevance, risks and potential benefits, and specific initiatives were launched on these areas to ensure their detailed design and implementation. On the other hand, actions were taken on the specific skill sets of the resources, in particular with regard to project management, which currently represents the cornerstone of the activity. Finally, for the processes considered to be most critical, the structure equipped itself with tools and reporting models aimed at strengthening its steering and coordination role with respect to the back office services provided by Allitude. These interventions have been planned according to a system of priorities, laying the foundation for the future development of the structure with initiatives that will be completed in 2023 while still maintaining oversight of current actions, projects and routine activities.

The Organisation Department continued to support company projects in multiple areas pertaining to the business, governance and support, risks and controls segment. Regarding the digital transformation programme, the project activities defined in 2021 continued, including support for the adoption and distribution of electronic signature tools by the banks (mainly the graphometric signature). The Department also launched a new programme dedicated to the evolution of the mobile banking channel (Inbank app) dedicated to private customers, and began a project initiative in collaboration with several Affiliated Banks for the definition of the contact centre model, for the selection of the partner and the associated technological solution to manage inbound and outbound traffic with customers. To improve the efficiency of the project demand management monitoring and harmonisation process, the relevant internal regulations were updated, and the periodic monitoring of relevant initiatives was activated, with the relative periodic reporting to the departments and corporate bodies concerned. Steps were taken to guarantee the coordination and management of measures to ensure business continuity and critical processes during and until the end of the emergency context.

The Cost Management and Procurement Service continued the activities aimed at the adoption of the Ivalua technology platform by all Affiliated Banks and Allitude, dedicated to managing the purchasing cycle, completing the roll-out of the last three banks in the first quarter of 2022, with the aim of ensuring the oversight of the expenditure management process and the supplier register at Group level, as well as for the management of the repository of contracts. During the year, the assistance and consolidation activities on the platform were stepped up, confirming the central role of the Service in the management of evolutionary and process issues. The evolutionary initiatives were also conducted by activating working tables with banks to share best practices and share needs with a view to potential further developments. In compliance with the provisions of the Cassa Centrale Banca Expenditure Regulations, approved on 21 July 2022, new processes related to the Cassa Centrale Banca expenditure management cycle were implemented on the platform, launching a process to define single and coordinated expenditure management processes at Group level. As for negotiations, the Service oversaw the renewal of expiring Group agreements, at the same time defining a plan of additional initiatives, including the negotiations launched in the final quarter of 2022. The plan takes into consideration the opportunities and requirements identified at Group level, including through periodic working tables for discussion with the Banks.

The Corporate Affairs and Shareholdings Department guaranteed operational and administrative support for the activities of the Board of Directors and the Board Committees. In particular, it should be noted that, in the year in question, the Board of Directors met 26 times, the Risk Committee 11 times, the Risk and Sustainability Committee (established on 30 May 2022) 12 times, the Appointments Committee 29 times, the Remuneration Committee 18 times, the Independent Directors' Committee 9 times and the Sustainability and Identity Steering Committee 4 times.

The advisory service provided to the Affiliated Banks in organising the meetings, managing the meetings of the corporate bodies, with the aim of bringing the entire process into further compliance with the best practices within the Group, was also important. In this regard, a Group IT platform was identified which allows for precise tracking of all phases of the information flows addressed to the corporate bodies.

During the first half of the year, support was also provided to the Affiliated Banks on updating their articles of association to ensure their compliance and consistency with the provisions of update no. 35 of Bank of Italy Circular 285/2013.

Considering the critical issues and the complexities related to changes in the corporate structures at the Affiliated Banks, with the aim of stepping up advisory support for the Shareholder offices, in the final months of the year the structure of the Corporate Affairs Service was strengthened by identifying a resource dedicated to monitoring this type of issue.

With reference to the corporate officers and the heads of the main corporate functions of the Parent Company, the first half of 2022 was characterised by the appointment of a new Chief Executive Officer/General Manager and a new Chief Financial Officer, as well as the complete renewal of the Corporate Bodies by the Ordinary Shareholders' Meeting of 30 May 2022. The Corporate Affairs and Shareholdings Department constantly provided support in these processes, ensuring compliance with internal regulations and the applicable sector regulations concerning the appointment and suitability assessment phases of corporate officers and the heads of the main corporate functions.

With the renewal of the corporate officers, the Corporate Governance Project was also revised, mainly in order to adjust it to the new governance structure and the new wording of the Articles of Association. This latter essential document was thoroughly revised during the extraordinary shareholders' meeting on 25 March 2022.

The support provided to the Affiliated Banks in the assessment process pursuant to Art. 26 of the Consolidated Law on Banking on the requirements of the more than 250 corporate officers elected was particularly intense and demanding, prevalently during the shareholders' meetings to approve the financial statements at 31 December 2021. In particular, the activities concerned three key steps: (i) advising the Affiliated Banks during the application, appointment and suitability verification phase of their corporate officers; (ii) preparing the documentation necessary for the verification of the suitability of the corporate officers of the Affiliated Banks conducted by the Appointments Committee and the Parent Company's Board of Directors; (iii) notifying the Supervisory Authorities of the documentation necessary for the verification of the suitability of the corporate officers of the Affiliated Banks and consequent response to requests for additional information or criteria made by the Authorities themselves.

This also included the handling of some particularly sensitive cases in terms of banking governance, with the preparation of material that was then analysed, in joint session, by the Appointments and Risks Committees.

The Corporate Affairs and Shareholdings Department also supported the Banks in the annual self-assessment of the composition and functioning of the corporate bodies and in the half-yearly monitoring activity with reference to the officers who received observations from the Parent Company and/or from the Supervisory Authority as part of the procedures to verify the suitability requirements.

Taking account of the changes to the applicable regulatory framework in case of appointment of corporate officers and the positive feedback received in the past from the Affiliated Banks for the related advisory activities offered, the Corporate Affairs and Shareholdings Department of the Parent Company deemed it appropriate to once again offer this personalised advisory service for the Affiliated Banks impacted by the renewal of the corporate bodies during the Shareholders' Meetings to approve the financial statements at 31 December 2022. With reference to governance regulations, the most relevant changes concerned the formalisation, within the Group regulations, of the process to identify and appoint members of the corporate bodies of the direct subsidiaries of the Affiliated Banks and belonging to the Cooperative Banking Group.

In 2022, the support provided to the Affiliated Banks and to the Group Companies on related parties and conflict of interest was consolidated, confirming the growing relevance of the topic. In particular, note the following main areas of operation: (i) technical, regulatory and training advisory activities for the Affiliated Banks and Group Companies; (ii) strengthening of IT controls; (iii) analysis of multiple transactions with related parties proposed directly by the Parent Company and/or by Affiliated Banks and/or by Group Companies and preparation of the appropriate preliminary notices shared with the Independent Directors' Committee; (iv) the update to the Group Regulations on the management of conflicts of interest.

The Legal Department supported the Group Companies and the Affiliated Banks in all aspects related to contracts and the management of claims and ongoing lawsuits with consulting activities. It also coordinated the entry into force of the new Group Regulations for the handling of complaints, applied at Group level from 1 June 2021. Two updates to this regulation were adopted by the Board of Directors of the Parent Company on 16 December 2021 and on 14 April 2022; in June 2022 the latter was sent to the Affiliated Banks and Companies falling within the scope of the Group's consolidated supervision for its adoption and entry into force on 1 July 2022.

The entry into force of the new Group Complaints Procedure, approved on 16 December 2021, was also coordinated. On 28 April 2022, an update of the aforementioned procedure was approved and forwarded to the Affiliated Banks and Companies within the scope of the Group's consolidated supervision for its adoption and entry into force on 1 July 2022.

Lastly, the Legal Department was responsible for coordinating the entry into force of the new Group Regulations for the management of disputes, approved by the Board of Directors of the Parent Company on 28 April 2022, and applied at Group level as of 30 June 2022. The Legal Department, as of 1 July 2022, provided the Affiliated Banks and Group Companies, with access to a computer software that allows the recording, management and monitoring of disputes as well as alternative dispute resolution procedures (in particular ABF and ACF) and, where provided for by the Regulation, the intervention of the Parent Company through the relative support and involvement in the management of disputes.

The entirely original characteristics of the Cooperative Banking Group on the national framework require the consolidation of investments in communication and media, and coordination of the activities related to the Institutional Relations of the Affiliated Banks and the Subsidiaries. In these respects, 2022 was also characterised by an intensification of the activities carried out by the Affiliated Banks and the Parent Company.

The activities were aimed in particular at:

- following the main dossiers on the revision of banking, financial and insurance legislation and regulations, also in coordination with the credit and cooperation trade associations, to represent the unique characteristics and needs of the cooperative banking system;
- providing assistance to the Board Steering Committee on Sustainability and Identity and the Risk and Sustainability Committee (which includes sustainability assignments) for issues within its remit, in particular, in terms of the examination of the new material topics to be reported in the Consolidated Non-Financial Statement;
- examining and interpreting the production of laws and regulations on sustainability/ESG, which is affecting the strategic and operational approach of banks across the board, maintaining constructive relations with the supervisory and control bodies in charge as well as with the category structures;
- acknowledging the Group as an entity with distinctive characteristics within the banking world, enhancing the objectives of sustainable development and the principles and values of the Mutual Credit Cooperation;
- enhancing specific projects, such as the "Community of practice of External Communication Representatives", which brings together the specialist functions of banks and subsidiaries with the aim of pooling the experience of individual companies;
- further increasing, according to a constant and gradual approach, the Group's visibility to the outside world also through social networks, coordinating the activity to enhance the various initiatives activated by the Group and the communication of the Affiliated Banks on these channels. In particular, the social network LinkedIn used by the Parent Company saw a constant increase in visibility and number of followers;
- continuing the collaboration with Euricse, a research institute specialised in cooperation and social enterprise issues. In particular, the survey on the Affiliated Banks was re-proposed, essential for circulating good practice on environmental and social issues;
- updating the projects in the Strategic Plan to consider the enabling ESG factor;
- monitoring the implementation of the initiatives defined in the Sustainability Plan, which defines common and coordinated objectives at Group level, achievable and reportable through specific indicators (KPIs).

Following the approval of the first Sustainability Plan at the end of 2021, the Institutional Relations Department started monitoring the achievement of the objectives set out in the document, supported by constant awareness-raising activities on the Plan's main topics, with a focus on external communications.

In January 2022 the Board of Directors resolved to launch new projects regarding the governance structure of ESG safeguards. The changes specifically concern the establishment of an ESG Steering Committee (established within the Parent Company's Management Committee), the activation of the ESG PMO reporting to the Institutional Relations Department, and the integration of the duties performed by the Risk and Sustainability Committee, the External Relations and Sustainability Service and the Departments most impacted by the issue into the ESG framework.

2. ICT and back office services

Within the ICT Department at Allitude, the process to consolidate the operational integration and organisational transformation activities continued. In terms of projects, initiatives were carried out in 2022 on the basis of the requirements formulated by the following applicant structures:

- Business (Finance, Credit, NPL, Payment Systems and Centralised Services, Product Company Integration);
- Governance and Support (Corporate Affairs and Equity Investments, Legal, Information Technology and Security, Organisation and Human Resources, Planning, Administration and Tax, Institutional Relations);
- Controls (Anti-Money Laundering, Compliance, Internal Audit, Risk Management);
- Transversal and Simplification (ICT, Innovation and transversal projects);
- Market Banks.

These requirements were formalised in the document of the 2022 ICT Operational Plan and approved by the competent decision-making bodies.

At the same time as the in-house development of new content in relation to the Group's information system, several innovative market solutions were selected and purchased to meet some of the new specialist needs that have emerged, for example in relation to credit and AML.

The projects included in the 2022 ICT Operational Plan are consistent with the evolutionary lines envisaged in the Group's ICT Strategic Plan and can be summarised in the following areas:

- **omnichannel**: evolution of authentication systems and tools; development of digital services dedicated to end customers (for the mobile and internet banking channels, in particular); launch of processes to modernise the platforms in favour of internal and external users; digitalisation of onboarding processes for prospective customers; launch of activities for the definition of a Group Design System; set-up of a dedicated centre for automation (DPA/RPA);
- **banking information system**: standardisation of information system processes and configurations (register, transparency, guarantees and credit lines); evolution of the various application modules on the basis of business priorities (dematerialisation of sales processes to make in- and out-of-branch offers more efficient) and the need for regulatory compliance in the areas of finance, credit, anti-money laundering and payment systems; completion of the feasibility study and start of the analysis and implementation phase for the Group's new PEF; for the Core Banking Modernisation programme, the development frameworks were completed with their reference architecture and the first pilot applications were created;
- **data management and analytics**: architectural evolution of the Data Warehouse area with the introduction of a Data Hub layer and progressive population of the new architecture; preparation of the infrastructure to make a business intelligence product with self BI functions available to users to make them autonomous in consulting the various databases; expansion of the information database available to cover banking processes; implementation of the data governance framework with the introduction of data dictionary and enterprise data catalogue that will be progressively enriched with the contents of the various databases; development of a data quality dashboard and implementation of a set of controls within it;

- **synthesis systems**: guidance on adjustments to the rating calculation engine and the EWI/EWS (early warning indicator/early warning system) to the Group's new credit regulations; launch of activities to take over third-party synthesis applications (AML T&M, ERMAS, Regtech, etc.); continuation of the migration to the new application platform dedicated to individual supervisory reporting with market banks in production and parallel in the quarters of June, September and December for three Affiliated Banks; activities aimed at ensuring that the system is constantly updated to take into account any changes to regulations issued during the reference period; monitoring and adjusting of Group's consolidation requirements;
- **technology/infrastructure**: consolidation of the data centres in order to increase efficiency and lower risk; technology refresh of hardware components that find more modern and performing solutions on the market; introduction of additional technological hosting services for user banks; start of project activities for the introduction of management services for distributed computing, such as management of jobs and the Bank's local network; start of the cloud journey for the definition of the policy, the architectural framework and the governance operating models for the adoption of the public cloud; start of the definition of ESG guidelines for ICT;
- **governance and processes**: further consolidation of demand management, project management and change management, on the basis of the update to the Parent Company procedures and through the refinement of support tools; during implementation of performance management, SLA management and asset management procedures through completion of support tools and start of the recruiting, appointment and training phase of the roles that support the various processes; start of training on tools and the adoption of the software development life cycle (SDLC) process for the functional/technical analysis, unit testing and deployment phases.

In the reporting period, with support from the other business units, the ICT Department also completed the migration of the Market Banks not belonging to the Cassa Centrale Group and operating on the Gesbank information system, to the SIB2000 information system.

In 2022 the Allitude Services Department launched a series of initiatives aimed at strengthening its role of outsourcer to the Group by increasing the volumes managed and developing new administrative and back-office services, in line with the needs of the Cassa Centrale Group. In this context, specific round tables were set up with certain banks to understand their existing operational and organisational models for back office management in order to design, implement and promote new services and - at the same time - define an efficiency strategy, in particular through a process of centralisation towards Allitude or other suppliers.

In 2022, in line with the requests of the Parent Company and the requirements of the Banks, feasibility studies were launched for the implementation of new administrative and back office services/activities. The new activities/services were in the pilot stage in September at several Banks of the Group, and will be rolled out to all Banks of the Group as early as the beginning of 2023.

The initiatives launched in 2021, aimed at increasing productivity and operational efficiency in the delivery of back office services through the introduction of new technological tools (Process Automation) and organisational levers, were continued. In this context, the Services Department and the ICT Department produced a feasibility study to complete the preliminary analyses for the introduction of orchestration (Digital Process Automation) and automation (Robotic Process Automation) platforms on Allitude's back office processes. The first releases of these innovative solutions were operational from September and will continue into part of 2023 on the basis of the initiatives identified.

An initial tactical tool was also introduced (the so-called "Operations Tracker") for monitoring the operational performance of the back office processes of the Allitude Services Department, with the aim of introducing continuous improvement logics for the efficiency and quality of services through the analysis of collected data (e.g. economic, volume and productivity data).

The development activities linked to the implementation requirements of the regulations and controls of the Parent Company were also important, which saw Allitude working on a dual front: as a provider of IT solutions in support of the operations of the Group Companies, and as a Company that must adapt its own internal practices to the new regulatory requirements by combining them with the efficacy of the internal processes and its own organisational structure.

3. Leasing services

The offer of leasing services, through specific agreements for the distribution of the product with Group banks, represents an important aspect of the commercial strengthening of the Cassa Centrale Group, which, with reference to credit risk, has reserved for its Subsidiary an increase in direct lending thanks to operations in this specific loan formula. Claris Leasing S.p.A., through its services, strives to accompany the investments of small and medium-sized enterprises, customers of the Affiliated Banks of the Cassa Centrale Group, offering support to the territories especially in the difficult economic context.

While on the one hand the market context appears to have overcome the critical issues and uncertainties resulting from the spread of the COVID-19 epidemic, with positive and encouraging signs of recovery in the macroeconomic variables which have strong correlations with the leasing industry, on the other hand it reflects the worrying geopolitical tensions that have produced new vulnerabilities on the markets, especially in the energy market, and exacerbated tensions in the raw materials supply chains, triggering inflationary trends that governments and institutions are seeking to contain. Rising inflation and price increases in the energy and commodities sectors, exacerbated by the ongoing conflict, increase the risks of a slowdown in household consumption and industrial production on the one hand, and drive the central banks to implement monetary policies projected to defuse the envisaged inflationary scenarios on the other.

In a context such as the one described above, the leasing sector in Italy still recorded positive results for 2022, with increasing volumes of new contracts, confirming the sector as an important driver of growth and development.

The positive feedback from the market is also reflected in the Company's performance, which has far exceeded expectations. Claris Leasing S.p.A., through the placements made by the distribution network of the Affiliated Banks of the Cooperative Banking Group, concluded 1,673 new leasing contracts for a total of EUR 330 million in new investments. Compared to the figures for the same period in 2021, there was an increase of over 30% in the volume of contracts signed. Consistently with the trends of the sector, the growth recorded in 2022 particularly involved the capital goods sector, also thanks to the Nuova Sabatini incentives, while real-estate leasing, although growing, only intervened to finance properties functional to the activities of the companies. The Company also pays the utmost attention to the most environmentally friendly projects, in line with EU and national policies aimed at enhancing investments in the green economy and the Group's ESG policies. These guidelines also characterise the development programme set out in the strategic plan updated by the Company and approved by the Parent Company.

With regard to asset quality, in line with the Cassa Centrale Group's objective, the gradual reduction of non-performing exposures continued through a strategy of disposals managed directly by the Company. The gross NPL ratio stood at 4.6% in December 2022, a marked improvement from 7.2% in December 2021 and 9.4% at the end of 2020. Supported by a prudent provisioning policy, the ratio of net impaired exposures to total leasing receivables was 1.6%, down from 2.2% as at 31 December 2021, and 3.1% in 2020. In line with the Parent Company's directives, the coverage of bad loans was around 90%. During the year Claris Leasing S.p.A. recorded a net profit of EUR 4.6 million.

The services offered by the Cassa Centrale Group were further enhanced by the products offered by the company Claris Rent S.p.A. (with the sole shareholder being the parent company Claris Leasing S.p.A.).

Claris Rent S.p.A. has a business project involving the marketing of services in the field of long-term rentals, initially through the intermediation of third-party products, and operating leases. The commercial strengthening of the Cassa Centrale Group thus embraces new services, expanding and supplementing the range of products offered to customers of the Cassa Centrale Group through the distribution channels of the Affiliated Banks.

The Company was launched during a rather complicated economic context, first due to the COVID-19 pandemic and then the pronounced geopolitical instability. The combination of various destabilising factors had significant impacts on the Company's business, in particular the shortage of microchips, for example, that also affected the production of vehicles, the shortage of raw materials and the difficulties in the logistics sector that also affected the availability of rentable assets to and generated significant critical issues for the range of products offered by Claris Rent S.p.A. To limit the effects related to the critical delivery of new cars, targeted commercial actions were proposed to support the service for new subscribers of NLT contracts.

With regard to the range of rental products on offer, in the previous financial year a campaign of agreements had already been launched with the BCCs of the Cassa Centrale Group that were willing to promote rental products to customers in its portfolio with the aim of identifying and anticipating their needs. As at 31 December 2022, 16 Affiliated Banks of the Cassa Centrale Group, located in the North of Italy, have signed the agreement.

The promotional and communication campaigns shared with the Affiliated Banks continue to increase customer loyalty. These activities are supported by the slogan *La tua auto la scegli in Banca* [Choose your car at the bank] and the use of online showrooms displaying the options offered by Claris Rent, which were visited by 40 thousand customers in the last 15 months. A series of webinars was also launched during the year, aimed at engaging corporate customers of the Affiliated Banks on corporate mobility issues and, thanks to the communication activities, high interception rates of retail customers about to purchase a new car (over 95% of estimated potentials) were achieved, proving the effectiveness of the promotional policies adopted.

In 2022, the Company brokered 350 long-term rental deals with fees determined by commissions, including future payments (this result was nonetheless affected by the shortage of vehicles to register) and has 580 active lease contracts in place for a counter-value of EUR 1.8 million, while the result for the period remains negative by EUR 515 thousand, also negatively affected by the consequences of the complex economic situation following the ongoing effects of the COVID-19 pandemic and tensions on the geopolitical front

The offer of services in the leasing sector is supplemented by the collaboration agreement between the Parent Company and Fraer Leasing S.p.A. belonging to the French Group Société Générale. During 2022, this agreement allowed the distribution network of the Cooperative Banking Group to sign 1,011 contracts for a total amount of approximately EUR 176.2 million.

4. Insurance services

After ten years of operation, Assicura Agenzia S.r.l., wholly owned by the Cassa Centrale Group, and the subsidiary Assicura Broker S.r.l., continued to strengthen their role in support of all affiliated banks and other intermediaries with which they collaborate to develop the Group’s insurance offer, improving the quality of the products and services and significantly expanding the insured population.

The increase in new business in the protection segment was particularly important. In this area, over 102 thousand new contracts were signed (up by nearly 11%), with 17% growth in the volumes of premiums in the primary lines of business, 16% in motor TPL, and 20% in credit protection insurance; these growing figures are higher than those recorded on the market. On the contrary, the business trend on the Financial Life sector was characterised by an 18% decrease in volumes of new business, partially offset by the continuous growth of supplementary pensions, with a 16% increase in subscriptions to pension funds. New business at the end of the year recorded a total of 203,861 new contracts (up by 9%) against over EUR 1 billion premiums (down by 13%).

The decrease in the placement of insurance investment instruments was caused by various factors, in particular by a decrease in the offer in the first half of the year and, subsequently, at the end of the year, by the lower appeal of these forms of investment compared to other solutions, caused by their higher correlation with the sudden increase in rates.

In order to increase the ability of the distribution network to provide advice to shareholders and customers, the activation of effective training courses proved to be essential, with over 180 thousand hours delivered during the year to qualify new intermediaries, maintain the requirements and activate new products, joined by 67 classroom courses and a master's for creating specialist businesses.

The update to the Sìcuro product catalogue also continued, with a significant improvement in the quality of the guarantees offered to subscribers and a considerable increase in the profitability of the distributors, thanks to the favourable terms negotiated as part of the five-year partnership agreement with the Assimoco Group and the consequent optimisation and standardisation, from the contractual perspective, of the distribution model.

During the year, the use of the electronic signature offered via OTP also increased considerably, rolled out to all protection product, fostering customer relations, reducing costs and time for the physical archiving of documents and ensuring the completeness of signature collection. The MyAssicura reserved area was also connected to the InBank app, facilitating its use for information about policies taken out, premiums paid and any claims management; this function will soon be joined by other enacting functions that will allow customers to report claims, make additional payments, process quotes and, afterwards, take out new policies.

The action taken in terms of new business and in terms of maintaining the existing portfolio, led to more than EUR 7.6 billion of premiums under management as at 31 December 2022, of which over EUR 6.4 billion related to investment instruments, nearly EUR 735 million to supplementary pension plans and more than EUR 304 million of insurance coverage in the protection sector. This activity generated commissions for the Banks amounting to EUR 71 million, an increase of 19% compared to 2021, with a growth in the weight of the component of commissions accrued from the placement and management of protection policies (despite the evident imbalance in terms of volumes of assets under management) compared to the financial component (52% compared to 48% in the protection area), achieving the objective to ensure greater stability in banking profitability thanks to the recurrence of commissions collected and the increased retention of the non-life portfolio.

Net fees and commissions income for Assicura Agenzia exceeded EUR 12.8 million, an increase of 22.18% compared to 31 December 2021, and contributed to a net profit of EUR 5.6 million, representing the best result for the year in the Company’s history.

Assicura Broker carried out insurance assessments related to institutional coverage. This activity made it possible to achieve constant improvement in the insurance level of the policies of the customer Affiliated Banks, with better alignment of the coverage levels for greater security of the Cassa Centrale Group and a constant maintenance of policies, required to ensure their compliance with the specific needs of each insured Company.

Special attention was paid to the renewal of the D&O policies of the Group Companies and of the customer Banks, in a difficult market environment that sees a gradual reduction in the insurance offer. Nevertheless, thanks to the willingness of the companies chosen over the years to increase the extent of their exposure, it has been possible to contain cost increases and ensure that all customer companies are able to take out a policy while increasing the current limits.

At the same time, the GBC Group Cyber Policy was launched for the organisation of a Group cyber insurance plan, with the aim of establishing cyber risk coverage that starts with the Parent Company and Allitude, before extending to the Group Companies and the Affiliated Banks. The project should be complete by early 2023.

In the second half of the year, the activities carried out in relation to the Group's coverage focused on coverage renewals as at 31/12/2022 with the aim of improving the existing coverage, continuing to optimise guarantees and concentrating policies on a few selected partners.

With regard to the business area, thanks to the sales activities conducted through the Affiliated Banks, there was a considerable increase in the number of corporate customers.

A new agreement was also drafted for collaboration with the Group’s Banks, in order to improve operations in favour of companies and their customers, and to incorporate the latest changes introduced into current regulations.

Overall, there was an increase in brokered premiums and commissions collected during 2022. The latter amounted to EUR 3.7 million, a 6.65% increase over the previous year, bringing gross profit to EUR 1.14 million and net profit to EUR 754 thousand.

5. Collective asset management services

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

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

Thanks to the good results of the BCC-CR-RAIKA commercial network and despite the challenging market conditions, assets under management stayed slightly higher than they were at the end of the previous year, for EUR 5.8 billion at the end of December 2022, with an increase in AUM of 1% since the beginning of the year, while the shares amounted to 430 million, with an average increase of 14%.

Stable assets under management were the result of positive net funding of EUR 868 million and a negative market contribution of over EUR 835 million. During the period, Capital Accumulation Plans (CAPs) made a positive contribution of around EUR 845 million to funding, while inflows and outflows on Capital Investment Plans (CIPs) were essentially balanced, thanks to subscriptions of institutional investors. With regard to the CAPs, there was net growth of 6,500 new openings during the year, also thanks to the With a NEF CAP, You Feel Protected initiative concluded in the first quarter of 2022, for a total of 518 thousand units, which are equal to monthly deposits of over EUR 70 million. The trend fell in the second half of 2022, with a decrease of 9,000 CAPs. This situation indicated the possibility to launch a new competition, *Il risparmio ti premia* (Saving rewards you), to further drive this investment method in the first 5 months of 2023.

Specifically, the data show a significant growth of the ethical sub-funds compared to the other products: in particular NEF Ethical Balanced Dynamic recorded a share increase of 30%, NEF Ethical Global Trends SDG was up +46% and NEF Ethical Balanced Conservative was up +18%. The only ethical sub-fund against the trend was NEF Ethical Total Return Bond, with -16%.

In the NEF range, three sub-funds exceed EUR 500 million in size (Ethical Balanced Dynamic, Ethical Global Trends SDG and Euro Equity), while several other sub-funds have now passed the EUR 300 million mark. There was also significant growth in the percentages of the NEF Global Equity 24%, NEF Euro Equity +18%, NEF Pacific +32% and NEF Us Equity +29% equity segments. Bonds, on the other hand, saw marginally more divestments, due to the market seeing significant increases in returns, with the exception of the NEF Global Bond (+32%) and the NEF Target 2028 (+100%).

In confirmation of the high quality of its operations, in 2022 NEAM once again received two very important awards. For the third consecutive year it was on the podium in the Sole 24 Ore High Performance Award according to the analysis carried out by the independent company CFS Rating, which confirmed NEAM S.A. as Best Management Company - Italian Small Funds for 2021. Moreover, Lipper awarded NEF for the second consecutive year with the title of Refinitiv Lipper Fund Awards Winner Europe 2022 as Best Overall Small Fund Family Group at three years. Two NEF sub-funds were also included in the 300 Best Funds 2022 by CFS Rating.

6. Other services

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

The Extraordinary Shareholders' Meeting of 4 March 2022 resolved to put the Company into voluntary liquidation for the following reasons:

- the need for significant organisational changes to the Centrale Credit Solutions structure;
- the guaranteed continuity and development of the sale and securitisation of impaired loans;
- generational renewal with new and younger professionals entering the business;
- an extremely specialist knowledge base that can be better developed within a more appropriate organisational structure.

These assessments led to the decision to internalise the Company's activities within the Credit Department of the Parent Company, also with a view to streamlining and containing administrative costs.

During the pre-settlement period, Centrale Credit Solutions S.r.l. was mainly involved in the completion of its activity as advisor to the second securitisation transaction of the Cassa Centrale Group supported by the state guarantee GACS. This operation, known as Buonconsiglio 4, involved 38 Italian credit institutions (29 belonging to the Group), for an amount of bad loans sold for approximately EUR 579 million in terms of gross book value.

For CCS, the pre-liquidation financial statements showed a gross profit of approximately EUR 939 thousand.

During the liquidation period, the Company carried out all activities required by current regulations to collect receivables, pay suppliers, and manage, transfer or dispose of assets on the balance sheet.

The Extraordinary Shareholders' Meeting on 30 August 2022 resolved to complete the liquidation process and submit the request for the company's removal from the register of companies. During the meeting, the final liquidation report was approved with a gross profit of approximately EUR 24 thousand and the simultaneous transfer to the sole shareholder Cassa Centrale Banca S.p.A. of assets worth approximately EUR 4.13 million.

Centrale Credit Solutions S.r.l was removed from the register of companies on 22 September 2022.

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

During the year, CSI regularly continued — through specialised companies — to create, complete and maintain the construction sites relating to real estate acquired through bankruptcy proceedings.

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

Its market activities are brokering between supply and demand and offering real estate and rental consultancy services as well as property value estimates. Activities are also carried out on behalf of the Banks and Companies of the Group, to facilitate possible partial disposals of real estate assets.

Operations are carried out in compliance with the regulations in force and in a completely autonomous manner, implementing all the necessary control units for the separation of activities from banking and financial activities.

Activities conducted in 2022 were still partially influenced by COVID-19 restrictions in a scenario of general uncertainty, generated by the Russian-Ukrainian conflict, rising inflation and a restrictive monetary policy. Nevertheless, Italy’s real estate market grew due to an increase in demand.

In 2022, Centrale Casa made contact with over 1,200 potential new customers and around 750 specific requests were received for properties managed exclusively by Centrale Casa and over 400 customer visits to the properties. There were 62 real estate sales assignments contracted, with 24 transactions, in addition to leasing, consulting and appraisal activities.

The company brand was reviewed, connecting the lettering and colours back to those of the Group, and activities and investments on online and social media channels continued, with good results from the company website and specialised portals. The company and the properties in the portfolio also achieved high visibility thanks to marketing in magazines and local newspapers.

Originally established to provide support and assistance to banks that use the online trading service offered by Directa Sim, over the years Centrale Trading S.r.l. (hereinafter also “Centrale Trading” or “CT”) has entered into agreements with several companies: Italpreziosi S.p.A. for trading gold in its physical form; Six Financial Information, Infoprovider for finance offices; WebSim for financial reporting; MasterChart, which provides customer appointment management, counter queue management and digital signage services as well as traditional financial reporting solutions.

There were 148 affiliated institutions at 31 December 2022.

Risk management and internal control system

The Cassa Centrale Group is operating in a macroeconomic context characterised by several elements that set it apart from the past, not only relating to the still uncertain prospects of the economic recovery after the start of the war in Ukraine, the inflationary trend and the Italian political context, as well as the ongoing measures issued in Europe and Italy, but also with reference to the reform of Cooperative Credit itself.

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

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

In this context, the Group attributes strategic importance to integrated risk and control management, as this constitutes:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the Corporate Bodies of the internal Control System to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

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

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

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

- the actions to be taken to safeguard the shared goals of the Affiliated Banks, in compliance with the Cohesion Contract and the related Guarantee Agreement to which the Affiliated Banks and the Parent Company are mutually committed.

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

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

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

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

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

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

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

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

As a fundamental tool to ensure that the Group's strategy is in line with the Risk Profile, the RAF is not only addressed by top-down leadership of the Bodies and Management of the Parent Company, but is also implemented with the active bottom-up involvement of the individual Banking Group Companies. The RAF is therefore founded on a management model that is consistent with the operational functionality and complexity of the Group itself, and has been developed considering the materiality of the risks to which the Group is exposed. It establishes *ex-ante* the risk/return objectives that the Group intends to achieve and the resulting operating limits. Conceptually, the RAF could be defined as the variability of the risk-adjusted results that the Group is willing to accept for a given operating strategy.

Therefore, it represents the overall approach, including the governance policies, processes, controls and systems, through which the risk appetite of the Group and each Group company is established, communicated and monitored. It is an integral part of the decision-making processes for developing and implementing the strategy and approach to risk management and enables the determination of a risk management policy based on the principles of sound and prudent business management; it is distributed and promoted at all levels of the organisation, facilitating the integration, understanding and adoption of the concept of risk appetite within the corporate culture.

In addition to the Group’s Risk Appetite Framework Regulation, which contains the general principles for the definition of the framework, roles and responsibilities of the Bodies, Corporate Control Functions and Structures (in relation to the RAF process), it includes the Risk Appetite Statement (RAS – individual and Group), the RAF Guidelines (namely general and specific guidelines intended to ensure a link with the strategic planning process) and the Risk Limits aimed at setting operational limits in line with the Group's risk appetite and defined within the various regulations on the management of individual risk (which formalise the methods for managing individual corporate risks). The RAF must therefore be able to ensure consistency between business models and strategic guidelines, capital planning and the employee remuneration plan.

The development of the RAF involves the implementation of an integrated set of corporate regulations, operational processes, information flows, and controls through which risk appetite is established, communicated, and monitored. To ensure the timely identification, measurement and assessment of risk, the RAF is supported by the company's information and management reporting systems. The RAF takes into account the specific operations and related risk profiles of each of the entities belonging to the Group to ensure their integration and provide consistency in terms of the Group's operations, complexity and size.

As such, the definition and implementation of the RAF cannot be separated from the company's strategic decisions and the related budgets/implementation plans, the specific business model used, and the overall level of risk involved in terms of exposure. The definition of the risk appetite also represents a management tool that, in addition to enabling a concrete application of the prudential measures, makes it possible to:

- strengthen the capacity to govern and manage corporate risks;
- support the strategic process;
- facilitate the development and promotion of an integrated risk culture;
- develop a fast and effective system for monitoring and communicating the risk profile.

The Risk Management Department is responsible for preparing and managing the Group's RAF and has the task of proposing the qualitative and quantitative parameters necessary for its definition, as well as drafting the Group's Risk Appetite Framework Regulation, which defines the management process and illustrates the underlying principles of the RAF.

In order to achieve an integrated and coherent risk governance policy, strategic decisions at Group level (in the context of which those relating to the RAF play a major role) are made by the Parent Company's corporate bodies, assessing the overall operations and risks of the entire Group and also paying the utmost attention to the characteristics of the different businesses and local contexts.

The Parent Company has therefore adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance of the individual Group Companies and, in particular, their organisation, technical situation and financial position.

In line with the Group's organisational structure, in order to achieve the uniform governance of the RAF process, strategic decisions on this matter are referred to the corporate bodies of the Parent Company. In this regard, the corporate bodies perform their duties considering not only to the business reality of the Parent Company, but also by assessing the overall operations of the Group and the risks to which it is exposed.

The Corporate Bodies of the Group Companies must acknowledge the RAF process management policies defined by the Corporate Bodies of the Parent Company, and to this end individual RAFs are defined. Consequently, they are responsible for the implementation of the risk management strategies and policies defined by the Corporate Bodies of the Parent Company, in line with individual company characteristics.

The Parent Company provides the oversight for the RAF, ensuring consistency between the operations, complexity and size of the Group and the RAF itself.

In order to represent the material risks of the Group's business model, the Group's RAF is based on a structured and detailed risk identification process, carried out also for the purpose of the risk mapping required by the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), in line with the respective Policy. To this end, individual Group companies may be involved in the definition of the RAF and contribute relevant information on their operational and market environment and their corporate risk profile.

The RAF defines the following thresholds:

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

The indicators included in the RAS and the Risk Limits are monitored at a consolidated level, by the Risk Management Department, and at an individual level, with support from the Internal Representative, and by the Head of the Risk Management Department for the other Group Companies with an independent risk management function. The process is formalised through the preparation of an adequate overview report of the corporate risk profile, which provides an overall and integrated view of the other risk processes (such as ICAAP, ILAAP, Individual Risk Focus and OMR) with a view to guaranteeing effective reporting to the Corporate Bodies of the Group and of the individual Group Companies at least on a quarterly basis.

If the defined thresholds are exceeded at either consolidated or individual level, remediation actions are envisaged based on the severity of the type of threshold breached, to be implemented if one of the initial critical situations occurs, so as to activate processes intended to ensure that the risk level returns to within the pre-established levels.

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

Risk map

The Group has defined the relevant risk map, which constitutes the framework within which all risk measurement/assessment, monitoring and mitigation activities are carried out. The risk mapping process considered the following aspects:

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

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

Risk mapping, carried out at Group level and implemented during the definition of the RAF (approved by the Board of Directors of the Parent Company), is itself the result of the activities aimed at drawing up the ICAAP/ILAAP Report. These activities, preparatory to the review and updating of the map of significant risks of the Cooperative Banking Group, led to the updating of the Risk Map and of the relevant "Policy for the identification of the Group's Significant Risks", approved by the Board of Directors of the Parent Company at the meeting of 31 March 2022.

The risk mapping process, defined by the Group Policy for the Identification of Significant Risks, represents the starting point of all the Group's strategic processes, through a structured and dynamic approach and the engagement of:

- at centralised level, the Risk Management Department;
- the other Departments of the Group, within their area of competence, and of Group Companies. In particular, a specific risk map-

ping questionnaire was presented to a specific sample of Group Companies and Parent Company Structures in order to enhance their role in relation to individual operational characteristics and the analysis of the findings.

In accordance with the requirements of the "ECB Guide on the Internal Capital Adequacy Assessment Process (ICAAP)", the risk identification process is carried out following a "gross approach", i.e. without considering the specific techniques aimed at mitigating the underlying risks. The analysis was therefore carried out by evaluating the Group's current operating conditions, as well as potential ones, in order to identify any risk profiles already present in the current context yet not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the company's operations. This analysis also takes into account the principle of proportionality.

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

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

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

- the identification of potentially significant risks, i.e. the phase during which the relevance of corporate risks that have been already assessed is checked, and the analysis, research and identification of new potentially significant risks not yet considered by the Group; To support the analyses used to define the "Long-List" of risks, the Risk Management Department has developed a special tool that maps the relevant internal and external regulations, the competitors being monitored, and the risk categories (identified by the analyses carried out on the selected sources) that together form the Long-List of potentially relevant risks;
- the definition of risk materiality criteria, applying rules to classify risks identified as "material". This phase includes a qualitative materiality self-assessment and a quantitative materiality analysis, considering the velocity and acceleration of risks for which adequate data is available. The approach introduced in the 2022 update is to use a single methodology for assessing mapped risks, without distinguishing between risks that generate capital absorption and risks that do not;
- the identification of material risks, based on the results of the qualitative and quantitative analysis which then forms the "short list" of material risks for the Group;
- the definition of the organisational structure, selecting the organisational dimensions considered relevant to risk management and monitoring and the consequent mapping of relevant risks.

The Group's "Risk Map" valid for 2022 is shown below, with reference to the first level of risk identified [17], which is adopted by all Group Companies.

Credit risk

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

Counterparty risk

Risk that the counterparty to a transaction involving certain financial instru-

[17] The risk hierarchy is structured across four levels.

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

Credit valuation adjustment (CVA) risk

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

Market risk

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

Operational risk

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

Liquidity and funding risk

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

Credit risk arising from a reduction in the market value of real estate collateral [18]

Risk of the reduction in the market value of real estate collateral (residential and non-residential).

Credit concentration risk

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

Interest rate risk of the banking book

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

Excessive leverage risk

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

Strategic and business risk

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

Real estate portfolio risk

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

Reputational risk

Current or prospective risk of a decline in profits or capital resulting from

[18] This risk is considered to be a Level 2 risk within credit risk.

a negative perception of the Group's image by customers, counterparties, Group shareholders, investors or Supervisory Authorities.

Compliance risk

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

Risk of money laundering and terrorist financing

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

Risk associated with the acquisition of equity investments

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

Risk of conflicts of interest with respect to associated parties

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

Sovereign risk [19]

Risk that a deterioration in the creditworthiness of government securities could have on overall profitability.

ESG risks

Defined from a prudential perspective as the negative manifestation of ESG risk factors, this refers to the risks of any negative financial impact on the Group resulting from the current or prospective impacts of ESG risk factors on the Group's counterparties or invested assets.

Climate and environmental risks [20]

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

Pandemic risk

Risk of losses related to the consequences on public health, the economy and trade caused by the pandemic.

Geopolitical risk

Risk deriving from geopolitical uncertainty.

Governance risk

Risk that the entity's corporate structure is not adequate and transparent, and therefore not fit for purpose, and that the governance mechanisms put in place are not adequate. In particular, this risk may arise from the absence or inadequacy of:

- a solid and transparent organisational structure with clear responsibilities, including the Corporate Bodies and the associated Committee;
- knowledge and understanding, among the Management Body, of the operating structure of the entity and the associated risks;
- policies aimed at identifying and preventing conflicts of interest;
- a transparent governance structure.

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[19] The attention of the regulator to this phenomenon has grown over time, although it has not generated an update to the regulatory framework of reference. Furthermore, given the significance of the exposure to Italian government securities, the ECB has drawn attention to the SREP process. The Group quantifies an economic capital absorption for sovereign risk for exposures held under the HtCS Business Model and Trading business model, in order to determine the possible impact this could have on the OCI reserve and comprehensive income. Moreover, in line with the "Group Regulation for the Management of Owned Portfolios", the Group quantifies the absorption of economic capital on 12.5% of the portfolio classified according to the HtC business model (which represents the maximum percentage that can be sold in the context of occasional or insignificant sales). The overall sovereign risk exposure is monitored by calculating specific indicators (Sovereign Risk/CET1, Govt ITA HtC/Tot ptf and Govt ITA HtCS/Tot ptf) on a quarterly basis.

[20] This risk is considered to be a Level 2 risk within credit risk, market risk, operating risk, liquidity and funding and, more generally, ESG risks.

Main actions and Functions involved in mitigating and controlling the Risks to which the Group is exposed

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

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

Risk limits are designed to place a limit on operations through a system of thresholds and escalation procedures, and credit risk policies that set monitoring limits for these procedures are defined. Monitoring indicators are a managerial tool used to promote the adequate monitoring of the Group's exposure to credit risk, thus constituting a functional system of continuous monitoring of the economic and equity situation, and supporting the decisions taken by the corporate bodies. Therefore, they are an integral part of the RAF, making it possible to prevent the exceeding of critical thresholds that could compromise compliance with the appetite and monitoring thresholds defined in the RAS.

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

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

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

For the purposes of determining internal capital for credit risk, the Group uses the standardised method, adopted for the determination of prudential requirements for credit risk.

To apply the standardised approach, the exposures are subdivided into portfolios and each portfolio is subjected to differentiated prudential treatments, possibly also based on credit ratings (external ratings) issued by external credit rating agencies or export credit agencies recognised by the Bank of Italy (ECAI and ECA respectively).

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

For classification purposes, account is taken of the sector of economic activity attributed to the customer, the "status" of the exposures, the turnover determined at customer group level, and the deductibility, where applicable, from the Group's own funds. In particular, the asset classes of:

- "Central governments and Central Banks" include, *inter alia*, deferred tax assets (DTAs), other than those deducted from equity, to which different weightings are applied depending on the source;
- natural persons and small and medium enterprises are classified as “retail exposures”. The term small and medium enterprises (SMEs) refers to businesses with an annual turnover no greater that EUR 50 million: this limit is calculated in reference to connected parties regardless of the existence of a customer relationship with the same. This class includes only customers or groups of customers that meet certain exposure limits, i.e. exposures to a single customer (or groups of connected customers) that meet the requirement of adequate portfolio segmentation (granularity) and cash exposures (other than those secured by residential real estate collateral) that do not exceed EUR 1 million, without taking into account the effects of the real and personal protection instruments that support those exposures;
- "defaulted exposures" include non-performing exposures, probable defaults, exposures past due by more than 90 days according to art. 178 of the CRR (new definition of default effective from 1 January 2021); impaired (forbearance) exposures also fall within the above three classes. With regard to the allocation of positions in the “defaulted exposures” portfolio and, in particular, the treatment of past-due/defaulted exposures, the Group has adopted the “counterparty approach” also for those portfolios for which the adoption of the “transaction approach” is permitted under the new regulations. Default exposures classified as high risk are not included in this portfolio;
- "Equity exposures" include, *inter alia*, significant investments in equities issued by financial sector entities, for the amount not deducted from the Group's own funds (as it does not exceed the thresholds), which receive a weighting of 250%.

Credit risk also applies to the own securities portfolio. In compliance with the provisions of external and internal regulations, as well as the “Group Finance Rules” and other relevant Risk Management Policies/Regulations, the “Group Owned Portfolio Management Policy” establishes precise quantitative limits for the assumption of risks related to these activities.

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

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

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

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

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

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

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

- personal guarantees given by monitored intermediaries;
- personal guarantees given by territorial entities and by the SME Guarantee Fund managed by Mediocredito Centrale;
- 170 of 21 May 2004;
- financial collateral involving cash and financial instruments, and lent through repurchase agreements.

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

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

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

Counterparty risk

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

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

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

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

The Group is exposed to counterparty risk in relation to OTC derivative activities and repurchase agreements (SFT). Operations pertaining to OTC derivatives are used for the hedging of assets or liabilities, while speculative operations are not implemented.

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

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

Market risks

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

- **Specific position risk on debt securities in the trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with the situation of the issuers.
- **Generic position risk on debt securities in the trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with movements in market interest rates (risk factor affecting the current value of such instruments).
- **Position risk on equities in the trading book**, which comprises two components:
  - "generic risk", i.e. the risk of incurring losses caused by adverse changes in market prices of most equities;
  - "specific risk", i.e. the risk of incurring losses caused by adverse changes in the price of a given equity due to factors connected with the situation of the issuer.
- **Position risk for UCITS units in the trading book**, which represents the risk of incurring losses caused by adverse changes in market prices.
- **Exchange rate risk**, i.e. the risk of incurring losses due to adverse changes in the prices of foreign currencies on all positions held by the Group regardless of the allocation portfolio on the entire financial statements.
- **Settlement risk** is the risk of losses arising from a counterparty's failure to settle past due transactions in securities, currencies and commodities, including those represented by derivative contracts and derivative contracts without exchange of principal, in both the banking and trading books for supervisory purposes. Repo transactions and securities or commodities lending or borrowing transactions are excluded.
- **Concentration risk of the trading book**: is linked to the possibility that the insolvency of a single large borrower or of several borrowers related to each other could lead to losses that could compromise the stability of the lending bank. For this reason, the regulatory provisions in force concerning "large exposures" prescribe a mandatory quantitative limit, expressed as a percentage of eligible capital, for risk positions with individual "customers" or "groups of connected customers". Any overdrafts with respect to this limit are permitted only if they refer to a position in the trading book for supervisory purposes and provided that specific additional capital requirements are met.

It should be noted that - given its specific scope of operations - Group is not exposed to commodity position risk.

The Group uses the standardised methodology to determine capital requirements for market risks generated by its transactions in financial instruments, currencies and commodities. This methodology calculates the requirement on the basis of the so-called building-block approach, according to which the overall requirement is the sum of the capital requirements determined against individual market risks.

More specifically, with regard to determining the capital requirement for "**Position Risk on the trading book**", the Group applies the following methodologies:

- **General debt security risk**: use of the maturity-based method. This method calculates the net position for each issue and then distributes it, by currency, into residual maturity bands.
- **Specific debt security position risk**: net positions in each security in the trading book are allocated to the correct issuer category (zero-weighted issuers, qualified issuers, non-qualified issuers, high-risk issuers). The capital requirement for each category is the product of the respective weighting ratio and 8%. The capital requirement for each specific risk is applied to the total sum of the weighted net long and short positions.
- **Equity position risk**: the capital requirement is determined as the sum of the general requirement (8% of the net general position) and the specific requirement (8% of the gross general position). To calculate equity position risk, all positions in the trading book relating to equities and equity-like securities, such as equity index derivative contracts, are considered.
- **Position risk for UCITS units**: application of the residual method, whereby the capital requirement is determined at 32% of the current value of the units held in the trading book.

With reference to settlement risk, the exposure to the risk of past due and unsettled transactions:

- classed as “delivery versus payment” (DVP) represents the difference, if positive, between the contractual forward price to be paid/received and the fair value of the financial instruments, commodities or currencies to be received/delivered;
- classed as “non delivery versus payment (Non-DVP) represents the fee paid or the fair value of the financial instruments, commodities or currencies delivered.

For DVP transactions, the capital requirement is determined by applying an increasing weight to the risk exposure based on the number of business days following the settlement date. For non-DVP transactions:

- In the period between the "first contractual settlement date" and the fourth business day following the "second contractual settlement date", the capital requirement is determined with regard to credit risk by applying the 8% equity ratio to the credit exposure value weighted according to the relevant weight factors;
- after the second contractual settlement date, the value of the risk exposure, increased by any positive difference between the fair value of the underlying asset and the price, must be weighted at 1250% or fully deducted from the Common Equity Tier 1 capital.

With regard to exchange rate risk on the entire balance sheet, capital absorption is quantified as 8% of the “net open foreign exchange position”. In compliance with the provisions of the Finance Regulation, the risk strategy document also sets quantitative limits for the Parent Company for the overall open foreign exchange position and for each individual currency.

The Group complies with the observance of prudential rules with specific procedures and control systems aimed at ensuring sound and prudent management of market risks.

The policies relating to the management of the securities portfolio defined by the Board of Directors are based on the following main elements:

- definition of risk/return objectives;
- definition of risk appetite (defined in terms of operating limits in the finance portfolios with reference to the various management, accounting and supervisory aspects). In particular, value-at-risk (VaR) limits, issuer and instrument type limits and concentration risk exposure limits are established and measured;
- restriction on tradable financial instruments in terms of the instruments admitted (or admitted in position but with specific exposure limits) and their nature;
- allocation of delegations.

In order to manage and monitor market risk exposures taken as part of the trading book, the Group has defined in its Finance Regulation and in the underlying implementing provisions: the guiding principles, roles and responsibilities of the organisational functions involved. This is in order to ensure the regular and orderly execution of financial market activities, within the scope of the risk/return profile outlined by the Board of Directors or declared by customers, and to maintain a correct mix of instruments aimed at balancing liquidity flows.

In this regard, the Finance Department has the task of assessing the opportunities offered by the market and managing the portfolio of financial instruments in line with the strategic guidelines and risk management policy defined by the Board of Directors. To this end, it identifies the instruments to be traded and carries out the purchase/sale transaction in line with the strategy it wishes to implement (investment or hedging) and in compliance with the limits and powers assigned. The Finance Department is also responsible for monitoring the price performance of financial instruments and for verifying compliance with the operating limits and/or risk/return objectives defined, adjusting, where appropriate, the structure and composition of the proprietary portfolio.

The Group has established systems and controls for portfolio management by defining a documented trading strategy by position or portfolio and appropriate policies and procedures for active position management. The system of operating limits and delegations on the trading book and on the banking book is compliant with regulatory provisions and consistent with the requirements of international accounting standards.

In order to monitor and control market risks, information flows to the corporate bodies and organisational units involved are produced on a regular basis, concerning the specific phenomena to be monitored and the aggregate values relating to the composition of the Group's trading book.

Operational risk

Operational risk is defined as the possibility of incurring losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or from exogenous events. This definition includes legal risk, but not reputational and strategic risk. This includes, *inter alia*, losses resulting from fraud, human error, breach of contract, natural catastrophes, business interruptions and system downtime.

Operational risks, depending on the specific aspects, also include IT risk, i.e. the risk of incurring losses in connection with the use of information and communication technology (Information and Communication Technology – ICT). This sub-category of risk considers potential damage resulting from the unavailability of information systems, degradation of service quality, violation of data confidentiality, compromise of data integrity, and loss of data quality.

Operational risk also includes the risk of outsourcing, i.e. the risk of incurring potential organisational malfunctions, critical issues and/or losses linked to the decision to outsource the performance of one or more business activities to third-party suppliers; legal and compliance risks are also included, while strategic and reputation risks are not.

With regard to legal risk, the Group includes the risk of losses deriving from contractual or non-contractual liability or from other disputes, while the risk of losses deriving from violations of laws or regulations is attributed to a specific case, defined as compliance risk.

With reference to the measurement of the prudential requirement for operational risks, the Group has approved the application of the Basic Indicator Approach (BIA). In addition, the Group, for the purpose of managing and controlling operational risk, continuously verifies exposure to certain onset profiles through the analysis and monitoring of a set of indicators, carried out by the Risk Management Department.

In addition to the corporate bodies, different organisational units are involved in the management and control of operational risks, each of which is assigned specific responsibilities consistent with the ownership of the activities of the processes in which the risk in question can occur. Among these, the Risk Management Function is responsible for analysing and assessing operational risks, ensuring an effective and timely evaluation of the related event profiles, in accordance with the operating procedures for which it is responsible.

The Internal Audit Function, in the broader context of the control activities for which it is responsible, carries out specific and targeted periodic checks on operational risks. Lastly, with regard to organisational controls, particularly important is the Compliance Function which is responsible for monitoring and controlling compliance with the rules as well as providing support in the prevention and management of the risk of incurring judicial or administrative sanctions, of incurring significant losses as a result of the violation of external (laws or regulations) or internal (articles of association, codes of conduct, corporate governance codes) rules, and, for all pertinent areas, also important is the work carried out by the Anti-Money Laundering Function.

Considering the peculiar characteristics of the risk in question and the way it manifests itself, as well as the substantial inability of the regulatory method of calculating capital absorption (BIA method) to identify the areas of operations most exposed to operational risks, the Group deemed it appropriate to develop a more in-depth management approach, aimed at acquiring a better knowledge and awareness of the actual level of exposure to risk.

With the support of a dedicated tool, a census, collection and storage of the most significant loss events found in the company's operations is carried out. To this end, a specific database has been set up in which the loss events identified are traced back to the types envisaged by the Basel Agreement (and to the related risk owners). The application adopted allows to frame the entire operational risk management process (from the recognition and registration by the organisational units where the event was found, to the "validation" of the same, up to the authorisation for the accounting of the economic impact) within a predefined workflow. The Group's objective is to identify the areas characterised by greater vulnerability, in order to prepare more effective control and mitigation systems. In this context, the application solution adopted makes it possible to manage the mitigation "tasks", i.e. the risk containment initiatives for risk owners and activated by them.

Operational risks also include IT risk, i.e. the risk of incurring losses in connection with the use of information and communication technology (Information and Communication Technology – ICT). This sub-category of risk considers therefore potential damage resulting from the unavailability of information systems, degradation of service quality, violation of data confidentiality, compromise of data integrity, and loss of data quality.

The Group defined, in close connection with project references drawn up in the competent association offices and in compliance with the principles and regulations in force, the method for analysing IT risk and the related management process (including profiles relating to the provision of IT services through the outsourcing of ICT services to external suppliers). The implementation of the afore-mentioned methodology makes it possible to integrate the management of operational risks by also considering the risks connected to IT and business continuity profiles, and to document the evaluation of IT risk based on the continuous information flows established with the Centre(s)/Service(s). The adoption of these references is also prior to the preparation of the process of verification, at least annually, of the evaluation of IT risk based on the results of the monitoring of the effectiveness of the measures to protect ICT resources.

With regard to the management of operational risks, to be noted are the controls adopted in the context of compliance with the regulations introduced by the regulatory provisions on the internal control system which have defined a comprehensive framework of principles and rules to be followed in order to outsource corporate functions and have required the activation of specific controls against the related risks, as well as the maintenance of the ability to control the work of the supplier and the skills necessary for the possible re-insourcing, if necessary, of the outsourced activities.

In order to ensure compliance with the requirements of the regulations in force, the Legal Department defines specific outsourcing agreements. In this context and with reference to the outsourcing of key operational and corporate control functions, which involves more stringent obligations in terms of contractual constraints and specific requirements by the supplier (relating, *inter alia*, to the definition of specific, objective and measurable service levels and related materiality thresholds), the service levels to be guaranteed in the event of emergencies and the related continuity solutions are defined; the contractual provisions also provide for, *inter alia*: (i) the right of the Supervisory Authority to access the premises in which the service provider operates; (ii) the presence of specific termination clauses to terminate the outsourcing agreement in the event of certain events that prevent the provider from guaranteeing the service or in the event of failure to meet the agreed service level.

The Group internally maintains the expertise required to effectively control the Important Operational Functions (IOF) and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

More generally, as part of the actions undertaken with a view to ensure compliance with the regulations introduced by the Bank of Italy through the 15th update of Circular 263/06 (and subsequently merged into Circular 285/13, Part One, Title IV, Chapter 4), initiatives related to the implementation of organisational profiles and internal provisions of regulatory references on information systems are of note.

The adoption of a Business Continuity Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks. With this in mind, the operating procedures to be activated to deal with the crisis scenarios were established, assigning to this end the roles and responsibilities of the various players involved.

Although it is not necessary, in general, to change the underlying business continuity strategy, the references adopted have been reviewed and supplemented in the light of the requirements set out in Chapter 5 of Title IV of Part One of Bank of Italy Circular 285/13, to support compliance with the reference provisions. In particular, the business continuity plan was updated with reference to the risk scenarios which, although in principle compatible with those already described previously, are now more precautionary than those envisaged in the current provisions. Incident classification and rapid escalation procedures have also been introduced along with the anticipation of the necessary links with the IT security incident management procedure soon to be implemented in accordance with the relevant regulatory provisions set forth in Chapter 4, Title IV, Part One of Circular 285/13.

Credit concentration risk

Credit concentration risk is the risk arising from exposures to counterparties, including central counterparties, groups of related counterparties (single-name concentration) and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity (geo-sectorial concentration), as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

The policies on concentration risk, defined by the Board of Directors, are mainly based on the following specific elements:

- powers delegated in terms of concentration risk management;
- total amount of exposure to "large risks".

With a view to prudent management, the Parent Company defines maximum exposure thresholds at the level of each individual affiliated bank, depending on its risk class, and at Group level, in line with the regulatory provisions in force relating to Large Exposures and the provisions contained in the risk management framework. Compliance with the thresholds is ensured by the application of specific preventive controls carried out by the Credit Department of the Parent Company, in the pre-investigation and pre-trial phase, for each loan application processed within the processes of granting and managing credit by the Affiliated Banks and of the Parent Company.

Exposure to concentration risk is also measured and monitored in terms of capital absorption. To this end, the Group uses the following calculation metrics:

- with reference to the single-name definition of risk (i.e. concentration towards individual counterparties or groups of related counterparties), the regulatory algorithm of Granularity Adjustment (GA) proposed in Annex B to Title III, Chapter 1 of Part One of Circular 285/13 of the Bank of Italy. For the application of this algorithm, Circular 285/13 of the Bank of Italy refers to the concept of loan portfolio and, in particular, to exposures to companies that do not fall within the "retail" class. In this regard, reference should be made to the asset class "companies and other entities", "short-term exposures to companies", "exposures to companies in the asset classes that are past due and secured by real estate", "equity exposures" and "other exposures". The exposures also include off-balance sheet transactions, the latter to be considered for an amount equal to their credit equivalent. In the presence of credit protection instruments that meet the (objective and subjective) eligibility requirements under the current rules for credit risk mitigation techniques (CRM), exposures to companies backed by guarantees provided by eligible companies are included in the calculation and exposures to companies backed by guarantees provided by eligible entities other than companies are excluded. In application of this algorithm, the quantification of the internal capital in relation to the concentration risk requires preliminary:

  i. determination of the amount of exposures for individual counterparties or groups of related counterparties;
  ii. calculation of the Herfindahl index, a parameter that expresses the degree of concentration of the portfolio;
  iii. calculation of the proportionality constant C which is a function of the "probability of default" (PD) associated with cash loans. The proportionality constant is determined on the basis of a specific calibration – established by the regulatory provisions in force – of the constant itself when the PD attributed to cash loans changes;

- with reference to the geo-sectoral profile of the risk, the methodology for estimating the effects on internal capital used is the method developed by the ABI *Laboratorio per il Rischio di Concentrazione* [Laboratory for Concentration Risk]. The objective of measuring the impacts of geo-sectoral concentration risk is to estimate any capital add-on with respect to the standardised credit risk model, measured by the Herfindahl indicator at industrial sector level (Hs). The capital add-on is envisaged only if the calculated mark-up coefficient is greater than one.

Liquidity and funding risk

Liquidity risk relates to the possibility of the Group not being able to fulfil its payment obligations due to an incapacity to obtain new funds (funding liquidity risk), its inability to sell its assets on the market (asset liquidity risk), or that it may be forced to liquidate its assets in unfavourable market conditions, incurring very high costs to meet these commitments (market liquidity risk).

Funding Liquidity Risk, in turn, can be distinguished between: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

Liquidity risk can be generated by various factors both internal and external to the Group. The identification of these risk factors is done through:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
  - items that do not have a defined due date (on demand and revocation items);
  - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
  - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);
- the analysis of the level of seniority of financial instruments.

The Parent Company's Board of Directors has approved a document entitled "Group Regulation for Liquidity and Funding Risk Management" which defines the policies, responsibilities, processes, operational limits and tools for managing liquidity risk, both during normal business operations as well as during potential liquidity crises, in line with current liquidity regulations. The Regulation includes the strategies and organisational measures which serve to promptly contain liquidity risk; the ordinary and stress scenarios which the Group may encounter are defined. The sources of liquidity risk to which the Group is exposed can primarily be identified within the Finance/Treasury, Funding and Credit processes.

The Group has adopted a liquidity risk governance and management system that, in accordance with the provisions of the Supervisory Authorities, pursues the goal of financing the development of its activities at the best market conditions in normal operating circumstances and to guarantee the ability of meeting payment commitments even if a liquidity crisis situation emerges, without interrupting operational continuity or alter the Group's financial balance.

If the Parent Company finds a deterioration of the Group's liquidity position in terms of operational and/or intraday management such as to jeopardise the settlement of payment commitments in the short term, it can use the liquid assets owned by the Affiliated Banks, which are required to comply with the Parent Company's instructions. In order to ensure the operational requirements envisaged by the Delegated Regulation no. 61/2015, the Affiliated Banks expressly agree that the securities in their own portfolios fall under the direct control of the Group Liquidity Management function as a potential source of funding in times of stress.

With the purposes of knowing future liquidity requirements with adequate advance notice, to have available fund supply sources that can be activated within the time intervals and at the costs deemed appropriate, and to carry out the activity efficiently, the management of liquidity risks requires:

a. defining the organisational structure responsible for the preparation and implementation of the "Group Regulation for Liquidity and Funding Risk Management";

b. setting up an adequate information system to:
   - know and measure, at any time, the Group's current liquidity position and its future evolution;
   - assess the impact of different scenarios, in particular of unforeseen and adverse conditions, on the future evolution of the Group's liquidity position;
   - monitor the different fund procurement channels, in the evolution of their profiles in terms of times required for activation, amounts and costs;

c. defining a Contingency Funding Plan, to be activated promptly if the Group experiences a liquidity crisis, establishing the chain of responsibility and the system of initiatives to overcome the crisis situation successfully.

The organisational structure tasked with governing and managing the liquidity risk provides for the operational management of the Group's liquidity position to be entrusted to the Treasury department, which acts on the basis of the strategic guidelines defined by the Board of Directors, as well as the indications given by the Finance Committee. Control activities are carried out by the Risk Management Department in coordination with the Treasury Department. The results of the control activities are passed on to the Board of Directors.

The principles for liquidity risk management are defined in the "Regulation for Liquidity and Funding Risk Management". This document is divided into four processes:

- Operating Liquidity, whose objective is to assure the ability to meet expected and unexpected payment commitments by maintaining a sustainable ratio between incoming and outgoing cash flows. The management of operational liquidity is entrusted to the Parent Company's Treasury Department and to the Finance Department of the Affiliated Banks on the basis of indications received and in compliance with the guidelines established by the Parent Company's Board of Directors. The main risk objective envisaged by the Group RAF to measure and govern the operational liquidity risk profile is the Liquidity Coverage Ratio (LCR), which aims to strengthen the short-term resilience of the liquidity risk profile by ensuring that sufficient high-quality liquid assets are held. On a weekly basis, a consolidated report is produced and sent to the Supervisory Authority, which monitors the short-term trend of the Group's liquidity position. Within the analysis of operational liquidity, the Parent Company monitors intra-day liquidity by using the two indicators derived from the 'Annual report on financial stability' of the Bank of Italy of November 2011 (LCNO – Largest cumulative net out flow and LIIP – Liquidity and intraday payment commitments).
- Structural Liquidity, whose objective is to maintain an adequate ratio between medium/long term assets and total liabilities, in order to avoid pressures on current and prospective short-term sources; structural liquidity is managed by the Treasury Department and the Finance Department of the Affiliated Banks, which operate in accordance with the strategic guidelines laid down by the Board of Directors, and it is directed at assuring the financial balance of the structure by maturity over a time horizon exceeding one year. Through the analysis of the Group's structural liquidity position, the ability to finance assets and to meet payment commitments through an adequate balance of the maturity of asset and liability items is assessed. Hence, the main objective is to manage funding through strategic decisions pertaining to funding sources and to the loans to be made in such a way as to prevent the emergence of excessive imbalances deriving from short-term financing of medium-long term operations. To measure and control structural liquidity risk, the Group uses as a reference the Net Stable Funding Ratio (NSFR).
- Stress test and scenario analysis, a process during which the financial balance is assessed in plausible, albeit improbable, extreme conditions. The data collected through reports during the year, along with the historic records of the same types of data, provide support in the execution of stress tests and scenario analyses, carried out with the goal of verifying the Group's ability to address alert and crisis conditions outside normal operations. The procedure for carrying out operational liquidity stress tests entails modifying the profile of incoming and outgoing cash flows on the basis of the effects deriving from the occurrence of stress cases. These cases, tied to factors inside and outside the Group, are selected taking into consideration scenarios built ad hoc, which can prove to be sufficiently severe, and contemplating even low-probability events. The Risk Management Department, with the support of the Finance Department, periodically estimates the maximum amount of liquidity that can be obtained at the Parent Company level (back-up liquidity estimates). Moreover, the amount of available margin of high-quality liquid assets at Affiliated Banks is also shown. This type of analysis is carried out with respect to the time horizon of 30 calendar days following the valuation date.
- Contingency Funding Plan, or emergency Plan, a process directed at managing the emergence of a severe liquidity crisis of the Group. This document governs the tools for monitoring the onset of a crisis, the internal escalation processes for managing it and the actions that can be put in place to restore a situation of equilibrium.

The liquidity risk tolerance thresholds are set by the Board of Directors on the basis of the following limits:

- for Operational Liquidity, the limit is set to the value assumed by the Liquidity Coverage Ratio (LCR) indicator, i.e. the ratio between basic and supplementary liquid assets and total net cash outflows in the 30 subsequent calendar days in a stress scenario. The structure of the indicator is based on Commission Delegated Regulation (EU) no. 2015/61, supplementing Regulation (EU) no. 575/2013 (CRR) and hence transposes into Italian law the provisions of the Basel Committee in the document "Basel 3 - The Liquidity Coverage Ratio and liquidity risk monitoring tools". With reference to the monitoring of operational liquidity, a series of additional indicators were identified;
- for Structural Liquidity, the limit is set at the value assumed by the Net Stable Funding Ratio (NSFR) indicator, i.e. by the ratio between the elements that provide stable financing and the elements that require stable financing. The structure of the indicated is based on Regulation (EU) no. 2019/876, which recognised the guidelines of Basel Committee "Basel III: the Net Stable Funding Ratio", of October 2014. With reference to the monitoring of structural liquidity, a series of additional indicators were identified.

If the Risk Limits are exceeded, actions and measures are envisaged with the aim of reducing the level of risk to within the pre-established limits identified in the Group Regulation for the Management of Liquidity and Funding Risk, identifying actions to be taken when the first critical situations occur. Therefore, escalation processes were envisaged: they will be activated if the Risk Management Department, through its periodic monitoring activities, finds changes in the thresholds envisaged in the Regulation. Moreover, the Risk Management Department, as part of its ordinary monitoring reporting, informs the corporate bodies of the individual Affiliated Banks concerned and the corporate bodies of the Parent Company about the overrunning of the thresholds and about the remediation actions taken to restore the liquidity position.

Regulation (EU) no. 575/2013 (CRR) prescribes that financial intermediaries shall use additional liquidity monitoring metrics (ALMM) to obtain a full picture of the liquidity risk profile. Specifically, the Implementing Regulation (EU) no. 2016/313 prescribes that the following 6 models must be set up as control information instruments:

- **Funding concentration by counterparty**: its purpose is to collect information about funding concentration by counterparty of the reporting entities, highlighting the first ten funding contributors;
- **Funding concentration by type of product**: its purpose is to collect information about funding concentration by type of product of the reporting entities, broken down by the following types of funding: retail funding and wholesale funding;
- **Prices for funding of various durations**: its purpose is to collect information about the average value of the transactions and the average prices paid by the entities for funding with duration ranging from overnight to 10 years;
- ***Renewal of the funding***: its purpose is to collect information about the volume of funds due and on the new funding obtained, i.e. on the renewal of funding at the daily level over a one-month time horizon;
- **Concentration of the offsetting capacity by issuer/counterparty**: its purpose is to collect information about the concentration of the offsetting capacity of the reporting entities with reference to the ten main assets held or liquidity lines granted to the entity for that purpose;
- **Maturity Ladder**: used to represent assets and liabilities falling due, divided into a number of time brackets; it is possible to determine any gaps for each time bracket and compare them with the Group's compensation capacity.

These information models are drawn up monthly and the Group, in the face of possible critical situations, assesses whether to activate appropriate governance strategies to avoid the emergence of stress situations.

The monitoring of the Group's liquidity situation, based on the reports, on the scenario analyses and on the signals provided by the risk indicators, is carried out, according to their related competences and functions, by the Treasury Department, by the Finance Committee and by the Risk Management Department.

The positioning of the Group with regard to operational and structural liquidity is also reported to the Board of Directors on a quarterly basis.

The requirements of the Cassa Centrale Group are largely ascribable to decreases in liquidity available to shareholder banks or clients; the Group's ability to respond to its own needs is constantly assessed, taking into account in particular the following:

- availability and price of securities that can be easily liquidated;
- availability of credit within the interbank system;
- potential of institutional bond funding;
- use of other funding tools.

With regard to attainable credit and the potential for bond funding, the Group adopts the best practices in order to safeguard or improve the ratings attained thus far. The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

With regard to monthly monitoring, the Group measures and monitors its exposure to operating liquidity risk at 30 days through the regulatory indicator called Liquidity Coverage Ratio (LCR). It is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario.

The indicator in question is determined monthly through the specific Supervisory Reports that the Group is required to send to the Supervisory Authority.

Interest rate risk of the banking book

The interest rate risk on the banking book consists of the possibility that a change in market interest rates has a negative impact on the financial situation of the Group, determining both a change in the economic value and in the expected interest margin.

More specifically, exposure to interest rate risk can be divided into two areas:

- equity risk, i.e. the possibility of negative changes in the value of assets, liabilities or off-balance sheet instruments due to changes in the interest rate structure, with a consequent negative impact on the value of equity;
- income risk, which arises from the possibility that an unexpected change in the structure of interest rates will lead to a reduction in interest margin; it can depend on the mismatch in the maturity structure and the periods of redefinition of interest rate conditions for loans and funding.

Exposure to interest rate risk is measured in terms of changes in the economic value of assets and liabilities in the banking book; therefore, positions in the trading book for supervisory purposes for which reference is made to market risk are not taken into account in this context.

In order to measure the exposure to interest rate risk in terms of capital absorption from an economic value perspective, the Group has decided to use an estimation approach that follows the method prescribed in the EBA 2018/02 guidelines. The calculation of the change in economic value (delta EVE) carried out by the Group is summarised below:

- the present value of all asset and liability positions sensitive to interest rate risk is determined on the basis of the expected interest rate scenario in the banking book;
- appropriate upward and downward shocks to the curve, both parallel and non-parallel. The measurement of sensitivity on the economic value and that calculated on the interest margin uses the 6 shock scenarios envisaged by the Basel Committee, then borrowed from the EBA guidelines (EBA/GL/2018/02), in addition to the parallel shock scenarios, assuming rising and falling rates (Parallel +100 bps, Parallel -100 bps, Parallel +200 bps, Parallel -200 bps, Steepener, Flattener, Parallel Down, Parallel Up, Short Up, Short Down);
- for scenarios involving a decline in rates, a decreasing floor is taken into account, starting at -100 basis points and zeroing out linearly up to the 20-year maturity in increments of 5 basis points for each year;
- the performance over time of non-indexed demand liability items uses an internally developed behavioural benchmark model;
- the new present value is redetermined for each shock scenario;
- capital absorption is determined by the difference of the two present values, pre- and post-shock.

The Group assesses exposure to interest rate risk not only in terms of economic value, but also in terms of changes in interest margin. This assessment, considering a hypothetical change in the interest rate curve, is carried out over a period of 12 months following the reference date, under the assumption of "constant financial statements", i.e. assuming that the volume and composition of assets and liabilities remain constant, thus providing for their replacement in equal measure as they are settled.

Supervisory review and evaluation process and MREL requirement

With reference to the outcome of the SREP - Supervisory Review and Evaluation Process communicated by the Supervisory Authority by the Parent Company with the letter dated 16 December 2022, and effective from 1 January 2023, the Group is required to meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.50%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%, to be held as a minimum in the form of Common Equity Tier 1 (CET1) capital for 56.25% and in the form of Tier 1 capital of 75%).

The Supervisory Authority also expects the Group to meet the Pillar 2 (P2G) approach on a consolidated basis, which should consist entirely of Common Equity Tier 1 capital and held in addition to the total capital requirement.

Finally, with reference to the Resolution regulatory framework, in application of the European Directive establishing a framework for the reorganisation and resolution of credit institutions and investment firms (so-called Bank Recovery and Resolution Directive - BRRD), during the 2021 Resolution Cycle, discussions continued with the SRB (Single Resolution Board), in order to define the MREL (Minimum Requirement of Eligible Liabilities) target to be assigned to the Group. These targets are defined in compliance with the regulatory changes introduced by the so-called Banking packages, and therefore replace the previous decisions adopted by the SRB on the matter.

The determination of the MREL requirement was communicated to the Parent Company in April 2022. For details, please refer to the section "Significant events in the year" of this Report.

ICAAP and ILAAP

The corporate self-assessment processes of capital adequacy (known as ICAAP) and liquidity risk management and governance system (known as ILAAP) of the Group and their structure are based on a management model consistent with the operations and complexity of the Group, according to the principle of proportionality.

The Parent Company, in the exercise of guidance, coordination and control over the Affiliated Banks and Group Companies, defines in detail the roles and responsibilities of the corporate bodies and structures involved in the management of the ICAAP/ILAAP process. In particular, in order to achieve an effective and efficient management and control system, the bodies define the strategic guidelines and governance policies of the ICAAP/ILAAP process and adopt an effective management process; they are also responsible for its implementation, supervise its actual functioning and verify its overall functionality and compliance with the requirements of the regulations.

Procedures have been defined in the ICAAP/ILAAP process for:

- the identification of all risks to which the Group is or could be exposed, in consideration of its specific operating conditions. This risk mapping process, defined by a specific policy, represents the starting point of all strategic processes of the Group and is strongly integrated with the Risk Appetite Framework, as well as with the overall business risk management and control system. It is coordinated, at a centralised level, by the Risk Management Department of the Parent Company, with the involvement of the corporate bodies and other departments as far as their competence is concerned (in order to ensure alignment with the evolution and/or changes of the business model). The involvement of other Group companies is also envisaged, where deemed necessary, in order to enhance their role in relation to individual operational specificities. The analysis is carried out by evaluating the Group's current and potential operating conditions, in order to identify the risk profiles already present in the current context or not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the company's operations.

This analysis also takes into account the principle of proportionality and is carried out at least once a year;

- the measurement/assessment of risks from a current, future and stress situation perspective. In this context, the methods for measuring risks with quantification of capital absorption are consistent with the indications provided by the reference regulations and with the size and operational specificity of the Group, while for non-quantifiable risks, suitable measurement, control and mitigation systems have been defined. In particular, in conducting the stress tests, particular attention was paid to the weaknesses of the Group in order to quantify, on internal and regulatory capital, the most significant impacts and continuously monitoring and identifying the possible emergence of new threats, vulnerabilities and changes in the context in which the Group operates;
- the definition of the minimum requirement for own funds and eligible liabilities (known as MREL) on the basis of what was communicated to Cassa Centrale Banca by the Single Resolution Committee with Decision SSB/EES/2021/20 of 29 March 2021 which, although still not binding, the Group monitors;
- the quantification of internal capital, in all the scenarios considered in the ICAAP/ILAAP process, against first and second pillar risks and the overall risk, both from a current and forward-looking perspective over the medium term, integrating the shorter perspective with the medium term;
- the self-assessment of capital adequacy, taking into account the results separately obtained with reference to the measurement of risks and capital from current, prospective and stress situation viewpoints, identifying the areas of the process where improvements can be made and planning any actions required in terms of assets and organisation;
- the self-assessment of the adequacy of the liquidity and funding risk management process, taking into account the results obtained with reference to the measurement of liquidity risk from a current, prospective and stressed perspective, identifying the areas of the process that are susceptible to improvement and planning any interventions envisaged in the governance and management of liquidity and organisational risk.

Climate and Environmental Risks

For the financial sector, the issue of ESG risks and, specifically, of climate and environmental risks, is not only an ethical/reputational and sustainability issue, but above all a strategic driver that will guide the choices of individual players in the coming years in terms of competitive positioning and the search for a risk/return balance.

This acceleration was mainly driven by a political will that - within the European Union, in particular - led to the financial sector playing a role in transmitting "ESG sensitivity" to the productive sectors, encouraging the redirection of financial flows (in the form of credits and investments granted by Banks) towards "sustainable" counterparties/transactions, promoting their transparency, in order to achieve balanced and inclusive growth (known as “Sustainable Finance”).

In recent years, the central banking community has therefore intensified its commitment to environmental sustainability and combating climate change by taking action in several areas, such as, for example, the establishment in 2017 of the Network for Greening the Financial System (NGFS), an international body with the task of sharing best practices and contributing to the development of climate and environmental risk management in the financial system, as well as promoting initiatives to foster the financial sector's commitment to the transition to a sustainable economy. This is because the financial system, with its role as mediator of savings and investments of households and businesses, is potentially able to amplify the negative consequences of adverse events linked to climate change and the green transition. These can indeed influence the capital strength of Entities and the stability of the financial system or interfere with monetary policy transmission and the stability of prices.

The Community strategy for financing sustainable growth is based on two intergovernmental agreements signed in 2015: the United Nations Agenda 2030 [21] and the Paris Climate Accords [22].

In March 2018, the European Commission published the "Action Plan for Financing Sustainable Growth" aimed at strengthening the contribution of the financial sector towards the EU agenda and, at the same time, defining a uniform EU-wide taxonomy of sustainable activities. The action plan reiterates the role of finance in guiding investments and loans that not only take account of economic return, but environmental and social aspects, too.

In this context, banks began to integrate ESG factors into their strategic objectives and business plans, both to provide a concrete response to their stakeholders (investors, rating agencies, shareholders and the financial community as a whole) and to meet the demands of their customers, who are increasingly sensitive to the positioning of financial operators with regard to the offer of ESG products ("Green" products, in particular).

The European Central Bank (ECB) considers climate and environmental risks as major risk factors for the eurozone banking system. As credit, market and operational risk factors, among others, climate and environmental risks will have a widespread impact across sectors and geographic areas. The ECB deems it necessary for all institutions to take timely and decisive action to ensure sound, effective and comprehensive management and reporting about these risks.

During 2020, the ECB outlined a programme aimed at introducing management and monitoring of climate risks in the banks under its direct supervision. The publication in November 2020 of the "Guide on Climate-Related and Environmental Risks" is the initiative that officially rallied European banks to assess this type of risk. It contains thirteen expectations ranging from business decisions and risk management to disclosures to investors and the market and stress testing. The guidelines were accompanied by an exercise beginning in February 2021 that also involved the Cassa Centrale Group, containing a self-assessment of the practices adopted in relation to the aforesaid expectations ("Questionnaire A"), as well as the preparation of an action plan — on the basis of the self-assessment — to ensure the implementation of the thirteen expectations ("Questionnaire B").

Once the full review of the self-assessments was complete, a discussion took place in the first half of 2022 around the self-assessments in dialogue with the competent national Supervisory Authorities, and additional assessments were made of the strength and completeness of the main policies and procedures of the entities, as well as of their ability to effectively approach climate-related and environmental risk strategies and risk profiles ("2022 Thematic Review on Climate-related and Environmental Risks"). A specific stress test exercise ("2022 SSM climate risk stress test") was also presented and carried out with the aim of preparing the Banks. For details, please refer to the section "Significant events in the year" of this Report.

As a result of the changes in internal ESG governance (such as the recent establishment of the Sustainability and Identity Committee and the formation of an ESG Steering Committee), the Group is continuing to develop and implement the plan to adapt to ECB expectations on climate and environmental risks (referred to in the ECB document "Guide on Climate-related and Environmental Risks").

Analyses will continue to assess the impact of ESG risk factors on existing risk categories, as will the related analyses intended to assess how these factors can be integrated into monitoring and reporting the Group's overall risk profile, also with a view to contributing in a more pragmatic manner to the decision-making process on ESG-related topics.

Internal control system

The Cassa Centrale Group has created a structured system of internal controls which, on a daily basis and proportionally to the complexity of the activities carried out, involves the entire organisational structure and conforms to the legislation governing the "Internal Control System', reported in Part One, Title IV, Chapter 3 of Bank of Italy Circular 285/2013 and subsequent updates.

[21] The agenda defines 17 sustainable development goals structured into 169 targets concerning all aspects of sustainability: social, environmental, economic and ethical.

[22] The Paris Agreement is the first international universal agreement on the climate, to adapt and strengthen resilience to climate change and to limit global warming to well below 2° C above pre-industrial levels, recognising that this would substantially reduce the risks and effects of climate change. The Agreement also pursues the objective of bringing cash flows into line with a climate-resilient development process with low greenhouse gas emissions.

The Cassa Centrale Group attributes strategic importance to the integrated management of controls and related risks as they constitute, among other things:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the corporate bodies of the internal control system to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

The Parent Company has adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance, organisation, technical situation and financial position of the individual Group Companies. This system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

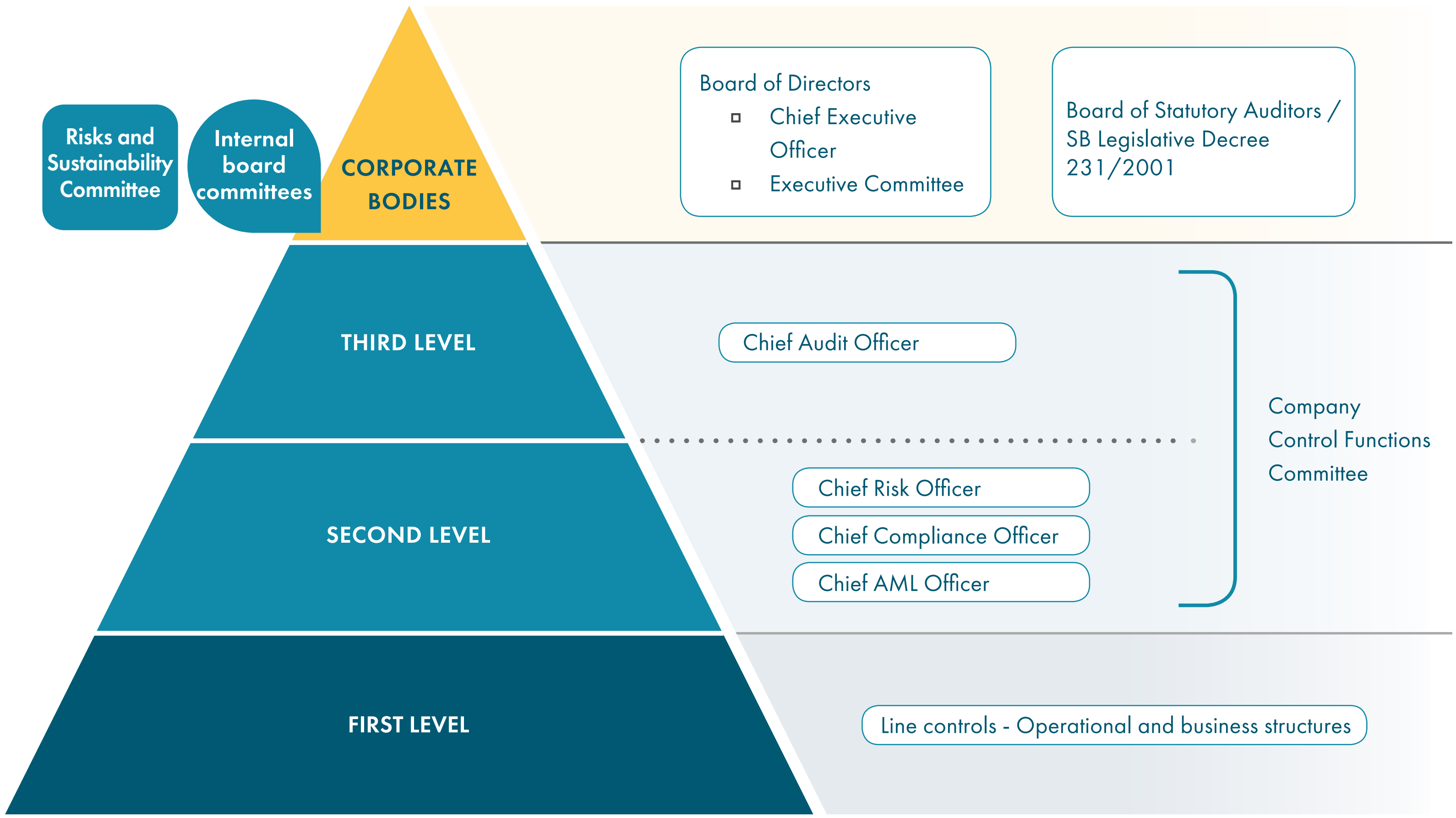
- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the Group's Risk Appetite Framework (RAF);
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of the company's operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The central role of the internal control system within the Group's corporate organisation means that:

- it takes on strategic importance. In this regard, the "control culture" holds a prominent position on the scale of the Group's values, affecting not only the Corporate Control Functions, but the entire corporate organisation of the Parent Company and all Group Companies (e.g. corporate bodies, structures, hierarchical levels, personnel);
- it represents a primary element of the corporate governance system of the Parent Company and Group Companies and plays a decisive role in identifying, measuring, assessing and mitigating the Group's significant risks, ensuring the Group's sound and prudent management and financial stability.

The Group's internal control system includes, in keeping with regulatory and legislative provisions in force, the following types of controls:

- **line controls** (so-called "first-level controls"): controls which are designed to ensure the proper conduct of operations (e.g. hierarchical, systematic and spot checks) and which, as far as possible, are incorporated into computerised procedures. These are carried out by the same operational and business structures (so-called "Level I functions"), including through units dedicated exclusively to control tasks that report back to the managers of the structures themselves, i.e. performed within the back office;
- **controls on risks and compliance** (so-called "second-level controls"): controls designed to ensure, *inter alia*:
    - the proper implementation of the risk management process;
    - compliance with the operational limits assigned to the various Functions;
    - compliance of the company operations with regulations, including self-regulations. The Functions responsible for these controls are separate from the operational functions and contribute to the definition of risk management policies and the risk management process;
- **Internal audit** (so-called "third level controls"): internal audit controls aimed at identifying breaches of procedures and regulations and periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure and of the other components of the internal control system and information system (ICT audit) at Group level, at predetermined intervals in relation to the nature and intensity of the risks.



The Parent Company's corporate bodies, the Parent Company's Risks and Sustainability Committee, the Committee of Corporate Control Functions, as well as the Corporate Control Functions themselves represent the main players in the internal control system.

Specifically:

- to the **Board of Directors**, as a body with strategic supervision functions, it defines and approves the business model, strategic guidelines, risk appetite, tolerance threshold (where identified) and risk management policies, the guidelines of the internal control system, the criteria for identifying the most significant transactions to be submitted to the prior scrutiny of the Risk Management Department and the general terms of the ICAAP process, ensures its consistency with the RAF and the timely adjustment in relation to significant changes to the strategic guidelines, the organisational structure, and the reference operating context;
- the **Risks and Sustainability Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's Board of Directors with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;

- the **Board of Statutory Auditors**, as the body with control functions, is responsible for overseeing the completeness, adequacy, functionality and reliability of the internal control system and the RAF at Group level, in accordance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. The Board of Statutory Auditors performs the functions of the Supervisory Authority, established pursuant to Legislative Decree no. 231/2001 on the administrative liability of entities, which supervises the functioning and observance of the organisational and management model adopted by the Parent Company for the purposes of the same Legislative Decree;
- the **Executive Committee**, in compliance with the provisions of the Articles of Association, is responsible for implementing the policies on corporate governance and risk management;
- the **Chief Executive Officer** is responsible for executing the Board of Directors' resolutions, with particular reference to implementing the strategic guidelines and risk management policies defined by the Board of Directors;
- the **Committee of Corporate Control Functions**, consisting of the managers of the corporate control Functions, carries out the coordination and integration activities of the Functions overseeing the internal control system.

The Group's corporate control Functions are represented by the following structures:

- Internal audit function (**Internal Audit Department**);
- Risk control function (**Risk Management Department**);
- Compliance function (**Compliance Department**);
- Anti-money laundering function (**Anti-Money Laundering Department**).

The model adopted for the Group

The regulatory provisions for Banks in relation to the Cooperative Banking Group issued by the Bank of Italy establish that the corporate control Functions for affiliated Cooperative Credit Banks are carried out under an outsourcing regime by the Parent Company or other companies of the Group.

The Parent Company carries out its tasks in compliance with the following criteria:

- the corporate bodies of the members of the Group are aware of the choices made by the Parent Company and are responsible, each according to their own competencies, for the implementation, within their respective business realities, of the strategies and policies pursued in the field of controls, favouring their integration within the scope of Group controls;
- special internal representatives are appointed within the Companies that have outsourced the Function who: i) perform support tasks for the outsourced control Function and hierarchically to the Bank's Board of Directors; ii) report functionally to the outsourced control Function; iii) promptly report particular events or situations, which may change the risks generated by the subsidiary.

Each individual Group Company must have an effective system of information exchange that guarantees, on an ongoing basis:

- that the Corporate bodies and related Committees will be able to fulfil their roles and responsibilities within the internal control system;
- that the corporate control Functions pursue, in compliance with their respective competences, principles of collaboration and integration of controls, including:
    - mutual alignment on the basis of annual activity plans/ programmes;
    - sharing of any critical elements highlighted;
    - constant updating of the committees in support of the main corporate functions established within the Group (and the participation of the relevant Managers of the aforesaid corporate control functions) on matters relating to the integrated internal control system;
    - exchange of information preparatory to the implementation of specific moments of coordination between the managers of the corporate control Functions in order to ensure a productive collaboration and coordination of the major initiatives at Group level related to the internal control system.

In order to ensure guidance and coordination, the Parent Company oversees Group Companies through the continuous exchange of flows, information and data in order to carry out management control that is useful for ensuring the balanced maintenance of economic, financial and equity conditions, the level of risk and, more generally, the integrated internal control system at Group level as a whole.

The Board of Directors of the Companies that have outsourced the Function carries out its duties with precise reference to that defined by the Parent Company and in particular:

- appoints the internal representative who carries out support tasks for the outsourced control functions;
- approves the Audit Plan and Activity Programmes for the Compliance, AML and Risk Management Departments;
- takes action to eliminate the deficiencies found during the verification activities.

The Board of Statutory Auditors of the individual Companies that have outsourced the Function carries out the activities required by current legislation with a view to monitoring the completeness, adequacy, functionality and reliability of the integrated internal control system, collaborating with the respective Parent Company Body.

The Supervisory Authority, set up pursuant to Legislative Decree no. 231/2001, oversees the functioning and observance of the organisational and management model adopted by the company itself to prevent the offences relevant to the purposes of the same Legislative Decree.

The General Manager of the Companies that have outsourced the Function supports the Board of Directors in the management function. As part of the internal control system, they support the Company in the initiatives and corrective actions highlighted by the Corporate Control Functions and brought to the attention of the corporate bodies.

The internal representatives of the individual Companies that have outsourced the Function support the outsourced corporate control Function, report functionally to the same and promptly report particular events or situations, which are likely to modify the risks generated by the subsidiary.

The bodies of the Group companies other than the Companies that have outsourced the Function are assigned the same responsibilities as those of the bodies of said Companies, insofar as they are compatible. These bodies are also the assignees of all the powers attributed to them by the regulations and regulatory provisions applicable to the company to which they belong. The internal corporate control Functions, where present, in compliance with the rules applicable to them, carry out their activities in line with the principles established by the Parent Company.

Internal audit function

The Internal Audit Department oversees, according to a risk-based approach, on the one hand, the control of the regular performance of operations and development of risks and, on the other hand, the evaluation of the completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, bringing possible improvements to the attention of corporate bodies, with particular reference to the Risk Appetite Framework (RAF), the risk management process and the instruments for measuring and controlling risks and making recommendations to corporate bodies.

This Function – which is separate from the other corporate control Functions from an organisational point of view – reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties. It operates according to principles based on the diligence and professionalism of its employees, in light of the awareness that an effective preventive activity can only be effectively implemented if all staff are duly made aware of their responsibilities and if a culture based on the value of integrity (honesty, fairness, responsibility) and on a set of values to be recognised and shared at all organisational levels is promoted.

The Internal Audit Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function and avails itself of the collaboration and support of the internal representatives of the same, who report functionally to the Manager of the Internal Audit Department of the Parent Company and hierarchically to the Bank's Board of Directors. With similar operating procedures, the Internal Audit Department also operates for Group Companies that sign an agreement to outsource the Function.

The main activities of the Internal Audit Department are the following:

- assessing the completeness, adequacy, functionality, reliability of the other components of the ICS, the risk management process and other business processes, also taking into account the ability to identify errors and irregularities. In this context, it reviews, among other things, the second level corporate control Functions (Risk Management, Compliance, Anti-Money Laundering);
- annually submitting a risk-based Audit Plan to the corporate bodies for approval, which reports the planned audit activities, taking into account the risks of the various corporate activities and structures; the Plan contains a specific section relating to the audit activity of the information system (the so-called ICT Audit);
- assessing the effectiveness of the RAF definition process, the internal consistency of the overall scheme and the compliance of the company's operations with it and, in the case of particularly complex financial structures, their compliance with the strategies approved by the corporate bodies;
- assessing the consistency, adequacy and effectiveness with respect to the governance mechanisms described in the business model and carrying out periodic tests on the functioning of operational and internal control procedures;
- regularly checking the business continuity plan;
- carrying out detection tasks regarding specific irregularities as well;
- carrying out, on request, verifications in particular cases (so-called Special Investigation) for the reconstruction of facts or events considered to be of particular importance;
- coordinates with the other corporate control Functions in order to adopt consistent and integrated risk measurement and assessment methodologies, in order to share priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- if, as part of the collaboration and exchange of information with the manager of the statutory audit, it becomes aware of critical issues that have emerged during the statutory audit activity, it shall take steps to ensure that the competent corporate Functions adopt the necessary measures to overcome such critical issues.

In order to fulfil the responsibilities assigned to it, the Internal Audit Department has access to all the central and peripheral activities of Cassa Centrale Banca and the Group Companies and to any information relevant for this purpose, including through direct contact with staff.

Risk control function

The Risk Management Department, as part of the Group's internal control system, fulfils the responsibilities and tasks envisaged by the Bank of Italy Circular 285/2013 for the risk management Function. It provides useful elements to Corporate bodies in the definition of guidelines and policies on risk management and ensures the measurement and control of the Group's exposure to different types of risk.

The Risk Management Department is also responsible for identifying, measuring and monitoring the risks assumed or assumable, establishing the control activities and ensuring that the anomalies found are brought to the attention of the corporate bodies so that they can be appropriately managed.

It operates for the Affiliated Banks and the user companies, under an outsourcing regime, in compliance with the service levels established and formalised in the agreement for outsourcing the Risk Management Function, and avails itself of the cooperation and support of their internal contacts, who report functionally to the Manager of the Risk Management Department of the Parent Company.

Within this scope, the Risk Management Department:

- guarantees the effective and proper implementation of the process of identifying, evaluating, managing and monitoring the risks undertaken, both current and forecast;
- coordinates the process of defining, updating and managing the Risk Appetite Framework (hereinafter "RAF"), within which it has the task of proposing the qualitative and quantitative parameters necessary for the definition of the RAF;
- checks the adequacy of the RAF;
- is responsible for defining the operational limits to the assumption of the various types of risk, as well as for verifying their adequacy on a continuous basis;

- assesses, at least annually, the robustness and effectiveness of the stress tests and the need to update them;
- defines common metrics for assessing operational risks in line with the RAF and methods for assessing and controlling reputational risks in coordination with the Compliance Department and the relevant structures;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- ensures the consistency of the risk measurement and control systems with the processes and methodologies for assessing company activities, coordinating with the appropriate company structures;
- in case of violation of the RAF, including the operational limits, it assesses the causes and the effects on the business situation, also in terms of costs, it informs the business units concerned and the corporate bodies, and proposes corrective measures. It ensures that the body with strategic supervisory function is informed in case of serious violations; the risk control function has an active role in ensuring that the recommended measures are taken by the Functions concerned and brought to the attention of the corporate bodies;
- contributes to ensuring the consistency of the remuneration and incentive system with the reference framework for determining the Bank's risk appetite (RAF);
- is responsible for assessing the adequacy of internal capital (ICAAP) and liquidity reserves (ILAAP);
- is responsible for preparing the public disclosure (Pillar III);
- is involved in defining the risk governance policies and the phases of the risk management process through the establishment of a system of policies, regulations and documents for the implementation of the risk limits for the Group;
- defines the metrics and methodologies for measuring and monitoring risks and the related guidelines to be adopted at the Group level;
- verifies, on an ongoing basis, the presence of adequate risk management processes;
- is responsible for the development, validation, maintenance and updating of risk measurement and control systems, ensuring that they are subject to periodic backtesting, that an appropriate number of scenarios are analysed and that conservative assumptions are used on dependencies and correlations;
- develops and applies indicators capable of highlighting anomalous and inefficient situations in risk measurement and control systems;
- analyses and assesses risks deriving from new products and services and from entry into new operating and market segments, including by assuming different risk scenarios and evaluating the bank's ability to ensure effective risk management;
- measures and monitors the current and prospective exposure to risks, also at Group level, and its consistency with the risk objectives, as well as the compliance with the operational limits, making sure that the decisions on risk taking by the different corporate levels are consistent with the advice provided;
- ensures, through reporting activities, a constant and continuous flow of information to the corporate bodies and other corporate control functions on the exposure to risks and the results of the activities carried out;
- provides preventive opinions on the consistency of the most significant transactions with the RAF, including those originated by user companies while also contributing to defining the parameters for their identification, where appropriate, obtaining the advice of other Functions involved in the risk management process;
- carries out second-level checks on credit exposures;
- verifies the adequacy and effectiveness of the measures adopted to remedy the shortcomings identified in the risk management process;
- verifies the proper monitoring of the performance of individual credit exposures;
- oversees the process of assigning and updating the ratings used to assess the creditworthiness of the counterparties;
- oversees the processing of the classification of the risk-based model and, in agreement with the Planning Department, the activation of the appropriate corrective actions (i.e., Relaunch Plan, Recovery Plan, Combination Plan);
- informs the Chief Executive Officer/General Manager of any exceeding of targets/thresholds/limits relating to the assumption of risks;

- is responsible for activating monitoring activities on the actions put in place if targets/thresholds/limits are exceeded and for communicating any critical issues until the thresholds/limits return within the established levels;
- prepares and submits to the corporate bodies the report on the activities carried out by Management, in accordance with the provisions of the reference regulations;
- contributes to the dissemination of a control culture within the Group.

As part of the Integrated Internal Control System, the Risk Management Department coordinates with the other corporate control functions in order to:

- adopt consistent and integrated risk measurement and assessment methods, providing a common and integrated representation of the areas of greatest risk;
- define risk-based intervention priorities;
- develop the sharing of operational and methodological aspects and the actions to be taken in case of significant and/or critical events in order to identify possible synergies and avoid potential overlapping and duplication of activities.

As part of the activities listed above, the Risk Management Department prepares annually a risk-based approach and submits an activity plan to the corporate bodies based on:

- the main risks to which the Group is exposed;
- any shortcomings emerging from the checks carried out;
- any elements identified by the Internal Audit or any findings reported by the Validation Service;
- the risk objectives defined by the Group;
- any evidence emerged from discussions with the Supervisory Authorities.

Compliance function

The Compliance Department takes a risk-based approach to managing compliance risk with regard to the entire business activity. This is done through the assessment of the adequacy of internal procedures aimed at preventing the violation of applicable external rules (laws and regulations) and self-regulation (e.g. Articles of Association, Cohesion Contract and Code of Ethics).

In particular, in its role as Parent Company Function, it exercises control over the risks impending on the activities carried out by all the Cassa Centrale Group Companies in order to assess the various risk profiles contributed by these Companies and the overall risks of the Group. This translates into the performance of specific monitoring and verification activities concerning the Cassa Centrale Group as a whole and/or individual Group Companies, which therefore guarantee adequate information flows, timely responses to specific requests and collaboration in the event of remote or on-site verification.

The Compliance Department is separate from the other corporate control Functions from an organisational point of view, it reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties.

The Compliance Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function and avails itself of the collaboration and support of the internal representatives of the same, who report hierarchically to the Board of Directors of the respective Company and, at the same time, report functionally to the Department Manager. With similar operating procedures, the Compliance Department also operates for the other Companies of the Cassa Centrale Group that sign an agreement to outsource the Function. This Department also carries out any further activities aimed at assessing and reporting the various risk profiles brought to the Group by the Companies and the overall risks of the Group.

For the monitoring of certain regulatory areas for which it is permitted by applicable regulations or for the performance of specific obligations in which the Compliance Department's activities are articulated, the same may make use of specialist compliance control units and/or support, remaining in any case responsible for the definition of risk assessment methodologies. In particular, the role of specialist control units is attributed to the Tax Service and the Workplace Prevention and Protection Office, for the respective regulations indirectly supervised by the Function.

In particular, the Compliance Department:

- continuously identifies the applicable rules and assesses their impact on corporate processes and procedures;
- collaborates with the corporate structures for the definition of methodologies for the assessment of compliance risks;
- identifies suitable procedures and/or organisational changes for the prevention of the detected risk, with the possibility of requesting their adoption;
- verifies the adequacy and correct application of the procedures for the prevention of the detected risk;
- ensures ongoing and continuous monitoring of the adequacy and effectiveness of the measures, policies and procedures relating to investment services and activities;
- prepares information flows directed to the corporate bodies and structures involved (e.g.: operating risk management and internal audit);
- verifies the effectiveness of the organisational adjustments (structures, processes, procedures, including operational and commercial) suggested for the prevention of compliance risk;
- is involved in the ex-ante assessment of the compliance with applicable regulations of all innovative projects (including the operation of new products or services) that the company intends to undertake as well as in the prevention and management of conflicts of interest between the different activities carried out by the company and also with regard to employees and company representatives;
- provides advice and assistance to corporate bodies in all matters in which compliance risk is significant;
- collaborates in the training of staff on the provisions applicable to the activities carried out;
- coordinates with the other corporate control functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- provides, for the aspects within its competence, its contribution to the Risk Management Department in the assessment of risks, in particular those that cannot be quantified, as part of the process of determining capital adequacy;
- collaborates with the Risk Management Department, in line with the Risk Appetite Framework (RAF), to develop appropriate methodologies for the assessment of operational and reputational risks arising from any areas of non-compliance, also ensuring the reciprocal exchange of information flows suitable for an adequate oversight of the areas of competence;
- spreads a corporate culture based on the principles of honesty, fairness and respect for the spirit and letter of the rules.

Anti-money laundering function

The Anti-Money Laundering Department adopts a risk-based approach in overseeing the management of the risks of money laundering and terrorist financing with regard to the company’s activities by evaluating the adequacy of internal procedures intended to prevent the violation of applicable external standards (laws and regulations) and self-regulation (e.g. Articles of Association and Codes of Ethics).

The Anti-Money Laundering Department operates in accordance with the responsibilities assigned to it as a second-level corporate control Function of the Parent Company and fulfils the contractual obligations arising from its role as supplier to the Affiliated Banks and the user companies.

The Anti-Money Laundering Department operates, for the Affiliated Banks and the user companies, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function, and avails itself of the collaboration and support of internal representatives, who, operating in close functional coordination with the Anti-Money Laundering Department, supervise the processes related to anti-money laundering legislation in the Affiliated Bank/User Company.

The Anti-Money Laundering Department of the Parent Company formulates and prepares specific directives and instructions to which the Anti-Money Laundering representatives must adapt their operations, in order to ensure the operational consistency of the Group in relation to the management and measurement of the risks of money laundering and terrorist financing.

In the event that a Group Company is the recipient of anti-money laundering obligations and has not outsourced the Function to the Parent Company, specific information flows are transmitted to the Anti-Money Laundering Department of the Parent Company by the same companies (the Annual Anti-Money Laundering Report, the annual planning of activities, any significant critical issues identified by the execution of anti-money laundering activities).

The Anti-Money Laundering Department has the objective of:

- contributing to the definition of strategic guidelines and policies for the overall governance of risks related to money laundering and terrorist financing, the preparation of communications and periodic reports to corporate bodies and the feeding of the Risk Appetite Framework, collaborating with other corporate control Functions in order to achieve an effective integration of the risk management process;
- developing a global approach to risk based on the strategic decisions taken by the Parent Company, defining the Group's methodology for assessing the risks of money laundering and terrorist financing, the procedures for coordinating and sharing information between Group Companies and general standards for the adequate verification of customers, the retention of documentation and information and the identification and reporting of suspicious transactions;
- ensuring adequate Group supervision, continuously verifying the suitability, functionality and reliability of the anti-money laundering arrangements, the procedures and processes adopted within the Group and their degree of adequacy and compliance with the law;
- playing a management and coordination role in relation to Group Companies, promoting and spreading the culture of prevention of the risk of money laundering and terrorist financing.

The Anti-Money Laundering Department oversees and coordinates the management of money laundering and terrorist financing risks, through the execution of a series of activities that may be related to the following types of processes:

- main processes, i.e. the set of activities aimed at the correct fulfilment of the obligations of proper customer due diligence, data and information retention and reporting of suspicious transactions;
- cross-cutting processes, i.e. the set of activities functional to mitigate and contrast the risk of money laundering.

In the performance of its duties, the Anti-Money Laundering Department has access, in the manner deemed most appropriate, to all activities and to all central and peripheral structures of the Group, as well as to any information that it deems relevant for the performance of its duties and is equipped with tools that are useful for carrying out the controls for which it is responsible.

As part of the integrated internal control system, the Anti-Money Laundering Department contributes in its areas of responsibility to:

- the definition of a common risk taxonomy for analysis and evaluation activities;
- the constant exchange of information;
- the establishment of uniform risk measurement and reporting methods;
- the management of any misalignments in the level of risk assessments that have emerged during the planning of activities;
- the examination of the findings that have emerged and the related corrective actions proposed, examining any conflicting assessments in order to reach a single and satisfactory solution for all the corporate control Functions that have highlighted the same significance.

Human Resources

The total workforce of the Cassa Centrale Group as at 31 December 2022 stood at 11,702 employees, compared to 11,448 as at 31 December 2021.

Staff composition by category and gender

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER	31/12/2022			31/12/2021	Change	% change
	Men	Women	Total	Total		
Executives	183	12	195	187	8	4.3%
Middle managers	2,414	776	3,190	3,087	103	3.3%
Office staff	4,153	4,164	8,317	8,174	143	1.7%
TOTAL	**6,750**	**4,952**	**11,702**	**11,448**	**254**	**2.2%**

Staff composition by age group

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP	31/12/2022				31/12/2021	Change	% change
	<30	30-50	>50	Total	Total		
Executives	0	39	156	195	187	8	4.3%
Middle managers	1	1,466	1,723	3,190	3,087	103	3.3%
Office staff	918	5,356	2,043	8,317	8,174	143	1.7%
TOTAL	**919**	**6,861**	**3,922**	**11,702**	**11,448**	**254**	**2.2%**

The average age of the Group's personnel is in the 30-50 bracket with about 59% of employees in that bracket.

The long-term strategy of the Group is always oriented towards the quality of its human resources, with a primary commitment in promoting the constant development of individual and group capabilities and skills.

The main guidelines followed by the Group are valuing initiative and flexibility, supporting growth opportunities through adequate development paths and promoting active participation in the implementation of projects, providing instruments and methods for the emergence of innovative contributions to be made available to the company.

Corporate culture and brand identity

During 2022, the Human Resources Department worked to promote a corporate culture capable of enhancing the unique characteristics of the Cassa Centrale Group, paying particular attention to the dynamics that affect the people who live within our organisations. The progressive improvement in the pandemic allowed for a gradual return to traditional social relations, whilst confirming the added value of the integrated use of innovative technological systems to enable and facilitate interaction between people. As a result, webinars, live debates, and sharing of best practices in expert communities were conducted, enabling professionals from the Parent Company and Representatives of the Affiliated Banks to engage with each other on a daily basis, in order to understand the needs of the Banks and incorporate them into the strategies of the Parent Company.

New online “Communities of Practice” were established, which is increasingly being used by various Services to engage with those operating at the Banks who deal with certain issues. The Communities are spaces for discussion and growth, but also represent smart and efficient tools for conveying practices and behaviours that support the sharing of Group-wide policies and regulations.

The project on the corporate identity of Cassa Centrale Banca was strengthened with the realisation of the “Manifesto of values”, built within the Parent Company through the dialogue of people with different experiences, young people and executives engaged in the search for those “key words” that could be used to represent the identity culture of the Parent Company. The Cassa Centrale Banca Manifesto outlines the purpose to promote the positive impact the company has on communities, employees and investors. Having a clearly stated purpose helps to recruit like-minded people and to make decisions in line with the Group's values. To this end, numerous video interviews were conducted with employees to tell different stories based the words and values that underpin the corporate identity of the Cassa Centrale Group. The project saw another development and an additional form in the Posterzine initiative, producing a physical object somewhere between a poster and a magazine, which was brought to life in the second half of 2022 with the publication of the first two editions. Each one focuses on one of the key words identified in the Manifesto of Values, also promoting a high level of reflection thanks to the involvement of renowned external writers. The end goal is to create a sense of belonging and to define a trajectory that the people themselves brand as of value, a trajectory towards shared and identity goals.

Wellbeing remains an important pillar in the strategy to build the Group's corporate culture. Consequently, the mental health wellbeing awareness project continued in 2022, through *ad hoc* webinars aimed at employees. The free listening and mental health counselling service, supported by professionals from the Mindwork network, which has partnered in these initiatives, continues to be highly appreciated and widely used, including for personal growth plans delivered with the support of expert coaches. In the final part of the year, the collaboration with Mindwork also made it possible to create new live training opportunities on diversity and inclusion open to the entire company. This project falls under the initiatives envisaged in the Group Sustainability Plan.

In synergy with the External Relations and Sustainability Department, activities to raise awareness and improve understanding of ESG issues continue: workshops, seminars, and communities of practice for experts aim to involve employees at various levels to encourage them to take responsibility for environmental, social and governance impacts. In relation to ESG topics, a new internal communication project has been created.

The project "Sam, the employee who gives voice to employees" continued, enabling surveys to be carried out through quantitative and qualitative measurements of employee engagement. The latest survey delved into the topic of learning, with the aim of building training projects that are even more in line with the Group’s characteristics through a new design.

Agile working

Remote working was been widely used in order to safeguard the health of the Group's employees, and it has consequently been necessary to provide staff with the essential technical and regulatory tools required to efficiently work from home. To ensure the correct use of these tools, various training materials were shared with employees: video tutorials, manuals, infographics and dedicated pages on the internal communication portal.

Furthermore, in order to promote the wellbeing of employees while performing their work remotely, the “Wellness Corporate - Feel good while working” project was launched, in synergy with the OSH Department and Eukinetica, a leading company in the field of corporate wellbeing. A “Wellbeing' strategy” based on training and awareness-raising was implemented, aimed at promoting a culture of wellbeing also in remote working contexts.

The Human Resources Department also supported management in the transition to the specific HR approach required for remote working, especially with regard to performance measurement and the communication of the company culture. For this purpose, managers were provided access to:

- self-learning tools such as online courses, video-pills, insights and testimonials on how to manage their teams remotely or in hybrid situations;
- a performance management model for the Parent Company and Allitude designed to respond to the needs arising from agile working.

Recruiting activities

Recruitment has been central for identifying and hiring new talent for the Parent Company's Departments and the Affiliated Banks. They requested the service to seek out and select new resources from universities, cooperative credit, other banking groups, advisory companies and the professional world.

The recruiting process is managed within the SAP SuccessFactors platform, with the support of LinkedIn and specialised head hunting companies.

Partnerships to innovate and compete

The well-established partnership with SDA Bocconi School of Management has made it possible to create new high-level professional training courses and to continue to provide the on-going courses in new ways, in full compliance with COVID-19 security measures. In autumn 2022, the first edition of "Executive in Banking Management" was launched, the long-term course for top and middle management at the Group's banks.

The partnership with CeTif, the Research Centre on Technologies, Innovation and Financial Services at the Sacred Heart Catholic University, continues to contribute to providing skills to the Group Banking Care Academy, in particular, digital banking, digital HR and digital compliance skills.

In the second half of 2022, the partnership with Alta Formazione was strengthened to create soft skill training content for Group Banks and employees of the Parent Company. Talent Garden also took part in this project, providing content on the innovative "Agile" methodology.

After consolidating the partnership with the Politecnico di Milano, the collaboration with SkillGym in 2022 contributed to the start of new digital transformation, managerial development and awareness-raising projects focused on Diversity and Inclusion to support the entire Group. SkillGym is a Swiss company specialising in the development of artificial intelligence simulators based on state-of-the-art, high-quality training theories and methodologies.

The drive to promote an organisational culture focused on the respect for diversity was supported by the launch of a partnership with Valore D, a long-standing association of Italian companies that works to promote gender balance and an inclusive culture in organisations and in Italy in general.

The belief that relations with young people will lead to significant enrichment characterised by reciprocity prompted the Human Resources Area to enter into an interesting collaboration with JeVe, the Junior Enterprise at Ca' Foscari University of Venice, with which a sustainability business game was created.

Developing human capital: training and skills development in the Group

The Banking Care Academy is responsible for the design, promotion and implementation of training courses for the Cassa Centrale Group, with training programmes reaching all employees through the SAP SuccessFactors LMS Learning Management System platform.

Skills certification, which is an essential element of certain Academy courses, was ensured through a new online certification skills verification software tested in universities around the world and essential for managing the learning assessment process.

In 2022, the most innovative projects focused primarily on ESG issues: in addition to the promotion of the online programme designed by Asvis and based on the 2030 Agenda objectives to raise awareness at all levels among the majority of the Group's employees, a good practice comparison project was promoted within the Affiliated Banks.

As part of the *La Capogruppo Forma* training initiatives made available to the Affiliated Banks and conducted by experts from the Parent Company, seminars on ESG issues were held for employees, providing training, presenting and discussing the findings of the Non-Financial Statement, and promoting communication initiatives on the topic.

High quality multimedia content, systems for monitoring and controlling users during the online certification assessments for evaluating skills in vocational courses (proctoring model), interaction, and the use of elements borrowed from games and supported by game design techniques in learning contexts (gamification) are the key elements at the heart of the Group's e-learning proposal. The programme is created with a synergetic and coordinated approach, uniting the points of view of those with knowledge of the content with those who can offer creativity, experience, innovation and methodologies. Thanks to this approach, the e-learning programme is able to evolve throughout the year and adapt to regulatory updates and the Regulations and Policies issued by the Parent Company, also based on the input provided by the Parent Company's Departments and Affiliated Banks and the countless national and international SAP hubs and communities in which the Cassa Centrale Group regularly participates.

In the first half of the year new elements were added to the E-learning library of the Parent Company, with more than 60 online courses made available to the Affiliated Banks, which the Group's employees can access from PCs, tablets and smartphones any time, anywhere, through an LMS system that meets the highest ICT security requirements. The quality of the content, speakers and methods is recognised through user satisfaction surveys at the end of each training element.

The expansion of the Self-Registration Catalogue, which is now available to the Parent Company, Allitude and a number of pilot Affiliated Banks, will enable the SAP tool to reach its full potential. In line with market trends and the need for “Seamless Learning”, the Self-Registration Catalogue was created to expand and personalise the learning environments available to employees, offering them the opportunity to make use of “informal learning environments” (blogs, articles, mini-pills, inspirational and testimonials) and providing suggested elements based on certain roles and the associated the skills that need developing.

In accordance with the 2022-2025 Sustainability Plan, various training projects were carried out with the aim of highlighting the importance of diversity and inclusion topics and promoting an organisational culture that values diversity and is based on the principle of inclusion.

Specifically, the work aimed to distribute good practices on using inclusive language and a course intended to support the skills of women managers from the perspective of senior positions within the Group.

Remuneration policies

On 30 May 2022, the Ordinary Shareholders' Meeting of the Parent Company - on the proposal of the Board of Directors - approved the Group's 2022 remuneration and incentive policies for all personnel, including the most important personnel, as well as for members of corporate bodies.

With regard to Group Companies within "scope", the Remuneration and Incentive Policies (hereinafter also referred to as the "Policies") approved by the respective Shareholders' Meetings were adopted by formal resolution of the respective Shareholders' Meetings for the Affiliated Banks and by competent bodies for the other Companies.

In particular, the Policies have been defined on the basis of the 37th update of 24 November 2021 of the Regulatory Provisions on “Remuneration and Incentive Policies and Practices", issued by the Bank of Italy in November 2014 with the 7th Update of Circular no. 285 of 17/12/2013 in implementation of EU Directive 2013/36/EU of 26/06/2013, as amended by Directive (EU) 2019/878 (so-called CRD V), and Delegated Regulation (EU) no. 923/2021 of 25 March 2021, which supplements Directive no. 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit’s risk profile, and setting out qualitative and quantitative criteria able to identify staff members or categories of staff whose professional activities have an impact on the institution’s risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of the CRD. The Guidelines on Sound Remuneration Policies under Directive 2013/36/EU, issued by the EBA on 2 July 2021, were also considered.

The Policies also comply with the Provisions on "Transparency of banking and financial transactions and services"; appropriateness of relations between intermediaries and customers, updated by the Bank of Italy on 19 March 2019, align national provisions with the Guidelines on remuneration policies and practices relating to the sale and supply of retail banking products and services issued by EBA in December 2016.

Furthermore, the Policies include information on their consistency with the integration of sustainability risks, in compliance with the provisions of Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks of Regulation (EU) no. 2019/2088 of the European Parliament and of the Council of 27 November 2019.

The Policies describe in an organic manner: the principles on which the Cassa Centrale Group's remuneration and incentive system is based; the roles, timing and activities that define the governance of the process of drafting, reviewing and adopting Group remuneration and incentive policies; the remuneration and incentive system to be adopted in 2022 by the Group for all employees, including the most important personnel, as well as for the members of corporate bodies.

The aim is to implement remuneration systems consistent with the Group's values and the shared aims of the Affiliated Banks to support the interest of all stakeholders. The remuneration policies support the Group's long-term strategy and the achievement of its corporate objectives - including sustainable finance, taking ESG factors into account. They are defined in accordance with the Group's prudent risk management policies, including strategies for monitoring and managing impaired loans, as defined under the current provisions on the prudential control process.

For further information and a detailed description of the policies in place, please refer to the document "2022 remuneration policies" available on the Cassa Centrale Banca website at the address www.cassacentrale.it, in the Governance section.

Welfare and Trade Union Relations

In 2022, the Welfare, Trade Union Relations and Labour regulations Service engaged in several trade union negotiations on management of redundancies and generational turnover (Solidarity Fund). In particular, the Affiliated Banks involved in these operations were: BancaTer Credito Cooperativo FVG, Banca Malatestiana, Cassa Rurale Alto Garda - Rovereto, Cassa Rurale Alta Valsugana, Cassa Rurale e Artigiana del Friuli Venezia Giulia, Cassa Rurale PrimaCassa Credito Cooperativo FVG, Cassa di Trento, Lavis, Mezzocorona, Valle di Cembra e Alta Vallagarina, BCC Locorotondo, Cassa Rurale – Credito Cooperativo Adamello Giudicarie Valsabbia Paganella, BCC Prealpi San Biagio, Cassa Rurale Valsugana e Tesino, Cassa Rurale di Ledro. A total of 172 employees were involved.

In June 2022, negotiations for the renewal of the CCNL were concluded in Rome. The new CCNL introduced the following measures into the BCC/CRA:

- adaptation of the pay scales to ABI;
- higher contribution to the National Mutual Fund and Pension Fund;
- company productivity value (formerly PDR) calculated in part using the performance of the Cooperative Banking Group (20%);
- reinforcement of workers' protections;
- regulations on agile and part-time work;
- increase of 5 training hours per year with introduction of compulsory technical/identity training;
- strengthening of the contractual area in line with ABI (Federcasse CCNL guarantee in case of outsourcing; social clause in tender contracts; introduction of supplementary contracts for certain activities);
- implementation of trade union discussions and establishment of joint committees on specific topics.

The projection of increased staff expenses arising from renewing the CCNL is, at most, +2.30% in 2022 and +4.88% from 2023 [23].

[23] For details on salary adjustments and payments to the Bilateral Trade Associations, please see articles 28, 29 and 30 of the CCNL.

With respect to other extraordinary transactions, the following mergers were completed in 2022:

- BCC Alto Vicentino which incorporated C.R.A di Vestenanova;
- Banco Marchigiano which incorporated Banca del Gran Sasso;
- BCC di Alberobello e Sammichele di Bari which incorporated BCC di Monopoli;
- Cassa Rurale Val di Non which incorporated Cassa Rurale Rotaliana e Giovo;
- Banca Sicana which incorporated Credito Etneo.

Employment law support continued to be provided to the competent Compliance and Remuneration Departments for the drafting of individual agreements for the consensual termination of employment and/or redefinition of specific contractual clauses.

Continuous support was provided to the Affiliated Banks on the following issues:

- drafting opinions on employment law issues and preparing the contractual documentation for the management of subordinate and para-subordinate employment relationships;
- out-of-court assistance in the management of individual and collective labour disputes and related settlements and in the management of disciplinary proceedings and any appeals;
- support in the drafting and revision of internal regulations and policies with impacts on personnel management; drafting of internal circulars on legal, management and contractual issues;
- assistance in the interpretation of employment law and in the correct application of contractual regulations as well as the various corporate reorganisation processes implemented by Group banks.

With regard to the procedures initiated between the National Secretaries of Trade Unions and Federcasse, on 23 November 2022, the trade unions submitted a document to Federcasse requesting that — at Federcasse level — all professional figures at the Banks, as well as the professional figures at the IT companies and at the companies within the direct scope, be updated, adjusted and regulated from scratch.

On 16 December, the trade unions presented the platform of demands for the Group supplementary agreement. The Group's Trade Union Committee was convened in plenary session for 19 January 2023.

Other information on operations

Consolidation and development of Corporate Identity activities

In 2022, as part of the post-pandemic economy recovery, a series of activities aimed at providing continuous support to the banks and regions continued.

In the finance area, the PAC NEF Minori product was made available to the Banks, which allows them to subscribe NEF funds on behalf of under-18s who become beneficiaries of the financial instrument. This product is part of the broader "Youth Project", which is characterised by four distinct product areas. Each product is represented by a specific target differentiated by age bracket. In particular, in the case of the PAC NEF Minori, the product is aimed at the under-18s and can be offered as an additional or alternative savings product to the Risparmiolandia savings account and the Oraomaipiù current account, or the financial instrument linked to the securities portfolio until the account holder turns 18. The creativity of the PAC NEF Minori product has been designed in line with the communication on all products in the Youth Project category. At the same time, the spazioanoi.it website and the websites of the Banks were updated to highlight the new product and communication materials were made available to the Banks to support awareness of the new tool.

The Youth Project – specifically the www.spazioanoi.it website – also won the prestigious "Best Engagement Special Award" of the 23rd Interactive Key Award 2022. This major award praised the Group's ability to convey an important topic such as conscious saving in a modern language and in a fun way.

In the e-money sector, a new advanced Visa Debit card was launched on the market, the result of a project stemming from an important partnership with Visa, the global payments sector leader, which involved various departments of both Allitude and Cassa Centrale Banca.

Visa Debit is an advanced debit card that, compared to the standard debit card, offers maximum spendability globally thanks to the Visa circuit and can also be used online, combining the typical advantages of a debit card with those of a credit card. It represents the natural evolution of the graphic restyling process that characterised the Classic Nexi debit, pre-pay and credit cards at the end of 2021. The card design of the new payment card was designed to align with the Group's identity and image and, like the other cards, features the Group logo integrated directly onto the graphic layout of the card as a distinctive and stand-out element.

Thanks to the partnership with Visa, it was also possible to plan and organise a series of initiatives, aimed at both Banks and end customers, with the aim of promoting and publicising the product, such as a prize competition from 11 April to 30 June 2022 dedicated to all Visa Debit holders, with 30 e-bikes and an electric Fiat 500 to be won.

In order to support sales and raise product awareness among a wider public, a major digital and social media campaign was launched at national level to promote the competition using various communication tools: news, finance and sports portals, programmatic advertising, Facebook, Instagram, Spotify and YouTube.

Also in the payment systems sector, the project aimed at the digitisation of e-money products through the addition of virtual cards to the Apple pay wallet continued in 2022. In collaboration with Apple, the communication concept aimed at promoting and developing the service across Italy was designed.

The initiative aimed to promote the use of digital wallets and was developed in line with the Group's principles and values of sustainability and proximity to the regions in which the Banks operate. Thanks to the collaboration with AzzeroCO2, a company founded in 2004 by Legambiente and Kyoto Club to support companies, organisations and territories in the ecological transition, a prize competition (1 April - 31 May 2022) was launched as part of the *Mosaico Verde* project to reforest new areas and protect Italy's woodland, in which each participating customer could contribute to the planting of a tree to create a forest of 1,000 trees in the Gargano National Park in Apulia.

Also in 2022, the partnerships with Nexi and American Express continued through a series of commercial initiatives aimed at building customer loyalty and encouraging card spending.

As part of the broader scope of activities aimed at introducing and consolidating the Group's identity, and following a very positive response to previous programmes, in 2022 the third (March/April 2022) and fourth (November/December 2022) flight of the Cassa Centrale Group's national multi-channel communication campaign was launched. Following the activities of the two previous editions (at the end of 2020 and in March 2021), a packed TV, press, out-of-home (OOH), radio and digital schedule was planned, with the main objective of promoting the recognisability of the Cassa Centrale Group pictogram and a more vertical focus on the concept of Cooperative Credit and the composition of the Group, made up of numerous local and autonomous banks. In the fourth flight, in addition to the national umbrella (with the inclusion of several advertisements during the FIFA World Cup), a significant part was also planned dedicated to the most deeply rooted media in the territory (local press and strategic billboards) with the use of the institutional layout and the Bank signature for the specific territory.

In continuity with previous years, work continued on the MyCMS (Content Management System), an easy-to-manage multi-site shared platform that allows the individual bank to configure and customise its website in just a few steps. Following the developments in 2021, both on the back-end and on the graphics and user experience side, in the first half of 2022 a timely analysis began to migrate the open source platform from Umbraco version 7 to version 8. This migration (occurred in September 2022) further developed the MyCMS system with the aim of providing the Banks' site administrators with an increasingly powerful and usable tool.

As at 31 December 2022, 62 Affiliated Banks joined this important project; of these, 60 have already published their website with the new platform.

Following the performance analysis of the corporate website cassacentrale.it and the demographic and behavioural analysis of the public aimed at assessing its positioning and visibility, constant monitoring activities continued with a view to strengthening the positioning of the brand in the search engine results pages and sharing information aimed at raising awareness on specific corporate topics.

The Group’s commitment to sustainability continued in 2022. In order to illustrate the Group's commitment to these important issues, an in-depth section dedicated to the Sustainability Plan and using simple and immediate language has been set up within the “Sustainability” section of the company website www.cassacentrale.it.

Considering the ever growing importance of corporate social responsibility for the Cassa Centrale Group, and in line with the values of proximity to People and Communities that have always underpinned our actions, the 2021 Consolidated Non-Financial Statement (NFS) was prepared in an accessible format and is compatible with screen readers (tools used by people with visual impairments or with similar perceptual disabilities to read text).

Alongside the preparation of the NFS in an accessible format, the activities related to its development also continued.

In line with previous years, in order to increase stakeholder engagement and brand awareness, traditional communication channels were supported by a targeted omnichannel communication strategy aimed at both the physical network and the digital world. In support of the Affiliated Banks, a graphic layout was prepared for their Consistency Statement. A leaflet, video and ADV were also prepared, intended to promote the initiatives taken by the Group in support of the territories and communities in which it operates, and digitally as a single-page site showing the main results. The “Sustainability” section in MyCMS, available to all Banks that use the platform, was also updated in order to further communicate the theme of corporate social responsibility and the values that make us different.

In the course of coordinating the Group's communication, and given the importance of the NRRP, a dedicated communication plan was developed specifically for the National Recovery and Resilience Plan. The communications were created to have deliberately generic content in order to be adapted by the individual Banks to meet the different need of each Branches and to highlight any initiatives. The communication plan is characterised by an emotive visual graphic and the tagline “Future Direction”, emphasising the role of the Banks and the Group as the perfect partners to support companies towards the future, accessing measures and calls for tenders in digitisation processes and with dedicated loans.

Rising energy costs, which have increasingly affected businesses and households since the second half of 2021, led the main Banks to promote specific support measures through various loans and by highlighting the possibility to request moratoria. In an environment with no substantial prospects of a return to normality in the short term, a communication plan was created to further promote the work already done by several Affiliates and to present a common core of basic measures on behalf of them all. The dedicated communication plan, with the tagline "We are with you" and a particular emphasis on the concepts of proximity and support for people, was also replicated in a landing page on the Group's website (www.cassacentrale.it/it/siamo-con-te) and on the websites of the individual Affiliated Banks.

Also in the area of Group communication, these major digital campaigns were held in 2022:

- "With a NEF PAC you feel protected", a prize competition open to all customers of NEF placement Banks, for which Cassa Centrale Banca is the main distributor and Paying Agent. To further support sales, a national digital campaign was launched under the NEF and Cassa Centrale Banca brand name on search engines and information web portals, which ran from 1 November 2021 to 31 January 2022;
- "PIP CASH. MORE VALUE TO YOUR INVESTMENTS': in order to support sales in the Asset Management sector, a national digital campaign was launched under the Cassa Centrale Group brand, which ran for around two months (15 February - 15 April), and was promoted on Google Adwords and Display, LinkedIn and with native content;
- Cybersecurity awareness campaign *I NAVIGATI - INFORMATI E SICURI* (THE BROWSED - INFORMED AND SAFE): given the increase in online fraud to which banking customers are constantly exposed, ABI Lab's proposal to participate in the second edition of the communication campaign on IT security, promoted by CERTFin – CERT Finanziario Italiano, was welcomed. The 2-month-long campaign (15 October–15 December) was promoted digitally and on social media to reach an active and younger target audience, on the DOOH channel for high impact and to reach a wide audience and on DAZN to ensure brand awareness and visibility.

As part of the project to update the InBank Trading platform, the communication plan dedicated to the tool was revised in order to make the new developments immediately visible and to facilitate its use by customers. Various new video tutorials were also created, with the aim of explaining the main new features in a simple and immediate manner and making customers autonomous in using the tool. The new videos will be added to those already created and shared by all the Banks on their website with a view to financial education.

Finally, the project to map and organise the communication channels aimed at end customers continued. The project, which began with the restyling of the Digital Bank, had the dual objective of promoting the knowledge and understanding of the most effective communication methods and offering a comprehensive tool to identify the most useful elements for daily communication activities.

In fact, it is important for each Bank to be able to identify the most suitable medium for the type of information it wishes to convey, providing comprehensible and timely guidelines in order to transmit information in the most effective and coherent manner possible. To ensure that the process is efficient and straightforward, the existing media were categorised according to need, scope and channel, and the necessary set of procedures, manuals and requirements were collected.

Relations with related parties

Details of transactions with related parties are provided in Part H of the Explanatory Notes, to which reference should be made.

Information on going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates

With reference to the Bank of Italy, CONSOB and ISVAP documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, concerning the information to be provided in the financial reports on the business outlook, with particular reference to business continuity, financial risks, impairment testing and uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Group can continue to operate in the foreseeable future and therefore certifies that the consolidated financial statements as at 31 December 2022 have been prepared on a going concern basis.

There are no elements or warnings in the Group's equity and financial structure and operating performance that could lead to uncertainties as to its ability to continue as a going concern.

For information on financial risks, impairment testing of assets and uncertainties in the use of estimates, reference should be made to the information provided in this report, comments on operating performance, and/or in specific sections of the consolidated financial statements.

Own shares

The share capital of the Parent Company Cassa Centrale Banca amounts to EUR 952,031,808, made up of 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

As at 31 December 2022, 15,874,453 ordinary and preference shares with a nominal value of EUR 825,471,556 (corresponding to 86.71% of the share capital) are held by the Affiliated Banks of the Cassa Centrale Group and therefore, in the consolidated financial statements, these are to be considered as own shares held in portfolio.

No shares of the Parent Company were sold during the year.

Policies for business continuity management

The evolution of the Group's Business Continuity department and related activities has revealed certain process areas that can be improved and refined. In response, in the first half of 2022 the Group incorporated and regulated these improvements in a new "Regulation on Business Continuity and Crisis Management".

In particular, the Regulation formalised the updating of the Business Impact Analysis (BIA) methodology and introduced a new business continuity Risk Assessment process with a method for identifying the associated risk, analysing vulnerabilities, determining residual risk and related mitigation measures.

On an organisational level, the roles and responsibilities of the Risk Management Department were formalised in the Regulation, and a Local Emergency Unit was introduced for the management of local incidents of individual companies.

Following the consolidation of the Basic Indicator Approach (BIA) results carried out during the previous year, the Parent Company's Business Continuity Plan was updated.

Tests were planned for 2022, with particular reference to the technological test of the Disaster Recovery solution provided by Allitude, which were successfully completed.

Certain test scenarios were expanded and verified with positive outcomes during the year: the unavailability of electricity in relation to possible scheduled interruptions by the local energy distributor and the Disaster Recovery test, which was also carried out remotely by Cassa Centrale Banca personnel.

Training activities continued during the year. In particular, to support the Business Continuity Contacts, specific training workshops were organised, during which the methodological changes made to the BIA and to the risk assessment in terms of business continuity were illustrated.

The initiatives to manage the COVID-19 pandemic emergency also continued, ensuring the operational continuity of business processes, with advisory activities and monitoring of their implementation at Group level and with a special reference to the measures introduced by the authorities.

Even after the end of the health crisis and considering the ongoing risk of COVID-19, and in order to ensure homogeneous and coordinated interventions and measures at Group level, Cassa Centrale Banca continued to send guidelines, communications and circulars, both informational and regulatory, to the Banks and Companies of the Group, in compliance with the restrictions and government provisions being issued, also defining numerous initiatives in implementation of government DPCM and the protocols shared with the corporate partners, giving continuity to the measures adopted since the beginning of the pandemic.

During this period, widespread information continued on the COVID-19 emergency, risks and prevention measures by issuing circulars to employees, placing infographics and posters at the workplace to ensure social distancing in the areas at most risk of infection and continuing remote working, with appropriate information on the risks of agile work.

The adoption of specific protocols for company sanitation and hygiene also continued, the use of certified masks as personal protective equipment and disinfectant gel, as well as the updating of the regulations of the procedures for opening branches and related access by customers, providing, in the phases at most risk of infection, for the use of appointments to perform operations that cannot be carried out remotely and that are urgent, in line with government measures.

In continuity with the control and protection actions linked to the spread of the COVID-19 epidemic, Cassa Centrale Banca deemed it appropriate to renew the verification of its prevention plan through a voluntary and independent assessment process, entrusting for this purpose Bureau Veritas, a company world leader in the assessment and analysis of risks related to quality, environment, health, safety and social responsibility.

Following the carried out assessments, Cassa Centrale Banca obtained the additional confirmation of the Safe Guard certification demonstrating that it had managed the specific risks linked to the COVID-19 emergency in compliance with the regulatory provisions issued by the Authorities.

In cooperation with the relevant departments, initial assessments were launched on the potential impacts of the Russia/Ukraine conflict, with particular reference to cyber risks and the energy crisis.

Organisation, management and control model for crime prevention pursuant to Italian Legislative Decree no. 231 of 8 June 2001

In implementation of the delegation pursuant to article 11 of Law no. 300 of 29 September 2000, Legislative Decree no. 231 of 8 June 2001 (hereinafter also “the Decree”) was issued, with which the legislator aligned domestic regulations to the international conventions, adopted also by Italy, on the liability of legal persons.

These in particular include the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Communities, the Convention signed in Brussels on 26 May 1997 on the fight against corruption involving officials of the European Community or of the Member States and the Organisation for Economic Co-operation and Development (OECD) Convention of 17 December 1997 on the fight against corruption of foreign public officials in economic and international transactions.

The Decree sets out the “guidelines for the administrative liability of legal entities, companies and associations, including those without legal personality” and introduced into the Italian legal system a system of corporate administrative liability specifically for the listed offences committed in the interests or to the benefit of those legal entities: (i) by natural persons performing roles of representation, administration or management of those entities or of one of their organisational units with financial and functional autonomy, as well as by natural persons exercising, including de facto, the management and control of those entities, or (ii) by natural persons subject to the management or supervision of one of the above-mentioned persons.

The entity is not liable, on the other hand, if the aforementioned parties have acted in the exclusive interest of themselves or of third parties (art. 5, paragraph 2 of the Decree) or when it voluntarily prevents the carrying out of the action or the occurrence of the event.

In any case, the administrative liability of entities is independent of the criminal liability of the natural person who committed the offence.

The offences for which the administrative liability of entities is configurable, with specific indication of the applicable sanctions, are listed in Section III of the Decree. The Decree provides for forms of exemption from the administrative liability of entities. In particular, it establishes that, in the event of a crime committed by a top management party, the entity is not liable if it proves that:

- the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models suitable for preventing offences of the type that occurred;
- the task of supervising the functioning and observance of the models and their updating has been entrusted to a corporate body with autonomous powers of initiative and control;

- individuals have committed the offence by fraudulently circumventing organisational and management models;
- there has been no lack of or insufficient supervision by the body responsible.

Therefore, in the case of a crime committed by top management, there is a presumption of liability on the part of the entity due to the fact that such parties express and represent the policy and, therefore, the will of the entity itself: this presumption, however, can be overcome if the entity can demonstrate the existence of the four conditions indicated above in compliance with the provisions of art. 6, paragraph 1 of the Decree.

In this case, although there is personal responsibility on the part of the top management, the entity is not liable under the Decree.

In the same way, the administrative liability of the entity also exists for offences committed by subordinates, if their action was made possible by failure to comply with management or supervisory obligations. In any case, failure to comply with these management or supervisory obligations is excluded if the company demonstrates that it has adopted and effectively implemented, prior to the commission of the offence, an organisational and management model suitable for preventing offences of the type that has occurred.

The Model must meet the following requirements:

- identification of the activities within the scope of which there is the potential that offences provided for in the Decree may be committed;
- provision of specific protocols aimed at planning the formation and implementation of the company's decisions in relation to the crimes to be prevented;
- identification of methods of managing financial resources suitable to prevent the commission of such offences;
- provision of information obligations towards the body responsible for supervising the functioning of and compliance with the Model;
- introduction of a disciplinary system suitable to sanction non-compliance with the measures indicated in the Model;
- provision of adequate information channels that, also through IT methods and ensuring the confidentiality of the identity of the reporter, allow individuals in top positions and their subordinates to submit detailed reports of unlawful conduct or violations of the Model;
- prohibit retaliatory or discriminatory acts against whistle-blowers for reasons linked - directly or indirectly - to the reporting of potential violations of the Model.

The Parent Company has long since adopted a Model aimed at preventing the risk of incurring administrative liability of entities for the offences provided for in the Decree. The Cassa Centrale Banca model consists of two parts.

The General Section provides a description of the reference regulatory framework, the Bank's governance model and organisational set-up, the tasks and responsibilities of the Supervisory Board, the disciplinary system and the training and communication plan relating to the Model. It also provides indications on the methodology used to define the Model. Lastly, it identifies the roles and responsibilities regarding the adoption and updating of the Model.

The Special Section, organised in specific protocols for each category of offence envisaged by the Decree, identifies the sensitive activities within which the commission of such offences is reasonably conceivable, as well as the control measures, the organisational measures and the behavioural principles to be adopted for the purpose preventing their commission.

In particular, through the adoption and constant updating of the Model, the Parent Company has proposed pursuing the following main objectives:

- contribution to the internal dissemination of knowledge of the offences provided for in the Decree and of the activities that may lead to their implementation;
- communication within the Bank of the knowledge of activities in the context of which there is a risk of offences being committed and the internal rules adopted by the Bank governing the same activities;
- communication of full awareness that conduct contrary to the law and internal provisions is condemned by the Bank, as, in carrying out its corporate mission, it intends to comply with the principles of legality, fairness, diligence and transparency;
- assurance of an organisation and system of controls appropriate to the activities carried out by the Parent Company and guarantees of the correctness of the behaviour of top management, employees and collaborators.

With the establishment of the Cooperative Banking Group, the Parent Company launched a project to progressively adapt its Model in order to ensure alignment with the new governance structure and the changed operating environment. The updating activity was concluded with the approval of the same by the Board of Directors on 4 June 2020, also taking into account the regulatory changes introduced in 2019. With respect to these changes, the Parent Company has also provided operational support to the Affiliated Banks for updating their respective Models.

At the same time, the Parent Company continued the project aimed at rationalising and standardising the management of the administrative liability of entities by the Group Companies, through the preparation of a document containing principles and guidelines with which they are required to comply. In particular, the document provides that the Affiliated Banks are required to adopt, in line with the indications contained in the document, their own Organisational, Management and Control Model, to be shared with the Supervisory Board and subsequently submitted for approval to the Management Body; Italian-registered subsidiaries other than the Affiliated Banks are required to adopt a Model if, on the basis of the results of the risk self assessment, a clear exposure to the risk of offences being committed is identified. In such cases, they are also required to set up a Supervisory Board in accordance with the guidelines provided in the document, as well as to prepare specific information flows aimed at enabling the Parent Company to become aware of relevant facts concerning the companies themselves.

The Decree has been subject to a number of amendments, including during the reporting period:

- Legislative Decree no. 184/2021 of 8 November 2021, entered into force on 14 December 2021, which introduced art. 25-*octies*.1 into Legislative Decree 231/2001;
- Legislative Decree no. 195/2021 of 8 November 2021, entered into force on 15 December 2021, amending some of the predicate offences referred to in article 25-*octies*;
- Law no. 238 of 23 December 2021, entered into force on 1 February 2022, which amended certain provisions of the Decree, specifically: (i) certain predicate offences under article 24-*bis*; (ii) one of the predicate offences under article 25-*quinquies*; and (iii) one of the predicate offences under article 25-*sexies*;
- Law no. 22 of 9 March 2022, entered into force on 23 March 2022, which introduced articles 25-*septiesdecies* and 25-*duodevicies* into the Decree;
- Law no. 25 of 28 March 2022, entered into force on 28 March 2022, which amended part of the predicate offences referred to in article 24 of Legislative Decree 231/2001.

Consequently, Cassa Centrale Banca commenced the assessment of the impacts of the new regulations listed above through the performance of the risk assessment, aimed at identifying the activities within which the offences may be committed as well as determining the relative level of exposure to the risk of commission thereof and the appropriate mitigating measures. This activity was concluded with the approval, by the Board of Directors, of the update of the Model on 12 May 2022.

Subsequently, documentation templates were issued to the Affiliated Banks, to be customised in relation to the specific operating context of each one, to support the updating activities, which remain the responsibility of the individual Affiliated Bank.

For more details on Law no. 238 of 23 December 2021, Law no. 22 of 9 March 2022 and Law no. 25 of 28 March 2022, please refer to the section '"Significant regulatory events in the year".

During the reporting period, two additional regulatory updates were made, represented by:

- Legislative Decree no. 156 of 4 October 2022, which came into force on 6 November 2022 and amended Art. 25-*quinquiesdecies* of the Decree, also making corrections and additions to Legislative Decree no. 75 of 14 July 2020, in implementation of Directive (EU) 2017/1371 (the "PIF Directive") on the fight against fraud to the Union's financial interests by means of criminal law;
- Legislative Decree no. 150 of 10 October 2022, the entry into force for which was postponed to 30 December 2022 by Legislative Decree no. 162 of 30 October 2022, amending in particular Art. 64 of the Decree.

In relation to these regulatory updates, the appropriate analyses are under way by the competent structures of the Parent Company, with the aim of identifying the impacts in relation to the Cassa Centrale Banca Model and the Affiliated Banks to provide much-needed support in the respective update activities

Country-by-country reporting

The "Country-by country" reporting as provided for by Art. 89 of Directive no. 2013/36/EU of the European Parliament and of the Council (known as CRD IV), is published on the Bank's website www.cassacentrale.it.

Sustainability

The Sustainability Plan

In recent years, sustainability has become increasingly important and a central theme in the United Nations Agenda 2030, which in 2015 defined the 17 Sustainable Development Goals (SDGs), and in policy goals for the future, which generated a notable production of laws and regulations, especially in Europe.

Aware of the importance of contributing to sustainable development, the Cassa Centrale Group has set itself the goal of guaranteeing, in the light of the cooperative values that distinguish it, the transition to economic, social and environmental sustainability for all the communities and territories in which it operates, acting as an interpreter of sustainability, according to its own path, which respects its specific features that can be summarised as follows:

- as banks: to maintain balanced management in order to be able to play a full role in serving the Communities;
- as a BCC/CR/Raika: to enhance knowledge of proximity and the privileged relationship with cooperative members, which derive from its regional roots and small size;
- as a Cooperative Banking Group: combining the autonomy of banks with the economies and synergies of being a Group.

Non-financial reporting is prepared by ensuring comparability with the rest of the banking system and at the same time enhancing the principles of mutual cooperation.

The current 2022-2025 Sustainability Plan was approved by the Board of Directors on 20 October 2022 and is structured into 4 projects, an evolution of the previous key areas: Environment; Shareholder and Customer Community; ESG Governance, Strategy and Reporting; Collaborators. The Plan was prepared with a rolling approach and will be updated annually according to the guidelines of the Group's Strategic Plan, which sets out ESG topics as enabling factors to achieve the strategic objectives.

Each key area includes a total of 56 initiatives, in turn structured into nearly 150 courses of action, which are characterised by:

- the inclusion of the initiatives of the ESG Steering Committee formed at the Parent Company;
- the integration of content on the basis of the main regulatory and strategic drivers and on the basis of new market trends;
- the link between the individual initiatives of the Plan with the Sustainable Development Goals (SDGs) of reference and with ESG aspects (Environmental, Social, Governance).

The rolling update of the Sustainability Plan, scheduled for the second half of 2023, will allow for the gradual refinement of the objectives, also responding to the increasingly intense regulatory requirements and innovations in this field.

In short, the Plan is an opportunity to enhance, affirm and reaffirm our being a Cooperative Banking Group, which interprets sustainability according to its own path, maintaining and improving its attention to the territory.

During 2022, in addition to the formation of the ESG Steering Committee and the ESG PMO function, the Risk and Sustainability Committee was given the sustainability assignments previously envisaged for the Sustainability and Identity Committee and the Company General Regulations were supplemented with areas of responsibility and oversight for all Departments/ Services affected by ESG topics.

The partnership with Caritas Italiana

In light of the positive results achieved in 2021 following the extraordinary intervention of EUR 1 million disbursed at the end of 2020, Cassa Centrale Banca and Allitude had disbursed a new total donation of EUR 1 million at the end of 2021 to Caritas Italiana to combat situations of hardship and vulnerability among adolescents and young people, focused on four main areas:

- school: teaching support (including distance learning), school club that organises extra-curricular activities for school students, scholarships for young people (including university students), access to electronic equipment;
- health: psychological support (including household support), health education, check-ups and early diagnosis, support to frail minors (with disabilities, learning disorders, etc.);
- social relations and culture: educational workshops (music, theatre, cooking, language), environmental responsibility courses, aggregation and socialisation activities, sports activities;
- training (for young adults): vocational training and qualification courses, job placement courses, curricular and extracurricular internships with work grants.

In implementation of the cooperation protocol signed with Cassa Centrale, Caritas Italiana therefore issued a call for 2022 for the presentation of specific projects by the Caritas dioceses in line with the above four areas. The projects were selected and approved, and their implementation is currently underway.

The Group also signed up to the “Ukraine 2022. Supporting children and adolescents” project, helping to support children and refugees through Caritas. The Parent Company made donations of EUR 500,000, with additional contributions from Allitude and Claris Leasing for a further EUR 100,000, as well as contributions from affiliated BCC-CR-RAIKA members, for a total of approximately EUR 1 million.

Consolidated non-financial statement

For more details on the Group's Sustainability, please refer to the Consolidated Non-Financial Statement, which Cassa Centrale Banca prepares on an annual basis pursuant to Article 5, paragraph 3 of Legislative Decree no. 254/2016. The document is published on the Cassa Centrale Banca website at www.cassacentrale.it in the "Investors" section.

Research and Development

The Cassa Centrale Group conducts research and development in line with its strategic objectives and the demands of the market. The Group's R&D has been described in several paragraphs of this report as part of the activities managed by the Departments of the Parent Company and its Subsidiaries.

Significant events occurred after the end of the financial year

It should be noted that, after 31 December 2022 and until the date of approval by the Board of Directors of this consolidated financial report, no events, facts or circumstances have occurred that led to a change in the data approved at that time, nor that they have had significant subsequent impacts on the Group's financial position and income statement.

The main events that occurred after the end of the year are shown below.

Business combinations between Affiliated Banks

From 1 January 2023, the following business combination between Affiliated Banks took legal effect:

Banca Sicana Credito Cooperativo di Sommatino, Serradifalco e Sambuca di Sicilia and Etneo - Banca di Credito Cooperativo: new name Sicilbanca Credito Cooperativo Italiano.

As such, the total number of Affiliated Banks decreased to 68.

Placement of the first public issue by Cassa Centrale Banca

On 8 February 2023, Cassa Centrale Banca successfully completed the public placement of the inaugural senior preferred bond. Worth EUR 500 million, the bond has a fixed rate, 4-year duration and is repayable early after 3 years. The bond was reserved for domestic and international institutional investors.

Part of the process to meet the MREL requirements, the bond was issued as part of the Euro Medium-Term Notes (EMTN) Programme worth EUR 3 billion, listed on the Irish Stock Exchange.

The security was issued at par value, with a 5.885% coupon and an expected rating from DBRS and Fitch equal to BBB (low) and BBB- respectively.

The operation saw excellent participation from leading domestic and international investors, with extremely granular orders (applications for over EUR 1,700 million from more than 150 investors).

The investors that participated in the operation were mainly fund managers (58%), banks (27%), insurance companies (7%), hedge funds (7%) and others (1%). In terms of geographic distribution, 33% was allocated to Italian investors, followed by the United Kingdom and Ireland (23%), France (16%), Germany and Austria (19%), Iberia (5%), Switzerland (2%) and others (2%).

Rating updates

DBRS Morningstar

On 2 February 2023, DBRS Morningstar confirmed Cassa Centrale Banca’s inclusion in the investment grade category, making no change to the BBB (Low) rating and the stable outlook assigned previously.

Its strengths include high liquidity, strong capitalisation and stable funding. The progress made in making the Group structure more efficient and improving the quality of the assets were additional highlights.

Prestipay

In February 2023, Cassa Centrale Banca resolved to exercise the purchase option on the share package of the subsidiary company Prestipay S.p.A. held by Deutsche Bank and equal to 40% of its share capital. The price of exercising the purchase option on the share package will be equal to the Appraisal Value or 40% of the equity of the subsidiary on the basis of the latest financial statements approved by the Shareholders' Meeting, whichever is higher. Activities are under way by an independent expert to determine the Appraisal Value.

Business outlook

The outbreak of the conflict between Russia and Ukraine, the effects of which are largely yet to be fully understood, heavily influenced 2022.

In particular, the direct effects on the prices of energy commodities influenced an inflationary trend, which already signalled a rapid increase in prices globally in the second half of 2021. While initially considered a temporary situation, this trend currently represents one of the most important challenges facing central banks.

Indeed, persistent inflation is driving the world's main Central Banks to raise their key interest rates in an attempt to curb the inflationary trend and prevent its incorporation into the expectations of economic operators, with the risk of triggering a price-wage spiral.

Against this backdrop, the effects of the pandemic have taken a back seat but nonetheless continue to affect the economic climate in the background.

Given the challenging context, the entire banking sector will have to continue to assess the evolution of the situation very carefully and maintain a strong focus on credit quality, aiming to consolidate the results achieved in recent years in terms of asset quality.

The very duration of the conflict is now an unpredictable variable, but at the same time fundamental in determining the repercussions on the Italian and world economies. Consequently, a clearer quantification of the impacts will only be possible in the coming quarters.

The climate of continuing uncertainty has affected the dynamics of financial markets, slowing down household financial investments, to the extent that liquidity investments in asset management instruments developed in a more subdued manner than in the previous quarters.

Within an environment of persistent uncertainty in traditional banking activity, improving operating efficiency, cost reduction and new business strategies are confirmed as the main levers for the recovery of structural profitability in the sector. The latter is supported by the new rate environment created by the consistent hikes by the central banks, after nearly a decade of near-zero or sub-zero returns, which had compressed the sector’s profitability.

In the current economic and social context, the Group continues to focus its attention on strongly supporting the economic fabric of the reference regions, which are facing a rapidly and constantly changing situation, and on overseeing the overall risk profile.

Activities related to the Group's organisational and operational structure continued, with a renewed focus on investments in technology and human capital, aspects which are considered as fundamental enablers to the achievement of the objectives set out in the Group's new Strategic Plan.

Independent Auditors' Report on the Consolidated Financial Statements of the Cassa Centrale Group

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement for the year then ended, and the consolidated explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Classification and valuation of loans to customers for financing measured at amortised cost

Description of the key audit matter	As indicated in the Consolidated Explanatory Notes "Part B - Information on the Consolidated Balance Sheet – Section 4 of Assets" and in the Report on Consolidated Operations – paragraph "Credit Quality", the gross amount of loans to customers for financing measured at amortised cost as at December 31, 2022 is equal to Euro 50,461 milion (of which Euro 2,494 milion of non-performing loans), reduced by adjustment provisions of Euro 2,692 milion (of which Euro 2,039 milion related to non-performing loans), resulting in a net amount of Euro 47,769 milion (of which Euro 455 milion of non-performing loans).

Furthermore, the Report on Consolidated Operations shows that the coverage ratio of the aforementioned loans to customers as at December 31, 2022 is equal to 5.3%. More specifically, in accordance with the allocation required by IFRS 9 "Financial Instruments", the coverage ratio of performing exposures, classified in "First Stage" and "Second Stage", is equal to 1.4%, while the coverage ratio of non-performing exposures, classified in "Third Stage", is equal to 81.8%.

The Consolidated Explanatory Notes "Part A – Accounting Policies" and "Part E – Information on Risks and Related Hedging Policies" describe:

- the processes and the classification criteria of credit exposures adopted by the Group in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards;

- the measurement criteria of loans to customers for financing measured at amortised cost as well as the estimate methods of the expected credit losses and for determining the consequent loan loss provisions based on the allocation of credit exposures among the three reference stages.

Furthermore, the credit monitoring processes and controls adopted by the Group, as part of its policies for managing loans to customers, provide, moreover, a more structured segmentation into homogeneous risk clusters. In this regard, in particular, the uncertainties arising from the current macroeconomic context were taken into account.

In fact, also during 2022 the general macroeconomic scenario was affected by significant uncertainties connected, in addition to the effects of the residual phase of the Covid-19 pandemic, to the Russian-Ukrainian conflict and the consequent effects attributable to inflationary tensions and the interruption of supply chains with significant repercussions on certain economic sectors.

Considering the mentioned evolution of the macroeconomic scenario, the Group implemented further refinements to the IFRS 9 impairment model, by identifying, among other things, some areas of intervention, at a geo-sectoral level, considered worthy of a strengthening of the incisive actions and controls to increase coverage levels in accordance with the guidelines of the regulators and with the Group policies.

Considering the significance of the amount of loans to customers for financing measured at amortised cost recorded in the financial statements, the complexity of the monitoring process of the credit quality and of the estimation process of the expected credit losses adopted by the Group, which also took into account the current macroeconomic context, and the relevance of the discretionary components inherent in such processes, we considered the classification and valuation of loans to customers for financing measured at amortised cost as a key audit matter of the consolidated financial statements of the Group as at December 31, 2022.

Audit procedures performed

The main audit procedures performed, also supported by specialists of the Deloitte Network, were as follows:

- analysis of the lending process with particular reference to the recognition and understanding of the organisational and procedural controls set up by the Group to ensure the monitoring of credit quality and the correct classification and measurement of the credit exposures in accordance with the regulatory framework, the internal policies and applicable accounting standards;
- check the implementation and operating effectiveness of the relevant controls identified in relation to the classification and valuation processes of loans to customers for financing measured at amortised cost;
- analysis and understanding of the main valuation models adopted by the Group for the determination of the loan loss provisions relating to performing loans, and the related refinements in order to also reflect the uncertainties arising from the current macroeconomic context, as well as check of the reasonableness of the parameters subject to estimation;
- check, on a sample basis, the classification of performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Group's internal policies and applicable accounting standards, with focused analysis on high-risk performing loans (known as "bonis sotto osservazione");

- check, on a sample basis, of the classification and measurement of non-performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Group's internal policies and applicable accounting standards;

- comparative and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortised cost and of related loan loss provisions, also through examination of the monitoring reports provided by the Group and discussion of the related results with the functions involved;

- analysis of subsequent events occurring after the reference date of the financial statements;

- check the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied .

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has appointed us on June 16, 2021 as auditors of the Bank for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the report on operations of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2022 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2022 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
April 21, 2023

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

	ASSETS	31/12/2022	31/12/2021
10.	Cash and cash equivalents	710	895
20.	Financial assets designated at fair value through profit or loss	473	593
	a) financial assets held for trading	7	6
	b) financial assets designated at fair value	1	1
	c) other financial assets mandatorily measured at fair value	465	586
30.	Financial assets designated at fair value through other comprehensive income	10,919	11,036
40.	Financial assets measured at amortised cost	76,376	75,250
	a) loans to banks	1,445	4,055
	b) loans to customers	74,931	71,195
50.	Hedging derivatives	125	6
60.	Fair value change of financial assets in hedged portfolios (+/-)	(118)	17
70.	Equity investments	58	64
90.	Tangible assets	1,234	1,245
100.	Intangible assets	80	83
	of which:		
	- goodwill	27	28
110.	Tax assets	783	778
	a) current	131	166
	b) deferred	652	612
120.	Non-current assets and groups of assets held for disposal	1	3
130.	Other assets	2,195	1,180
	Total assets	**92,836**	**91,150**

	LIABILITIES AND EQUITY	31/12/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	83,588	81,734
	a) due to banks	16,391	16,611
	b) due to customers	64,114	61,388
	c) debt securities in issue	3,083	3,735
20.	Financial liabilities held for trading	7	3
30.	Financial liabilities designated at fair value	1	1
40.	Hedging derivatives	1	29
60.	Tax liabilities	36	58
	a) current	20	9
	b) deferred	16	49
80.	Other liabilities	1,529	1,876
90.	Provision for severance indemnity	95	118
100.	Provisions for risks and charges	372	355
	a) commitments and guarantees given	141	137
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	231	218
120.	Valuation reserves	(231)	43
140.	Equity instruments	1	6
150.	Reserves	6,399	6,114
160.	Share premium	74	73
170.	Share capital	1,271	1,272
180.	Own shares (-)	(867)	(866)
190.	Minority interests (+/-)	-	1
200.	Profit (loss) for the year (+/-)	560	333
	Total liabilities and equity	**92,836**	**91,150**

Consolidated income statement

	ITEMS	31/12/2022	31/12/2021
10.	Interest income and similar revenues	2,157	1,534
	of which: interest income calculated with the effective interest method	2,144	1,508
20.	Interest expenses and similar charges	(312)	(149)
30.	**Interest margin**	**1,845**	**1,385**
40.	Fees and commissions income	871	818
50.	Fees and commissions expenses	(116)	(101)
60.	**Net fees and commissions**	**755**	**717**
70.	Dividend and similar income	4	3
80.	Net result from trading	9	10
90.	Net result from hedging	1	1
100.	Profit (loss) from disposal/repurchase of:	(63)	202
	a) financial assets measured at amortised cost	(1)	162
	b) financial assets designated at fair value through other comprehensive income	(62)	40
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities designated at fair value through profit or loss	(36)	17
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(36)	17
120.	**Net interest and other banking income**	**2,515**	**2,335**
130.	Net value adjustments/write-backs due to credit risk relative to:	(272)	(525)
	a) financial assets measured at amortised cost	(270)	(525)
	b) financial assets designated at fair value through other comprehensive income	(2)	-
140.	Profit/loss from contractual changes without derecognitions	(1)	(1)
150.	**Net result from financial activities**	**2,242**	**1,809**
180.	**Net result from financial and insurance activities**	**2,242**	**1,809**

	ITEMS	31/12/2022	31/12/2021
190.	Administrative expenses:	(1,627)	(1,507)
	a) staff expenses	(945)	(901)
	b) other administrative expenses	(682)	(606)
200.	Net allocations to provisions for risks and charges	(12)	(34)
	a) commitments and guarantees given	(5)	(19)
	b) other net allocations	(7)	(15)
210.	Net value adjustments/write-backs to tangible assets	(112)	(104)
220.	Net value adjustments/write-backs to intangible assets	(21)	(17)
230.	Other operating expenses/income	199	226
240.	**Operating costs**	**(1,573)**	**(1,436)**
250.	Profit (loss) on equity investments	(11)	(5)
260.	Net result of fair value measurement of tangible and intangible assets	-	(1)
270.	Value adjustments to goodwill	(1)	-
280.	Profit (loss) from disposal of investments	(1)	-
290.	**Profit (loss) before tax from current operating activities**	**656**	**367**
300.	Income taxes for the year on current operating activities	(94)	(36)
310.	**Profit (loss) after tax from current operating activities**	**562**	**331**
330.	**Profit (loss) for the year**	**562**	**331**
340.	Profit (loss) for the year for minority interests	(2)	2
350.	**Profit (loss) for the Parent Company**	**560**	**333**

Statement of consolidated comprehensive income

	ITEMS	31/12/2022	31/12/2021
10.	**Profit (loss) for the year**	**562**	**331**
	Other post-tax components of income without reversal to the income statement	**42**	**(5)**
20.	Equities measured at fair value through other comprehensive income	32	(4)
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	10	(1)
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**(316)**	**(24)**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	1	-
130.	Hedging instruments (undesignated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	(318)	(24)
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	1	-
170.	**Total other post-tax components of income**	**(274)**	**(29)**
180.	**Comprehensive income (Item 10+170)**	**288**	**302**
190.	**Consolidated comprehensive income pertaining to minority interests**	**2**	**(2)**
200.	**Consolidated comprehensive income pertaining to the Parent Company**	**286**	**304**

Statement of changes in consolidated equity as at 31/12/2022

	Balance as at 31/12/21	Adjustment to opening balances	Balance as at 01/01/22	Allocation of result from previous year		Changes during the year									Group equity as at 31/12/22	Equity pertaining to minority interests as at 31/12/22
							Equity transactions									
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2022		
Share capital:																
a) ordinary shares	1,264	X	1,264	-	X	X	5	(6)	X	X	X	X	-	X	1,263	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	73	X	73	-	X	-	1	X	X	X	X	X	-	X	74	-
Reserves:																
a) profit	6,106	-	6,106	294	X	(11)	-	-	-	X	X	X	-	X	6,389	(2)
b) other	8	-	8	-	X	2	-	X	-	X	-	-	-	X	10	-
Valuation reserves	43	-	43	X	X	-	X	X	X	X	X	X	-	(274)	(231)	-
Equity instruments	6	X	6	X	X	X	X	X	X	(5)	X	X	-	X	1	-
Own shares	(866)	X	(866)	X	X	X	-	(1)	X	X	X	X	X	X	(867)	-
Profit (loss) for the year	333	-	333	(294)	(39)	X	X	X	X	X	X	X	X	560	560	2
Group equity	**6,975**	**-**	**6,975**	**-**	**(39)**	**(9)**	**6**	**(7)**	**-**	**(5)**	**-**	**-**	**-**	**286**	**7,207**	
Equity pertaining to minority interests	**1**	**-**	**1**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**		**-**

Statement of changes in consolidated equity as at 31/12/2021

				Allocation of result from previous year		Changes during the year										
							Equity transactions									
	alance as at 31/12/20	Adjustment to opening balances	Balance as at 01/01/21	Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2021	Group equity as at 31/12/21	Equity pertaining to minority interests as at 31/12/21
Share capital:																
a) ordinary shares	1,266	X	1,266	-	X	X	4	(6)	X	X	X	X	-	X	1,264	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	75	X	75	-	X	(3)	1	X	X	X	X	X	-	X	73	-
Reserves:																
a) profit	5,902	-	5,902	210	X	(6)	-	-	-	X	X	X	-	X	6,106	3
b) other	13	-	13	-	X	(5)	-	X	-	X	-	-	-	X	8	-
Valuation reserves	72	-	72	X	X	-	X	X	X	X	X	X	-	(29)	43	-
Equity instruments	6	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-
Own shares	(866)	X	(866)	X	X	X	-	-	X	X	X	X	X	X	(866)	-
Profit (loss) for the year	245	-	245	(210)	(35)	X	X	X	X	X	X	X	X	333	333	(2)
Group equity	**6,721**	**-**	**6,721**	**-**	**(35)**	**(14)**	**5**	**(6)**	**-**	**-**	**-**	**-**	**-**	**304**	**6,975**	
Equity pertaining to minority interests	**1**	**-**	**1**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**		**1**

Consolidated cash flow statement

Indirect method

	Amount	
	31/12/2022	31/12/2021
A. OPERATING ACTIVITIES		
1. Operations	**699**	**671**
- income for the year (+/-)	562	331
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (-/+)	28	(6)
- gains/losses on hedging activities (-/+)	(1)	(1)
- net value adjustments/write-backs due to credit risk (+/-)	272	525
- net value adjustments/write-backs to tangible and intangible assets (+/-)	133	121
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	12	34
- uncollected net premiums (-)	-	-
- other uncollected insurance revenue/charges (-/+)	-	-
- taxes, duties and tax credits not settled (+/-)	81	36
- net value adjustments/write-backs from discontinued operations net of tax (-/+)	-	-
- other adjustments (+/-)	(388)	(369)
2. Cash flows generated/used by the financial assets	**(2,116)**	**(4,564)**
- financial assets held for trading	2	2
- financial assets designated at fair value	-	1
- other assets obligatorily measured at fair value	90	17
- financial assets designated at fair value through other comprehensive income	(178)	(1,624)
- financial assets measured at amortised cost	(1,005)	(2,545)
- other assets	(1,025)	(415)
3. Cash flows generated/used by the financial liabilities	**1,348**	**4,086**
- financial liabilities measured at amortised cost	1,823	3,861
- financial liabilities held for trading	4	(6)
- financial liabilities designated at fair value	-	(14)
- other liabilities	(479)	245
Net cash flow generated/used by operating activities	**(69)**	**193**

	Amount	
	31/12/2022	31/12/2021
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**29**	**20**
- sales of equity investments	-	-
- dividends collected on equity investments	4	3
- sales of tangible assets	25	17
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(106)**	**(106)**
- equity investment acquisitions	-	(1)
- tangible asset acquisitions	(89)	(89)
- intangible asset acquisitions	(17)	(16)
- purchases of subsidiaries and business units	-	-
Net cash flow generated/used by investment activities	**(77)**	**(86)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(39)	(35)
- sale/purchase of third parties' controlling interests	-	-
Net cash flow generated/used by funding activities	**(39)**	**(35)**
NET CASH FLOWS GENERATED/USED DURING THE YEAR	**(185)**	**72**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2022	31/12/2021
Cash and cash equivalents at the beginning of the year	895	823
Total net cash flows generated/used during the year	(185)	72
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	710	895

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General Section

Section 1 – Statement of compliance with international accounting standards

Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as the "Cassa Centrale Group" or the "Group") is required to prepare its consolidated financial statements in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission under the procedure set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the reference date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), limited to those applied for the preparation of the consolidated financial statements as at 31 December 2022.

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The seventh update, issued on 29 October 2021 and supplemented by the communication of 21 December 2021, called "Update of the additions to the provisions of Circular 262. Bank financial statements: layouts and rules of preparation" concerning the impacts of COVID-19 and measures to support the economy.

Please note that the seventh update to Bank of Italy Circular no. 262 of 2005 introduced certain changes to financial disclosures.

In interpreting and applying the new international accounting standards, reference was also made to the "Framework for the Preparation and Presentation of Financial Statements", i.e. the Systematic Framework for the preparation and presentation of financial statements (known as Conceptual Framework or the Framework), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Group uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Group's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases. Finally, the report considered the communications issued by the Supervisory Authorities (Bank of Italy, CONSOB, ESMA, EBA, ECB) which provide recommendations on the information to be included in the half-yearly consolidated financial report, on priority topics, or on the accounting treatment of certain operations, where applicable.

Section 2 – General preparation criteria

The consolidated financial statements of the Cassa Centrale Group include the Parent Company Cassa Centrale Banca and the direct and indirect subsidiaries: for further details on the scope of consolidation, please refer to "Section 3 – Scope and methods of consolidation" of this Part A.

The consolidated financial statements consist of i) the consolidated balance sheet, ii) the consolidated income statement, iii) the statement of consolidated comprehensive income, iv) the statement of changes in consolidated equity, v) the consolidated cash flow statement, vi) the consolidated explanatory notes, and are accompanied by the Directors' report on operations and the situation of the Group.

In addition, IAS 1 "Presentation of financial statements", requires the representation of a "statement of comprehensive income" also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Group chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive Income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive Income.

In accordance with the provisions of art. 5 of Italian Legislative Decree no. 38/2005, the consolidated financial statements are prepared using the euro as the accounting currency. The consolidated balance sheet and the consolidated income statement, as well as the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and the consolidated explanatory notes have been prepared in millions of euros. Any differences found between the amounts in the explanatory notes and the consolidated financial statements are attributable to rounding up.

The consolidated balance sheet and the consolidated income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the consolidated income statement and the related section of the explanatory notes, revenues are recorded without sign, while the costs are indicated in brackets. In the statement of consolidated comprehensive income, the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the consolidated explanatory notes, including when not specifically required by the legislation.

The Financial Statements as at 31 December 2022 have been prepared with clarity and give a true and fair view of the financial position, economic result for the year, changes in Group equity and generated cash flows.

The consolidated financial statements are prepared on the basis of the going concern assumption of the Cassa Centrale Group, as the directors reasonably expect that the Group will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Group and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Group may be subject in the flow of its operations, also considering the current macroeconomic environment characterised by a combination of residual effects of the COVID-19 pandemic, inflation, high interest rates, geopolitical risks related to the Russia/Ukraine conflict and uncertainties around future developments, are not significant and are therefore do not cast doubt on the company's ability to continue as a going concern.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the book value of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the book value of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on active markets;

- the assessment of congruity in the value of goodwill, other intangible assets and equity investments;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the consolidated financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the consolidated financial statements. For further details on the breakdown and relative book values of the specific statement captions affected by said estimates, see the relevant sections of these consolidated explanatory notes. The processes adopted support the book values on the date of preparing the consolidated financial statements. The measurement process was particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by the considerable volatility of the financial parameters determined for the measurement (including an inflationary trend which has rapidly accelerated in 2022) as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors which are out of the Group's control alongside the issues and risks arising from climate change and may undergo rapid and unforeseeable changes.

The consolidated financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of clarity, truth, fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the current macroeconomic environment characterised by geopolitical tensions arising from the Russia/Ukraine conflict and the residual effects of the COVID-19 pandemic, please refer to "A.1 - General Section, Section 5 - Other aspects" of this Part A.

The 2022 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the Financial Statements as at 31 December 2021 except for what is shown in "Other Aspects" in point d in relation to the measurement of loans to customers in the current macroeconomic environment characterised by geopolitical tensions arising from the Russia/Ukraine conflict and the residual effects of the COVID-19 pandemic.

Section 3 - Scope and methods of consolidation

The consolidated financial statements refer to a scope of consolidation better defined below. In this regard, the provisions of IFRS 10, 11, 12 and IFRS 3 have been taken into account, including in the scope of consolidation - as specifically provided for by IAS/IFRS - including companies operating in sectors of activity different from that of the Parent Company. Similarly, structured companies are also included if their control requirements are met, regardless of their mere shareholding.

Moreover, with regard to the consolidation of Cooperative Banking Groups, it should be pointed out that Law no. 145 of 30 December 2018

"State Budget for the 2019 financial year and multi-annual budget for the three-year period 2019-2021" (2019 Budget Law), in transposing into Italian law, Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC on the treatment of central bodies for the purposes of consolidated accounts, introduced the obligation to prepare consolidated financial statements for the whole of the central body and its affiliates (known as "single consolidating entity"). The adoption of this EU provision introduced, *inter alia*, the following two regulatory changes:

a. "for the purposes of preparing the consolidated financial statements, the Parent Company and the banks belonging to the cooperative banking group constitute a single consolidating entity";
b. "in preparing the consolidated financial statements, the accounting items relating to the Parent Company and the Affiliated Banks are recorded on a consistent basis".

In this regard, it seems reasonable to believe that the Italian legislator, as part of the amendments introduced by the 2019 Budget Law, has taken into account the interpretation provided by the European Commission in 2006 according to which, even in the case of IAS adopters, the obligation to prepare consolidated financial statements must be assessed in accordance with the provisions of the national transposition of European directives.

In light of the interpretation of the European Commission and considering that, as a result of the transposition into Italian law of Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC, in the case of Cooperative Banking Groups, the entity required to prepare consolidated financial statements (reporting entity) is represented by the aggregation of the central body and the Affiliated Banks (known as "single consolidating entity"), it is considered that the rules of IFRS - 10 "Consolidated Financial Statements" apply only for the purposes of identifying the scope of consolidation of the reporting entity; i.e. only for the purposes of assessing the existence of situations of control between the entities forming the reporting entity and third parties (e.g. subsidiaries of the Parent Company or individual Affiliated Banks).

Recognition of the reporting entity nature within the sole consolidating entity also implies that IFRS 3 would apply only to the accounting of business combinations involving the latter and third parties (e.g. in the case of acquisition of new subsidiaries).

The provision of the Testo Unico Bancario (Consolidated Banking Act - TUB), according to which the Cohesion Contract ensures the existence of a situation of control as defined by international accounting standards, must also be interpreted in light of the subsequent amendments made to national accounting regulations by the 2019 Budget Law.

In this context, on the one hand, the 2019 Budget Law defines the procedures with which to comply with the consolidation obligations in the case of central bodies, on the other hand, the TUB's provisions are important in order to circumscribe the Central Body's governance powers over its affiliates.

The aforementioned approach is consistent, among other things, with the approach already adopted in other European jurisdictions with regard to the manner in which central bodies and their affiliated entities are consolidated, as for example in France.

That being said, in line with the above, the preparation of the consolidated financial statements was carried out through a process of aggregation of:

- financial statements of the Parent Company Cassa Centrale Banca and its subsidiaries/associates over which it exercises control on the basis of the majority of voting rights and/or the connection on the basis of significant influence;
- financial statements of the Affiliated Banks and their subsidiaries/associates over which the Parent Company exercises direction and coordination on the basis of the Cohesion Contract.

This process was followed by a subsequent phase of reclassification to own shares of the same shares of Cassa Centrale Banca held by the Affiliated Banks and the elimination of the asset and economic balances attributable to intra-group transactions.

Subsidiaries

Without prejudice to that stated in the previous paragraph regarding the peculiarities of the consolidation method of the Cooperative Banking Group, the scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 - Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, and is realised when an investor simultaneously:

- has the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- has the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

The subsidiaries are consolidated from the date on which the Group acquires control, according to the 'acquisition method' - IFRS 3, and cease to be consolidated when control is no longer held.

The existence of control is subject to a continuous valuation process if there are events and circumstances that indicate the presence of a change in one or more of the three elements forming the control requirement, presented in the following paragraph "Significant valuations and assumptions for determining the scope of consolidation".

The full consolidation consists of the 'line-by-line' acquisition of the aggregates of the balance sheet and the income statement of the entities controlled, as contra-entry to the cancellation of the investment held by the Group in the entity and the recognition, in the appropriate items, of the shares held by minority interests.

The differences emerging from this offsetting were subject to the provisions of IFRS 3; if they were allocated to the appropriate items, they are subject to the accounting treatment of the reference standard; if they were not specifically allocated, they are booked to goodwill under intangible assets and subject to impairment testing. Negative differences (so-called bargain purchase or badwill) are recognised in the consolidated income statement.

In addition, for entities controlled through an investment relationship, the share of equity pertaining to minority interests, the result for the year and comprehensive income is represented separately in the respective consolidated financial statements (under consolidated balance sheet liability item 190. Minority interests, 340. Profit (loss) for the year for minority interests in the consolidated income statement and 190. Consolidated comprehensive income pertaining to minority interests in the statement of consolidated comprehensive income).

Costs and revenues relating to the controlled entity are included in the Consolidated Financial Statements from the date of acquisition of control. The costs and revenues of the subsidiary transferred are included in the consolidated income statement until the transfer date; the difference between the consideration of the transfer and the book value of the net assets of the same is recognised in the consolidated income statement item 280. Profit (loss) from disposal of investments. In the presence of a partial disposal of the controlled entity which does not determine the loss of control, the difference between the consideration of the transfer and the associated book value is booked as a contra-entry to equity.

Controlling interests held for sale are consolidated on a line-by-line basis and stated separately in the Financial Statements as a group held for disposal valued as at the reporting date at the lower of the book value and the fair value less disposal costs, based on the treatment provided for in IFRS 5.

Controlling shareholdings with total assets of less than EUR 10 million are accounted for using the equity method, as line-by-line consolidation would require a considerable effort in terms of production, collection and consolidation of data, against negligible benefits in relation to financial reporting. This option, however, is expressly provided for in Article 19 of Regulation (EU) no. 575/2013 (CRR) on consolidation methods for the purposes of prudential supervision.

In special purpose vehicles, the circumstances that need to be examined for the purposes of any existence of a situation of control pursuant to IFRS 10 are:

- the involvement/role of Group companies in the structuring of the transaction (originator/investor/servicer/facility provider);

- the subscription of a large portion of Asset Backed Securities (ABS) issued by the special purpose vehicle on the part of Group companies;
- the scope/objective of the transaction.

In 2022, the following business combinations between subsidiaries took place:

- from 1 April 2022 and effective from 1 January 2022, the merger by incorporation of Cassa Rurale Alta Vallagarina e Lizzana - Banca di Credito Cooperativo - Società Cooperativa in Cassa di Trento, Lavis, Mezzocorona e Valle di Cembra - Banca di Credito Cooperativo - Cooperative Company;
- from 1 July 2022 and effective from 1 January 2022, the merger by incorporation of Cassa Rurale Rotaliana e Giovo - Banca di Credito Cooperativo - Cooperative Company into Cassa Rurale Val di Non - Banca di Credito Cooperativo - Cooperative Company was carried out.

The full scope of the subsidiaries that are part of the Cassa Centrale Group as at 31 December 2022 is shown below.

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS						
A.1 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS - COHESION CONTRACT						
CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - COOPERATIVE COMPANY	Sabaudia (LT)	Sabaudia (LT)	4			
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Altamura (BA)	Altamura (BA)	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - COOPERATIVE COMPANY	Mazzarino (CL)	Mazzarino (CL)	4			
CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - LIMITED LIABILITY COOPERATIVE COMPANY	Catania	Catania	4			
BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Rimini	Rimini	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - COOPERATIVE COMPANY	Castel Gandolfo (Rome)	Rocca Priora (Rome)	4			
CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ala (TN)	Ala (TN)	4			
CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Arco (TN)	Arco (TN)	4			
CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ledro (TN)	Ledro (TN)	4			
LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	Tione di Trento (TN)	Tione di Trento (TN)	4			
CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo Valsugana (TN)	Borgo Valsugana (TN)	4			
CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Moena (TN)	Moena (TN)	4			
CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Malè (TN)	Malè (TN)	4			
CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Pergine Valsugana (TN)	Pergine Valsugana (TN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cavalese (TN)	Cavalese (TN)	4			
CASSA RURALE RENON - COOPERATIVE COMPANY	Collalbo RENON (BZ)	Collalbo RENON (BZ)	4			
CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Fondo (TN)	Revò (TN)	4			
CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - COOPERATIVE COMPANY	S. Martino in Passiria (BZ)	S. Martino in Passiria (BZ)	4			
CREDITO COOPERATIVO CENTRO CALABRIA - COOPERATIVE COMPANY	Cropani Marina (CZ)	Cropani Marina (CZ)	4			
CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cles (TN)	Cles (TN)	4			
CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - COOPERATIVE COMPANY	Alberobello (BA)	Alberobello (BA)	4			
CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Leno (BS)	Leno (BS)	4			
BANCA DI CREDITO COOPERATIVO DI AQUARA - COOPERATIVE COMPANY	Aquara (SA)	Aquara (SA)	4			
BANCANAGNI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Anagni (FR)	Anagni (FR)	4			
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - COOPERATIVE COMPANY	Verbicaro (CS)	Verbicaro (CS)	4			
BANCA DI CREDITO COOPERATIVO DI BARLASSINA - COOPERATIVE COMPANY	Barlassina (MB)	Barlassina (MB)	4			
BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - COOPERATIVE COMPANY	Bene Vagienna (CN)	Bene Vagienna (CN)	4			
CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo San Giacomo (BS)	Borgo San Giacomo (BS)	4			
CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - COOPERATIVE COMPANY	Boves (CN)	Boves (CN)	4			
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Caraglio (CN)	Caraglio (CN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - COOPERATIVE COMPANY	Cassano delle Murge (BA)	Cassano delle Murge (BA)	4			
CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Donoratico (LI)	Castagneto Carducci (LI)	4			
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	Castel Bolognese (RA)	Castel Bolognese (RA)	4			
BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	San Lazzaro di Savena (BO)	San Lazzaro di Savena (BO)	4			
BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	Roreto di Cherasco (CN)	Roreto di Cherasco (CN)	4			
BANCO MARCHIGIANO CREDITO COOPERATIVO	Civitanova Marche (MC)	Civitanova Marche (MC)	4			
BANCA DI CREDITO COOPERATIVO DI CONVERSANO - COOPERATIVE COMPANY	Conversano (BA)	Conversano (BA)	4			
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Corporeno (FE)	Corporeno (FE)	4			
CORTINABANCA – CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cortina d'Ampezzo (BL)	Cortina d'Ampezzo (BL)	4			
BANCA DI CREDITO COOPERATIVO DI FLUMERI - COOPERATIVE COMPANY	Flumeri (AV)	Flumeri (AV)	4			
BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - COOPERATIVE COMPANY	Aosta	Gressan (AO)	4			
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Longare (VI)	Longare (VI)	4			
BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - COOPERATIVE COMPANY	Locorotondo (BA)	Locorotondo (BA)	4			
CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	Gorizia (GO)	Gorizia (GO)	4			
BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Udine	Udine	4			
PRIMACASSA – CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Martignacco (UD)	Martignacco (UD)	4			
BVR BANCA – BANCHE VENETE RIUNITE CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - COOPERATIVE COMPANY	Schio (VI)	Schio (VI)	4			
BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	Nave (BS)	Brescia	4			
BANCA CENTRO LAZIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Palestrina (Rome)	Palestrina (Rome)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Brescia	Brescia	4			
BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - COOPERATIVE COMPANY	Pianfei (CN)	Pianfei (CN)	4			
BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - COOPERATIVE COMPANY	Roscigno (SA)	Roscigno (SA)	4			
BANCA DI CREDITO COOPERATIVO DI LODI - COOPERATIVE COMPANY	Lodi	Lodi	4			
FRIULOVEST BANCA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	San Giorgio della Richinvelda (PN)	San Giorgio della Richinvelda (PN)	4			
BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - COOPERATIVE COMPANY	San Giovanni Rotondo (FG)	San Giovanni Rotondo (FG)	4			
BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - COOPERATIVE COMPANY	San Marzano di San Giuseppe (TA)	San Marzano di San Giuseppe (TA)	4			
BANCA TERRITORI DEL MONVISO - CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - COOPERATIVE COMPANY	Carmagnola (TO)	Sant'Albano Stura (CN)	4			
BANCA DI CREDITO COOPERATIVO DI SARSINA - COOPERATIVE COMPANY	Sarsina (FC)	Sarsina (FC)	4			
ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	Bellaria-Igea Marina (RN)	Rubicone (FC)	4			
BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO - COOPERATIVE COMPANY	Spello (PG)	Spello (PG)	4			
BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Bologna	Bologna	4			
BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Tarzo (TV)	Tarzo (TV)	4			
ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	Opicina (TS)	Opicina (TS)	4			
BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	Viterbo	Viterbo	4			
BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - COOPERATIVE COMPANY	Regalbuto (EN)	Regalbuto (EN)	4			
BANCA DI CREDITO COOPERATIVO ABRUZZI E MOLISE - COOPERATIVE COMPANY	Atessa (CH)	Atessa (CH)	4			
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Adria (RO)	Adria (RO)	4			
BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - COOPERATIVE COMPANY	Caltanissetta	Caltanissetta	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A.2 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS OTHER THAN COHESION CONTRACT						
NORD EST ASSET MANAGEMENT SA	Luxembourg	Luxembourg	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
ALLITUDE S.p.A.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	96.70	96.70
				OTHER MINORITY INTERESTS	3.01	3.01
				Total	99.71	99.71
ASSICURA AGENZIA S.r.l.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
ASSICURA BROKER S.r.l.	Trento	Trento	1	ASSICURA AGENZIA S.r.l.	100.00	100.00
CLARIS LEASING S.p.A.	Treviso	Treviso	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
CENTRALE SOLUZIONI IMMOBILIARI S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
BANCA DI BOLOGNA REAL ESTATE S.p.A.	Bologna	Bologna	1	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
IMMOBILIARE VILLA SECCAMANI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
PRESTIPAY S.p.A.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	60.00	60.00
A.3 ENTITIES CONTROLLED BUT CONSOLIDATED AT EQUITY FOR MATERIALITY LIMITS						
AZIENDA AGRICOLA ANTONIANA S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
BENACO GESTIONI IMMOBILIARI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CÀ DEL LUPO S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
AGORÀ S.r.l.	Leno (BS)	Narbolia (OR)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
BTV GESTIONI S.r.l.	Brescia	Brescia	1	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CENTRALE CASA S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
IMMOBILIARE BCC DI BRESCIA S.r.l.	Nave (BS)	Nave (BS)	1	BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	100.00	100.00
RAIFFEISEN IMMOBILIEN S.r.l.	Renon (BZ)	Renon (BZ)	1	CASSA RURALE RENON - COOPERATIVE COMPANY	100.00	100.00

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
VERDEBLU IMMOBILIARE S.r.l.	Cherasco (CN)	Cherasco (CN)	1	BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	100.00	100.00
CASSA RURALE ALTA VALSUGANA SOLUZIONI IMMOBILIARI S.r.l.	Pergine Valsugana (TN)	Pergine Valsugana (TN)	1	CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
QUADRIFOGLIO 2018 S.r.l.	Castenaso (BO)	Castenaso (BO)	1	BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	100.00	100.00
SOCIETÀ AGRICOLA TERRE DELLA ROCCA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE S.p.A.	100.00	100.00
ASSICURA S.r.l.	Udine	Udine	1	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	23.72	23.72
				PRIMACASSA – CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	19.68	19.68
				CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	15.19	15.19
				ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	9.98	9.98
				OTHER MINORITY INTERESTS	9.06	9.06
				Total	77.63	77.63
CLARIS RENT S.p.A.	Treviso	Treviso	1	CLARIS LEASING S.p.A.	100.00	100.00
CENTRALE TRADING S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	42.50	42.50
				ALLITUDE S.p.A.	10.00	10.00
				Total	52.50	52.50
DOMINATO LEONENSE S.r.l.	Milan	Milan	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	n.a.	n.a.
FONDO LEONIDA	Verona	Verona	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	n.a.	n.a.

*Relationship type:

1 = majority of voting rights in the ordinary shareholders' meeting

2 = dominant influence in the ordinary shareholders' meeting

3 = agreements with other shareholders

4 = other forms of control

5 = unitary management pursuant to Article 39, paragraph 1, of "Legislative Decree no. 136/2015"

6 = unitary management pursuant to Article 39, paragraph 2, of "Legislative Decree no. 136/2015"

Structured entities

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) using the equity method because it is below the aforementioned materiality limit, by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

Associates

An associate is a company in which the investing company has significant influence and which is not a subsidiary or part of a joint venture. Significant influence is presumed when the investing company holds, directly or indirectly, at least 20% of the capital of another company. Further indicators of significant influence are as follows:

- representation on the company's governance body;
- participation in the process of defining policies, including therein participation in decisions relating to dividends or other profit distributions;
- the existence of significant transactions between the investor and the investee company;
- the exchange of managerial personnel;
- provision of essential technical information.

Equity investments in associates are consolidated according to the equity method. The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment based on the share of the investee company's equity. The equity investment in associates includes goodwill (net of any impairment) paid for the acquisition. Participation in the post-acquisition profits and losses of associates is booked to the income statement under item 250. Profit (loss) on equity investments.

Any distribution of dividends is used to reduce the book value of the equity investment.

If the interest in the losses of an associate is equal to or exceeds the book value of the investee, no further losses are recognised, unless specific obligations have been undertaken in favour of the associate or payments have been made to said entity.

The valuation reserves of the associates are shown separately in the Statement of Consolidated Comprehensive Income.

The full scope of the investments in associates belonging to the Cassa Centrale Group as at 31 December 2022 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	4.08	4.08
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.78	3.78
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.14	3.14
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	4.35	4.35
				Total	47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.89	7.89
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.80	5.80

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.10	5.10
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.18	4.18
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	6.49	6.49
				Total	47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	24.76	24.76
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
				Total	30.37	30.37

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - COOPERATIVE COMPANY	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
				Total	29.17	29.17
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	27.19	27.19
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00

* Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of Relationship.

Jointly controlled companies

A joint arrangement is a contractual agreement in which two or more counterparties have joint control.

Joint control is the sharing, on a contractual basis, of control of an agreement, which exists solely when the unanimous consent of all parties that share control is required for decisions relating to significant assets. According to IFRS 11, joint arrangements must be classified as joint operations or joint ventures based on the contractual rights and obligations held by the Group.

A joint operation is a joint arrangement in which the parties have rights over the assets and obligations with respect to the liabilities of the agreement. A joint venture is a joint arrangement in which the parties have rights over the net assets of the agreement. These equity investments are measured according to the equity method.

The full scope of the investments in jointly controlled companies forming part of the Cassa Centrale Group as at 31 December 2022 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - Other type of Relationship.

Significant valuations and assumptions for determining the scope of consolidation

The scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 - Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, including structured entities when the conditions are met, and is realised when an investor simultaneously has:

- the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

Therefore, the Cassa Centrale Group consolidates all types of entities when all three aspects of control are present.

Generally, when an entity is directed through voting rights, control derives from holding more than half of the voting rights.

In other cases, determination of the scope of consolidation calls for consideration of all factors and circumstances that give the investor the practical ability to unilaterally manage the relevant activities of the entity (de facto control). To this end, it is necessary to consider a combination of factors, such as, merely by way of an example:

- the scope and design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held through contractual agreements which confer the power to govern the relevant activities, such as the power to determine the financial and operating policies of the entity, the power to exercise the majority of voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any potential voting rights exercisable and considered substantial;
- the involvement in the entity in the role of agent or principal;
- the nature and the dispersion of any rights held by other investors.

With reference to the Group's situation at the date of these consolidated financial statements, all companies in which the majority of voting rights in the ordinary shareholders' meeting are held are considered wholly-owned subsidiaries, given that no evidence has been highlighted that the other investors have the practical ability to direct the relevant activities.

For companies in which half or less of voting rights are held, at the date of these Consolidated Financial Statements, no agreements, statutory clauses or situations able to attribute the Cassa Centrale Group the practical capacity to unilaterally govern the relevant activities were identified.

Equity investments in wholly-owned subsidiaries with significant third-party interests

At the date of these consolidated financial statements, there are no subsidiaries through an equity relationship with significant third-party interests.

Significant restrictions

At the date of these Consolidated Financial Statements, there are no legal or substantive obligations or restrictions able to obstruct the rapid transfer of capital resources within the Group. The only restrictions are those attributable to regulatory provisions which may require a minimum amount of regulatory capital to be retained, or to the provisions of the Italian Civil Code on distributable profits and reserves.

It should be noted that there are no protective rights held by minorities able to limit the Group's capacity to access or transfer assets between Group companies or settle the Group's liabilities, including in relation to the fact that, as at 31 December 2022, there are no subsidiaries with significant third-party interests, as stated in the previous paragraph.

Other information

The accounting positions forming the basis of the line-by-line consolidation process are those relating to 31 December 2022, as approved by the competent bodies of the consolidated companies adjusted, where necessary, to bring them into line with the homogeneous accounting standards of the Group.

For the consolidation of companies subject to joint control and investments in associates, the most recent financial statements (annual or interim) approved by the companies have been used. In cases where the companies do not apply IAS/IFRS, it is verified that any application of IAS/IFRS would not have had a significant impact on the Consolidated Financial Statements of the Cassa Centrale Group.

Section 4 – Subsequent events

In relation to the provisions of IAS 10, in the period between the reference date of this document and its approval by the Board of Directors on 30 March 2023, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 31 December 2022 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Furthermore, no non-amending events occurred after the end of the year for which information must be provided.

Section 5 – Other aspects

a) IFRS accounting standards, amendments and interpretations applicable from 1 January 2022

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2022:

- amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The above amendments did not have an impact on the Group's financial position and economic results as at 31 December 2022.

b) Endorsed accounting standards that will enter into force after the reporting date

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 31 December 2022 are shown below:

- IFRS 17 Insurance Contracts (including the amendments published in June 2020): intended to replace IFRS 4 Insurance Contracts. The standard is effective beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are also applied.
- amendments to IFRS 17 Insurance contracts: *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*. The changes will come into effect on 1 January 2023, coinciding with the application of IFRS standard 17;
- amendment to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes are aimed at improving accounting policy disclosures in order to provide investors and other primary users of the financial statements with more usable information, and to enable companies to distinguish between changes to accounting estimates and changes to accounting policy. The changes will come into effect on 1 January 2023 but early application is permitted;
- amendments to IAS 12 Income Taxes: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The changes will come into effect on 1 January 2023 but early application is permitted.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Group.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. The changes will come into effect on 1 January 2024 but early application is permitted;
- amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how the conditions that an undertaking must satisfy, within twelve months from the end of the financial year, influence the classification of a liability. The changes will come into effect on 1 January 2024 but early application is permitted;
- amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes will come into effect on 1 January 2024 but early application is permitted.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Group.

d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic environment

The European regulatory and Supervisory Authorities , as well as the standard setters, have published a series of guidelines aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the context of the COVID-19 pandemic. The aforementioned interventions published during 2020 were extensively described in the Annual Financial Report as at 31 December 2020, to which reference should be made.

During 2021 (29 January 2021) the EBA updated its report on the implementation of the prudential regulatory framework defined in relation to the COVID-19 pandemic (“EBA Report on the implementation of selected COVID-19 policies, EBA/Rep/2021/02”), clarifying that, in the event that a bank enters into a second moratorium on the same credit facility, any suspension of payments scheduled to occur on or after 1 April 2021 is treated as an individual moratorium measure. Therefore, in such cases, the general rules regarding the definition of default, forbearance and distressed restructuring apply.

Regarding the use of macroeconomic projections, the ECB recommended using as an anchor point the projections formulated by its staff on 12 March 2020, in the subsequent quarters of 2020, 2021 and 2022.

Finally, with its communication of 21 December 2021, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the seventh update of Circular no. 262 “Bank financial statements: layouts and rules of preparation”, in order to provide the market with detailed information on the effects that COVID-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

In 2022, aspects of uncertainty were seen due to the end stage of the COVID-19 pandemic and the ongoing Russia/Ukraine conflict. In particular, new elements of uncertainty have emerged which resulted in a revision of forecasts due to the conflict and the latter made the risk measurement system particularly complex, and characterised by the uncertainties reflected in the markets, which are mainly attributable to the increase in the price of energy and food, the interruption in supply chains, as well as the sudden increase in demand following the reopening of the economic sectors previously hardest hit by the pandemic. In this context, the Cassa Centrale Group implemented a particularly conservative risk management policy, continuing to adopt strengthened measures and processes, as in the previous two years.

Since the early stages of the conflict, the Group has monitored the emergence of potential critical issues and weaknesses with regard to credit risk. To this end, it has implemented significant actions aimed at i) identifying potential direct impacts on risk factors associated with exposures, and ii) incorporating new macroeconomic expectations and identifying new vulnerabilities at sector level.

From a macroeconomic perspective, in 2022, the ECB published decreasingly optimistic GDP growth forecasts for the Eurozone, indicating an economic trend of +0.5%, +1.9% and +1.8%, respectively, for the 2023-2025 three-year period compared to the forecast issued in December 2022, which showed an increase of +3.4% for the same year. The growth shown in the forecasts for the three-year period is more modest compared to the projections by the same authority published in 2021 and the first part of 2022 as a result of the conflict in Ukraine. The start of the conflict intensified critical issues regarding the supply of raw materials, with a consequent impact on the price of these commodities, eroding buying power and having a general negative effect on market confidence. In fact, the GDP forecasts for the Eurozone published in 2021 by the ECB indicated a respective growth of +4.2%, +2.9% and +1.6% in the 2022-2024 three-year period, a more sustained trend than shown in the new projections issued in June and December 2022.

Similar trends can be seen across the Italian macroeconomic context. In particular, in December 2022, the Bank of Italy published the GDP forecasts for Italy, which indicated a growth trend of +0.4%, +1.2% and +1.2%, respectively, for the 2023-2025 three-year period and +3.8% for 2022. The latter figure is still higher than the expectations issued in October 2022. Like the Eurozone GDP, this growth is below the forecasts published in 2021 and at the beginning of 2022 due to the start of the conflict between Russia and Ukraine. The most recent outlook of economic forecasts for the 2022-2024 period issued in December 2021 by the Bank of Italy indicate more pronounced economic growth at +4.0%, +2.5% and +1.7% respectively.

In terms of preparing the financial statement disclosures as at 31 December 2022, the Group continued to adopt the guidelines and recommendations issued by the European regulatory and Supervisory Authorities , as well as by the standard setters, while taking into account the assessments of the significant business activities and the support measures put in place by the Government to support households and businesses.

Lastly, the management of the Cassa Centrale Group placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the residual effects of the COVID-19 pandemic and the evolution of the situation arising from the war in Ukraine, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, income taxes, goodwill and intangible assets.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by the Cassa Centrale Group as at 31 December 2022 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

In order to calculate expected loss at 31 December 2022, the Cassa Centrale Group has incorporated the macroeconomic scenario as at October 2022 into its IFRS 9 impairment model, including the effects of the war in Ukraine and the uncertain evolution of the economic context, aspects which have a major influence on growth forecasts, the main macroeconomic variables and the financial indicators for 2023-2025, compared to the previous forecasts.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2022, conservative criteria – in accordance with the IAS/IFRS accounting standards – were adopted, taking into account the socio-economic effects resulting from the pandemic crisis, as well as the uncertainty arising from the conflict between Russia and Ukraine and the still ongoing inflationary spiral. However, given the difficulty in estimating their duration and development, the Group incorporated the potential impacts of the aforementioned events — which suggest a possible increase in insolvency rates in the future — into its credit evaluations. The support measures introduced by the State, such as those relating to the granting of state guarantees on newly originated loans and, in more incisive terms for our sector, the moratorium measures required, from an operational point of view, a high degree of attention in the management and monitoring mechanisms undertaken by the Group for the possible effects of deterioration of counterparties may not be punctually and promptly intercepted.

These uncertainties resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage, in line with the strict requirements envisaged by the Group policies and with the recommendations of the Supervisory Authority.

In particular, in the first half of 2022, the first area of intervention concerned the continuation of provisions on performing exposures that were still under moratorium during the second half of 2021, envisaging the application of minimum coverage levels (known as floors), identified within ranges defined by the Parent Company, and differentiated on the basis of the staging of the positions in terms of IFRS 9.

Subsequently, the ESMA, in its public statement on 28 October 2022 on "European common enforcement priorities for 2022 annual financial reports", among other aspects, underlines that the current macroeconomic context poses a significant challenge for the expected credit loss models used by European financial institutions due to a lack of experience in modelling such circumstances. Furthermore, the ESMA, acknowledging that different groups of borrowers may be affected differently by the current macroeconomic developments, draws attention to the need for a greater consideration of the risk drivers of specific economic sectors in measuring the expected loss.

In this context, also taking account of the further deterioration of the macroeconomic growth forecasts associated with the Russia/Ukraine conflict, the Group adopted new mechanisms for determining suitable minimum coverage levels of allocation (floors) on the performing positions, on the basis of Group risk drivers that include a high impact of the overall cash exposure at Group level allocated to Stage 2, as well as the entrusted counterparty belonging to economic sectors deemed most vulnerable in the new risk environment (sectors related to energy-intensive and gas-intensive sectors and/or those impacted directly or indirectly by the Russia/Ukraine conflict).

A further area of intervention concerned positions in Stage 3 defined as sub-threshold, in accordance with the "Group Credit Classification Policy", i.e. with an exposure of less than EUR 100 thousand and for which there is no analytical recovery plan. In line with the approach in December 2021, minimum coverage has been set for these positions with the aim of aligning the coverage to the average Group coverage assessed on an analytical basis. This approach is also in line with the recommendations of ESMA in its "*Public Statement European common enforcement priorities for 2020 annual financial reports*" published on 28 October 2020. More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", which were still deemed valid in view of the new uncertainties associated with the conflict in Ukraine.

For the purposes of calculating the expected loss as at 31 December 2022, the Cassa Centrale Group has used the three scenarios (mild, baseline, adverse), appropriately averaging their contributions, in accordance with the assessment of macroeconomic projections that expect continued high variability in the future and potential uncertainty linked to the possible evolution of the health emergency and the conflict between Russia and Ukraine. The scenarios used were those provided by the info-provider Prometeia, in accordance with a scenario generation system that considers publications from leading forecasting bodies as well as publications issued by the Supervisory Authorities, with no corrections.

Despite a confirmed growth trend, the updating of the macroeconomic scenarios shows a lowering of expectations for the 2023-2025 period, with a negative impact on medium-long term forecasts compared to the projections based on the scenarios in late 2021.

The retrospective sensitivity analysis, carried out on the portfolios subject to scenario updates, showed the following effects as at 31 December 2022:

- relating to business customers, an increase of around 26.9% of the exposure classified as Stage 2 and a potential increase in allocations of around +19.6% in terms of total coverage of the performing portfolio;
- relating to consumer household customers, an increase of around 25% of the exposure classified as Stage 2 and a potential increase in allocations of around +4.3% in terms of total coverage of the performing portfolio.

After over two years, the COVID-19 pandemic is returning to a more structured and ordinary healthcare scenario. Therefore, certain prudential measures previously introduced within the IFRS 9 model in 2021 have been revised. This review is aimed to avoid double counting following the introduction of new minimum allocation levels and the update to the macroeconomic environment as explained previously.

The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current context, with particular reference to the sectors of the economy impacted by the sharp increase in energy prices. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, PD curves were differentiated by sector, a component calibrated using the Group's internal data and refined in the first half of 2022. This had effects both on staging and on the calculation of expected losses, refining the previous approach of penalisation (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic and the current stress introduced by price rises and the uncertainty in the availability of raw materials resulting from the Russian-Ukraine conflict.

The evolution of geo-sectoral treatment, through the use of specific curves for certain economic sectors, has contributed to maintaining conservative assessments of the most energy intensive sectors and those most affected by the pandemic, as well as improving the degree of identification of exposures to which more stable and robust criteria should be adopted.

Moreover, access to support measures was treated with a particularly conservative approach, as shown below:

- for positions under moratorium, in line with GL ECB SSM 2020 0744, potential credit improvement of counterparties with an operational moratorium at the end of the reporting period or in the preceding three months have been eliminated; this action results in the sterilisation of any credit improvement in the rating of the counterparty during the moratorium period, i.e. until a situation is restored that demonstrates the start of and compliance with the repayment schedule for the identified positions;
- for government guarantees given as part of new lending or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the guarantees.

With reference to the stage classification process of the performing portfolio, in the first six months of 2022 the effects of the prudential backstop of 300% of the SICR (introduced in Q4 2021, in addition to the current transfer threshold definition model) continued to manifest as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the COVID-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Cassa Centrale Group has set up an enhanced monitoring system aimed at verifying punctually the positions, including those that benefited from a COVID-19 moratorium in order to promptly intercept eventual downgrading to non-performing. In 2022, first and second-level controls were conducted by the Group's NPL Service and the Risk Management Department. These analyses were performed by both the Affiliated Banks and the Parent Company in order to ensure uniformity of classification at Group level and led to the classification of some counterparties in stage 2 and others, deemed in default, in stage 3 reducing the potential cliff-effect that could occur at the end of the support measures. This enabled positions associated with the emerging vulnerabilities arising from the conflict in Ukraine to be promptly intercepted, with particular reference to exposures belonging to specific economic sectors that are more sensitive to the outcome of this crisis. During the year, therefore, the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of COVID-19 moratoria

The Cassa Centrale Group has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the debtor has been found to be in financial difficulty (forborne) lead to a change in the book value of the financial asset, resulting in the need to recognise a gain or loss in item 140. "Profits/losses from contractual changes without derecognition" of the income statement modification accounting).

On the basis of the indications provided by the European Banking Authority in the document "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers ex lege (mainly Law Decree no. 18 of 17 March 2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all renegotiations implemented by 30 September 2020. Therefore, the aforementioned positions were not classified as Forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01.10.2020, the banks made a specific assessment of whether or not the requirements for the assignment of the Forborne attribute were met, given that with the communication of 21.09.2020, EBA declared the interruption of the exemptions previously recognised for the moratoria granted as a result of the health emergency to 30.09.2020. However, the subsequent resurgence of the pandemic led the EBA to change its stance, as per the Amendment of 02 December 2020, date from which the continuation of moratoria, already granted before 30 September 2020 and based on national law or agreements, has made it possible to further benefit from the exemption from the requirement to assess the state of distress of the counterparty.

On the basis of the various guidelines issued by the European Banking Authority in 2020 and 2021, the conduct adopted by the Parent Company and by the Affiliated Banks in granting moratoria can be outlined as follows:

- from 17 March 2020 to 30 September 2020, there was an almost complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 01.10.2020 to 01.12.2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the "Group Policy for the classification and valuation of loans";
- from 02 December 2020, the presumption of absence of the conditions for the forbearance of the COVID-19 moratoria granted in the first instance between 17 March 2020 and 30 September 2020, for which a possible extension did not result in the total of 9 months of suspension being exceeded was applied, while for new requests for moratorium the individual assessment system for each position as described above was maintained;
- finally, from 1 April 2021, following the publication by the EBA of the "Report on the implementation of selected COVID-19 policies, EBA/Rep/2021/02", all the suspensions granted starting from 1 April 2021 are no longer considered "EBA Compliant". Therefore, starting from that date, it is necessary to assess the individual position, so as to define whether it is to be reclassified as a forborne exposure or in default.

In relation to the above, therefore, all moratoria granted to customers in the first and third points, to which the forborne attribute has not been assigned, have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by the Parent Company and the banks belonging to the Cassa Centrale Group on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned "Group Policy for the classification and measurement of loans".

As part of the monitoring, in 2022 the interventions developed primarily in the previous year continued, concerning the verification of internal controls on the identification of the status of financial difficulty of the counterparty when granting the measures (legislative or contractual), or provided by the Cooperative Banking Group to support customers affected by the recession induced by the pandemic; this activity consists of an analysis of the Banking

Group in terms of risk profile, regulatory framework and compliance and functionality of information systems. The audits were also conducted at the level of the individual Affiliated Banks, in order to assess the effectiveness of the controls in relation to the identification of conditions of financial difficulty of the customers benefiting from the support measures (moratoria and/or new liquidity), also taking account of the risk profile that characterises the sector at the Bank and also resorting to sample controls.

Measurement of securities at fair value

The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets designated at fair value through other comprehensive income, exceeding certain thresholds, provided for by the Group's "Fair Value Policy" were measured as at 31 December 2022. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market environment. In this regard, in order to reflect the turbulence seen on the financial markets it was deemed appropriate to adopt a limited observation horizon of the market capitalisations of comparable listed companies. Specifically, reference was made to the precise observations as at the date the parameters were updated and, limited to the application of the regression methodology, also to the average of the six-month observations.

Impairment test of goodwill and intangibles

Although the Cassa Centrale Group conducted an impairment test on goodwill when preparing the consolidated half-yearly financial statements for the year ended 30 June 2022, based on the Group Policy on impairment test procedures, which was submitted for approval to the Parent Company's Board of Directors on 21 July 2022, an analysis of the impairment indicators as at 31 December 2022 was also conducted. The analysis identified trigger events such to require an impairment test on goodwill and intangibles on the annual financial statements at 31 December 2022. The results of the impairment test did not entail the need to recognise any negative effects of the impairment of intangibles in the income statement.

For more details see Part B, Section 10 - Intangible assets.

e) Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO III)

At the end of the reporting period, the Cassa Centrale Group had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a book value of about EUR 15 billion, which resulted in a negative contribution to interest margin of about EUR 162 million as at 31 December 2022.

The Group has assessed that the transactions of the TLTRO-III programme cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the end of the reporting period, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained was also confirmed by the Bank of Italy.

Consequently, the method used to apply the interest rate to existing TLTRO-III operations considered the following hypotheses:

- incorporation of reference rates effective until the date of the report and subsequent stability of the reference rates of the European Central Bank until the maturity of the operations, pending the expected rise in key interest rates at the next ECB monetary policy meetings during 2023;
- maintenance of transactions until natural maturity, a provision incorporated within the Business Plan approved by the Board of Directors of the Parent Company. At accounting level, in line with this strategic approach and in continuity with the accounting method applied previously, in the case of changes in the rates in interim periods, the internal rate of return of the loan is determined using the residual value of the same transaction.

f) Interest Rate Benchmark Reform: disclosure required according to IFRS 7

The hedging derivatives of the Group's fixed-rate loans (fair value hedges) are entirely at Euribor, whose calculation method was revised in 2019 in order to continue to use this parameter even after 1 January 2022, for both existing and new contracts.

To make the Euribor compliant with the EU benchmark regulation (Benchmarks Regulation, BMR - Regulation no. 2016/1011/EU), the EMMI – European Money Markets Institute – has transitioned to a new "hybrid" calculation method. The current calculation system – whose activities were completed at the end of November 2019 – does not change the economic variable measured by the index: the Euribor expresses the actual cost of funding for contributing European banks and is always available for consultation. Therefore, the Group does not believe that there is any uncertainty about the timing or amount of Euribor cash flows and does not consider Euribor-linked fair value hedges to be impacted by the reform as at 31 December 2022.

Therefore, as at 31 December 2022, there were no derivatives indexed to benchmarks impacted by the reform, in particular at EONIA and LIBOR, and the remaining financial items are not significant.

In the broader context of the complex process of reform of the indices, the Group has launched a project to adjust to the European Regulation no. 1011/2016 ("BMR Regulation"), which provides for areas of adjustment both in customer relations and in its own organisational and operational structures. However, it should be noted that the assets and liabilities indexed to rates other than the EURIBOR are negligible for the Group, therefore, no significant impact is expected from rate substitution.

g) Statutory Audits

These consolidated financial statements are subject to an audit by Deloitte & Touche S.p.A.

On 16 June 2021, the Shareholders' Meeting of Cassa Centrale Banca S.p.A. appointed Deloitte & Touche S.p.A. to audit the Parent Company's separate and consolidated financial statements for the nine-year period 2021-2029.

h) Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013

Government Grants Received

It should be noted, in accordance with the provisions of Annual Market and Competition Law (Law no. 124/2017), that the Group received in the 2022 financial year contributions from Public Administrations amounting to approximately EUR 1 million and mainly referring to training activities. It should also be noted that, in compliance with the provisions envisaged for the compilation of the disclosure in question, transactions with Central Banks for financial stability purposes or transactions whose objective is to facilitate the monetary policy transmission mechanism are excluded.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these consolidated financial statements are shown below.

1 – Financial assets designated at fair value through profit or loss

Classification criteria

Financial assets designated at fair value through profit or loss include:

- financial assets which, according to the business model of the Group, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under consolidated asset item 20. Financial assets designated at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets designated at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under consolidated asset item 20. Financial assets designated at fair value through profit or loss, sub-item "b) financial assets designated at fair value";
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are obligatorily measured at fair value. These assets are included under consolidated asset item 20. Financial assets designated at fair value through profit or loss, sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, the Group recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to hold-to-collect or hold-to-collect-and-sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets designated at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets designated at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the income statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the income statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (the Fair Value Option), are entered in the Income Statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the consolidated income statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities designated at fair value through profit or loss for instruments obligatorily measured at fair value and for instruments measured at fair value.

2 - Financial assets designated at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
    - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (hold-to-collect-and-sell business model);
    - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
    - shall be made at the time of initial recognition of the instrument;
    - must be carried out at the level of the individual financial instrument;
    - is irrevocable;
    - is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets designated at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets designated at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets designated at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross Book value. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the re-payment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

For further details on how fair value is determined for financial assets, please refer to paragraph "A.4 - Information on fair value" of this Part A.

It should also be noted that "Financial assets designated at fair value through other comprehensive income", both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as "Financial assets measured at amortised cost". Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets designated at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the income statement on an accruals basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the income statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the income statement (recycling).

With reference to equity instruments, the only component that is recognised in the income statement is dividends. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the income statement even if they are realised (no recycling).

3 - Financial assets measured at amortised cost

Classification criteria

Financial assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (hold-to-collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Group recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Also included are loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included in the consolidated balance sheet item 10. Cash and cash equivalents;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets designated at fair value through other comprehensive income or to financial assets designated at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets designated at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the income statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases the financial asset is considered impaired upon initial recognition (so-called purchased or originated credit- impaired financial assets), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered purchased or originated credit-impaired financial assets on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. In regards to this, we wish to distinguish between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They entail the recognition in the income statement of any differences between the Book value of the derecognised financial asset and the Book value of the newly recognised asset;
- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment Book value and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under consolidated income statement item 10. Interest income and similar revenues and is recorded on an accrual basis, based on the effective interest rate, i.e. applying the latter to the gross book value of the financial asset, except for:

- Purchased or originated credit- impaired financial assets. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not purchased or originated credit-impaired financial assets but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in point 2 of the above list, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross Book value.

It should be noted that the Group applies the criterion referred to in point 2 of the above list only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. Profits and losses resulting from the sale of receivables are recorded in the consolidated income statement under item 100. Profit/loss from disposal/repurchase.

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the income statement items relating to interest.

Profit and loss relating to securities are recognised in the consolidated income statement under item 100. Profit/loss from disposal/repurchase at the time the assets are sold.

Any impairment of securities is recognised in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. If the reasons that led to the evidence of the decline in value are removed, the write-back is included with recognition in the income statement in the same item.

4 - Hedging transactions

With regard to hedging transactions (hedge accounting), the Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a financial statement entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk related to a highly probable present or future financial statement entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non-euro country or currency.

Only instruments involving a counterparty outside the Cassa Centrale Group may be designated as hedging instruments.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the income statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the income statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the income statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet, respectively, in the consolidated financial statements item 60. Fair value change of financial assets in hedged portfolios or item 50. Adjustment of the financial liabilities subject to macro-hedging.

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the Book value of the hedged element at the time when the hedge ceases and that which would have been its Book value if the hedge had never existed, is amortised in the income statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non-interest bearing financial instruments, it is recorded immediately in the income statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the income statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the income statement when the flows relating to the risk originally hedged occur.

5 – Equity investments

Classification criteria

This item includes interests held in associates and jointly controlled companies.

The following definitions in particular apply:

- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Group, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investing company. Such influence is presumed (relative presumption) to exist for companies in which the Group owns at least 20.00% of the voting rights of the investee company;
- jointly controlled company (Joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Investments in associates and investments in jointly controlled companies are valued using the equity method. This means that, after initial recognition, the Book value is subsequently increased or decreased to record the Group's share of the profits and losses of the investee companies realised after the acquisition date, as a contra-entry to consolidated income statement item 250. Profit (loss) on equity investments.

If there is objective evidence of impairment, an estimate is made of the recoverable amount of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable amount of the asset is lower than its Book value, the impairment loss is recognised in the income statement under item 250. Profit (loss) on equity investments in the consolidated financial statements.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recorded under the consolidated income statement item 70. Dividend and similar income. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the Consolidated Financial Statements, dividends received are deducted from the Book value of the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item 250. Profit (loss) on equity investments in the consolidated financial statements.

6 - Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

Property for business use is defined as those tangible assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are recorded in the consolidated financial statements under 'Other Assets' and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the income statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the right of use model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the Book value compared to the recoverable amount. The recoverable amount of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the income statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the Book value of the asset is compared with its recoverable amount if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the income statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the Book value of the asset; they are recorded in the income statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the income statement, in consolidated financial statements item 210. Net value adjustments/write-backs to tangible assets.

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the Book value might not be recoverable. These impairment losses are recognised in the income statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In the consolidated income statement item 280. Profit (loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

7 - Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the income statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a definite useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the depreciation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable amount of the asset. The amount of the impairment, recorded in the income statement, is equal to the difference between the Book value of the asset and its recoverable amount.

Derecognition criteria

Intangible assets are eliminated from the balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the Book value of the asset and entered in the income statement.

Criteria for the recognition of the income components

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

In the consolidated income statement item 220. Net value adjustments/write-backs to intangible assets, the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In the consolidated income statement item 280. Profit (Loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

8 – Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose Book value will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and asset groups held for disposal and discontinued operations and related liabilities are shown under specific items of consolidated assets (120. Non-current assets and groups of assets held for disposal) and consolidated liabilities (70. Liabilities associated to assets held for disposal).

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the Book value and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their Book value and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable amount at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profit/loss on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant consolidated income statement item 320. Profit (loss) after tax from discontinued operations.

9 - Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under 'Current tax liabilities' of the consolidated balance sheet.

In the event of overpayment, which gave rise to a recoverable receivable, this is accounted for among the 'Current tax assets' of the consolidated balance sheet.

In accordance with IAS 12, the Group compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the so-called balance sheet liability method, taking into account the temporary differences between the Book value of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the balance sheet and its value recognised for tax purposes. These differences are distinguished between 'deductible temporary differences' and 'taxable temporary differences'.

Deferred tax assets

Deductible temporary differences indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

Deferred tax assets are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements of the entities in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

Taxable temporary differences indicate a future increase in taxation and consequently generate deferred tax liabilities, since these differences give rise to taxable amounts in the following years to those when they are attributed to the statutory income statement, determining a deferment of the taxation compared to the economic-statutory accrual.

Deferred tax liabilities are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in consolidated balance sheet item 110. Tax assets, sub-item "b) deferred" and 60. Tax liabilities, sub-item "b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 - Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- provision for credit risk relative to commitments and financial guarantees given: the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- provision for other commitments and guarantees given: the value of the total provisions in respect of other commitments and other guarantees given which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- provisions for post-employment benefits includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the income statement, in consolidated financial statements item 200. Net allocations to provisions for risks and charges.

The item includes the positive or negative balance between the allocations and any re-attributions to the income statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11- Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than Financial liabilities held for trading and Financial liabilities designated at fair value.

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, as at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the income statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the income statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the income statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding Book value of the liability is entered in the income statement, under the consolidated financial statements item 100. Profit (loss) from disposal/repurchase of: c) Financial liabilities.

12 - Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, section 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet. If the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets designated at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the income statement under item 80. Net result from trading.

13 - Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities designated at fair value with valuation results entered in the income statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is designated at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities designated at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the income statement.

Measurement criteria

Liabilities are designated at fair value. The income components are reported according to the provisions of IFRS 9, as set out below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities designated at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The financial liabilities designated at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the Book value of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the interest expense and similar charges of the consolidated income statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of comprehensive income);

- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities designated at fair value through profit or loss.

14 - Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the income statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the income statement, the related exchange rate difference is also recorded in the income statement.

15 - Other information

15.1 Sales and repurchase contracts (repos)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 Provision for severance indemnity and seniority bonuses

Provision for severance indemnity (hereinafter also T.F.R.) is similar to a post-employment benefit of the defined benefit plan type the value of which IAS 19 requires to be determined using actuarial methodologies.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the severance indemnity accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee severance indemnity is carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the income statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the consolidated income statement sub-item 190. a) Personnel costs.

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among 'Other liabilities') for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "statement of consolidated comprehensive income".

The 'other long-term benefits' described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the balance sheet.

The allocation, as the reattribution to the income statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the income statement among the "Personnel costs".

15.3 Recognition of revenues and costs

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;

- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

Having said this, the entity must recognise revenue when (or as) the performance obligation is fulfilled by transferring the promised good or service (i.e. the asset) to the customer.

With reference to point b) above, a performance obligation is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are:

- the obligation to pay;
- the legal title of the right to the consideration accrued;
- the physical possession of the asset;
- the transfer of risks and benefits related to ownership;
- the acceptance of the asset.

With regards to revenues realised over a period of time, the Group adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Group are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the income statement only at the time of its actual collection;
- the dividends are recorded in the income statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the fees and commissions for revenue from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the income statement according to the accrual principle; the costs relating to obtaining and fulfilling of the contracts with the customer are recognised in the income statement in the periods in which the associated revenues are recognised.

15.4 Improvements to third-party assets

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the 'Other assets' and are amortised for a period not exceeding the duration of the lease.

15.5 Methods of recognition of impairment losses

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at the end of each reporting period - to verify whether there are any indicators that these assets may be impaired (known as impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Group, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the COVID-19 pandemic, during the year the Cassa Centrale Group continued to implement several refinements to the IFRS 9 impairment model, mainly introduced with the annual financial statements as at 31 December 2021, to reflect the guidelines and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to "d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context" in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions.

More specifically, the Group made provision for the allocation of the individual credit, on-balance and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subse-

quent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- Low risk class (class 5 for the Private segment, class 3 for Small Economic Operators and class 4 for Small Businesses and Companies).

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Group has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks have been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Group adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also PD and EAD) risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the stage 1 of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In stage 2, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Group to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- On-balance exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- On-balance exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- On-balance exposures classified as unlikely to pay that exceed the size threshold;
- On-balance exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 100,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable amount (valuation component), the Group adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- gone concern approach, which applies obligatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable amount (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the Book value of the assets in question is not fully recoverable. If there is any indication of this, the entity must estimate the asset's recoverable amount that, therefore, is tested for impairment.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable amount of the investment is lower than its Book value.

The recoverable amount is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the Book value.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" in this Part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable amount is higher than the Book value of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Consolidated Income Statement item 250. Profit (loss) on equity investments.

Should the recoverable amount subsequently be higher than the new Book value because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at fair value (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable amount (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative Book value.

If and only if the recoverable amount of an asset or of the CGU is lower than its Book value, the latter must be reduced to the recoverable amount, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Group is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress).

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite useful life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable amount is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite useful life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable amount, which will be compared with their Book value in order to quantify any impairment. The recoverable amount is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the Book value of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A CGU is written down when its Book value is higher than its recoverable amount. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the book value of the asset, or because the asset would be sold for less than its book value.

15.6 Business combinations

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the Parent Company (acquirer) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;

- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 Accruals and deferrals

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 Own shares

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity. Similarly, shares issued by the Parent Company and subscribed by the Affiliated Banks as part of the sole consolidating entity are also deducted from Group's equity.

15.9 Payments based on shares

This case does not apply to the Group, as it does not have a so-called 'stock option plan' in place on Group-issued shares.

15.10 Transfer of the “Tax bonus” tax credit - Law no. 77 of 17 July 2020

In order to counter the negative economic effects of the spread of the COVID-19 pandemic, the Italian Government issued a series of measures in Law no. 77 of 17 July 2020, converting, with amendments, the *Rilancio* Law Decree, which, among others, allow, under certain conditions, for a tax deduction for expenses incurred on certain cases.

The law also allows the taxpayer to opt, in place of the direct use of the deduction, to transfer the corresponding tax credit to other parties, within the limit envisaged by the regulations of reference which, in 2022, were subject to multiple changes by the legislator — including credit institutions and financial intermediaries.

Since the conversion into law of the Rilancio Decree, the tax deductions arising from construction works have undergone significant changes, both in terms of the procedure for exercising the option of sale or discount on the invoice — with the introduction of the visa proving compliance and technical certification also for minor bonuses — as well as in terms of the time period within which the expenses are incurred.

Nonetheless, the possibility granted to the taxpayer to opt for the conversion of the tax deduction into a tax credit that can be transferred to third parties — mainly credit institutions and suppliers — represents a fundamental principle for facilitating the execution of energy efficiency or seismic works on national real estate assets.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 “Income taxes” as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 “Accounting for government grants and disclosure of government assistance” as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 “Financial instruments” as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 “Intangible assets”, as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/CONSOB/IVASS Document no. 9 (“Accounting treatment of tax credits related to the *Cura Italia* and *Rilancio* Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers”). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In the case of the Cassa Centrale Group, the hold-to-collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;

- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- taking into account the special characteristics of these tax credits held with the aim of using them until they are completely offset, within the time period allowed, with the payments of debts payable through F24, the reference business model, as mentioned above, was conventionally identified as hold to collect (HTC). This consideration is always checked if the purchases of the transferee Bank are within the limits of the Group ceiling. If, according to the Bank, the individual ceiling has been exceeded, on the basis of the transfer orders collected from its customers, and in order to preserve the established commercial relationships, it is possible to transfer tax credits to selected counterparties within or outside the Group;
- SPPI Test: The mechanism of compensation in fifths ensures that the test is passed because each fifth offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified.

A.3 - Information on transfers between portfolios of financial assets

The Group has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.4 - Information on fair value

Information of a qualitative nature

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The “Fair value policy” of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called “fair value hierarchy”.

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Group has equipped itself with tools to monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on internal valuation models which are described in the Group's internal regulations.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Group has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:

  - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
  - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
  - UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.

- Level 2: fair value is determined on the basis of valuation techniques that envisage:

  - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
  - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Group refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
    - the prices of similar financial assets/liabilities;
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatility;
    - credit spread;
    - inputs corroborated by the market based on observable market data.

  The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

  - non-governmental bonds for which a price is available on a non-active market;
  - securities for which the valuation is provided by a third party provider using inputs observable on active markets;
  - securities for which valuation is provided using internal models

based on inputs observable on active markets (e.g. bonds measured at fair value option);

- shares that are not listed on an active market;
- OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:
  - unlisted minority equity investments;
  - insurance investment products;
  - unlisted non-UCITS funds;
  - junior securitisation securities;
  - unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal valuation model is used to determine fair value.

The internal valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers issued by Italian banks

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by banks affiliated with the Cassa Centrale Banca Cooperative Banking Group or other cooperative credit banks, the rating class is determined on the basis of the rating assigned to the senior unsecured/senior preferred liabilities of the related Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used based on the level of seniority of the bond.

Given the predominant use of observable inputs, the fair value is classified at level 2, expect in some cases where the fair value is set at level 3 since the inputs used are not observable due to the special characteristics of the issue (senior non-preferred or Tier 2 subordinate securities exchanged between companies of the bank group, for example).

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Group therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - minimum transfer amount (that is the difference between the fair value of the contract and the value of the guarantee) under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Group, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);
- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Group verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Group uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the Fair Value Policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as 'AIFs') are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the net asset value (NAV) used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the book value.

With regard to non-performing positions – except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used – the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 Processes and sensitivities of the valuations

The Group generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

That said, financial instruments under assets with a fair value level 3 represent a residual portion of approximately 4% of the total portfolio of financial designated at fair value. They consist mainly of unlisted minority equity investments and insurance investment products (typically life insurance policies).

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euro swap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

A.4.3 Fair value hierarchy

For a description of the fair value hierarchy levels envisaged by the Group, please refer to paragraph "A.4 - Information on fair value" above.

With reference to assets and liabilities designated at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 Other information

The Group does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Group, with reference to derivatives concluded with financial counterparties with which it stipulated framework netting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 Fair value hierarchy

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

	31/12/2022			31/12/2021		
FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets designated at fair value through profit or loss	146	12	315	207	18	368
a) financial assets held for trading	-	7	-	-	6	-
b) financial assets designated at fair value	-	-	1	-	-	1
c) other financial assets mandatorily measured at fair value	146	5	314	207	12	367
2. Financial assets designated at fair value through other comprehensive income	10,788	20	111	10,818	9	209
3. Hedging derivatives	-	125	-	-	6	-
4. Tangible assets	-	-	14	-	-	15
5. Intangible assets	-	-	-	-	-	-
Total	**10,934**	**157**	**440**	**11,025**	**33**	**592**
1. Financial liabilities held for trading	-	7	-	-	3	-
2. Financial liabilities designated at fair value	-	1	-	-	1	-
3. Hedging derivatives	-	1	-	-	29	-
Total	**-**	**9**	**-**	**-**	**33**	**-**

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

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

A.4.5.2 Annual changes in assets designated at fair value on a recurring basis (level 3)

	Financial assets designated at fair value through profit or loss				Financial assets designated at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. OPENING BALANCES	**368**	**-**	**1**	**367**	**209**	**-**	**15**	**-**
2. INCREASES	**22**	**-**	**-**	**22**	**16**	**-**	**-**	**-**
2.1. Purchases	16	-	-	16	11	-	-	-
2.2. Profit attributed to:	6	-	-	6	3	-	-	-
2.2.1. Income Statement	6	-	-	6	-	-	-	-
- of which capital gains	3	-	-	3	-	-	-	-
2.2.2. Equity	-	X	X	X	3	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	2	-	-	-
3. DECREASES	**75**	**-**	**-**	**75**	**114**	**-**	**1**	**-**
3.1. Sales	3	-	-	3	95	-	1	-
3.2. Repayments	54	-	-	54	-	-	-	-
3.3. Losses attributed to:	15	-	-	15	4	-	-	-
3.3.1. Income Statement	15	-	-	15	-	-	-	-
- of which capital losses	13	-	-	13	-	-	-	-
3.3.2. Equity	-	X	X	X	4	-	-	-
3.4. Transfers to other levels	-	-	-	-	11	-	-	-
3.5. Other decreases	3	-	-	3	4	-	-	-
4. CLOSING BALANCES	**315**	**-**	**1**	**314**	**111**	**-**	**14**	**-**

The item "3.1 Sales", relating to Financial assets designated at fair value through other comprehensive income, is mainly attributable to the sale of the shares of Iccrea Banca S.p.A. in line with what was established in the shareholding structure Transaction Agreement dated 14 October 2019.

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

At the end of the reporting period, the Group does not hold any liabilities designated at fair value on a recurring basis classified to level 3.

A.4.5.4 Assets and liabilities which are not designated at fair value or which are designated at fair value on non-recurring basis: breakdown by fair value levels

ASSETS AND LIABILITIES WHICH ARE NOT DESIGNATED AT FAIR VALUE OR WHICH ARE DESIGNATED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2022				31/12/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	76,376	25,171	332	48,991	75,250	25,848	508	50,692
2. Tangible assets held for investment purposes	100	-	-	109	75	-	-	86
3. Non-current assets and groups of assets held for disposal	1	-	-	1	3	-	1	2
Total	**76,477**	**25,171**	**332**	**49,101**	**75,328**	**25,848**	**509**	**50,780**
1. Financial liabilities measured at amortised cost	83,588	-	761	82,824	81,734	-	1,161	80,575
2. Liabilities associated to assets held for disposal	-	-	-	-	-	-	-	-
Total	**83,588**	**-**	**761**	**82,824**	**81,734**	**-**	**1,161**	**80,575**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 - Information on day one profit/loss

The Group did not carry out any transactions for which, at the moment of first-time recognition of a financial instrument, a difference emerges between the purchase value and the value of the instrument obtained using internal valuation techniques.

PART B - Information on the consolidated balance sheet

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2022	Total 31/12/2021
a) Cash	558	592
b) Current accounts and demand deposits at central banks	5	126
c) Current accounts and demand deposits at banks	147	177
Total	**710**	**895**

The sub-item "Current accounts and deposits on demand with central banks" refers to transactions with the Bank of Italy.

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

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	7	-	-	6	-
1.1 trading	-	7	-	-	6	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**7**	**-**	**-**	**6**	**-**
Total (A+B)	**-**	**7**	**-**	**-**	**6**	**-**

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

This item includes derivative instruments classified in the trading book.

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
A. CASH ASSETS		
1. Debt securities	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equities	-	-
a) Banks	-	-
b) Other financial corporations	-	-
of which: insurance companies	-	-
c) Non-financial corporations	-	-
d) Other issuers	-	-
3. UCITS units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total (A)	-	-
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	7	6
Total (B)	7	6
Total (A+B)	7	6

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. LOANS	**-**	**-**	**1**	**-**	**-**	**1**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	1	-	-	1
Total	**-**	**-**	**1**	**-**	**-**	**1**

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

2.4 Financial assets designated at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
1. DEBT SECURITIES	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. LOANS	**1**	**1**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	1	1
Total	**1**	**1**

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

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**1**	**5**	**3**	**-**	**12**	**4**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1	5	3	-	12	4
2. EQUITIES	**14**	**-**	**-**	**14**	**-**	**-**
3. UCITS UNITS	**131**	**-**	**79**	**193**	**-**	**80**
4. LOANS	**-**	**-**	**232**	**-**	**-**	**283**
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	232	-	-	283
Total	**146**	**5**	**314**	**207**	**12**	**367**

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

The sub-item "1.2. Other debt securities" includes junior and mezzanine securities related to securitisation transactions for approximately EUR 3 million classified in fair value level 3.

Loans include approximately EUR 182 million in life insurance policies issued by insurance companies, linked to the return on a separate holding, and obligatorily measured at fair value following the failure of the SPPI test.

The item 'UCITS units' is composed of the following main categories of funds:

- bonds for approximately EUR 86 million, about EUR 20 million of which are classified at fair value level 3;
- stocks for approximately EUR 27 million;
- balanced for approximately EUR 36 million;
- real estate of approximately EUR 30 million, of which about EUR 28 million classified at fair value level 3;
- NPL of approximately EUR 28 million classified at fair value level 3;
- private equity of approximately EUR 3 million classified at fair value level 3.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
1. EQUITY SECURITIES	**14**	**14**
of which: banks	2	1
of which: Other financial corporations	1	1
of which: Non-financial corporations	11	12
2. DEBT SECURITIES	**9**	**16**
a) Central banks	-	-
b) General Governments	-	-
c) Banks	5	11
d) Other financial corporations	4	5
of which: insurance companies	-	-
e) Non-financial corporations	-	-
3. UCITS UNITS	**210**	**273**
4. LOANS	**232**	**283**
a) Central banks	-	-
b) General Governments	6	-
c) Banks	-	-
d) Other financial corporations	214	272
of which: insurance companies	182	225
e) Non-financial corporations	8	7
f) Households	4	4
Total	**465**	**586**

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

3.1 Financial assets designated at fair value through other comprehensive income: breakdown by category

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**10,780**	**19**	**1**	**10,797**	**9**	**1**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10,780	19	1	10,797	9	1
2. EQUITIES	**8**	**1**	**110**	**21**	**-**	**208**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,788**	**20**	**111**	**10,818**	**9**	**209**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "2. Equity securities" Level 3 includes Bank of Italy shares held by a number of affiliated banks for a value of around EUR 24 million. Compared to the previous year, at 31 December 2022, the sales related to the exposures previously held at Banca Iccrea S.p.A. and Banca Carige S.p.A. were completed.

3.2. Financial assets designated at fair value through other comprehensive income: breakdown by debtors/issuers

	Total 31/12/2022	Total 31/12/2021
1. DEBT SECURITIES	**10,800**	**10,807**
a) Central banks	-	-
b) General Governments	10,571	10,512
c) Banks	167	228
d) Other financial corporations	22	39
of which: insurance companies	-	-
e) Non-financial corporations	40	28
2. EQUITIES	**119**	**229**
a) Banks	36	155
b) Other issuers:	83	74
- Other financial corporations	30	13
of which: insurance companies	4	4
- Non-financial corporations	53	49
- other	-	12
3. LOANS	**-**	**-**
a) Central banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**10,919**	**11,036**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	10,796	2	6	-	-	2	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**10,796**	**2**	**6**	**-**	**-**	**2**	**-**	**-**	**-**	**-**
Total 31/12/2021	**10,808**	**13**	**1**	**1**	**-**	**2**	**-**	**1**	**-**	**-**

* Value to be displayed for information purposes

The division by stage of risk of financial assets designated at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to part A – Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and part E – Information on risks and related hedging policies.

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and writedowns

The table does not contain information and therefore was not filled in.

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

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022						Total 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**527**	**-**	**-**	**-**	**-**	**527**	**3,273**	**-**	**-**	**-**	**-**	**3,273**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	527	-	-	X	X	X	3,273	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. LOANS TO BANKS	**918**	**-**	**-**	**317**	**285**	**244**	**782**	**-**	**-**	**351**	**170**	**270**
1. Loans	**234**	**-**	**-**	**-**	**-**	**234**	**260**	**-**	**-**	**-**	**-**	**260**
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	2	-	-	X	X	X	75	-	-	X	X	X
1.3. Other loans:	232	-	-	X	X	X	185	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	232	-	-	X	X	X	185	-	-	X	X	X
2. Debt securities	**684**	**-**	**-**	**317**	**285**	**10**	**522**	**-**	**-**	**351**	**170**	**10**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	684	-	-	317	285	10	522	-	-	351	170	10
Total	**1,445**	**-**	**-**	**317**	**285**	**771**	**4,055**	**-**	**-**	**351**	**170**	**3,543**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The balance of item "2.2 Other debt securities" includes the subscription, by the Cassa Centrale Group, of the subordinated loan previously issued by Banca Carige and now attributable to the issuer BPER Banca, following the merger by incorporation in 2022, for a nominal value of EUR 100 million and an annual yield of 8.25%.

4.2 Financial assets measured at amortised cost: breakdown by category of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022						Total 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. LOANS	**47,314**	**455**	**-**	**-**	**-**	**47,944**	**45,075**	**758**	**-**	**-**	**224**	**46,808**
1.1. Current accounts	3,646	39	-	X	X	X	3,367	84	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	38,049	375	-	X	X	X	36,599	621	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,094	5	-	X	X	X	909	8	-	X	X	X
1.5. Financing for leases	763	13	-	X	X	X	675	15	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	3,762	23	-	X	X	X	3,525	30	-	X	X	X
2. DEBT SECURITIES	**27,162**	**-**	**-**	**24,854**	**47**	**276**	**25,362**	**-**	**-**	**25,497**	**114**	**341**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	27,162	-	-	24,854	47	276	25,362	-	-	25,497	114	341
Total	**74,476**	**455**	**-**	**24,854**	**47**	**48,220**	**70,437**	**758**	**-**	**25,497**	**338**	**47,149**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans to customers are shown net of value adjustments from write-downs. Impaired assets include the impaired loans, unlikely to pay and past due exposures according to Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates. Details of these exposures, the amounts and the breakdown of the value adjustments, are shown in Part E of the Explanatory Notes – Credit quality. The fair value of short-term or revocable receivables was conventionally assumed to be equal to the book value.

For impaired positions, the fair value was deemed to be equal to the net book value, on the basis of the considerations set out in Part A, section A.4 – Information on fair value, to which reference is made.

The item "2.2. Other debt securities" includes senior securities relating to securitisation transactions for approximately EUR 252 million classified at fair value level 3.

Loans to customers include loans from third-party funds under administration with risk borne by the Group amounting to approximately EUR 162 million.

Performing exposures to customers consisted mainly of mortgage loans, which amounted to EUR 38,049 million and accounted for approximately 80% of total loans to customers, current accounts receivable of EUR 3,646 million and other loans of EUR 3,762 million.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022			Total 31/12/2021		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	Stages 1 and 2	Stage 3	Purchased or originated credit impaired
1. DEBT SECURITIES	**27,162**	**-**	**-**	**25,362**	**-**	**-**
a) Public administrations	26,791	-	-	24,949	-	-
b) Other financial corporations	325	-	-	372	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	46	-	-	41	-	-
2. LOANS TO:	**47,314**	**455**	**-**	**45,075**	**758**	**-**
a) Public administrations	279	-	-	239	-	-
b) Other financial corporations	698	1	-	867	4	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	21,945	285	-	20,996	448	-
d) Households	24,392	169	-	22,973	306	-
Total	**74,476**	**455**	**-**	**70,437**	**758**	**-**

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	27,817	258	80	1	-	6	45	1	-	-
Loans	41,737	-	6,992	2,494	-	211	443	2,039	-	276
Total 31/12/2022	**69,554**	**258**	**7,072**	**2,495**	**-**	**217**	**488**	**2,040**	**-**	**276**
Total 31/12/2021	**69,108**	**330**	**6,009**	**2,876**	**-**	**233**	**392**	**2,118**	**-**	**297**

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to part A – Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and part E – Information on risks and related hedging policies.

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and writedowns

	Gross value					Total adjustments				Total partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. EBA-compliant moratoria loans	4	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	6	-	-	-	-	-	-	-	-	-
3. Other loans with COVID-19-related forbearance measures	-	-	1	-	-	-	-	-	-	-
4. Newly originated loans	4,793	-	1,049	156	-	18	51	81	-	-
Total 31/12/2022	**4,803**	**-**	**1,050**	**156**	**-**	**18**	**51**	**81**	**-**	**-**
Total 31/12/2021	**5,099**	**-**	**731**	**102**	**-**	**27**	**38**	**49**	**-**	**-**

* Value to be displayed for information purposes

The loans included in the first three items of the table refer for a total value of approximately EUR 10 million to loans subject to the COVID-19 EBA Compliant moratorium at the date of granting with a repayment schedule still suspended as at 31 December 2022.

This does not include moratorium loans amounting to EUR 14 million granted on a bank initiative that do not meet the requirements to be classified as EBA Compliant.

The newly originated loans represented under item no. 3 constitute new liquidity granted through public guarantee mechanisms.

Section 5 - Hedging derivatives - Item 50

This item features the derivative contracts designated as effective hedging instruments, which at the reference date show a positive fair value.

With regard to hedging transactions, the Group made use of the right to continue to apply the existing requirements of IAS 39 for accounting purposes as required by IFRS 9 until the IASB has completed its project to define the accounting rules for hedging financial instruments.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

5.1 Hedging derivatives: breakdown by type of coverage and levels

	FV 31/12/2022				FV 31/12/2021			
	L1	L2	L3	NV 31/12/2022	L1	L2	L3	NV 31/12/2021
A. FINANCIAL DERIVATIVES								
1. Fair value	-	123	-	766	-	6	-	312
2. Cash flows	-	2	-	72	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**125**	**-**	**838**	**-**	**6**	**-**	**312**

KEY:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

TRANSACTIONS / TYPE OF HEDGE	Fair value							Cash flows		Foreign Investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro	
	Debt securities and interest rates	Equities and stock market indices	Currencies and gold	Credit	Commodities	Others				
1. Financial assets designated at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	4	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	119	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**4**	**-**	**-**	**-**	**-**	**-**	**119**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	2	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

This item includes the balance of changes in the value of assets subject to macro interest rate risk hedging, for the application of which the Group avails itself of the possibility, provided by IFRS 9, to continue to apply IAS 39 in the carve-out version.

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

VALUE ADJUSTMENT OF HEDGED ASSETS/VALUES	Total 31/12/2022	Total 31/12/2021
1. POSITIVE FAIR VALUE CHANGE	**-**	**21**
1.1 of specific portfolios:	-	1
a) financial assets measured at amortised cost	-	1
b) financial assets designated at fair value through other comprehensive income	-	-
1.2 total	-	20
2. NEGATIVE FAIR VALUE CHANGE	**(118)**	**(4)**
2.1 of specific portfolios:	(41)	-
a) financial assets measured at amortised cost	(41)	-
b) financial assets designated at fair value through other comprehensive income	-	-
2.2 total	(77)	(4)
Total	**(118)**	**17**

Section 7 – Equity investments – Item 70

This section includes the equity investments in companies under joint control or subject to a significant influence (IAS 28 and IFRS 11).

At the end of the reporting period, the value of the equity investments amounted to EUR 58 million, relating:

- to "significant" equity investments totalling EUR 32 million (as represented in the following table 7.2);
- to insignificant equity investments totalling EUR 26 million (as represented, on the whole, in the following table 7.4).

The scope of 'significant equity investments' was determined by considering the materiality of the book value of the investment and the share of the investee's assets with respect to the homogeneous balances relating to the current financial statements.

7.1 Equity investments: information on type of relationship

NAME	Registered office	Operating headquarters	Relationship type	Investment relationship		Votes available %
				Investing company	% share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	4.08	4.08
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.78	3.78
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.14	3.14
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	4.35	4.35
				Total	47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.89	7.89

NAME	Registered office	Operating headquarters	Relationship type	Investment relationship		Votes available %
				Investing company	% share	
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.80	5.80
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.10	5.10
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.18	4.18
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	6.49	6.49
				Total	47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	24.76	24.76
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
				Total	30.37	30.37

NAME	Registered office	Operating headquarters	Relationship type	Investment relationship		Votes available %
				Investing company	% share	
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - COOPERATIVE COMPANY	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
				Total	29.17	29.17
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	27.19	27.19
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00

*Type of relationship
1 - majority of voting rights in the ordinary shareholders' meeting
2 - dominant influence in the ordinary shareholders' meeting
3 - agreements with other shareholders
4 - company subject to a significant influence
5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"
6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"
7 - joint ventures
8 - Other type of relationship.

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A – Accounting policies of these Explanatory notes.

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

NAME	Book value	Fair value	Dividends received
A. JOINTLY CONTROLLED COMPANIES			
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	9	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE			
CABEL HOLDING S.p.A.	9	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.	7	-	-
ASSICURA S.r.l.	7	-	-
Total	**32**	**-**	**-**

It should be noted that Assicura S.r.l. is a controlling interest consolidated using the equity method due to materiality limits.

7.3 Significant equity investments: accounting information

The table shows the data obtained from the last accounting position available.

NAME	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Value adjustments and write-backs on tangible and intangible assets	Profit (loss) before tax from current operating activities	Profit (loss) after tax from current operating activities	Profit (loss) after tax from discontinued operations	Profit (loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES														
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A.	-	69	-	30	-	-	-	-	2	2	-	2	-	2
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE														
CABEL HOLDING S.p.A.	X	18	28	-	1	1	X	X	-	-	-	-	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	X	11	4	-	-	-	X	X	1	1	-	1	-	1
ASSICURA S.r.l.	X	6	2	-	-	-	X	X	-	-	-	-	-	-

7.4 Insignificant equity investments: accounting information

NAME	Book value of equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) after tax from current operating activities	Profit (loss) after tax from operating activities	Profit (loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES	-	28	27	-	-	-	-	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE	26	73	38	13	(2)	-	(2)	-	(2)

The table shows accounting information cumulatively by type of investment relationship, with reference to companies with income statement and balance sheet aggregates not considered significant. ‘Total liabilities’ does not include Equity.

In the column ‘Total revenues’ the total amount of the income components with a positive sign is shown, gross of their tax effect.

The values are expressed with reference to the percentage held by the Group, as required by IFRS 12.

7.5 Equity investments: annual changes

	Total 31/12/2022	Total 31/12/2021
A. OPENING BALANCES	**64**	**75**
B. INCREASES	**10**	**5**
B.1 Purchases	-	1
B.2 Write-backs	-	-
B.3 Revaluations	3	2
B.4 Other changes	7	2
C. DECREASES	**16**	**16**
C.1 Sales	-	-
C.2 Value adjustments	10	-
C.3 Write-downs	2	7
C.4 Other changes	4	9
D. CLOSING BALANCES	**58**	**64**
E. TOTAL REVALUATIONS	**5**	**3**
F. TOTAL ADJUSTMENTS	**10**	**-**

The main changes in equity investments during the current year are summarised below:

- item "B.3 Revaluations" contains positive value adjustments for a value of approximately EUR 3 million;
- item "B.4 Other changes" contains, for a value of around EUR 4 million, the consolidation using the equity method due to materiality limits of the subsidiary Centrale Credit & Real Estate Solutions S.r.l., previously consolidated on a line-by-line basis. For a value of around EUR 3 million, the item also contains the increase in the value of the equity investments due to capital contributions to cover losses, mainly referring to the equity investments Claris Rent S.p.A. and Benaco Gestioni Immobiliari S.r.l.;
- item "C.2 Value adjustments", for around EUR 10 million, contains the effects arising from the review of the value of the jointly controlled investment in Casse Rurali Raiffeisen Finanziaria S.p.A.;
- item "C.3 Write-downs", amounting to approximately EUR 2 million, includes the results of the valuation of minority equity investments using the equity method;
- the negative value adjustment, item "C.4 Other changes", for a value of around EUR 4 million, is mainly attributable to the liquidation of the subsidiary Centrale Credit & Real Estate Solutions S.r.l.

7.6 Significant valuations and assumptions to establish the existence of joint control or significant influence

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A – Accounting policies. (IFRS 12 section 7, letters b and c).

7.7 Commitments referring to equity investments in subsidiaries under joint control

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.8 Commitments referring to equity investments in companies subject to a significant influence

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.9 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

7.10 Other information

For most of the companies subject to joint control or significant influence, the timing of availability of the year-end financial statements is not compatible with the timing of the closing of the consolidated financial statements of the Cassa Centrale Group; in this regard, for the application of the equity method, reference is made to the latest available accounting reports, represented, in most cases, by the latest financial statements or half-yearly report available.

In any case, when the accounting records of the associate or joint venture used in applying the equity method refer to a date other than that of the consolidated financial statements, adjustments are made to take into account the effects of significant transactions or events that occurred between that date and the date of the Group's consolidated financial statements.

As required by IAS/IFRS, investments are subject to an impairment test to verify whether there is objective evidence that the book value of the assets in question is not fully recoverable. For investments in associates and jointly controlled companies, the process for recognising any impairment involves checking for impairment indicators and the determination of any writedown.

At the end of the reporting period, there are no impairment losses that impact the book value, including goodwill, of equity investments in companies subject to joint control or significant influence, with the exception of the jointly controlled investment in Casse Rurali Raiffeisen Finanziaria S.p.A. with reference to which a value adjustment was carried out for EUR 10 million to include the effects arising from the review of the value of the equity investment, as illustrated in "7.5 Equity investments: annual changes" in this part.

In general, for the aforementioned equity investments, the book value of the net investment is substantially in line with the corresponding portion of equity held.

Section 8 - Reinsurers' share of technical provisions - Item 80

The tables of this section do not contain information and therefore were not filled in.

Section 9 – Tangible assets – Item 90

9.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2022	Total 31/12/2021
1. ASSETS OWNED	**956**	**961**
a) land	146	147
b) buildings	667	673
c) furniture	55	52
d) electronic systems	30	34
e) other	58	55
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**123**	**120**
a) land	3	-
b) buildings	114	116
c) furniture	-	-
d) electronic systems	3	3
e) other	3	1
Total	**1,079**	**1,081**
of which: obtained through the enforcement of guarantees received	6	5

For details of the rights of use acquired through lease, please refer to the information provided at the end of table "9.6 Tangible assets for business use: annual changes".

9.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2022				Total 31/12/2021			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. ASSETS OWNED	**99**	**-**	**-**	**108**	**75**	**-**	**-**	**86**
a) land	30	-	-	33	23	-	-	26
b) buildings	69	-	-	75	52	-	-	60
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**1**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	1	-	-	1	-	-	-	-
Total	**100**	**-**	**-**	**109**	**75**	**-**	**-**	**86**
of which: obtained through the enforcement of guarantees received	35	-	-	36	37	-	-	37

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.3 Tangible assets for business use: breakdown of the revalued assets

ASSETS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**2**	**-**	**-**	**3**
a) land	-	-	1	-	-	1
b) buildings	-	-	1	-	-	2
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**2**	**-**	**-**	**3**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.4 Tangible assets held for investment purposes: breakdown of the assets designated at fair value

ASSETS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**12**	**-**	**-**	**12**
a) land	-	-	2	-	-	2
b) buildings	-	-	10	-	-	10
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**12**	**-**	**-**	**12**
of which: obtained through the enforcement of guarantees received	-	-	1	-	-	1

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.5 Inventories of tangible assets disciplined by IAS 2: breakdown

ASSETS/VALUES	Total 31/12/2022	Total 31/12/2021
1. INVENTORIES OF ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED	**39**	**44**
a) land	32	28
b) buildings	7	16
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. OTHER INVENTORIES OF TANGIBLE ASSETS	**2**	**30**
Total	**41**	**74**
of which: designated at fair value net of costs to sell	-	-

Other inventories of tangible assets mainly include real estate that is not functional to banking activities.

9.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2022
A. GROSS OPENING BALANCES	**148**	**954**	**77**	**90**	**112**	**1,381**
A.1 Total net impairment	-	165	25	52	55	297
A.2 NET OPENING BALANCES	**148**	**789**	**52**	**38**	**57**	**1,084**
B. INCREASES:	**3**	**57**	**11**	**26**	**29**	**126**
B.1 Purchases	2	26	9	25	24	86
B.2 Expenditures for capitalised improvements	-	11	-	-	1	12
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	1	20	2	1	4	28
C. DECREASES:	**1**	**64**	**8**	**31**	**25**	**129**
C.1 Sales	-	2	-	9	4	15
C.2 Depreciation	-	52	8	22	21	103
C.3 Impairment losses charged to	1	3	-	-	-	4
a) equity	-	-	-	-	-	-
b) income statement	1	3	-	-	-	4
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	2	-	-	-	2
a) tangible assets held for investment purposes	-	2	X	X	X	2
b) non-current assets and groups of assets held for disposal	-	-	-	-	-	-
C.7 Other changes	-	5	-	-	-	5
D. NET CLOSING BALANCES	**150**	**782**	**55**	**33**	**61**	**1,081**
D.1 Total net impairment	1	220	33	74	76	404
D.2 GROSS CLOSING BALANCES	**151**	**1,002**	**88**	**107**	**137**	**1,485**
E. Valuation at cost	4	32	2	1	2	41

The item “E. Valuation at cost” shows, for information purposes, the cost of properties for business use measured at fair value.

Tangible fixed assets are depreciated, i.e. the depreciable value of the asset is charged to the income statement in portions reflecting its long-term use based on its estimated useful life.

With regard to the rights of use acquired through lease, the annual changes in this category are shown below:

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2022
NET OPENING BALANCES	**88**	**2**	**3**	**-**	**23**	**1**	**1**	**2**	**-**	**120**
Increases	27	3	-	-	3	-	7	-	-	40
Decreases	(7)	(2)	-	-	-	-	-	-	-	(9)
Amortisation	(17)	(1)	-	-	(4)	-	(5)	(1)	-	(28)
Impairment	-	-	-	-	-	-	-	-	-	-
NET CLOSING BALANCES	**91**	**2**	**3**	**-**	**22**	**1**	**3**	**1**	**-**	**123**

The item "Equipment", amounting to EUR 3 million, mainly refers to ATMs and cash-in-cash-out machines.

The item "Other" mainly includes the rights of use deriving from the lease of locations for the installation of ATMs.

The item "Increases" includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under "Increases" and "Decreases".

At the end of the reporting period, there were no leaseback transactions.

9.7 Tangible assets held for investment purposes: annual changes

	Total 31/12/2022	
	Land	Buildings
A. OPENING BALANCES	**25**	**62**
B. INCREASES	**8**	**26**
B.1 Purchases	-	2
- of which business combinations	-	-
B.2 Expenditures for capitalised improvements	-	-
B.3 Positive fair value changes	-	-
B.4 Write-backs	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from properties for business use	-	2
B.7 Other changes	8	22
C. DECREASES	**1**	**8**
C.1 Sales	-	3
- of which business combinations	-	-
C.2 Depreciation	-	2
C.3 Negative fair value changes	-	-
C.4 Impairment losses	-	3
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	-	-
a) properties for business use	-	-
b) non-current assets and groups of assets held for disposal	-	-
C.7 Other changes	1	-
D. CLOSING BALANCES	**32**	**80**
E. Valuation at fair value	33	76

Tangible assets for investment purposes are recorded in the financial statements at purchase or construction cost.

The item “E. Valuation at fair value” shows for information purposes the fair value of properties held for investment purposes measures at cost.

9.8 Inventories of tangible assets disciplined by IAS 2: annual changes

	Inventories of tangible assets obtained through the enforcement of guarantees received					Other inventories of tangible assets	Total 31/12/2022
	Land	Buildings	Furniture	Electronic systems	Other		
A. OPENING BALANCES	**28**	**16**	**-**	**-**	**-**	**30**	**74**
B. INCREASES	**6**	**-**	**-**	**-**	**-**	**-**	**6**
B.1 Purchases	2	-	-	-	-	-	2
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange rate differences	-	-	-	-	-	-	-
B.4 Other changes	4	-	-	-	-	-	4
C. DECREASES	**2**	**9**	**-**	**-**	**-**	**28**	**39**
C.1 Sales	1	5	-	-	-	1	7
C.2 Impairment losses	-	-	-	-	-	-	-
C.3 Negative exchange rate differences	-	-	-	-	-	-	-
C.4 Other changes	1	4	-	-	-	27	32
D. CLOSING BALANCES	**32**	**7**	**-**	**-**	**-**	**2**	**41**

9.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, at the end of the reporting period of these financial statements the contractual commitments for the purchase of tangible assets amounted to approximately EUR 6 million and related mainly to the completion or renovation of buildings for business use.

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2022		Total 31/12/2021	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 GOODWILL	**X**	**27**	**X**	**28**
A.1.1 pertaining to the Group	X	27	X	28
A.1.2. pertaining to minority interests	X	-	X	-
A.2 OTHER INTANGIBLE ASSETS	**53**	**-**	**55**	**-**
of which: software	29	-	26	-
A.2.1 Assets measured at cost:	53	-	55	-
a) Intangible assets generated internally	1	-	-	-
b) Other assets	52	-	55	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**53**	**27**	**55**	**28**

In compliance with the relevant accounting regulations:

- all the intangible assets are measured at cost;
- no amortisation has been calculated for intangible assets with an indefinite useful life.

Disclosure on impairment test on goodwill

As provided for by IAS 36 Impairment of Assets, goodwill is subject to impairment testing at least once a year.

Consolidated goodwill, whose value before impairment testing was EUR 28 million, mainly relates to acquisitions of the company Nord Est Asset Management S.A. (hereinafter also "NEAM") and the Assicura Group in previous years.

The procedures relating to the impairment test of goodwill include the following steps:

- identification of the cash generating units (hereinafter also 'CGUs');
- determination of the book value of the CGUs;

- determination of the recoverable amount of the CGUs, after identifying the most appropriate valuation models and parameters for determining the fair value (hereinafter also "FV") and value in use of the CGUs;
- comparison between the book value and recoverable amount of the individual CGUs.

Sensitivity analyses were also carried out on the recoverable amount of the CGUs to changes in certain parameters relevant to the valuation.

Detailed information on the impairment test of consolidated goodwill as at 31 December 2022 is provided below.

Identification of Cash Generating Units (CGUs)

According to IAS 36, if, as in the case of goodwill, it is not possible to determine directly the recoverable amount of the specific asset recorded in the financial statements (because the asset itself does not produce autonomous cash flows), the recoverable amount of the cash generating unit (CGU) to which the asset belongs must be determined.

The CGU is defined by IAS 36 as "the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows from other assets, or groups of assets".

In order to identify the cash generating units to which to assign the assets to be tested for impairment, it is necessary that the identified CGUs generate cash inflows that are largely independent of those deriving from other identified units. In this sense, with a view to identifying the CGUs, the internal organisation and the management and control methods of the business are extremely important.

In relation to the above, the following CGUs have been identified for the purpose of impairment testing of the Cassa Centrale Group's consolidated goodwill:

- **Asset management**, which includes the asset management services currently provided by the Luxembourg-based company NEAM;
- **Insurance**, which includes the offer of insurance services to customers and corresponds to the sum of the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura").

The table below shows the values of goodwill as at 31 December 2022, subject to impairment test, allocated to the two CGUs in question.

(Figures in millions of euro)

CASH GENERATING UNIT (CGU)	Goodwill
- Asset management	21
- Insurance	5
Total	**26**

It should be noted that the goodwill item in the consolidated financial statements, amounting to EUR 28 million prior to the impairment test, includes residual goodwill of approximately EUR 2 million recorded in the separate financial statements of certain Affiliated Banks and mainly attributable to the merger by incorporation of other Affiliated Banks which took place before the launch of the Group and for which the impairment test in accordance with IAS 36, which gave rise to value adjustments for around EUR 1 million, was carried out independently by each of these Banks.

Determination of the book value of the CGUs

The book value of the two CGUs identified was determined by calculating their book value in the Consolidated Financial Statements as at 31 December 2022. The above book value, in substance, was determined considering the contribution to the consolidation of the CGUs in terms of equity, goodwill and intangible assets with an indefinite and definite useful life net of the related deferred tax liabilities.

The book values as at 31 December 2022 are shown below.

(Figures in millions of euro)

CGU	Book value in the consolidated financial statements
- Asset management	56
- Insurance	25

In relation to the table above, please note that:

- the consolidated book value of the Asset Management CGU includes, in addition to goodwill of EUR 21 million (already 100%), intangible assets with a definite useful life of EUR 0.7 million net of tax effect;
- the consolidated book value of the Insurance CGU includes, in addition to goodwill of EUR 5 million (already 100%), intangible assets with a definite useful life of EUR 1.3 million net of tax effect.

In relation to the above, it emerges that in addition to the consolidated goodwill, intangible assets with a finite useful life, as described above, have also been tested for recoverability. For further details, please refer to “Impairment testing of intangible assets with a definite useful life”.

Determination of the recoverable amount of the CGUs

The book value of the identified CGUs was tested for impairment by comparing it with their recoverable amount. In accordance with IAS 36, para. 6, the recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The Cassa Centrale Group has estimated the recoverable amount of the two CGUs using the value in use method. In this regard, the value in use of the Asset Management and Insurance CGUs was higher than their book value and therefore, in accordance with IAS 36 para. 19, no other amount would need to be estimated as fair value.

For further information, the methods used to determine the value in use of the various CGUs identified are described below, together with the relative balances that emerged.

CGU Asset management: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income.

In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

In addition to the analytical income method, the "regression analysis" method, which estimates a fair value for the CGU (although this was not strictly necessary, according to paragraph 19 of IAS 36, as the value in use is already greater than the book value), was used as additional evidence and control. This method estimates the economic capital of the company being valued on the basis of the correlation between the prospective return on capital and the related premium or discount expressed by stock market prices compared to equity for a sample of comparable listed companies.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The analytical income method was constructed from figures taken from the 2022-2025 business plan approved by the Board of Directors of Cassa Centrale Banca on 30 June 2022.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 12.4%. The above rate was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$.

  In detail, the Cost of Equity (as mentioned, equal to 12.4%) was determined on the basis of the following parameters:

  - risk-free (Rf) rate, equal to 4.6%, corresponding to the gross rate of return on 10-year Italian BTPs at 31 December 2022;
  - beta coefficient (β), equal to 1.3, measures the risk of the specific undertaking in relation to the variability of its return against the market return and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 6.2%, in line with valuation practice for the relevant market.

- Long-term growth rate (g) and Terminal Value (TV).
  The income method was developed on the basis of the adjusted net profit in order to exclude the profitability deriving from the asset management invested in NEAM by Cassa Centrale Banca and prudently excludes the profitability deriving from the assets managed on behalf of banks belonging to the Iccrea Banking Group. The normal net income expected for the definition of the Terminal Value also takes into account the considerations outlined above.
  A growth rate "g" of 2.0% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate for Italy.

The Regression Analysis was set up by relating the P/AUM multiple to the RoAUM from a panel of comparable listed asset management companies and led to a higher value than the book value of the CGU.

Based on the analytical income method described above, this results in a recoverable amount for the Asset Management CGU of EUR 57.3 million, which fully supports the book value of the CGU in the consolidated financial statements of EUR 56.2 million. For further details, please refer to the paragraph "Comparison between the book value and recoverable amount of the CGU: results of the impairment test".

CGU Insurance: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income. In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The calculation of cash flows is based on the present value of the company's future net income and was constructed from figures taken from the 2022-2025 business plan approved by the Board of Directors of Cassa Centrale Banca on 30 June.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 9.8%.
  The above rate was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$.

  In detail, the Cost of Equity (as mentioned, equal to 9.8%) was determined on the basis of the following parameters:
  - risk-free (Rf) rate, equal to 4.6%, corresponding to the gross rate of return on 10-year Italian BTPs at 31 December 2022;
  - beta coefficient (β), equal to 0.8, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 6.2%, in line with valuation practice for the relevant market.
- Long-term growth rate (g) and Terminal Value (TV)
  The normal net income expected for the definition of the Terminal Value has been identified on the basis of the net income realised by Assicura in the last year of the analytical forecast.
  A long-term growth rate "g" of 2.0% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate for Italy.

Based on the method described above, this results in a recoverable amount for the Insurance CGU of EUR 100.9 million, which fully supports the book value of the CGU in the consolidated financial statements of EUR 24.8 million. For further details, please refer to the paragraph "Comparison between the book value and recoverable amount of the CGU: results of the impairment test".

Impairment testing of intangible assets with a definite useful life

Taking account of the provisions of IAS 36 and national and international practice, in 2022 a series of impairment indicators (called trigger events) applicable to the assets of the financial statements were identified and deemed significant. The indicators are related to:

- external sources, such as:
  - increase in interest rates with an impact on the discount rate and simultaneous reduction in the fair value and/or value in use of an asset;
  - significant increase in market volatility compared to the date of the last impairment test with simultaneous impact on the cost of equity capital and/or the feasibility of the business plan;
- internal sources, such as:
  - negative economic results or significant deviation from budget targets;
  - higher dividends distributed than the income produced in the last year or sum of the dividends distributed in the previous years higher than the sum of the income produced in the same period;
  - individual book value greater than the contribution to consolidated equity (only valid for equity investments; check performed on an annual basis);
  - Announcement/launch of bankruptcy proceedings or restructuring plans.

In order to best intercept and analyse the significance of changes in the impairment indicators, two different thresholds were introduced, the most significant being a strong trigger.

The need to perform the impairment test for a given asset arises during a strong trigger or when, for at least two indicators, the threshold considered less significant is exceeded.

In the current year, the impairment test was carried out after the trigger was exceeded in relation to the change in the interest rate and involved intangible assets with a definite useful life recognised in the consolidated financial statements at 31 December 2022 following the acquisition of Assicura e Phoenix Informatica Bancaria S.p.A. (subsequently merged into Allitude S.p.A.), such as:

- Assicura distribution contracts:
  - Assicura – Assimoco Assicurazioni distribution contract – recognised in the consolidated financial statements of Cassa Centrale Banca for EUR 841 thousand;
  - Assicura – ITAS Vita S.p.A. distribution contract – recognised in the consolidated financial statements of Cassa Centrale Banca for EUR 187 thousand;
  - Assicura – Assimoco Vita distribution contract – recognised in the consolidated financial statements of Cassa Centrale Banca for EUR 274 thousand.
- Allitude customer relationship – recognised in the consolidated financial statements of Cassa Centrale Banca for EUR 10.4 million.

The fair value of the Assicura distribution contracts and the Allitude customer relationship was determined according to the multi-period excess earnings method (MEEM).

Application of the MEEM is structured into the following phases:

- estimate of the gross cash flows generated by the intangible assets subject to valuation through the use of prospective data (taking account of its expected residual useful life). The flows should not include the effects of the specific synergies of the buyer;
- adjustment of the expected gross cash flows to take account of:
    - a normal level of administrative costs required for the production of income flows;
    - taxes;
    - the cost associated with the capital absorbed by the intangible asset;
    - the cost of the risk, where applicable;
    - the cost associated with the use of other assets that contribute to the generation of the cash flows associated with the specific intangible asset;
- calculation of the actual value of the net cash flows attributable to the intangible asset subject to valuation;
- any determination of the tax benefit attributable to the amortisation of the intangible asset subject to valuation (tax amortisation benefit or TAB).

Based on the work carried out and based on the application of the valuation methods adopted, the recoverable amount attributable to the Assicura distribution contracts and to the Allitude customer relationship, as at 31 December 2022, is considered in both cases to be higher than the book value.

Comparison between the book value and recoverable amount of the CGU: results of the impairment test

Following the comparison between the book value and the recoverable amount (value in use) of the individual CGUs, the impairment test as at 31 December 2022 showed the following results:

CGU (Figures in millions of euro)	**Book value (a)**	**Recoverable amount (value in use) (b)**	**Difference (c)=(b)-(a)**	**Impairment attributable to the Group (d)**
Asset management	56.2	57.3	1.1	-
Insurance	24.8	100.9	76.1	-
Total				**-**

As shown in the table above, no impairment loss on goodwill was recognised in respect of the Asset Management and Insurance CGUs as their recoverable amount is higher than their book value at the consolidated financial statements reporting date.

Following the aforementioned checks, the goodwill recognised in the consolidated financial statements at 31 December 2022 amounts to a residual EUR 27 million, of which EUR 1 million present in the separate financial statements of certain affiliated banks. Note that the latter component, as explained previously, was down EUR 1 million in 2022.

Sensitivity analysis

Finally, sensitivity analyses were carried out on the value in use of the CGUs identified with respect to the market parameters used ("Ke" and "g"). The analyses carried out show a variation:

- in the recoverable amount of the Asset Management CGU as a result of changes in the parameters considered:
    - equal to EUR -1.3 million in correspondence with an increase in "Ke" of +25 bps;
    - equal to EUR +1.4 million in correspondence with a decrease in "Ke" of -25 bps;
    - equal to EUR +1.2 million in correspondence with an increase in "g" of +25 bps;
    - equal to EUR -1.1 million in correspondence with a decrease in "g" of -25 bps.
- in the recoverable amount of the Insurance CGU as a result of changes in the parameters considered:
    - equal to EUR -3.2 million in correspondence with an increase in "Ke" of +25 bps;
    - equal to EUR +3.4 million in correspondence with a decrease in "Ke" of -25 bps;
    - equal to EUR +3.0 million in correspondence with an increase in "g" of +25 bps;
    - equal to EUR -2.8 million in correspondence with a decrease in "g" of -25 bps.

In the worst-case scenarios estimated through the sensitivity analyses detailed above, taking account of the dividends distributed for 2022, the value in use would be higher than the book value of the CGUs in the consolidated financial statements, confirming the recoverable amount of the latter.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2022
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**28**	**-**	**-**	**99**	**-**	**127**
A.1 Total net impairment	-	-	-	44	-	44
A.2 NET OPENING BALANCES	**28**	**-**	**-**	**55**	**-**	**83**
B. INCREASES	**-**	**1**	**-**	**17**	**-**	**18**
B.1 Purchases	-	1	-	16	-	17
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes		-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	1	-	1
C. DECREASES	**1**	**-**	**-**	**20**	**-**	**21**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	1	-	-	20	-	21
- Amortisation	X	-	-	20	-	20
- Writedowns	1	-	-	-	-	1
+ equity	X	-	-	-	-	-
+ income statement	1	-	-	-	-	1
C.3 Negative fair value changes:		-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. NET CLOSING BALANCES	**27**	**1**	**-**	**52**	**-**	**80**
D.1 Total net value adjustments	1	-	-	64	-	65
E. GROSS CLOSING BALANCES	**28**	**1**	**-**	**116**	**-**	**145**
F. Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:

DEF = with definite duration

INDEF = with indefinite duration

The intangible assets described were entirely acquired externally and measured at cost.

The sub-item "F. Valuation at cost" is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

10.3 Intangible assets: other information

Based on the requirements of IAS 38 sections 122 and 124, it should be noted that the amount of the contractual commitments for the purchase of intangible assets amounts to approximately EUR 1 million relating to the acquisition of software licences.

It should also be noted that the Group has not:

- provided intangible assets as guarantee for its debts;
- acquired intangible assets via operating or financial lease agreements;
- acquired intangible assets via government concession;
- recorded intangible assets revalued at fair value.

Section 11 – Tax assets and tax liabilities – Item 110 of assets and item 60 of liabilities

11.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2022		
	IRES	IRAP	Total
Loans	345	51	396
Tangible fixed assets	12	1	13
Provisions for risks and charges	73	9	82
Tax losses	7	-	7
Administrative expenses	-	-	-
Other items	16	3	19
Total	**453**	**64**	**517**

THROUGH EQUITY	31/12/2022		
	IRES	IRAP	Total
Negative reserves for HTCS financial assets	112	23	135
Severance indemnity	-	-	-
Other items	-	-	-
Total	**112**	**23**	**135**

The item “Loans” in the table above shows Deferred Tax Assets (or “DTA”) mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (known as “Qualified DTAs”) of EUR 376 million. Art. 42, section 1 of Decree-Law no. 17 of 1 March 2022 converted by Law no. 34 of 27 April 2022 restructured the multi-year plan for the recovery of value adjustments on loans already not deducted as at 31 December 2015. This plan is also associated with the discharge of the related registered DTAs;
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 20 million (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to customers.

The “other items” in the table above include deferred tax assets arising from misalignments between statutory and tax items arising from IFRS 3 business combinations for EUR 7 million.

It should be noted that, with specific reference to the aforementioned qualified DTAs on write-downs and losses on loans to customers and goodwill, the maintenance of their convertibility into tax credits is subject to the payment of the fee, where due, pursuant to Law Decree no. 59 of 3 May 2016, amended and converted into law by Law no. 15 of 17 February 2017.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans, goodwill and intangible assets into tax credits, in giving “certainty” to the recovery of qualified DTAs, affect the “probability test” provided for by IAS 12, making it automatically satisfied for this particular type.

With reference to the details of the probability test carried out by Group participants on deferred tax assets, please refer to paragraph 11.8 “Other information” below.

Deferred tax assets as a contra-entry to equity refer to negative valuations of financial assets designated at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets designated at fair value through other comprehensive income.

11.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2022		
	IRES	IRAP	Total
Tangible fixed assets	1	-	1
Capital gains by instalments	-	-	-
Other items	8	-	8
Total	**9**	**-**	**9**

THROUGH EQUITY	31/12/2022		
	IRES	IRAP	Total
Positive reserves for HTCS financial assets	6	1	7
Other items	-	-	-
Total	**6**	**1**	**7**

Deferred tax liabilities as a contra-entry to the income statement mainly relate to:

- misalignments between statutory and tax items arising from the application of business combinations pursuant to IFRS 3 carried out in previous years;
- revaluations of tangible fixed assets made during the transition to international accounting standards.

Deferred taxes as a contra-entry to equity refer to revaluations of financial assets designated at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets designated at fair value through other comprehensive income.

11.3 Changes in deferred taxes (through the income statement)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**599**	**678**
2. INCREASES	**26**	**65**
2.1 Deferred taxes recorded in the year	26	65
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	26	65
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**108**	**144**
3.1 Advance taxes cancelled in the year	64	105
a) reversals	63	103
b) writedowns for uncollectable amounts	1	2
c) changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	44	39
a) conversion into tax credits under Law no. 214/2011	44	39
b) other	-	-
4. CLOSING AMOUNT	**517**	**599**

The deferred tax assets recognised in the income statement during the year, amounting to EUR 26 million, derive mainly from the recognition of the following deferred tax assets referring to:

- loans Law no. 214/2011;
- non-deductible provisions for risks and charges.

The portion of deferred tax assets arising from tax losses carried forward to subsequent years amounts to EUR 7 million.

11.4 Changes in advance taxes according to Law no. 214/2011

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**460**	**531**
2. INCREASES	**7**	**46**
3. DECREASES	**91**	**117**
3.1 Reversals	46	78
3.2 Transformation into tax credits	44	39
a) deriving from losses for the year	-	1
b) deriving from tax losses	44	38
3.3 Other decreases	1	-
4. CLOSING AMOUNT	**376**	**460**

Table 11.4 shows changes in deferred taxes recognised on value adjustments of receivables from customers and goodwill pursuant to Law no. 214/2011, including those relating to the conversion of tax losses/negative value of production due to the reversal pursuant to Law no. 214/2011 of write-downs of loan not deducted up to 2015.

The conversions referred to in points 3.2.a and 3.2.b were carried out in light of the provisions of Law Decree no. 225/2010, converted with amendments to Law no. 10/2011.

In particular, article 2, paragraphs 55 to 56 provides that, in the event of a loss for the year, the deferred tax assets recorded in the financial statements relating to value adjustments to loans and those relating to the value of goodwill and other intangible assets are converted into tax credits.

The transformation starts from the date of approval of the financial statements and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTAs and equity before the loss for the year. As from the tax period of the conversion, the negative components corresponding to the DTAs converted into a tax credit are not deductible.

Article 2, section 56bis to 56bis1 of the Decree provides that, in the event of an IRES tax loss and/or a negative value of production for IRAP generated from value adjustments of receivables from customers and goodwill pursuant to Law no. 214/201, the deferred tax assets recognised in the financial statements are converted into a tax credit. The transformation starts from the date of filing of the tax return in which the tax loss is recognised or from the date of filing of the IRAP return in which the negative net production value is realised, respectively.

11.5 Changes in deferred taxes (through the income statement)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**10**	**30**
2. INCREASES	**-**	**-**
2.1 Deferred taxes recorded in the year	-	-
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**1**	**20**
3.1 Deferred taxes cancelled in the year	1	19
a) reversals	1	19
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	1
4. CLOSING AMOUNT	**9**	**10**

11.6 Changes in advance taxes (through Equity)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**13**	**6**
2. INCREASES	**125**	**8**
2.1 Deferred taxes recorded in the year	124	8
a) relating to previous years	7	-
b) due to changed accounting criteria	-	-
c) other	117	8
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	-	-
3. DECREASES	**3**	**1**
3.1 Advance taxes cancelled in the year	3	1
a) reversals	3	1
b) writedowns for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**135**	**13**

Deferred taxes recorded in the year for EUR 124 million refer mainly to writedowns of financial assets designated at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets designated at fair value through other comprehensive income.

Reversals of deferred taxes for EUR 3 million refer mainly to the adjustment of the actual gain and losses reserve of the severance indemnity provision recognised as per IAS 19.

11.7 Changes in deferred taxes (through Equity)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**39**	**43**
2. INCREASES	**-**	**8**
2.1 Deferred taxes recorded in the year	-	8
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	-	8
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**32**	**12**
3.1 Deferred taxes cancelled in the year	32	12
a) reversals	32	12
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**7**	**39**

Reversals related to deferred taxes recorded in the year for EUR 32 million refer mainly to adjustments of previous positive valuations of financial assets at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets designated at fair value through other comprehensive income.

11.8 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	Other	Total 31/12/2022
Current tax liabilities	(27)	(39)	(3)	(69)
Advances paid/tax credits	77	31	2	110
Withholding taxes incurred	4	-	-	4
Other tax credits	-	4	-	4
Tax credits under Law no. 214/2011	34	3	10	47
Debt balance of item 60 a) of liabilities	(7)	(10)	(3)	(20)
Credit balance of item 110 a) of assets	95	9	12	116
Tax credits that cannot be offset: capital portion	13	1	-	14
Tax credits that cannot be offset: interest portion	1	-	-	1
Credit balance of item 110 a) of assets	**109**	**10**	**12**	**131**

Information on the deferred tax assets probability test

According to paragraph 5 of IAS 12, deferred tax assets are defined as the amount of income taxes for the year that may be recovered in future years with regard to the following scenarios:

- deductible temporary differences;
- carry-over of unused tax losses (and also of ACE);
- carry-over of unused tax credits.

With particular reference to "temporary differences", these are defined as differences that are formed transiently between the book value of assets (liabilities) and their tax value. These are defined as "deductible" when they generate amounts that can be deducted in determining future taxable income in connection with the realisation of assets (settlement of liabilities).

In the presence of a deductible temporary difference, paragraph 24 of IAS 12 provides for the recognition in the financial statements of a deferred tax asset - equal to the product of the deductible temporary difference and the expected tax rate in the year in which it will be paid - only if and to the extent that it is probable that there will be future taxable income against which the deductible temporary differences can be used (known as probability test). In fact, the economic benefit of reducing future tax payments is only achievable if the taxable income is a large amount (IAS 12, para. 27).

Having said this, the Group has deferred tax assets (DTA) of EUR 652 million in its balance sheet, of which 517 million recognised as a contra-entry to the income statement. Of these, EUR 376 million fall within the scope of Law no. 214/2011 and, therefore, for that already described, are considered "qualified" DTA (and therefore of certain recoverability).

With regard to the remaining portion of DTAs that cannot be converted into tax credits recognised as a contra-entry to the income statement, amounting to EUR 141 million, there are no critical elements based on the evidence resulting from the probability test.

Section 12 - Non-current assets and groups of assets held for disposal and associated liabilities - Item 120 of assets and item 70 of liabilities

12.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

	Total 31/12/2022	Total 31/12/2021
B. ASSETS HELD FOR SALE		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	1	3
of which: obtained through the enforcement of guarantees received	-	1
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**1**	**3**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	1
of which measured at fair value level 3	1	2
B. DISCONTINUED OPERATIONS		
B.1 Financial assets designated at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets designated at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**

	Total 31/12/2022	Total 31/12/2021
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

12.2 Other information

At the end of the reporting period there is no significant additional information.

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

	Total 31/12/2022	Total 31/12/2021
Tax receivables from tax authorities and other tax bodies	1,437	624
Cheques to be settled at the Clearing House or with Associates	4	5
Transit accounts - other	17	15
Accounts to be processed	327	178
Adjustments for illiquid items in the portfolio	29	32
Other debtors for security transactions	1	-
Customers and revenues to be collected	74	82
Prepayments and accrued income not capitalised	46	39
Improvement and enhancement expenses on non-separable third-party assets	25	23
Advances to suppliers	19	18
Intrinsic value of securities transactions and exchanges to be settled	-	-
Other lenders	216	164
Total	**2,195**	**1,180**

At the end of the reporting period, the Group did not present any significant amounts in relation to activities deriving from contracts with customers in accordance with IFRS 15 section 116, letter a.

The item "Tax receivables from tax authorities and other tax bodies" as at 31 December 2022 includes tax credits, recorded pursuant to Law no. 77 of 17 July 2020 "Tax Bonus", for a value of approximately EUR 1,411 million.

Liabilities

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

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022				Total 31/12/2021			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**15,350**	**X**	**X**	**X**	**15,948**	**X**	**X**	**X**
2. DUE TO BANKS	**1,041**	**X**	**X**	**X**	**663**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	412	X	X	X	467	X	X	X
2.2 Fixed-term deposits	49	X	X	X	83	X	X	X
2.3 Loans	555	X	X	X	92	X	X	X
2.3.1 Repos payables	476	X	X	X	10	X	X	X
2.3.2 Others	79	X	X	X	82	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	13	X	X	X	7	X	X	X
2.5 Payables for leases	11	X	X	X	12	X	X	X
2.6 Other payables	1	X	X	X	2	X	X	X
Total	**16,391**	**-**	**-**	**16,391**	**16,611**	**-**	**-**	**16,611**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The item "1. DUE TO CENTRAL BANKS" mainly consists of funding transactions with the ECB, characterised by different maturities and with rates applied to the individual credit lines equal to those established by the ECB. For detailed information on TLTRO III loan transactions, please refer to Part A, Section 5 - Other Aspects of these Explanatory Notes.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022				Total 31/12/2021			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	60,310	X	X	X	58,289	X	X	X
2. Fixed-term deposits	1,575	X	X	X	2,070	X	X	X
3. Loans	1,480	X	X	X	271	X	X	X
3.1 Repos payables	1,292	X	X	X	92	X	X	X
3.2 Other	188	X	X	X	179	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	109	X	X	X	105	X	X	X
6. Other payables	640	X	X	X	653	X	X	X
Total	**64,114**	**-**	**-**	**64,114**	**61,388**	**-**	**-**	**61,388**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "6. Other payables" mainly includes credit card and cheque debts.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes. Specifically, sub-item "3.1 Loans - Repos payable" outlines an increase following the change in refinancing policy, as outlined by the 2022-2025 strategic plan, given the gradual decrease in TLTRO transactions maturing in 2024.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2022				Total 31/12/2021			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. Bonds	764	-	761	-	1,165	-	1,161	6
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	764	-	761	-	1,165	-	1,161	6
2. other securities	2,319	-	-	2,319	2,570	-	-	2,570
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	2,319	-	-	2,319	2,570	-	-	2,570
Total	**3,083**	**-**	**761**	**2,319**	**3,735**	**-**	**1,161**	**2,576**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes issued securities measured at amortised cost. Securities that at the end of the reporting period are expired but still not repaid are included. The portion of own issue debt securities not yet placed with third parties is excluded.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The sub-item "A.2.2 Securities - other" mainly comprises certificates of deposit.

The sub-item "A.1.2 Bonds - other" contains, during the year, the entry of new securities issued to comply with the minimum requirement of eligible liabilities (MREL[24]), for a value at the end of the reporting period equal to around EUR 203 million. The reduction to the sub-item, on the other hand, is mainly due to fixed-rate bonds repaid on maturity.

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

1.4 Details of subordinated debts/securities

	31/12/2022	31/12/2021
a) Due to banks	-	-
b) Due to customers	-	-
c) Outstanding debt securities	13	16
Total	**13**	**16**

A subordinated nature characterises the payables/securities whose right to reimbursement, in the event of liquidation of the issuing entity or if it is subject to other bankruptcy proceedings, can be exercised by the creditor only after other creditors who are not equally subordinated. Equity instruments which, according to international accounting standards, have equity characteristics, are excluded.

At the end of the reporting period, there are subordinated relationships with customers of approximately EUR 13 million, which are included in regulatory capital as Tier 2 instruments (Tier 2 capital - T2).

1.5 Details of structured debts

At the end of the reporting period there are no structured debts.

1.6 Payables for leases

Financial lease liabilities

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2022
OPENING BALANCES	**89**	**1**	**3**	**-**	**18**	**-**	**3**	**3**	**-**	**117**
New contracts	25	2	-	-	3	-	1	-	-	31
Repayments	(19)	(1)	-	-	(3)	-	(3)	-	-	(26)
Other non-monetary movements*	1	-	-	-	-	-	-	-	-	1
Terminated contracts for modification/revaluation	(3)	-	-	-	-	-	-	-	-	(3)
CLOSING BALANCES	**93**	**2**	**3**	**-**	**18**	**-**	**1**	**3**	**-**	**120**

*includes increments for indexing

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2022
Within 12 months	22	1	-	-	2	-	-	-	-	25
Between 1-5 years	56	1	-	-	6	-	1	2	-	66
Beyond 5 years	15	-	3	-	10	-	-	1	-	29
TOTAL LEASE LIABILITIES	**93**	**2**	**3**	**-**	**18**	**-**	**1**	**3**	**-**	**120**

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	7	-	X	X	-	3	-	X
1.1 Trading	X	-	7	-	X	X	-	3	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**7**	**-**	**X**	**X**	**-**	**3**	**-**	**X**
Total (A+B)	**X**	**-**	**7**	**-**	**X**	**X**	**-**	**3**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

2.2 Details of 'Financial liabilities held for trading': subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of 'Financial liabilities held for trading': structured debts

At the end of the reporting period, there are no financial liabilities held for trading related to structured debts.

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

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	1	-	1	-	1	1	-	1	-	1
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	1	-	1	-	X	1	-	1	-	X
Total	1	-	1	-	1	1	-	1	-	1

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

This item includes the financial liabilities for which the so-called Fair Value Option has been exercised. In this regard, it should be noted that the aforementioned Fair Value Option was exercised mainly in relation to debt instruments containing an implicit derivative for which it was considered that the fair value measurement of the entire instrument was less costly than the separate measurement and presentation in the financial statements of the main instrument and derivative.

The illustration of the criteria to determine the fair value is reported in Part A - Accounting policies.

3.2 Details of 'Financial liabilities designated at fair value': subordinated liabilities

At the end of the reporting period, there are no subordinated liabilities measured at fair value.

Section 4 - Hedging derivatives - Item 40

This item features the derivative contracts designated as effective hedging instruments, which at the end of the reporting period have a negative fair value.

With regard to hedging transactions, the Group made use of the right to continue to apply the existing requirements of IAS 39 for accounting purposes as required by IFRS 9 until the IASB has completed its project to define the accounting rules for hedging financial instruments.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

4.1 Hedging derivatives: breakdown by type of coverage and hierarchy levels

	Fair Value 31/12/22			NV 31/12/2022	Fair Value 31/12/21			NV 31/12/2021
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES	**-**	**1**	**-**	**54**	**-**	**29**	**-**	**486**
1) Fair value	-	1	-	54	-	29	-	486
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1**	**-**	**54**	**-**	**29**	**-**	**486**

KEY:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

TRANSACTIONS / TYPE OF HEDGE	Fair value							Cash flows		Foreign Investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro	
	debt securities and interest rates	equities and stock market indices	currencies and gold	loans	commodities	other				
1. Financial assets designated at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	1	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Exposure to derivatives mainly refers to interest rate risk hedges.

Section 5 - Adjustment of the financial liabilities subject to macro-hedging - Item 50

5.1 Value adjustment of hedged financial liabilities

At the end of the reporting period, there are no financial liabilities subject to macro-hedging.

Section 6 – Tax liabilities – Item 60

For information on tax liabilities reference is made to Section 11 of the Assets.

Section 7 - Liabilities associated with assets held for disposal - Item 70

For information on liabilities associated with assets held for disposal, reference is made to Section 12 of the Assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Tax payables to tax authorities and other tax bodies for indirect taxes	257	255
Temporary items Centralised Treasury management	2	4
Wire transfers to be settled	5	1
Housing contributions - General Governments	2	1
Due to suppliers and expenses to be settled	180	159
Collection on behalf of third parties and amounts available to customers or third parties	96	84
Payables for guarantees given and commitments	-	-
Due to employees	84	74
Due to social security institutions and external post-employment benefits	54	46
Other work in progress	499	292
Accrued expenses and deferred income not attributable to own items	19	19
Intrinsic value of securities transactions and exchanges to be settled	-	-
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	221	819
Debit items in transit	1	1
Advances received from third parties for property disposals to be completed	1	-
Payables for educational, cultural, charitable and social purposes	-	-
Sundry creditors - other	108	121
Total	**1,529**	**1,876**

At the end of the reporting period, the Group did not present any significant amounts in relation to liabilities arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128.

Section 9 - Provision for severance indemnity - Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2022	Total 31/12/2021
A. OPENING BALANCES	**118**	**130**
B. INCREASES	**5**	**4**
B.1 Allocation for the year	4	4
B.2 Other changes	1	-
C. DECREASES	**28**	**16**
C.1 Payments made	11	13
C.2 Other changes	17	3
D. CLOSING BALANCES	**95**	**118**
Total	**95**	**118**

At the end of the reporting period, the Group recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation – DBO).

The amount of the "Interest Cost" is included in the income statement in table "10.1 Personnel costs".

The actuarial loss was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that under Law no. 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary post-employment benefits referred to in Law Decree no. 252/2005 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Provision for severance indemnity: other information

ITEMS	Total 31/12/2022	Total 31/12/2021
CHANGES IN THE YEAR	**(13)**	**(13)**
- Service cost related to current employment benefits	1	1
- Interest expense on the defined benefit obligation	1	-
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	-	-
- Transfers	(4)	(1)
- Decreases	(11)	(13)
ACTUARIAL (PROFITS) LOSSES RECOGNISED IN VALUATION RESERVES (OCI)	**(10)**	**1**
Description of the main assumptions		
- Discount rate	3.77%	0.98%
- Expected inflation rate	2.50%	1.75%

Description of the main actuarial assumptions for the valuation of severance indemnity

The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of sections 83 of IAS 19, with reference to the IBoxx EUR Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 3.77%;
- annual rate of increase in provision for severance indemnity: 3.38%;
- annual inflation rate: 2.50%.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon meeting the AGO requirements as per Law Decree no. 4/2019.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	Total 31/12/2022	Total 31/12/2021
1. Provision for credit risk relative to commitments and financial guarantees given	141	137
2. Provision for other commitments and guarantees given	-	-
3. Post-employment benefits	-	-
4. Other provisions for risks and charges	231	218
4.1 Legal and tax disputes	38	39
4.2 Personnel expenses	97	81
4.3 other	96	98
Total	**372**	**355**

The item "1. Provision for credit risk relative to commitments and financial guarantees given" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

For details concerning the item "4. Other provisions for risks and charges", please refer to table "10.6 Provisions for risks and charges - other provisions".

10.2 Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees given	Post-employment benefits	Other provisions for risks and charges	Total
A. OPENING BALANCES	**-**	**-**	**218**	**218**
B. INCREASES	**-**	**-**	**115**	**115**
B.1 Allocation for the year	-	-	101	101
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	14	14
C. DECREASES	**-**	**-**	**102**	**102**
C.1 Use for the year	-	-	81	81
C.2 Changes due to modifications in the discount rate	-	-	1	1
C.3 Other changes	-	-	20	20
D. CLOSING BALANCES	**-**	**-**	**231**	**231**

The table above shows the annual changes in the provisions for risks and charges with the exception of those in the item "provision for credit risk relative to commitments and financial guarantees given", which are shown in Table A.1.4 of Part E.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
Commitments to disburse funds	56	28	20	-	104
Financial guarantees given	2	-	35	-	37
Total	**58**	**28**	**55**	**-**	**141**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9, including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees given

The Cassa Centrale Group has no provision for other commitments and guarantees given.

10.5 Defined benefit company pension funds

The Cassa Centrale Group does not have defined benefit pension funds.

10.6 Provisions for risks and charges - other provisions

ITEMS	Total 31/12/2022	Total 31/12/2021
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	1	1
2. Provision for charity	40	37
3. Personnel risks and expenses	97	81
4. Legal and tax disputes	38	39
5. Other provisions for risks and charges	55	60
Total	**231**	**218**

Other provisions are divided into:

- legal and tax disputes: the provision is essentially set up to deal with expected outlays on lawsuits, bankruptcy revocations and tax disputes, in accordance with IAS 37;
- personnel expenses: the provision includes charges for employee seniority bonuses, determined on the basis of actuarial valuations, provisions for bonuses and others.

Development of significant legal disputes

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

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

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three lawsuits, which were joined in a single proceeding, were settled with a judgement published on 26 November 2021.

The Court of Genoa rejected the claims for damages brought by Malacalza Investimenti S.r.l., Vittorio Malacalza and the other 42 shareholders and determined the validity of the resolution because (i) there was no violation of the principle of accounting parity, (ii) the exclusion of the shareholders' option right took place in the presence of a significant corporate interest, and (iii) the issue price of the new shares was determined in accordance with the criteria set out in the company's regulations.

The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined. The proceeding is under discussion.

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

Section 11 – Technical provisions – Item 110

The Section does not contain information and therefore was not filled in.

Section 12 – Repayable shares – Item 130

12.1 Repayable shares: breakdown

The Group does not present any such cases.

Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Capital" and "Own shares": breakdown

As described in Part A - Accounting Policies, Section 3 - Scope and methods of consolidation, in application of Law no. 145 of 30 December 2018 (so-called Budget Law 2019) the Parent Company Cassa Centrale Banca and the Affiliated Banks under the Cohesion Contract constitute a single consolidating entity.

In the composition of the Group's equity, the share capital is consequently made up of the Parent Company's share capital and the share capital of the Affiliated Banks.

The share capital of the Parent Company, equal to EUR 952,031,808, comprises 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

At the end of the reporting period, the capital of the Affiliated Banks belonging to the Cassa Centrale Group amounted to approximately EUR 319 million. The share capital of the Affiliated Banks is, according to their Articles of Association, variable, and consists of shares that can be issued, in principle, without limit.

As at 31 December 2022, the own shares in circulation amounted to approximately EUR 867 million and are mainly attributable to the shares of Cassa Centrale Banca held by the Affiliated Banks belonging to the Group.

13.2 Capital - Number of Parent Company shares: annual changes

ITEMS/TYPES	Ordinary	Other
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. NUMBER OF SHARES OUTSTANDING: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

13.3 Capital: other information

For information on capital, please refer to 13.1 "Capital" and "Own shares": breakdown.

13.4 Profit reserves: other information

Group reserves amount to EUR 6,399 million and include the legal reserve (inclusive of any portions relating to the tax realignment pursuant to Art. 110 of Law Decree no. 104/2020), the statutory reserve, the FTA reserves and other reserves. The valuation reserves, negative for EUR 231 million, refer mainly to:

- valuation reserves of assets measured at fair value through other comprehensive income;
- reserves for cash flow hedging that include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains/losses relate to the valuation of severance indemnity.

13.5 Equity instruments: breakdown and annual changes

At the end of the reporting period, equity instruments amounted to EUR 1 million. During the year, around 5 million in equity instruments were repaid.

13.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Section 14 -Minority interests - Item 190

14.1 Details on item 210 'Minority interests'

At 31 December 2022, minority interests contained no significant balances.

14.2 Equity instruments: breakdown and annual changes

The Section does not contain information and therefore was not filled in.

Other information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO DISBURSE FUNDS	**12,037**	**699**	**102**	**-**	**12,838**	**13,133**
a) Central Banks	-	-	-	-	-	-
b) General Governments	247	10	-	-	257	299
c) Banks	685	36	-	-	721	809
d) Other financial corporations	143	25	-	-	168	150
e) Non-financial corporations	9,038	555	88	-	9,681	9,719
f) Households	1,924	73	14	-	2,011	2,156
2. FINANCIAL GUARANTEES GIVEN	**1,320**	**108**	**45**	**-**	**1,473**	**1,430**
a) Central Banks	-	-	-	-	-	-
b) General Governments	5	-	-	-	5	6
c) Banks	29	1	-	-	30	42
d) Other financial corporations	32	-	1	-	33	31
e) Non-financial corporations	923	96	39	-	1,058	1,005
f) Households	331	11	5	-	347	346

This table shows the commitments to disburse funds and the financial guarantees given which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees given that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees given that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

2. Other commitments and guarantees given

	Nominal value	Nominal value
	Total 31/12/2022	Total 31/12/2021
1. Other guarantees given	**237**	**232**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	237	232
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-
2. Other commitments	**-**	**-**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees given which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2022	Amount 31/12/2021
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets designated at fair value through other comprehensive income	2,042	2,069
3. Financial assets measured at amortised cost	19,721	17,527
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

4. Breakdown of investments relating to unit-linked and index-linked policies

The Group did not make any investments relating to unit-linked and index-linked policies.

5. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	
a) purchases	85
1. settled	85
2. not settled	-
b) sales	141
1. settled	141
2. not settled	-
2. PORTFOLIO MANAGEMENT	
a) individual	9,890
b) collective	6,734
3. CUSTODY AND ADMINISTRATION OF SECURITIES	
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	59,623
1. securities issued by consolidated companies	765
2. other securities	58,858
c) third-party securities deposited with third parties	58,909
d) own securities deposited with third parties	38,998
4. OTHER TRANSACTIONS	**13,254**

6. Financial assets which are offset or subject to framework netting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	132	-	132	25	107	-	6
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**132**	**-**	**132**	**25**	**107**	**-**	**X**
Total 31/12/2021	**10**	**-**	**10**	**1**	**15**	**X**	**6**

7. Financial liabilities which are offset or subject to framework netting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	9	-	9	2	2	5	(9)
2. Repos	476	-	476	471	5	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 31/12/2022	**485**	**-**	**485**	**473**	**7**	**5**	**X**
Total 31/12/2021	**39**	**-**	**39**	**10**	**38**	**X**	**(9)**

Pursuant to IFRS 7, amended in 2013, specific information must be provided about financial instruments that have been offset or that could potentially be offset (if the conditions indicated in section 42 of IAS 32 are met) but are presented in the balance sheet without offsetting because they are governed by "framework netting agreements or similar" that do not meet all the criteria set out in IAS 32, section 42.

In this regard, the Group adopts bilateral netting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company. These agreements are qualified by Regulation (EU) no. 575/2013 as part of other bilateral netting agreements.

Column F of Tables 6 and 7 indicates the credit/debt exposure to the counterparty, which at 31/12/2022 is reduced.

8. Securities lending transactions

The Group has not carried out securities lending transactions.

9. Information on joint operations

For the Group this scenario was not relevant.

PART C - Information on the consolidated income statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
1. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**1**	**4**	**-**	**5**	**4**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	1	4	-	5	4
2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**170**	**-**	**X**	**170**	**41**
3. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**683**	**1,237**	**-**	**1,920**	**1,318**
3.1 Loans to banks	13	10	X	23	15
3.2 Loans to customers	670	1,227	X	1,897	1,303
4. HEDGING DERIVATIVES	**X**	**X**	**(3)**	**(3)**	**-**
5. OTHER ASSETS	**X**	**X**	**35**	**35**	**6**
6. FINANCIAL LIABILITIES	**X**	**X**	**X**	**30**	**165**
Total	**854**	**1,241**	**32**	**2,157**	**1,534**
of which: interest income on impaired financial assets	-	49	-	49	48
of which: interest income on financial leases	X	20	X	20	16

The increase in item 3.2 "Financial assets measured at amortised cost - Loans to customers" is, on one hand, considerably linked to the contribution of inflation-linked debt securities and, on the other, to the combined effect of the increase in loans to customers for loans at amortised cost as well as the generalised increase in returns of variable rate financial instruments. These factors made it possible, on the whole, to record an increase in interest income compared to the previous year for around EUR 555 million.

Items “2. Financial assets designated at fair value through other comprehensive income” and “3. Financial assets measured at amortised cost” include interest income for a total value of around EUR 550 million, attributable to investments in inflation-linked government securities established by BTP ITALIA for a total exposure of approximately EUR 5.7 billion. The securities in question guarantee the investor a return linked to Italian inflation, which provides protection against an increase in the price level: both the principal and the coupons paid on a six-monthly basis are, in fact, revalued on the basis of Italian inflation measured by ISTAT through the Consumer price index households of manual workers and employees (so-called “FOI”), generally used to quantify the monetary revaluations of the securities. Inflation index parameters were mainly activated during 2022, providing a significant additional contribution to the interest margin compared to the base yield of the issues.

Item “5. Other assets” includes revenues from the purchase of tax credits.

Item “6. Financial liabilities” comprises interest income accrued on funding transactions which at 31 December 2022, to a residual extent, were still characterised by negative returns. For detailed information on TLTRO III loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects of these Explanatory Notes.

The line “of which: interest income from impaired financial assets” shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates exclusively to loans to customers. Interest income also includes interest from securities used in repo transactions.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets in foreign currency

ITEMS	Total 31/12/2022	Total 31/12/2021
Interest income from financial assets in foreign currency	2	1

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**(267)**	**(33)**	**X**	**(300)**	**(121)**
1.1 Due to central banks	(164)	X	X	(164)	-
1.2 Due to banks	(8)	X	X	(8)	(3)
1.3 Due to customers	(95)	X	X	(95)	(74)
1.4 Debt securities in issue	X	(33)	X	(33)	(44)
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**
4. OTHER LIABILITIES AND PROVISIONS	**X**	**X**	**-**	**-**	**-**
5. HEDGING DERIVATIVES	**X**	**X**	**-**	**-**	**(7)**
6. FINANCIAL ASSETS	**X**	**X**	**X**	**(12)**	**(21)**
Total	**(267)**	**(33)**	**-**	**(312)**	**(149)**
of which: interest expense on payables for leases	(2)	X	X	(2)	-

Items “1.2 Due to banks” and “1.3 Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

The increase in the item “Due to central banks” reflects the increase in yields applied to several TLTRO III loan transactions, communicated by the European Central Bank in 2022. For detailed information on these loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects of these Explanatory Notes.

1.4 Interest expenses and similar charges paid: other information

1.4.1 Interest expenses from liabilities in foreign currency

In 2022, approximately EUR 1 million in interest expenses from liabilities in foreign currency was recorded.

1.5 Differentials relative to hedging transactions

ITEMS	Total 31/12/2022	Total 31/12/2021
A. Positive differentials relating to hedging transactions	1	-
B. Negative differentials relating to hedging transactions	(4)	(7)
C. Balance (A-B)	**(3)**	**(7)**

Section 2 – Fees and Commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	128	127
1. Placement of securities	-	-
1.1 With direct underwriting and/or on a firm commitment basis	-	-
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	19	15
2.1 Order receipt and transmission of one or more financial instruments	19	15
2.2. Execution of orders on behalf of customers	-	-
3. Other fees and commissions connected with activities related to financial instruments	109	112
of which: dealing for own account	-	-
of which: individual portfolio management	73	72
b) Corporate Finance	1	1
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees and commissions related to corporate finance services	1	1
c) Investment advisory activities	1	1
d) Offsetting and settlement	-	-
e) Collective portfolio management	65	59
f) Custody and administration	4	5
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	4	5

TYPE OF SERVICES/VALUES	Total 31/12/2022	Total 31/12/2021
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	-
I) Payment services	387	351
1. Current accounts	140	132
2. Credit cards	24	20
3. Debit and other payment cards	67	60
4. Bank transfers and other payment orders	47	42
5. Other fees and commissions related to payment services	109	97
j) Distribution of third party services	111	97
1. Collective portfolio management	-	-
2. Insurance products	101	87
3. Other products	10	10
of which: individual portfolio management	-	1
k) Structured finance	-	1
l) Servicing activities for securitisation operations	-	-
m) Commitments to issue funds	-	-
n) Financial guarantees given	16	16
of which: credit derivatives	-	-
o) Financing transactions	117	117
of which: for factoring operations	-	-
p) Foreign currency trading	1	1
q) Commodities	-	-
r) Other fees and commissions income	40	42
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**871**	**818**

At the end of the reporting period, the Group does not have significant amounts of fees and commissions income (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss in accordance with IFRS 7, paragraph 20, letter c(i).

It should also be noted that the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15, paragraph 116 b)).

2.1bis Fees and commissions income: type and timing of recognition

TYPE OF SERVICES	31/12/2022			31/12/2021		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) Financial instruments	121	7	**128**	116	11	**127**
b) Corporate Finance	1	-	**1**	1	-	**1**
c) Investment advisory activities	1	-	**1**	1	-	**1**
d) Offsetting and settlement	-	-	**-**	-	-	**-**
e) Collective portfolio management	65	-	**65**	59	-	**59**
f) Custody and administration	3	1	**4**	4	1	**5**
g) Central administrative services for collective portfolio management	-	-	**-**	-	-	**-**
h) Trust business	-	-	**-**	-	-	**-**
I) Payment services	304	83	**387**	287	64	**351**
l) Distribution of third-party services	85	26	**111**	60	37	**97**
m) Structured finance	-	-	**-**	1	-	**1**
n) Servicing activities for securitisation operations	-	-	**-**	-	-	**-**
o) Commitments to disburse funds	-	-	**-**	-	-	**-**
p) Financial guarantees given	9	7	**16**	8	8	**16**
q) Financing transactions	65	52	**117**	67	50	**117**
r) Foreign currency trading	1	-	**1**	1	-	**1**
s) Commodities	-	-	**-**	-	-	**-**
t) Other fees and commissions income	27	13	**40**	27	15	**42**
Total	**682**	**189**	**871**	**632**	**186**	**818**

2.2 Fees and commissions expenses: breakdown

SERVICES/VALUES	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	(12)	(13)
of which: trading of financial instruments	(1)	(2)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(10)	(11)
- Own	(10)	(11)
- Delegated to third parties	-	-
b) Offsetting and settlement	-	-
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(16)	(15)
e) Collection and payment services	(66)	(53)
of which: credit cards, debit cards and other payment cards	(60)	(48)
f) Servicing activities for securitisation operations	(2)	(1)
g) Commitments to receive funds	-	-
h) Financial guarantees received	(1)	-
of which: credit derivatives	-	-
i) Out-of-branch offer of financial instruments, products and services	(8)	(9)
j) Foreign currency trading	-	-
k) Other fees and commissions expenses	(11)	(10)
Total	**(116)**	**(101)**

At the end of the reporting period, the Group does not have significant amounts of fees and commissions expenses (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value through profit or loss (IFRS 7, paragraph 20, letter c (i)).

Section 3 - Dividends and similar income - Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	1	-	1
C. Financial assets designated at fair value through other comprehensive income	3	-	2	-
D. Equity investments	-	-	-	-
Total	**3**	**1**	**2**	**1**

Section 4 - Net result from trading - Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Trading profits	Capital losses	Trading losses	Net result
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**2**
4. DERIVATIVE INSTRUMENTS	**9**	**-**	**(6)**	**(3)**	**6**
4.1 Financial derivatives:	9	-	(6)	(3)	6
- On debt securities and interest rates	9	-	(6)	(3)	-
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	6
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**9**	**1**	**(6)**	**(3)**	**9**

Section 5 - Net profit (loss) on hedge accounting - Item 90

5.1 Net profit (loss) on hedge accounting: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2022	Total 31/12/2021
A. INCOME RELATED TO:		
A.1 Fair value hedging derivatives	130	29
A.2 Hedged financial assets (fair value)	4	4
A.3 Hedged financial liabilities (fair value)	1	1
A.4 Cash flow hedge derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging (A)	**135**	**34**
B. EXPENSES RELATED TO:		
B.1 Fair value hedging derivatives	(1)	(1)
B.2 Hedged financial assets (fair value)	(133)	(34)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	2
B.5 Foreign currency assets and liabilities	-	-
Total expenses from hedging (B)	**(134)**	**(33)**
C. NET RESULT FROM HEDGING (A - B)	**1**	**1**
of which: result of net positions hedging	-	-

The Group avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge. As a consequence, in the table above, the row "of which: result of net positions hedging" provided for those who apply IFRS 9 also for hedging, is not valued.

Section 6 - Profit/(loss) from disposal/repurchase - Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2022			Total 31/12/2021		
	Profit	Loss	Net result	Profit	Loss	Net result
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	88	(89)	(1)	214	(52)	162
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	88	(89)	(1)	214	(52)	162
2. Financial assets designated at fair value through other comprehensive income	50	(112)	(62)	41	(1)	40
2.1 Debt securities	50	(112)	(62)	41	(1)	40
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**138**	**(201)**	**(63)**	**255**	**(53)**	**202**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 - Net result of other financial assets and liabilities designated at fair value through profit or loss - Item 110

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

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS	**4**	**-**	**(4)**	**-**	**-**
1.1 Debt securities	4	-	(4)	-	-
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**4**	**-**	**(4)**	**-**	**-**

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

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS	**13**	**2**	**(44)**	**(7)**	**(36)**
1.1 Debt securities	-	-	(2)	-	(2)
1.2 Equities	-	1	(3)	(1)	(3)
1.3 UCITS units	1	1	(19)	(6)	(23)
1.4 Loans	12	-	(20)	-	(8)
2. FINANCIAL ASSETS: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**13**	**2**	**(44)**	**(7)**	**(36)**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

SECTION 8 - Net value adjustments/write-backs due to credit risk - Item 130

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

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	*Write-offs*	Other						
A. LOANS TO BANKS	**(8)**	**(2)**	**-**	**-**	**-**	**-**	**17**	**-**	**-**	**-**	**7**	**(1)**
- Loans	(6)	(1)	-	-	-	-	6	-	-	-	(1)	-
- Debt securities	(2)	(1)	-	-	-	-	11	-	-	-	8	(1)
B. LOANS TO CUSTOMERS	**(88)**	**(281)**	**(6)**	**(810)**	**-**	**-**	**95**	**231**	**582**	**-**	**(277)**	**(524)**
- Loans	(85)	(279)	(6)	(810)	-	-	93	231	582	-	(274)	(523)
- Debt securities	(3)	(2)	-	-	-	-	2	-	-	-	(3)	(1)
Total	**(96)**	**(283)**	**(6)**	**(810)**	**-**	**-**	**112**	**231**	**582**	**-**	**(270)**	**(525)**

Value adjustments, reported under the column "Stage 3 - Other", relate to analytical write-downs of loans, while those reported under the column "Stage 3 - Write offs" arise from redemption events. As requested by the Bank of Italy and given the continuing situation of uncertainty in the current macroeconomic environment (for more details, please see Part A – Accounting Policies – Section 5 – Other aspects), the Group carried out total write-downs on the financial assets that are consistent with the current and forecast developments of risk in loan portfolios. In addition, the presence of guarantees collected by the Affiliated Banks - as a guarantee of exposure - allows for additional guarantees for the recoverability of receivables. The write-backs, in the column 'stages 1 and 2', correspond to the adjustments to performing positions.

Net value adjustments relating to loans to customers, as at 31 December 2022, amounted to approximately EUR 270 million (compared to EUR 525 million in December 2021). The extent of the adjustments, albeit relevant, is less compared to the previous year; however, confirmation of the significant coverage of the loans highlights the high level of credit risk control.

For more detailed information pertaining to movements in net adjustments to loans, refer to Part E of these Explanatory Notes.

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Net value adjustments						Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
			Write-offs	Other	*Write-offs*	Other		
1. EBA-compliant moratoria loans	(2)	-	-	(2)	-	-	(4)	(6)
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	(2)	2	-	(1)	-	-	(1)	(21)
3. Other loans with COVID-19-related forbearance measures	-	(1)	-	(1)	-	-	(2)	(5)
4. Newly originated loans	-	(37)	-	(52)	-	-	(89)	(44)
Total 31/12/2022	**(4)**	**(36)**	**-**	**(56)**	**-**	**-**	**(96)**	**X**
Total 31/12/2021	**(22)**	**(20)**	**-**	**(34)**	**-**	**-**	**X**	**(76)**

8.2 Net value adjustments due to credit risk relative to financial assets designated at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	*Write-offs*	Other						
A. DEBT SECURITIES	(2)	-	-	-	-	-	-	-	-	-	(2)	-
B. LOANS	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(2)	-	-	-	-	-	-	-	-	-	(2)	-

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

The table does not contain information and therefore was not filled in.

Section 9 - Profit/loss from contractual changes without derecognitions - Item 140

9.1 Profit (loss) from contractual changes: breakdown

As at 31 December 2022, losses from contractual amendments without derecognitions of approximately EUR 1 million were recognised under this item.

The same amount was present at 31 December 2021.

Section 10 – Net premiums – Item 160

This section has not been filled in given that there are no insurance companies in the Group at the end of the reporting period.

Section 11 - Balance of other income and expenses of insurance management - Item 170

This section has not been filled in given that there are no insurance companies in the Group at the end of the reporting period.

Section 12 – Administrative expenses – Item 190

12.1 Personnel costs: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2022	Total 31/12/2021
1) Employees	**(905)**	**(863)**
a) salaries and wages	(606)	(573)
b) social security contributions	(151)	(145)
c) severance indemnity	(33)	(31)
d) pension contributions	(1)	(3)
e) provision for severance indemnity	(4)	(4)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary post-employment benefits:	(30)	(28)
- with defined contribution	(30)	(28)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
I) Other employee benefits	(80)	(79)
2) Other operating personnel	**(8)**	**(8)**
3) Directors and Auditors	**(32)**	**(30)**
4) Retired personnel	**-**	**-**
Total	**(945)**	**(901)**

12.2 Average number of employees by category

	Total 31/12/2022	Total 31/12/2021
EMPLOYEES (A+B+C)	**11,245**	**11,018**
a) executives	196	195
b) middle managers	3,030	2,893
c) remaining employees	8,019	7,930
OTHER PERSONNEL	**187**	**189**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies. In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

12.3 Defined benefit company pension funds: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Balance sheet, Section 9, paragraph "9.2 Provision for severance indemnity: other information".

12.4 Other benefits in favour of employees

ITEMS	Total 31/12/2022	Total 31/12/2021
PERSONNEL COSTS		
1. allocation of loyalty bonus	-	(1)
2. insurance	(10)	(9)
3. staff leaving incentives	(40)	(46)
4. meal vouchers	(15)	(14)
5. training courses	(3)	(3)
6. other benefits	(12)	(6)
Other benefits in favour of employees	**(80)**	**(79)**

12.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
ICT expenses	**(70)**	**(66)**
Outsourced ICT expenses	(29)	(22)
ICT expenses other than outsourced ICT expenses	(41)	(44)
Taxes and levies (other)	**(148)**	**(150)**
Expenses for professional and consulting services	**(111)**	**(93)**
Advertising and entertainment expenses	**(21)**	**(16)**
Expenses related to debt collection	**(18)**	**(19)**
Litigation expenses not covered by allocations	**-**	**-**
Expenses for real estate	**(29)**	**(23)**
Lease fees	**-**	**-**
Other administrative expenses - Other	**(285)**	**(239)**
of which: cash contributions to resolution funds and deposit guarantee systems	(73)	(54)
Total administrative expenses	**(682)**	**(606)**

At December 2022, the item "Other administrative expenses" totalled EUR 682 million, an increase of around EUR 76 million compared to December 2021, mainly attributable to the increase in costs for office operations, as a result of the inflationary dynamic recorded in the year and the increase in IT and professional expenses to support the Group's needs.

Compared to 2021, contributions to Deposit Guarantee Schemes (DGSs) and Single Resolution Funds (SRFs) also increased, for a higher value of around EUR 19 million.

The sub-item "Lease fees" includes short-term rentals (contracts with a residual useful life of less than 12 months) and rentals relating to leases of modest value (less than EUR 5 thousand) for an insignificant amount.

Section 13 - Net allocations to provisions for risks and charges - Item 200

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

ITEMS	31/12/2022			31/12/2021		
	Phase 1	Phase 2	Phase 3	Phase 1	Phase 2	Phase 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(15)	(8)	(32)	(16)	(6)	(32)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(3)	(2)	(17)	(3)	(2)	(18)
Total allocations (-)	**(18)**	**(10)**	**(49)**	**(19)**	**(8)**	**(50)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	10	7	35	11	4	26
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	3	2	15	2	2	13
Total reallocations (+)	**13**	**9**	**50**	**13**	**6**	**39**
	Net allocation			Net allocation		
Total	**(5)**	**(1)**	**1**	**(6)**	**(2)**	**(11)**

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

At 31 December 2022, as in the previous year, the item recorded no significant results.

13.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	31/12/2022			31/12/2021		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
ALLOCATIONS AND REALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES						
1. for risks on revocatory actions	(1)	-	(1)	-	-	-
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	(2)	2	-	-	1	1
4. for legal and tax disputes	(12)	8	(4)	(8)	11	3
5. for other risks and charges	(6)	4	(2)	(24)	5	(19)
Total	**(21)**	**14**	**(7)**	**(32)**	**17**	**(15)**

The decrease compared to 31 December 2021 is mainly attributable to item "5. for other risks and charges" which, in the previous year, included provisions for the cases subject to investigation and arising following the Bank of Italy inspection in 2021 aimed at checking compliance with the provisions on combating money laundering and on the transparency of banking transactions and services.

Section 14 - Net value adjustments/write-backs to tangible assets - Item 210

14.1. Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. TANGIBLE ASSETS				
1. For business use	**(103)**	**(4)**	**-**	**(107)**
- Owned	(75)	(4)	-	(79)
- Rights of use acquired through lease	(28)	-	-	(28)
2. Held for investment purposes	**(2)**	**(3)**	**-**	**(5)**
- Owned	(2)	(3)	-	(5)
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
Total	**(105)**	**(7)**	**-**	**(112)**

During the year, tangible assets classified as "assets held for sale" in accordance with IFRS 5 were measured. The result of this measurement is not significant.

Section 15 - Net value adjustments/write-backs to intangible assets - Item 220

15.1 Net value adjustments to intangible assets: breakdown

ASSETS/INCOME COMPONENT	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. INTANGIBLE ASSETS				
of which: software	(16)	-	-	(16)
A.1 Owned	**(21)**	**-**	**-**	**(21)**
- Generated internally by the company	-	-	-	-
- Other	(21)	-	-	(21)
A.2 Rights of use acquired through leases	**-**	**-**	**-**	**-**
B. ASSETS HELD FOR SALE	**X**	**-**	**-**	**-**
Total	**(21)**	**-**	**-**	**(21)**

Section 16 - Other operating income/expenses - Item 230

16.1 Other operating expenses: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Amortisation of improvements to non-separable third-party assets	(5)	(5)
Expenses for treasury contracts with General Governments	-	-
Expenses for transactions and indemnities	(2)	(2)
Non-existent items and contingencies not ascribable to own items	(6)	(5)
Bonuses and rounding down	-	-
Other operating expenses - other	(9)	(8)
Total other operating expenses	**(22)**	**(20)**

16.2 Other operating income: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Recovery of taxes	131	135
Charges to third parties for costs on deposits and current accounts	3	3
Recovery of insurance premiums	2	2
Receivable rents and payments	3	2
Recovery of other expenses	14	15
Non-existent items and contingencies not ascribable to own items	12	11
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	56	78
Total other operating income	**221**	**246**

At the end of the reporting period, the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15 para. 116 b)) and revenues recognised during the year arising from obligations fulfilled in previous years (IFRS 15 para. 116 c)).

It should be noted that the following are not of significance for the Group:

- income from sublease of assets consisting of the right of use (IFRS 16, para. 53, letter f));
- income related to variable finance lease payments not included in the measurement of the net investment in the lease (IFRS 16, para. 90 letter a), iii));
- operating lease income arising from variable payments that are not dependent on an index or rate (IFRS 16, para. 90 letter b)).

Section 17 - Profit/(loss) on equity investments - Item 250

17.1 Profit (loss) on equity investments: breakdown

INCOME COMPONENT/SECTORS	Total 31/12/2022	Total 31/12/2021
1) JOINTLY-CONTROLLED COMPANIES		
A. INCOME	**1**	**1**
1. Revaluations	1	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. EXPENSES	**(10)**	**-**
1. Write-downs	-	-
2. Impairment losses	(10)	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net result	**(9)**	**1**
2) COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE		
A. INCOME	**1**	**1**
1. Revaluations	1	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. EXPENSES	**(3)**	**(7)**
1. Write-downs	(3)	(7)
2. Impairment losses	-	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net result	**(2)**	**(6)**
Total	**(11)**	**(5)**

For the aggregate amount "1) Jointly controlled companies", item "B.2 Impairment losses contains the effects arising from the review of the value of the jointly controlled investment in Casse Rurali Raiffeisen Finanziaria S.p.A.

Section 18 - Net result of fair value measurement of tangible and intangible assets - Item 260

At 31 December 2022, the item recorded no significant results.

Within this item, at 31 December 2021, valuation losses were recorded for around EUR 1 million.

Section 19 - Value adjustments to goodwill - Item 270

19.1 Value adjustments to goodwill: breakdown

In 2022, value adjustments to goodwill were recognised for around EUR 1 million. The adjustments are only attributable to goodwill recognised in the individual financial statements.

For a description of the methods used to perform impairment tests on goodwill, see Part B – Assets, Section 10 – Intangible assets.

Section 20 - Profit (loss) from disposal of investments - Item 280

20.1 Profit (loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2022	Total 31/12/2021
A. REAL ESTATE	**(1)**	**-**
- Gains from disposal	1	1
- Losses from disposal	(2)	(1)
B. OTHER ASSETS	**-**	**-**
- Gains from disposal	-	-
- Losses from disposal	-	-
Net result	**(1)**	**-**

Section 21 - Income taxes for the year on current operating activities - Item 300

21.1 Income taxes for the year on current operating activities: breakdown

INCOME COMPONENT/SECTORS		Total 31/12/2022	Total 31/12/2021
1.	Current taxes (-)	(64)	(35)
2.	Changes in current taxes of previous years (+/-)	2	5
3.	Decrease in current taxes of the year (+)	4	17
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	45	34
4.	Change in advance taxes (+/-)	(82)	(77)
5.	Change in deferred taxes (+/-)	1	20
6.	**Income taxes for the year (-) (-1±2+3+3bis±4±5)**	**(94)**	**(36)**

21.2 Reconciliation between the theoretical tax charge and the effective tax charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (item 290 of the income statement)	656
IRES income taxes - theoretical tax charge:	(185)
Effects of decreases in taxable income on IRES	202
Effects of increases in taxable income on IRES	(43)
A. EFFECTIVE TAX CHARGE – CURRENT IRES TAX	**(26)**
Increases in deferred tax assets	6
Decreases in deferred tax assets	(81)
Increases in deferred tax liabilities	-
Decreases in deferred tax liabilities	1
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(74)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**48**
D. TOTAL ACCRUED IRES (A+B+C)	**(52)**
Theoretical tax charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(77)
Effect of decreases in value of production	50
Effect of increases in value of production	(11)
Changes in current taxes of previous years	3
E. EFFECTIVE TAX CHARGE – CURRENT IRAP TAX	**(35)**
Increases in deferred tax assets	1
Decreases in deferred tax assets	(8)
Increases in deferred tax liabilities -	**-**
Decreases in deferred tax liabilities -	-
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(7)**
G. TOTAL ACCRUED IRAP (E+F)	**(42)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**-**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**(13)**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(94)**

Section 22 - Profit/(loss) after tax from discontinued operations - Item 320

This Section does not contain information and therefore was not filled in.

Section 23 - Profit (loss) for the year of minority interests - Item 340

23.1 Details of item 340 "Profit/(loss) for the year of minority interests"

The item "Profit attributable to minority interests" as at 31 December 2022 showed a positive result of approximately EUR 2 million.

The same item, as at 31 December 2021, showed a negative result of approximately EUR 2 million.

Section 24 – Other information

There is no further information other than that already provided.

Section 25 – Earnings per share

25.1 Average number of ordinary shares with diluted capital

The information relating to this section is not reported in view of the particular characteristics of the Cassa Centrale Group.

25.2 Other information

There is no further information to be presented in relation to the above.

PART D - Comprehensive income

Analytic statement of consolidated comprehensive income

	ITEMS	31/12/2022	31/12/2021
10.	**Profit (loss) for the year**	**562**	**331**
	Other components of income without reversal to the income statement	**42**	**(5)**
20.	Equities measured at fair value through other comprehensive income:	33	(5)
	a) change in fair value	25	(15)
	b) transfers to other components of equity	8	10
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	12	(1)
80	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the income statement	(3)	1
	Other components of income with reversal to the income statement	**(316)**	**(24)**
110.	Hedging of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-

	ITEMS	31/12/2022	31/12/2021
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	1	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	1	-
	of which: result of net positions	-	-
140.	Hedging instruments (undesignated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	(468)	(35)
	a) changes in fair value	(377)	10
	b) reversal to income statement	(69)	(46)
	- credit risk adjustments	1	-
	- profit/loss on sale	(70)	(46)
	c) other changes	(22)	1
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quota of reserves from the valuation of shareholdings measured with the equity method:	1	-
	a) changes in fair value	1	-
	b) reversal to income statement	-	-
	- adjustments for impairment	-	-
	- profit/loss on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	150	11
190.	**Total other income components**	**(274)**	**(29)**
200.	**Comprehensive income (Item 10+190)**	**288**	**302**
210.	Consolidated comprehensive income pertaining to minority interests	2	(2)
220.	**Consolidated comprehensive income pertaining to the Parent Company**	**286**	**304**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Group pays particular attention to risk management and governance and operates by ensuring the constant evolution of its organisational/procedural controls and methodological solutions used for measuring and monitoring. These activities are carried out with tools aimed at effectively and efficiently supporting the correct governance of risks, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at the Parent Company by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of the Parent Company to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks and considers both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of the Parent Company, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

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

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP-ILAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

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

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

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

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

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

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

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

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

The definition of the RAF is based on an articulated and complex process, coordinated by the Parent Company. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

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

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Group is exposed, is part of the broader framework of the company's internal control system, which is addressed by the Parent Company as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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In line with the provisions issued by the Bank of Italy, the model adopted by the Group outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP-ILAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the Group's organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP-ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer for the Parent Company, who takes part in the meetings of the Board of Directors, or of the General Management within the Cooperative Credit Banks. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer/General Management, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer/General Management, in the delegated areas;
- decisions of the Chief Executive Officer/General Management and the corporate structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer/General Management is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Group is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banking groups must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the *ex ante* setting of the risk/return objectives that the Group intends to achieve. The process is directed by the Parent Company, in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Group's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Consequently, risk management is configured as a set of limits, delegations, rules, procedures, resources and first- and second-level line controls as well as operational activities through which risk management policies are implemented.

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The supervisory regulations require banking groups to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

Section 1 - Risks of the consolidated accounts

In this section, information is provided with reference to the companies included in the consolidated accounts.

Quantitative information

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

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

PORTFOLIOS/QUALITY	Bad loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	66	351	38	500	75,421	**76,376**
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	10,800	**10,800**
3. Financial assets designated at fair value	-	-	-	-	1	**1**
4. Other financial assets obligatorily measured at fair value	-	-	-	-	241	**241**
5. Financial assets held for disposal	-	-	-	-	-	**-**
Total 31/12/2022	**66**	**351**	**38**	**500**	**86,463**	**87,418**
Total 31/12/2021	**125**	**598**	**35**	**387**	**85,212**	**86,357**

With regard to forborne exposures, reference should be made to Section 2, Table A.1.5.

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

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	2,495	2,040	455	276	76,626	705	75,921	76,376
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	10,802	2	10,800	10,800
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	1	1	-	-	X	X	241	241
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2022	**2,496**	**2,041**	**455**	**276**	**87,428**	**707**	**86,963**	**87,418**
Total 31/12/2021	**2,878**	**2,120**	**758**	**297**	**85,926**	**627**	**85,599**	**86,357**

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	7
2. Hedging derivatives	-	-	125
Total 31/12/2022	**-**	**-**	**132**
Total 31/12/2021	**-**	**-**	**12**

B. Disclosure on structured entities (different from securitisation special purpose vehicles)

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

B.1 Consolidated structured entities

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

B.2 Structured entities not consolidated from an accounting viewpoint

B.2.1. Prudentially consolidated structured entities

Qualitative information

There are no prudentially consolidated structured entities different from those already consolidated for accounting purposes.

B.2.2. Other structured entities

Qualitative information

Exposures to non-consolidated structured entities are attributable mainly to collective investment undertakings (hereinafter also referred to as "UCITS"). For detailed information on exposures to UCITS, please refer to Part B - Information on the balance sheet, assets, section 2, table 2.5.

TYPE OF STRUCTURED ENTITY	Interest	Commissions	Dividends	Other income/ expenses	Total
UCITS	-	-	1	(23)	**(22)**
Special purpose vehicle	-	-	-	-	-

Section 2 - Risks of prudential consolidation

In this section, transactions with other companies, which are excluded from the prudential scope but included in the consolidation period, are not eliminated. These figures conventionally include, in proportion to the interest held, the assets and liabilities of the banking, financial and instrumental companies jointly controlled and consolidated proportionally for supervisory purposes.

1.1 CREDIT RISK

Qualitative information

1. GENERAL ASPECTS

The objectives and strategies of the Group's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Group's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, the Group is subject to the guidance and coordination role of the Parent Company Cassa Centrale Banca, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Group's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as, and especially, on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with households, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Group in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Group, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Group's particular focus on the household sector.

The micro and small businesses and the craft segment is another sector of particular importance for the Group. In this context, the Group's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Group's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Group operates.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" published by the EBA (EBA/GL/2020/07).

2. Policies for managing credit risk

2.1 Organisational factors

In carrying out its activities, the Group is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Group to credit risk (e.g. subscription of non-speculative OTC derivative contracts).

The Group Regulation on the granting of loans, approved by the Board of Directors on 24 February 2022, uniformly defines the process for granting and managing performing loans, allowing the individual affiliated banks to autonomously determine the operational units required to perform the different stages of the process. This decision, deemed necessary in view of the decentralisation that characterises the Cassa Centrale Group, aims to enhance the unique characteristics of the different banks, both in terms of their commercial approach to the region and in terms of effective risk management.

In any case, and in compliance with regulatory provisions on Internal Audits, a clear division of roles and responsibilities is established between the commercial component, the functions responsible for identifying and managing positions classifiable as NPEs, and the Control Functions, including the Risk Management Department.

The geographical distribution of the Group as at 31 December 2022 is characterised by the presence of 10 territorial branches of the Parent Company and 69 Affiliated Banks with approximately 1,474 branches located throughout Italy.

The Credit Department is the body of the Parent Company responsible for governing the entire performing loan process (granting and auditing; management and monitoring), as well as the coordination and development of loans.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Service of the Parent Company is the central body with the following functions:

- coordination of the management of the group's non-performing loan portfolio by defining, implementing and monitoring the group's NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to promptly intercept the deterioration of credit quality and ensure the correct classification of customers between performing and non-performing loans.

In light of the provisions on the internal control system (contained in Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the framework addressed by the Parent Company.

In addition to line controls, as first level activities, the functions outsourced to the Parent Company in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operational risks) is carried out by the risk control function (Risk Management Department) - outsourced to the Parent Company - which makes operational use of its internal contacts at Group Banks.

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Group with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Service of the Parent Company ensure the supervision and coordination of the operational phases of the lending process, make decisions within the scope of their powers and carry out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Regulations on the granting of loans, Group Regulations for the classification and valuation of loans, Group Regulations for monitoring and first-level controls on credit risk and Group Regulations for the management of impaired loans, which define criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- definition of precise, uniform monitoring and control of credit risk;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with associated parties, the Group has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating to the granting of loans. From this perspective, the Group is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of associated parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group Regulations for the granting of loans, the Group Regulations for the classification and valuation of loans, the Group Regulations for monitoring and first-level controls on credit risk and the Group Regulations for the management of impaired loans, specific procedures were put in place for the investigation/deliberation, credit line revision and credit risk monitoring and control phases, classification of loans and definition of recovery strategies for impaired loans. All of the above phases apply qualitative and quantitative criteria to assess the creditworthiness of the counterparty.

Opportunities for enquiry/deliberation and the review of credit lines are regulated by a deliberative process involving the various competent bodies of the Subsidiary Banks or of the Parent Company, in accordance with the levels of delegation provided for in the respective individual Regulations, adopted in line with the Group Regulation on the granting of loans. The Parent Company can intervene on the loan granting practices of individual affiliated Banks in the event that they exceed the maximum credit limits permitted for individual counterparties, set by the Parent Company on a personalised basis for each individual bank, taking into account the own funds and creditworthiness of the same. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on economic-financial data, as well as on personal knowledge of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with the investigation reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Group, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the loan granting and monitoring activities is ensured by the Risk Management Department, which is established at the Parent Company.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the management system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory.

For the purposes of determining the minimum capital requirement for credit risk, the Group adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers[25];
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).

Moreover, with reference to the internal capital adequacy assessment process (ICAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Group has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established by the Parent Company.

With reference to credit risk, stress tests are carried out as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the HTCS securities portfolio.

[25] The rating models developed are subject to annual review by the Parent Company. During the year, under the supervision of the Risk Management Department of the Parent Company, credit risk models were refined and updated. For more details see paragraph 2.3.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Finance Departments of the Group's banks carry out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[26] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR) or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions[27].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months[28];

[26] The application segments are ordinary customers, interbank segment and securities portfolio.

[27] Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

[28] The calculation of the Expected Loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.

- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 100,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Group's strategy for the management of impaired receivables.

Specific risk parameters (PD, LGD and EAD) were defined from an IFRS 9 perspective to be used for impairment calculations (stage allocation and ECL); to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[29]. It should be underlined that the Group calculates the ECL based on the allocation stage, per individual position, with reference to on-balance and off-balance sheet credit exposures.

For more details, please refer to these Explanatory Notes, Part A "Accounting policies", section 5 "Other aspects" part d) "Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context".

Loans to ordinary customers

The steps common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the creditworthiness (in terms of the customer's rating);
- the inclusion of forward-looking scenarios occurs through the application of outputs defined by appropriate "Satellite Models" to the PD Point in Time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The steps common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the type of counterparty, the geographical area in which the Group operates, and the type of guarantee, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter (an expression of the probability of "curing" a position to default as well as possible increases in exposure in the migration to worse credit states) is estimated from a set of administrative state transition matrices with an annual observation horizon. These matrices

[29] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;

- the nominal LGS parameter (complement to one of the recoveries obtained in respect of the exposure of a position classified as non-performing) is calculated as the arithmetic mean of the nominal LGS, segmented by type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs according to the type of technical macro-form and the type of counterparty. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

With reference to stage allocation, the Group made provision for the allocation of the individual on-balance and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
  - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, greater than a certain threshold differentiated according to specific drivers such as risk segment, ageing and residual maturity of the position and geographic area. A backstop of 300% is applied to this threshold in line with the guidelines issued by the ECB in the "Dear CEO" letter;
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. that have the following characteristics at the valuation date: rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment)[30].
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

[30] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

Loans between banks or to financial intermediaries

For transactions in the interbank segment, the PD parameter is provided by an external provider that is differentiated on the basis of a rating that defines the creditworthiness of the counterparty; these default probabilities are extrapolated from listed credit spreads or listed bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Group has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD Point in Time less than 0.3%. Stage 2 is defined on the basis of PD changes between origination and reporting of 200% (as the backstop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Group has allocated the individual tranches for the purchase of securities in 3 stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the stage 2, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of expected loss, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that Cassa Centrale Banca has adhered to the option introduced by Regulation (EU) no. 2395/2017 and partially supplemented by Regulation (EU) no. 873/2020, by which amendments were made to Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024:

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard ("dynamic old" A4, SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%;
- 2019 – 85%;
- 2020 – 70%;
- 2021 – 50%;
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%;
- 2021 – 100%;
- 2022 – 75%;
- 2023 – 50%;
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the COVID-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111.1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, some consolidation interventions are also planned, based, *inter alia*, on the implementation of automated and proactive processes as well as the refinement of early warning and trigger tools that have been introduced by the Group in order to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures. It should be noted that, in relation to the introduction of the new definition of default as well as to some primary contextual elements (i.e. the growing sophistication of the Banking Group, elements deriving from the COVID-19 health emergency, etc.), the Group has launched a project to estimate again all the credit models of the accounting framework (i.e. IFRS 9 and macroeconomic models) as well as management such as monitoring and acceptance (i.e. rating systems) with expected release by June 2024.

The Group has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated gradual use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

In general, with regard to the impacts of the variables and the specific cases that led to a significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Group would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Group is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to customers in the retail and small business sectors (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also “CRM”) techniques.

The Group has decided to use the following CRM tools:

- financial collateral (pledges) involving cash and a restricted list of financial instruments traded on regulated markets, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- mortgage collateral, represented by residential and non-residential mortgages;
- personal guarantees represented by sureties, given by authorities authorised to issue state commitments (e.g., SME Guarantee Fund, SACE, ISMEA) by supervised financial intermediaries.

Financial (pledges) and mortgage collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Group complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- observance of the maximum ratio between the requested credit facility and the value of the real estate pledged as collateral (loan-to-value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Group Bank's own funds) the valuation is, in any case, reviewed by an independent expert at least every 3 years.

For impaired exposures, the Group provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Group, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Group has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

For personal guarantees, the Group uses CRM techniques only for sureties protected by government guarantees as these are issued by authorised issuers (e.g., SME Guarantee Fund, SACE, ISMEA, or other authorities in the EU framework such as BEI, FEI). Moreover, they may provide access to benefits in terms of capital weighting on sureties provided by supervised financial intermediaries.

Netting agreements

The Group adopts bilateral netting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company which, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Group has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral netting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Group complies with the specific requirements set out in the regulations.

In this respect, the Group adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Group has entered into margining agreements that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to affiliates, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three categories:

- non-performing loans: credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;
- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out automatically, upon the occurrence of the binding cases provided for by the reference regulations, or by means of evaluation and deliberation processes on individual counterparties, triggered automatically or manually, upon the identification of certain early warning signs and/or triggers, defined in the Group Regulation for the Classification and Valuation of Loans. Similarly, the return to performing status of impaired exposures occurs automatically when the binding cases provided for by the reference regulations are no longer met, or through valuation and resolution processes, triggered manually by the structures responsible for managing impaired loans, in compliance with the "monitoring period" and "cure period" timeframes provided for by the reference regulations.

The Group model for the management of impaired loans involves management and coordination by the Parent Company and the direct management of the impaired loans portfolio by the individual affiliated Banks. In the context of this model, the Parent Company:

- prepares and implements the Group's NPE Strategy and related operational plan;
- defines and updates internal regulations and processes related to the classification and valuation of loans;
- defines and updates the internal regulations and processes related to the management and recovery of impaired loans.

Each affiliated bank, through its own structures, conducts the following activities:

- the development and implementation its own individual NPE Strategy and related operational plan in compliance with the objectives defined by the Parent Company;

- the classification of individual exposures;
- the definition of the most appropriate management and/or recovery strategies for the individual positions;
- the activities of determining the provisions on the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its book value at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the Group Regulations for the classification and valuation of loans.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS9.

3.2 Write-offs

The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the total adjustments, as a contra-entry to the gross value of the impaired exposure;
- for any portion exceeding the amount of the writedowns, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

3.3 Purchased or originated credit- impaired financial assets

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Group's typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of 'forborne non-performing exposures' does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes on-balance exposures and commitments to disburse funds that are forborne ('forborne exposures'), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of 'credit deterioration' (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Group agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of "credit impairment" are instead classified in the category of "forborne performing exposures" and are included among the "other performing exposures", or among the "performing past due exposures" if they meet the requirements for this classification.

As provided for in the Group Regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
    - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
    - the debtor was not reclassified as an impaired counterparty as a result of the forbearance granted;

- forborne non-performing if at least one of the following conditions occurs:
  - the debtor was classified as impaired prior to the granting of the forbearance;
  - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (so-called cure period):
  - granting of the forbearance measure on impaired credit exposures;
  - classification as impaired of the counterparty;
  - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Group;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
  - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
  - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 24 months have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the respective Group bank at the end of the probation period.

Quantitative information

A. CREDIT QUALITY

A.1. Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Prudential consolidation – Distribution of financial assets by maturity bands (book values)

PORTFOLIOS/ RISK STAGES	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	198	-	-	192	96	14	20	33	155	-	-	-
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**198**	**-**	**-**	**192**	**96**	**14**	**20**	**33**	**155**	**-**	**-**	**-**
Total 31/12/2021	**158**	**1**	**-**	**157**	**56**	**11**	**40**	**37**	**236**	**-**	**-**	**-**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total allocations

REASONS/ STAGES OF RISK	Writedowns											
	Financial assets classified in stage 1						Financial assets classified in stage 2					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets desig-nated at fair value through other compre-hensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on de-mand	Financial assets measured at amortised cost	Financial assets desig-nated at fair value through other compre-hensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**233**	**2**	**-**	**9**	**226**	**-**	**392**	**-**	**-**	**28**	**364**
Increases from financial assets acquired or originated	-	4	1	-	-	5	-	-	-	-	-	-
Derecognitions other than write-offs	-	(3)	(1)	-	-	(4)	-	(5)	-	-	(1)	(4)
Net value adjustments/write-backs due to credit risk	-	(16)	-	-	1	(17)	-	100	-	-	15	85
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	(1)	-	-	-	(1)
Other changes	-	(1)	-	-	(2)	1	-	2	-	-	(1)	3
FINAL TOTAL ADJUSTMENTS	**-**	**217**	**2**	**-**	**8**	**211**	**-**	**488**	**-**	**-**	**41**	**447**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

REASONS/ STAGES OF RISK	Writedowns										
	Financial assets classified in stage 3						Purchased or originated credit- impaired financial assets				
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**2,118**	**1**	**-**	**1,967**	**152**	**-**	**-**	**-**	**-**	**-**
Increases from financial assets acquired or originated	-	3	-	-	3	-	X	X	X	X	X
Derecognitions other than write-offs	-	(181)	-	-	(170)	(11)	-	-	-	-	-
Net value adjustments/ write-backs due to credit risk	-	268	(1)	-	268	(1)	-	-	-	-	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(164)	-	-	(160)	(4)	-	-	-	-	-
Other changes	-	(4)	-	-	38	(42)	-	-	-	-	-
FINAL TOTAL ADJUSTMENTS	**-**	**2,040**	**-**	**-**	**1,946**	**94**	**-**	**-**	**-**	**-**	**-**
Collection recoveries in relation to financial assets subject to write-offs	-	2	-	-	2	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	(4)	-	-	(4)	-	-	-	-	-	-

REASONS/STAGES OF RISK	Total allocation for commitments to disburse funds and financial guarantees given				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given purchased or originated credit impaired	
INITIAL TOTAL ADJUSTMENTS	**53**	**28**	**56**	**-**	**2,883**
Increases from financial assets acquired or originated	1	-	-	-	9
Derecognitions other than write-offs	-	-	-	-	(190)
Net value adjustments/write-backs due to credit risk (+/-)	3	-	-	-	354
Contractual changes without derecognitions	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	(1)	-	(166)
Other changes	1	-	-	-	(2)
FINAL TOTAL ADJUSTMENTS	**58**	**28**	**55**	**-**	**2,888**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	2
Write-offs recognised directly in the income statement	**-**	**-**	**-**	**-**	**(4)**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Group does not use the simplified method, as required by IFRS 9, section 5.5.15, for the valuation to cover losses.

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

PORTFOLIOS/RISK STAGES	Gross value/Nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	3,864	1,690	260	162	242	5
2. Financial assets designated at fair value through other comprehensive income	3	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	514	225	14	21	36	1
Total 31/12/2022	**4,381**	**1,915**	**274**	**183**	**278**	**6**
Total 31/12/2021	**3,478**	**2,085**	**366**	**106**	**249**	**5**

A.1.3a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

PORTFOLIOS/RISK STAGES	Gross value/nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**504**	**176**	**34**	**4**	**43**	**-**
A.1 GL-compliant forborne	-	-	-	-	-	-
A.2. subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 newly originated loans	504	176	34	4	43	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
B.1 GL-compliant forborne	-	-	-	-	-	-
B.2 subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 newly originated loans	-	-	-	-	-	-
Total 31/12/2022	**504**	**176**	**34**	**4**	**43**	**-**
Total 31/12/2021	**438**	**305**	**42**	**1**	**33**	**-**

A.1.4 Prudential consolidation - On-balance and off-balance-sheet credit exposures to banks: gross and net values

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or origi-nated credit im-paired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**152**	**99**	**53**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**152**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	152	99	53	X	-	-	-	-	X	-	152	-
A.2 OTHER	**1,620**	**1,520**	**95**	**-**	**-**	**4**	**2**	**2**	**-**	**-**	**1,616**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	1,620	1,520	95	X	-	4	2	2	X	-	1,616	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**1,772**	**1,619**	**148**	**-**	**-**	**4**	**2**	**2**	**-**	**-**	**1,768**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,142	716	37	X	-	1	1	-	X	-	1,141	-
TOTAL (B)	**1,142**	**716**	**37**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**1,141**	**-**
TOTAL (A+B)	**2,914**	**2,335**	**185**	**-**	**-**	**5**	**3**	**2**	**-**	**-**	**2,909**	**-**

* Value to be displayed for information purposes

A.1.5 Prudential consolidation - On-balance and off-balance-sheet credit exposures to customers: gross and net values

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
a) Non-performing	807	X	-	806	-	741	X	-	741	-	66	273
- of which: forborne exposures	196	X	-	196	-	181	X	-	181	-	15	50
b) Unlikely to pay	1,625	X	-	1,625	-	1,274	X	-	1,274	-	351	3
- of which: forborne exposures	932	X	-	932	-	758	X	-	758	-	174	2
c) Impaired past due exposures	64	X	-	64	-	26	X	-	26	-	38	-
- of which: forborne exposures	3	X	-	3	-	1	X	-	1	-	2	-
d) Performing past due exposures	532	201	331	X	-	32	2	30	X	-	500	-
- of which: forborne exposures	47	-	47	X	-	7	-	7	X	-	40	-
e) Other performing exposures	85,503	78,629	6,652	X	-	671	215	456	X	-	84,832	-
- of which: forborne exposures	920	5	915	X	-	100	-	100	X	-	820	-
TOTAL (A)	**88,531**	**78,830**	**6,983**	**2,495**	**-**	**2,744**	**217**	**486**	**2,041**	**-**	**85,787**	**276**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	146	X	-	146	-	55	X	-	55	-	91	-
b) Performing	13,435	12,646	768	X	-	84	56	28	X	-	13,351	-
TOTAL (B)	**13,581**	**12,646**	**768**	**146**	**-**	**139**	**56**	**28**	**55**	**-**	**13,442**	**-**
TOTAL (A+B)	**102,112**	**91,476**	**7,751**	**2,641**	**-**	**2,883**	**273**	**514**	**2,096**	**-**	**99,229**	**276**

* Value to be displayed for information purposes

A.1.5a Loans subject to COVID-19 support measures: gross and net values

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. NON-PERFORMING LOANS	**32**	**-**	**-**	**32**	**-**	**23**	**-**	**-**	**23**	**-**	**9**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	32	-	-	32	-	23	-	-	23	-	9	-
B. UNLIKELY TO PAY	**116**	**-**	**-**	**116**	**-**	**55**	**-**	**-**	**55**	**-**	**61**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	116	-	-	116	-	55	-	-	55	-	61	-
C. IMPAIRED PAST DUE LOANS	**8**	**-**	**-**	**8**	**-**	**3**	**-**	**-**	**3**	**-**	**5**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	8	-	-	8	-	3	-	-	3	-	5	-

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
D. OTHER PERFORMING PAST DUE LOANS	**38**	**8**	**30**	**-**	**-**	**3**	**-**	**3**	**-**	**-**	**35**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	38	8	30	-	-	3	-	3	-	-	35	-
E. OTHER PERFORMING LOANS	**5,815**	**4,795**	**1,020**	**-**	**-**	**66**	**18**	**48**	**-**	**-**	**5,749**	**-**
a) GL-compliant forborne	4	4	-	-	-	-	-	-	-	-	4	-
b) Subject to moratorium measures in place that are no longer GL-compliant and are not assessed as forborne	6	6	-	-	-	-	-	-	-	-	6	-
c) Other forborne loans	1	-	1	-	-	-	-	-	-	-	1	-
d) Newly originated loans	5,804	4,785	1,019	-	-	66	18	48	-	-	5,738	-
TOTAL (A+B+C+D+E)	**6,009**	**4,803**	**1,050**	**156**	**-**	**150**	**18**	**51**	**81**	**-**	**5,859**	**-**

* Value to be displayed for information purposes

The "Total partial write-offs" column has no significant values.

A.1.6 Prudential consolidation – On-balance-sheet credit exposures to banks: trend in gross impaired exposures

As at the reporting date, there were no impaired On-balance-sheet credit exposures to banks.

A.1.6bis Prudential consolidation - On-balance-sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

As at the reporting date, there were no impaired On-balance-sheet credit exposures to banks.

A.1.7 Prudential consolidation – On-balance-sheet credit exposures to customers: trend in gross impaired exposurese

DESCRIPTIONS/CATEGORIES	Non-performing	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**977**	**1,851**	**50**
- of which: exposures transferred but not derecognised	31	63	3
B. INCREASES	**297**	**503**	**66**
B.1 transfers from performing exposures	71	350	60
B.2 transfers from purchased or originated credit- impaired financial assets	-	-	-
B.3 transfers from other categories of impaired exposures	159	19	1
B.4 contractual changes without derecognitions	-	-	-
B.5 other increases	67	134	5
C. DECREASES	**467**	**729**	**52**
C.1 transfers to performing exposures	1	153	15
C.2 write-offs	145	22	-
C.3 collections	151	339	12
C.4 gains from disposal	32	15	-
C.5 losses from disposal	3	1	-
C.6 transfers to other categories of impaired exposures	2	152	25
C.7 contractual changes without derecognitions	-	1	-
C.8 other decreases	133	46	-
D. GROSS FINAL EXPOSURE	**807**	**1,625**	**64**
- of which: exposures transferred but not derecognised	13	24	2

The item "C.8 other decreases" includes the gross amount of the exposure sold exceeding the sum of the realisable value of transactions for the sale of impaired loans to third parties during the year, mainly attributable to the "NPL_9" non-performing loan sale transaction.

A.1.7bis Prudential consolidation – Cash credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**1,395**	**1,145**
- of which: exposures transferred but not derecognised	77	79
B. INCREASES	**238**	**388**
B.1 transfers from non-forborne performing exposures	40	171
B.2 transfers from forborne performing exposures	87	X
B.3 transfers from forborne impaired exposures	X	113
B.4 transfers from non-forborne impaired exposures	45	-
B.5 other increases	66	104
C. DECREASES	**502**	**566**
C.1 transfers to non-forborne performing exposures	X	294
C.2 transfers to forborne performing exposures	113	X
C.3 transfers to forborne impaired exposures	X	87
C.4 write-offs	42	-
C.5 collections	221	164
C.6 gains from disposal	29	-
C.7 losses from disposal	1	-
C.8 other decreases	96	21
D. GROSS FINAL EXPOSURE	**1,131**	**967**
- of which: exposures transferred but not derecognised	28	24

A.1.8 Prudential consolidation - Impaired cash credit exposures to banks: trend in total adjustments

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.9 Prudential consolidation - Impaired cash credit exposures to customers: trend in total adjustments

DESCRIPTIONS/CATEGORIES	Non-performing		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**852**	**214**	**1,253**	**789**	**15**	**2**
- of which: exposures transferred but not derecognised	24	7	34	18	1	-
B. INCREASES	**264**	**75**	**558**	**252**	**27**	**2**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	140	28	504	219	23	1
B.3 losses from disposal	3	-	1	1	-	-
B.4 transfers from other categories of impaired exposures	104	38	5	1	1	1
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	17	9	48	31	3	-
C. DECREASES	**375**	**108**	**537**	**283**	**16**	**3**
C.1 value write-backs from valuations	10	2	37	22	1	-
C.2 value write-backs due to collection	115	35	158	64	2	-
C.3 gains from disposal	18	8	4	2	-	-
C.4 write-offs	145	29	22	13	-	-
C.5 transfers to other categories of impaired exposures	-	-	103	39	7	1
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	87	34	213	143	6	2
D. FINAL TOTAL ADJUSTMENTS	**741**	**181**	**1,274**	**758**	**26**	**1**
- of which: exposures transferred but not derecognised	11	2	13	6	1	-

Item “C.7 Other decreases” mainly includes value adjustments related to transactions subject to derecognition during the year, mainly attributable to the “NPL_9” sale of non-performing loans.

A.2 Classification of exposures on the basis of external and internal ratings

A.2.1 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross values)

EXPOSURES	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,493**	**228**	**26,443**	**132**	**33**	**5**	**50,787**	**79,121**
- Stage 1	1,462	227	26,420	118	26	1	41,299	69,553
- Stage 2	31	1	23	14	7	4	6,993	7,073
- Stage 3	-	-	-	-	-	-	2,495	2,495
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**1,039**	**74**	**9,647**	**25**	**3**	**-**	**14**	**10,802**
- Stage 1	1,039	74	9,647	22	1	-	12	10,795
- Stage 2	-	-	-	3	2	-	2	7
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**2,532**	**302**	**36,090**	**157**	**36**	**5**	**50,801**	**89,923**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN	**87**	**1**	**35**	**233**	**1**	**-**	**13,954**	**14,311**
- Stage 1	87	1	32	203	1	-	13,033	13,357
- Stage 2	-	-	3	30	-	-	774	807
- Stage 3	-	-	-	-	-	-	147	147
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**87**	**1**	**35**	**233**	**1**	**-**	**13,954**	**14,311**
Total (A+B+C+D)	**2,619**	**303**	**36,125**	**390**	**37**	**5**	**64,755**	**104,234**

The Group adopts the assessments of the Moody’s and CRIF rating agencies on the reported portfolios, the latter with reference to exposures to companies.

Moody's	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

Crif	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Long-term rating scale – Corporate	AAA, AA	A	BBB	BB	B	CCC, CC, C, D1S, D
Long-term rating scale – SME	SME 1, SME 2		SME3	SME 4	SME 5, SME 6	SME 7, SME 8, DF

A.2.2 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross values)

At the end of the reporting period, the Group does not use internal ratings in the calculation of capital requirements.

A.3 Distribution of secured credit exposures by type of guarantee

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

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	Total (1)+(2)
1. SECURED CASH CREDIT EXPOSURES:	**224**	**223**	**-**	**-**	**222**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**223**
1.1 totally secured	224	223	-	-	222	-	-	-	-	-	-	-	-	-	1	**223**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Prudential consolidation - On-balance and off-balance sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	Total (1)+(2)
1. SECURED CASH CREDIT EXPOSURES:	**44,901**	**42,393**	**27,160**	**370**	**151**	**760**	**-**	**-**	**-**	**-**	**-**	**7,185**	**35**	**285**	**5,051**	**40,997**
1.1 totally secured	39,341	37,053	26,737	370	108	655	-	-	-	-	-	3,813	25	212	4,849	**36,769**
of which impaired	2,130	369	269	11	1	3	-	-	-	-	-	52	1	3	28	**368**
1.2 partially secured	5,560	5,340	423	-	43	105	-	-	-	-	-	3,372	10	73	202	**4,228**
of which impaired	216	65	8	-	-	1	-	-	-	-	-	46	-	1	2	**58**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**6,499**	**6,444**	**281**	**-**	**42**	**178**	**-**	**-**	**-**	**-**	**-**	**573**	**9**	**86**	**4,536**	**5,705**
2.1 totally secured	5,147	5,102	268	-	23	121	-	-	-	-	-	319	6	57	4,257	**5,051**
of which impaired	86	52	9	-	1	2	-	-	-	-	-	2	-	2	36	**52**
2.2 partially secured	1,352	1,342	13	-	19	57	-	-	-	-	-	254	3	29	279	**654**
of which impaired	10	6	-	-	-	1	-	-	-	-	-	2	-	-	2	**5**

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

	Credit exposure derecognised	Gross value	Writedowns	book value	
					of which obtained during the year
A. TANGIBLE ASSETS	**87**	**88**	**19**	**69**	**2**
A.1. For business use	10	9	3	6	1
A.2. For investment purposes	40	43	9	34	1
A.3. Inventories	37	36	7	29	-
B. EQUITIES AND DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**
C. OTHER ASSETS	**-**	**-**	**-**	**-**	**-**
D. NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**
D.1. Tangible assets	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31/12/2022	**87**	**88**	**19**	**69**	**2**
Total 31/12/2021	**84**	**91**	**12**	**79**	**4**

At the end of the reporting period, the Group does not have any assets that are not readily convertible into cash that are deemed to be significant (see IFRS 7 section 38 letter b).

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Prudential consolidation - Distribution by sector of on-balance and off-balance-sheet credit exposures to customers

EXPOSURES/COUNTERPARTIES	General Governments		Financial companies		Financial companies (of which: insurance companies)		Non-financial corporations		Households	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. CASH CREDIT EXPOSURES										
A.1 Non-performing	-	-	-	1	-	-	46	474	20	266
- of which: forborne exposures	-	-	-	-	-	-	10	116	5	65
A.2 Unlikely to pay	-	-	1	14	-	-	225	816	125	444
- of which: forborne exposures	-	-	-	3	-	-	105	487	69	268
A.3 Impaired past due exposures	-	-	-	-	-	-	14	11	24	15
- of which: forborne exposures	-	-	-	-	-	-	1	1	1	-
A.4 Performing exposures	37,647	7	1,250	48	182	-	22,040	452	24,395	196
- of which: forborne exposures	-	-	6	1	-	-	470	75	384	31
Total (A)		**7**	**1,251**	**63**	**182**	**-**	**22,325**	**1,753**	**24,564**	**921**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	1	-	-	-	78	48	12	7
B.2 Performing exposures	263	-	167	53	1	-	10,589	25	2,332	6
Total (B)	**263**	**-**	**168**	**53**	**1**	**-**	**10,667**	**73**	**2,344**	**13**
Total (A+B) 31/12/2022	**37,910**	**7**	**1,419**	**116**	**183**	**-**	**32,992**	**1,826**	**26,908**	**934**
Total (A+B) 31/12/2021	**36,008**	**6**	**1,657**	**120**	**5**	**-**	**32,191**	**1,820**	**25,771**	**925**

B.2 Prudential consolidation - Distribution by territory of on-balance and off-balance sheet credit exposures to customers

EXPOSURES/ GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	23	155	14	403	14	85	15	98
A.2 Unlikely to pay	66	182	121	840	82	108	82	144
A.3 Impaired past due exposures	5	4	12	9	6	4	15	9
A.4 Performing exposures	10,958	164	26,871	368	37,566	112	4,817	58
Total (A)	**11,052**	**505**	**27,018**	**1,620**	**37,668**	**309**	**4,929**	**309**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	15	7	49	41	17	3	10	4
B.2 Performing exposures	3,509	7	7,674	20	1,098	55	1,053	2
Total (B)	**3,524**	**14**	**7,723**	**61**	**1,115**	**58**	**1,063**	**6**
Total (A+B) 31/12/2022	**14,576**	**519**	**34,741**	**1,681**	**38,783**	**367**	**5,992**	**315**
Total (A+B) 31/12/2021	**13,981**	**534**	**33,892**	**1,665**	**37,347**	**364**	**5,829**	**304**

B.3 Prudential consolidation - Distribution by territory of on-balance and off-balance sheet credit exposures to banks

EXPOSURES/ GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	257	2	224	1	668	1	1	-
Total (A)	**257**	**2**	**224**	**1**	**668**	**1**	**1**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	376	-	337	1	345	-	-	-
Total (B)	**376**	**-**	**337**	**1**	**345**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**633**	**2**	**561**	**2**	**1,013**	**1**	**1**	**-**
Total (A+B) 31/12/2021	**709**	**11**	**4,048**	**1**	**534**	**-**	**2**	**-**

B.4 Large exposures

ITEMS	Total 31/12/2022	Total 31/12/2021
A) AMOUNT OF LARGE EXPOSURES		
a1) book value	48,558	46,574
a2) weighted value amount	774	810
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**4**	**4**

C. SECURITISATION TRANSACTIONS

Securitisation transactions are not recognised, in which banks in the same prudential consolidation are the originator and the total liabilities issued (e.g. ABS securities, loans in the warehousing phase) by the special purpose vehicles are subscribed at the time of issue by one or more companies in the same prudential consolidation.

Qualitative information

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Group's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

In 2022, no new own securitisation transactions were carried out.

However, in previous years, the Group participated, alongside other credit institutes, in multi-originator securitisation transactions involving non-performing loans arising from contracts with customers resident in Italy.

The transactions were mainly carried out with the aim of improving the quality of the assets of the originator banks in that the criteria for full derecognition of the assets in compliance with the provisions of IFRS 9 were met.

2. Third party securitisation transactions

At the end of the reporting period, the Group held about EUR 78 million in securities arising from the third party securitisation transactions described below.

The securitisation transactions reported in the following table "C.2 Prudential consolidation - Exposures arising from the main third-party securitisation transactions broken down by type of securitised assets and by exposure type" include approximately EUR 68 million arising from the multi-originator transactions, reported in the previous section on "own" securitisations, for the portion referring to the underlying assets sold by other credit institutions not belonging to the Group.

Third-party exposures other than those mentioned above consist mainly of unrated securities issued by the special purpose vehicle Lucrezia Securitisation S.r.l. as part of the Institutional Guarantee Fund interventions, broken down as follows:

- the securities "EUR 211,368,000 Asset-Backed Notes due October 2026", with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of non-performing loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 78,388,000 Asset-Backed Notes due January 2027" with ISIN code IT0005240749, were issued by the special purpose vehicle

on 27 January 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;

- the securities "EUR 32,461,000 Asset-Backed Notes due October 2027" with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included under item 40 of the Group consolidated balance sheet. Financial assets measured at amortised cost, sub-item "b) Loans to customers".

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%.

It should be noted that in relation to the above securitisation transactions, the Group does not play any role as servicer and does not hold any interest in the special purpose vehicle.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the Group must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the Group, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the Investor Group, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the Group is exposed or would be exposed.

In particular, the Group has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);
- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the Group has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;

- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the servicer, to be made available to Group banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be "*constantly aware of the composition of the portfolio of securitised exposures*" pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all banks of the Group and supplement the Investor Report produced by the Special Purpose Vehicle.

Quantitative information

C.1 Prudential consolidation - Exposures deriving from primary “own” securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**185**	**-**	**-**	**-**	**2**	**-**
IMPAIRED ASSETS	**185**	**-**	**-**	**-**	**2**	**-**
- Non-performing	185	-	-	-	2	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

At the end of the reporting period, there are also credit lines for a total of EUR 4.7 million.

Off-balance-sheet

As at 31 December 2022, the scenario was not present.

C.2 Prudential consolidation - Exposures deriving from primary “third party” securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
IMPAIRED ASSETS	**78**	**(1)**	**-**	**-**	**.**	**-**
- Non-performing	78	(1)	-	-	.	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

At the end of the reporting period, there are also credit lines in third-party securitisation transactions for a total of EUR 2.4 million.

Off-balance-sheet

As at 31 December 2022, the scenario was not present.

C.3 Prudential consolidation - Securitisation special purpose vehicles

SECURITISATION NAME/ SPV NAME	Registered office	Consolidation	ASSETS			LIABILITIES		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Buonconsiglio I - Marmarole SPV S.r.l	Trento	Not consolidated	96	-	-	50	-	49
Buonconsiglio II - Nepal S.r.l	Milan	Not consolidated	79	-	-	63	-	55
Buonconsiglio 3 S.r.l	Milan	Not consolidated	125	-	-	129	21	5
Buonconsiglio 4 S.r.l	Conegliano (TV)	Not consolidated	106	-	-	108	17	6
Lucrezia Securitisation Srl - Padovana/Irpina	Rome	Not consolidated	16	-	-	104	-	-
Lucrezia Securitisation Srl - Crediveneto	Rome	Not consolidated	10	-	-	38	-	-
Lucrezia Securitisation Srl - Castiglione	Rome	Not consolidated	3	-	-	32	-	-

C.4 Prudential consolidation - Unconsolidated securitisation special purpose vehicles

SECURITISATION NAME/ SPV NAME	Amounts at 31/12/2022							Difference between exposure to risk of loss and book value (E=D-C)
	Accounting portfolios of assets		Total assets (A)	Accounting portfolios of liabilities	Total liabilities (B)	Net book value (C=A-B)	Maximum exposure to risk of loss (D) (**)	
	AC (*)	OFV (*)						
Buonconsiglio I - Marmarole SPV S.r.l	39	1	40		-	40	40	-
Buonconsiglio II - Nepal S.r.l	59	1	60		-	60	60	-
Buonconsiglio 3 S.r.l	100	5	105		-	105	105	-
Buonconsiglio 4 S.r.l	55	2	57		-	57	57	-
Lucrezia Securitisation Srl - Padovana/Irpina	5	-	5		-	5	5	-
Lucrezia Securitisation Srl - Crediveneto	4	-	4		-	4	4	-
Lucrezia Securitisation Srl - Castiglione	1	-	1		-	1	1	-

(*) AC = assets measured at amortised cost; OFV = Financial assets mandatorily measured at fair value

(**) The maximum exposure to the risk of loss is calculated by adding off-balance sheet exposures to the net book value.

C.5 Prudential consolidation - Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

During the year, the Group did not carry out any servicer activities in own securitisation transactions in which the assets sold were derecognised from the financial statements pursuant to IFRS 9.

C.6 Prudential consolidation - Consolidated securitisation special purpose vehicles

As at 31 December 2022, the scenario was not present.

D. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS SOLD AND NOT FULLY DERECOGNISED

Qualitative information

With regard to the qualitative nature of these assets and related liabilities, reference should be made to the contents of table D.1. Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: book values.

Quantitative information

D.1. Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: book values

	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisa-tion transac-tions	of which: subject of repurchase agreements	of which impaired	Book value	of which: subject of securitisa-tion transac-tions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**18**	**-**	**18**	**-**	**18**	**-**	**18**
1. Debt securities	18	-	18	-	18	-	18
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,749**	**-**	**1,748**	**-**	**1,751**	**-**	**1,750**
1. Debt securities	1,748	-	1,748	-	1,750	-	1,750
2. Loans	1	-	-	-	1	-	-
Total 31/12/2022	**1,767**	**-**	**1,766**	**-**	**1,769**	**-**	**1,768**
Total 31/12/2021	**101**	**-**	**100**	**-**	**103**	**-**	**102**

The transactions shown above are mainly related to repos.

D.2. Prudential consolidation - Financial assets sold and partially recognised and associated financial liabilities: book values

At the end of the reporting period, the Group did not hold financial assets attributable to this scenario.

D.3. Prudential consolidation - Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Fully recognised	Partially recognised	Total	
			31/12/2022	31/12/2021
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**18**	**-**	**18**	**18**
1. Debt securities	18	-	18	18
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**1,729**	**-**	**1,729**	**83**
1. Debt securities	1,728	-	1,728	82
2. Loans	1	-	1	1
Total financial assets	**1,747**	**-**	**1,747**	**101**
Total associated financial liabilities	**1,769**	**-**	**X**	**X**
Net value 31/12/2022	**(22)**	**-**	**1,747**	**X**
Net value 31/12/2021	**(2)**	**-**	**X**	**101**

B. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED WITH RECOGNITION OF CONTINUING INVOLVEMENT

At the end of the reporting period, the Group had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED

Qualitative information

Transfer transactions to mutual investment funds with allocation of the relevant units to the assignor

During the year, no sales to mutual investment funds were carried out.

Non-performing loans assigned without recourse

During the year, the Group assigned without recourse non-performing loans for a gross value of EUR 83.2 million, of which EUR 74.4 million related to bad loans. The overall coverage of assigned loans is 84.74% (83.46% for non-performing loans only).

D. COVERED BOND TRANSACTIONS

At the end of the reporting period, the Group had no covered bond transactions.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

At the end of the reporting period, the Group does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to "2.2 Management, measurement and control systems" (Section 2 - Risks of prudential consolidation).

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Qualitative information

A. General aspects

The Finance Department plans the investment choices relating to the trading book in accordance with the guidelines shared within the Group through the periodic portfolio management strategy documents and in compliance with any amounts of investment defined by the Board of Directors.

During the year, the proprietary portfolio management strategy established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option): such operations, being balanced, do not give rise to significant risks.

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book, related to the securities component, is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR, Value at Risk). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Boards of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or limits in the internal regulations are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, on the basis of the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the regulatory trading book during the course of 2022 is reported below:

Amounts in Euro units

VaR 31/12/2022	Average VaR	Minimum VaR	Maximum VaR
-	-	-	-

As at 31 December 2022, there were no securities in the regulatory trading book, according to the strategic guidelines established by the Parent Company.

Quantitative information

1. Regulatory trading book: distribution by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	89	80	90	166	237	-	-	-
+ Short positions	20	79	89	168	306	-	-	-
- Other derivatives								
+ Long positions	9	141	70	10	24	7	4	-
+ Short positions	1	218	86	11	21	7	4	-

Currencies other than the Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	94	21	5	-	-	-	-
+ Short positions	-	18	14	4	1	-	-	-

2. Regulatory trading book: distribution of exposures in equities and stock market indices for the main countries of the listed market

At the end of the reporting period, the Group did not hold financial assets attributable to this scenario.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the trading book is supported by reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, on the basis of the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Qualitative information

A. General aspects, management processes and measurement methods for interest rate and price risk

Interest rate risk - Banking book

Primary sources of interest rate risk
The sources of the interest rate risk to which the Group is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, 'fair value' interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Group has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are applied within the framework of corporate regulations aimed at setting up monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Group, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Group has identified the Finance Departments as the structures responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Group has decided to use the calculation framework provided by the EBA guidelines (GL-2018-02) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows the quantification of the difference in fair value of financial statement items calculated according to the Discounted Cash Flow method using first a base curve (without shock) and then a shocked curve. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (value and margin); in 2022, an update was applied to the model of items on demand, estimated using Group data.

The Group determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios, as indicated in the relevant legislation, are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAS (Risk Appetite Framework) by the ratio between the internal capital thus calculated and the value of CET1. At consolidated level, the Parent Company monitors the positioning of the Group compared with the threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAS, the appropriate recovery initiatives are activated.

Price risk - Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, on the basis of the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2022 is reported below:

Amounts in Euro units

VaR 31/12/2022	Average VaR	Minimum VaR	Maximum VaR
948,348,347	792,557,340	362,618,675	1,158,095,706

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. At consolidated portfolio level the previous model did not identify any significant overruns in the reference period.

The year 2022 saw a continuation, with respect to VaR, of the quantification of issuer risk for government securities and therefore country risk, understood as VaR relating only to the risk factor "Credit Spread", expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also calculated only on the Italian Government bonds segment.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2022 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

Amounts in Euro units

Theoretical value at 31/12/22	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
36,545,217,911	+260,597,756	-255,596,335	+526,345,207	-506,331,981

Quantitative information

1. Banking book: distribution by residual duration (re-pricing date) of financial assets and liabilities

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**13,716**	**23,621**	**13,665**	**3,304**	**16,432**	**9,698**	**7,030**	**-**
1.1 Debt securities	-	5,690	11,818	1,733	10,310	5,815	3,237	-
- with option of advance reimbursement	-	163	3	2	37	69	6	-
- other	-	5,527	11,815	1,731	10,273	5,746	3,231	-
1.2 Loans to banks	131	678	22	-	60	-	1	-
1.3 Loans to customers	13,585	17,253	1,825	1,571	6,062	3,883	3,792	-
- current accounts	3,419	44	82	61	65	12	2	-
- other loans	10,166	17,209	1,743	1,510	5,997	3,871	3,790	-
- with option of advance reimbursement	3,674	7,356	745	622	2,919	1,629	1,822	-
- other	6,492	9,853	998	888	3,078	2,242	1,968	-
2. CASH LIABILITIES	**61,157**	**3,146**	**2,516**	**2,707**	**13,586**	**165**	**192**	**-**
2.1 Due to customers	60,718	1,561	206	453	729	165	189	-
- current accounts	57,037	145	113	214	352	16	1	-
- other payables	3,681	1,416	93	239	377	149	188	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	3,681	1,416	93	239	377	149	188	-
2.2 Due to banks	407	1,119	1,974	1,747	11,116	-	-	-
- current accounts	279	-	-	-	-	-	-	-
- other payables	128	1,119	1,974	1,747	11,116	-	-	-
2.3 Debt securities	32	466	336	507	1,741	-	3	-
- with option of advance reimbursement	1	221	215	335	1,222	-	-	-
- other	31	245	121	172	519	-	3	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite useful life
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	1	-	-	-	-	-	-
+ Short positions	-	1	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	1	24	27	56	405	428	556	-
+ Short positions	311	1,071	41	16	22	21	15	-
- Other derivatives								
+ Long positions	7	587	36	59	128	-	-	-
+ Short positions	27	11	14	23	215	240	287	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	616	59	9	13	9	1	26	-
+ Short positions	706	3	4	10	10	-	-	-

Currencies other than the Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**24**	**10**	**2**	**2**	**2**	**47**	**-**	**-**
1.1 Debt securities	-	-	-	1	2	47	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	1	2	47	-	-
1.2 Loans to banks	20	1	-	-	-	-	-	-
1.3 Loans to customers	4	9	2	1	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	4	9	2	1	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	4	9	2	1	-	-	-	-
2. CASH LIABILITIES	**132**	**2**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	118	2	-	-	-	-	-	-
- current accounts	112	-	-	-	-	-	-	-
- other payables	6	2	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	6	2	-	-	-	-	-	-
2.2 Due to banks	14	-	-	-	-	-	-	-
- current accounts	14	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Indefinite useful life
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Group quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 31 December 2022, assuming a change in interest rates of +/-100 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of Own Funds at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario).

Amounts in Euro units

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-1,167,575,983	1,343,035,272
Banking book: securities	-1,093,297,719	1,194,672,463
Other assets	-14,440,423	15,251,728
Liabilities	2,065,618,198	-2,236,790,558
Total	-209,695,928	316,168,905
Own Funds	7,432,190,861	7,432,190,861
% Impact on own funds	-2.82%	4.25%

Amounts in Euro units

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	227,250,148	-227,769,883
Banking book: securities	98,221,626	-98,944,282
Other assets	8,435,140	-9,078,952
Liabilities	-256,205,148	259,488,742
Total	77,701,765	-76,304,376
Prospective interest margin	1,854,298,880	1,854,298,880
% Impact on prospective interest margin	4.19%	-4.11%

1.2.3 EXCHANGE RATE RISK

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2022 the Group carried out transactions to hedge the exchange rate risk using outright derivatives.

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	GBP	JPY	CAD	CHF	OTHER CURRENCIES
A. FINANCIAL ASSETS	**79**	**2**	**1**	**1**	**10**	**1**
A.1 Debt securities	49	1	-	-	-	-
A.2 Equities	2	-	-	-	-	-
A.3 Loans to banks	15	1	1	1	6	1
A.4 Loans to customers	13	-	-	-	4	-
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**7**	**2**	**-**	**1**	**2**	**2**
C. FINANCIAL LIABILITIES	**94**	**18**	**1**	**4**	**14**	**3**
C.1 Due to banks	5	9	-	-	-	-
C.2 Due to customers	89	9	1	4	14	3
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**1**	**-**	**-**	**-**	**-**	**-**
E. FINANCIAL DERIVATIVES						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	96	15	-	3	4	2
+ Short positions	34	-	-	-	1	1
Total assets	**182**	**19**	**1**	**5**	**16**	**5**
Total liabilities	**129**	**18**	**1**	**4**	**15**	**4**
Imbalance (+/-)	**53**	**1**	**-**	**1**	**1**	**1**

2. Internal models and other methodologies for sensitivity analysis

The Group's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

1.3 Derivatives and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2022				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	**-**	**379**	**-**	**-**	**-**	**427**	**49**	**-**
a) Options	-	151	-	-	-	57	-	-
b) Swaps	-	228	-	-	-	370	49	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**145**	**-**	**-**	**-**	**110**	**16**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	145	-	-	-	110	16	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**524**	**-**	**-**	**-**	**537**	**65**	**-**

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	6	-	-	-	3	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2	-	-	-	2	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**8**	**-**	**-**	**-**	**5**	**-**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	5	-	-	-	3	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**7**	**-**	**-**	**-**	**3**	**-**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	321	-	58
- positive fair value	-	6	-	-
- negative fair value	-	3	-	2
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	114	-	31
- positive fair value	-	1	-	1
- negative fair value	-	2	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	68	71	240	**379**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	143	2	-	**145**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2022	**211**	**73**	**240**	**524**
Total 31/12/2021	**125**	**123**	**354**	**602**

B. Credit derivatives

At the end of the reporting period, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

1.3.2 Accounting hedges

Qualitative information

A. Fair value hedging

The purpose of fair value hedging is to immunise changes in the fair value of funding and loans caused by movements in the interest rate curve. The main types of derivatives used are interest rate swaps. The assets and liabilities covered, identified in detail (specific hedges), are mainly loans to customers.

The Group also has management hedging transactions against changes in fair value, for the accounting representation of which it uses the provisions of the so-called Fair Value Option has been exercised. The main types of derivatives used are interest rate swaps. The assets and liabilities covered are mainly loans to customers.

The Group has adopted organisational and instrumental controls in accordance with the regulations governing the fair value option.

The Group has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

B. Cash flow hedging

The Group does not engage in cash flow hedging transactions, i.e. hedging exposure to variability in cash flows associated with variable rate financial instruments.

C. Hedging of foreign investments

During 2022, the Group did not carry out any foreign investment hedging transactions.

D. Hedging instruments

The Group does not hold financial instruments attributable to this case.

E. Hedged elements

The Group does not hold financial instruments attributable to this case.

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2022				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	**-**	**892**	**-**	**-**	**-**	**788**	**11**	**-**
a) Options	-	75	-	-	-	-	-	-
b) Swaps	-	817	-	-	-	788	11	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**892**	**-**	**-**	**-**	**788**	**11**	**-**

A.2 Financial hedging derivatives: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Positive and negative fair value								Change in the value used to detect the ineffectiveness of the hedging	
	Total 31/12/2022				Total 31/12/2021				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			
POSITIVE FAIR VALUE										
a) Options	-	2	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	123	-	-	-	4	2	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**125**	**-**	**-**	**-**	**4**	**2**	**-**	**-**	**-**
NEGATIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	1	-	-	-	26	3	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1**	**-**	**-**	**-**	**26**	**3**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	892	-	-
- positive fair value	-	125	-	-
- negative fair value	-	1	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER	-	-	-	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	60	304	528	892
A.2 Financial derivatives on equities and stock market indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2022	**60**	**304**	**528**	**892**
Total 31/12/2021	**80**	**203**	**516**	**799**

B. Credit derivatives

At the end of the reporting period, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

C. Non-derivative hedging instruments

At the end of the reporting period, the Group had not carried out any transactions attributable to this scenario. This section shall therefore not be filled in.

D. Hedged instruments

D.1 Fair value hedging

The Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 with regard to both specific hedges and macro hedges. This section shall therefore not be filled in.

D.2 Hedging of cash flows and foreign investments

The Group has one cash flow hedging operation in place, which, at the date of these financial statements, does not have the significant value required in this section.

E. Effects of equity hedging transactions

E.1. Reconciliation of equity components

At the end of the reporting period there were no cash flow hedge valuation reserves deemed significant.

1.3.3 Other information on derivatives (trading and hedging)

A. Financial and credit derivatives

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

	Central counterparties	Banks	Other financial corporations	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	1,213	-	58
- positive net fair value	-	131	-	-
- negative net fair value	-	4	-	2
2) Equities and stock market indices				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	114	-	31
- positive net fair value	-	1	-	1
- negative net fair value	-	2	-	-
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

1.4 LIQUIDITY RISK

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (Funding Liquidity Risk), or that it may be forced to incur very high costs to meet these commitments (Market Liquidity Risk). Funding Liquidity Risk, in turn, can be distinguished between: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario: a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Group. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Group (e.g. deterioration of the Group's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Group (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
    - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of seniority of financial instruments.

The processes in which the Group's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Group adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic Supervisory Authority, the Board of Directors of the Parent Company and of each Affiliated Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Group's liquidity is managed by the Finance Department of the Parent Company and the Affiliated Banks in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department of the Parent Company, which makes use of its representative at the Affiliated Banks to check the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between average maturities of lending and funding in the medium/long term.

The Group intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Group's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Group has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Group uses the analysis reports available monthly prepared by the Parent Company.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;

- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Group's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and Non-financial corporations) on the Group's total funding from customers is 0.5% as at 31 December 2022.

The Group's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Group operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Group uses the analysis reports available monthly prepared by the Parent Company.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the EU Regulation no. 2019/876 (CRR2).

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Group calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted according to a qualitative approach based on the company's experience and the indications provided by the regulations and supervisory guidelines, cover two scenarios of liquidity, market/systemic and Group-specific crises. In particular, the Group performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

During 2020, an additional scenario linked to the pandemic crisis was also introduced, which envisages the reduction of the inflow components compared to the standard ones to take into account the effect of the moratoria. In 2022, a new scenario linked to physical risk was prepared.

The results of the analyses carried out are periodically documented to the Board of Directors.

On the basis of the guidelines defined by the Parent Company, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (CFP), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Group has had a significant amount of liquid resources due to both the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem, and the adoption of funding policies aimed at favouring direct retail funding.

As at 31 December 2022, the total amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 22.2 billion.

The recourse to refinancing from the ECB amounted to EUR 15.3 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO).

Quantitative information

1. Time-based distribution by residual contractual duration of financial assets and liabilities

Euro

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite useful life
A. CASH ASSETS	**4,018**	**213**	**519**	**684**	**2,554**	**4,636**	**7,979**	**37,858**	**31,393**	**527**
A.1 Government securities	3	-	218	34	604	2,363	4,178	20,711	9,472	-
A.2 Other debt securities	29	1	1	7	21	42	52	446	1,076	-
A.3 UCITS units	205	-	-	-	-	-	-	-	-	-
A.4 Loans	3,781	212	300	643	1,929	2,231	3,749	16,701	20,845	527
- Banks	132	27	30	56	32	20	5	60	-	527
- Customers	3,649	185	270	587	1,897	2,211	3,744	16,641	20,845	-
B. CASH LIABILITIES	**61,069**	**520**	**602**	**560**	**1,401**	**2,458**	**2,763**	**13,660**	**377**	**-**
B.1 Deposits and current accounts	60,567	21	29	61	214	208	479	645	20	-
- Banks	398	-	-	-	49	-	-	-	-	-
- Customers	60,169	21	29	61	165	208	479	645	20	-
B.2 Debt securities	31	61	37	66	228	254	517	1,932	6	-
B.3 Other liabilities	471	438	536	433	959	1,996	1,767	11,083	351	-
C. OFF-BALANCE SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	6	1	2	11	14	4	2	-	-
- Short positions	-	28	18	22	31	22	5	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	8	-	-	-	-	1	1	-	-	-
- Short positions	7	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	32	-	2	4	16	30	44	91	516	-
- Short positions	713	-	-	-	1	3	8	10	-	-
C.5 Financial guarantees given	462	-	-	3	6	9	14	65	54	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currencies other than the Euro

ITEMS/TIME PERIOD BRACKETS	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Beyond 5 years	Indefinite useful life
A. CASH ASSETS	**24**	**5**	**1**	**2**	**7**	**2**	**2**	**2**	**48**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	1	47	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	24	5	1	2	7	2	1	1	1	-
- Banks	20	4	-	-	1	-	-	-	-	-
- Customers	4	1	1	2	6	2	1	1	1	-
B. CASH LIABILITIES	**132**	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**-**
B.1 Deposits and current accounts	130	-	-	-	-	-	1	-	-	-
- Banks	14	-	-	-	-	-	-	-	-	-
- Customers	116	-	-	-	-	-	1	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2	-	-	-	1	-	-	-	-	-
C. OFF-BALANCE SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	26	18	22	28	21	5	-	-	-
- Short positions	-	5	1	3	9	14	4	1	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Self-securitisation transactions

BCC SME Finance 1 transaction

With the aim of increasing the amount of financial assets eligible for refinancing transactions with the Eurosystem and, therefore, to strengthen their liquidity position, 28 banks including the Group's current Affiliated Banks implemented a multi-originator securitisation transaction with the support of Cassa Centrale Banca S.p.A. in 2012.

The securitisation transaction named BCC SME Finance1, finalised on 10 August 2012, involved the sale of performing loans disbursed to small and medium enterprises by 27 Cooperative Credit Banks and Mediocredito Trentino-Alto Adige S.p.A. to a Special Purpose Vehicle for a total of EUR 2,189,665,747.56.

This sale allowed the special purpose vehicle BCC SME Finance 1 S.r.l. to issue senior securities in a single tranche for a total of EUR 1,533 billion.

Each assignor then had to guarantee a cash reserve by depositing an amount proportional to the loans sold. This liquidity could be used by the special purpose vehicle if, at a payment date, the available funds relating to the collections were not sufficient to remunerate the security portfolios according to the predefined order of priority of payments.

In order to deposit this liquidity and allow the special purpose vehicle to pay the structuring costs as well as establish a reserve fund for the payments that cannot be postponed at the payment dates (mainly tax), each assignor granted the SPV with a limited-resource mortgage.

At the payment date in November 2017, 18 BCC originators had already fully repaid their portion of the senior security as issuers, though the transaction still has a residual mortgage loan portfolio of around EUR 700 million. The arrangers proposed the possibility to carry out a new issue of senior securities and the BCC originators decided unanimously to restructure the transaction.

This complex restructuring operation was finalised with the issue, on 6 December 2017, of a new Senior Security A2 for a total amount of EUR 449,875,000, the partial reduction of the value of the junior securities and the repayment of all the Limited-recourse mortgages granted to the SPV at the time.

At the payment date in May 2021, the first disequilibrium event took place, one of the trigger events expressly outlined in the self-securitisation transactions, to be able to proceed with the early close of the transaction.

Following an agreement with all bondholders (originators) through the signing of a written resolution, in November 2022 the residual portfolios were repurchased by each BCC originator, and on 29 November 2022 (final payment date), the BCC SME Finance 1 S.r.l. self-securitisation transaction was concluded early as indicated below:

- the ISIN IT0005315004 A2 class senior securities were fully repaid;
- the B class junior securities were fully repaid;
- the cash reserves, established during retranching as a minor excess spread distributed to the originators, were fully repaid;
- on 30 November 2022, the senior securities were delisted from the Irish Stock Exchange and the junior securities with Monte Titoli were also closed.

On 28 December 2022, the SPV BCC SME Finance 1 S.r.l. was placed into liquidation and, by the end of 2023, the Special Purpose Vehicle will be definitively liquidated.

1.5 OPERATING RISKS

Qualitative information

A. General aspects, management processes and measurement methods for operational risk

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems and deficiencies in the handling of transactions or process management, as well as losses due to positions with commercial counterparties and suppliers.

The following subcategories of risk are significant in terms of operational risks:

- "ICT and security" risk, namely the risk of incurring losses due to a breach of confidentiality, lack of integrity of the systems and data, inadequacy or unavailability of the systems and data or inability to replace the information technology (IT) within a reasonable time and cost limits, in case of changes to the requirements of the external environment or activity (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber attacks or a level of inadequate physical security;
- "third-party risk", namely the risk of incurring economic losses, damage to reputation or market share losses arising from the outsourcing/supply of services and/or company functions.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, outsourced to the Parent Company, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment**, which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting**, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the financial year, the Group, under the coordination of the Parent Company, has implemented a procedure for the recognition of operational loss events and the related economic effects.

Finally, there are the third level controls carried out by the Internal Audit Department of the Parent Company, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Group mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Group in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Group internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operational risks, the Group, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

The adoption of a Business Continuity and Emergency Plan to protect the Group against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

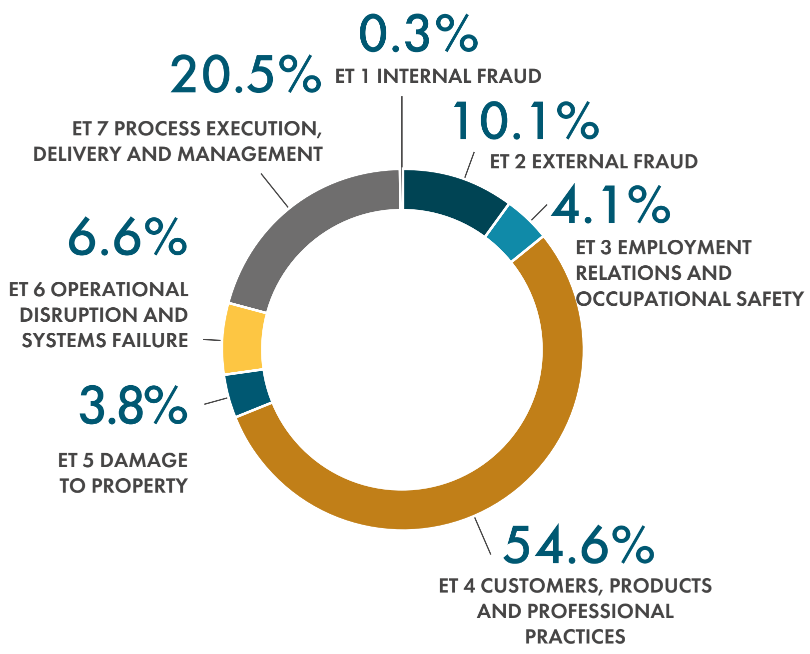
YEAR	Amount
Year T	2,791
Year T-1	2,355
Year T-2	2,148
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**2,431**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**365**

Quantitative information

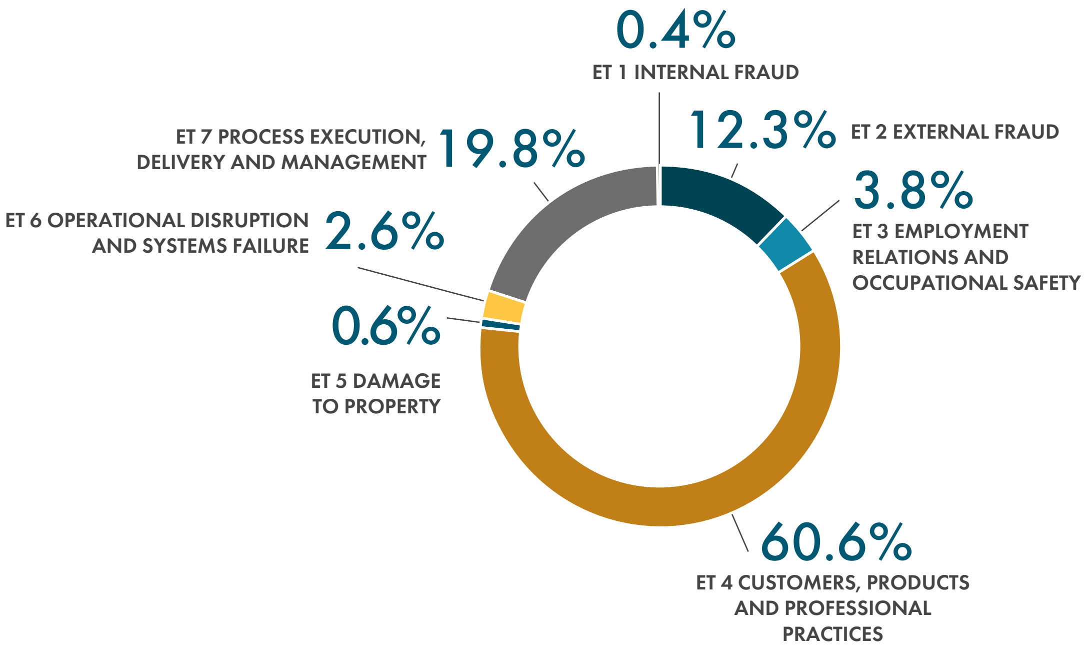
With reference to the quantitative information, in continuation of the activity already started last year, in relation to the structured process of Loss Data Collection at the Group[31], the distribution by Event Type is reported.

[31] As at 31/12/2022, the process of recording Operational Risk events in the Loss Data Collection company tool was active for the Affiliated Banks, Allitude SpA and Claris Leasing SpA.

Number of operational loss events with effects recorded in 2022



Net operating losses in 2022



Operational losses were mainly concentrated in the event type "ET 4 Customers, products and professional practices" (54.6% of frequencies and 60.6% of total impacts detected), followed by "ET 7 Execution, delivery and management of processes" (20.5% of frequencies and 19.8% of total impacts detected) and "ET 2 External fraud" (10.1% of frequencies and 12.3% of total impacts detected).

The COVID-19 pandemic event accounted for 2.6% of total operating losses, excluding the costs incurred in 2022 budgeted for the full year. The losses concerned primarily the purchase of masks, gloves, protection and sanitation devices, sanitation and extraordinary cleaning of the work areas. Among the effects generated by the COVID-19 pandemic, we note:

- paid leave (non-contractual): recognition of paid leave, in addition to that envisaged by the CCNL;
- other costs, included in the 2022 budget, not considered operational losses but expenses necessary to allow business continuity.

In line with the deadline by 31 December 2022 of the "Shared protocol of Cooperative Credit on measures to prevent, combat and contain the spread of COVID-19 in the Cooperative Credit category", the loss events related to COVID-19 were closed on 31 December 2022.

Legal risk

In carrying out their activities, the Group companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and/or "possibility" as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Group. For more detailed information, please refer to Part B, Section 10 – Provisions for risks and charges.

Section 3 - Risks of insurance companies

The section is not applicable and therefore was not filled in.

Section 4 - Risks of other companies

No other significant risks were noted for the remaining companies included in the scope of consolidation, given they do not belong to the Group nor insurance companies.

PART F - Information on equity

Section 1 – Consolidated equity

A. Qualitative information

Equity is the main safeguard against corporate risks associated with the Group's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Group's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the international and local Supervisory Authorities have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Group refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital – (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Affiliated Banks;
- prudent management of investments, which takes into account the risk of counterparties;
- capital strengthening plans promoted by the Parent Company through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Group operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Group companies.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total capital ratio).

The Capital Conservation Buffer of 2.5% was added to these minimum regulatory requirements.

Any failure by the Supervised Entity to comply with all these requirements (the Combined Requirement) will result in limitations on dividend distributions, variable remuneration and other elements of regulatory capital beyond pre-established limits, and as a result, Supervised Entities will be required to take appropriate action to restore the required level of capital.

Moreover, as of 1 January 2016, the Banks are required to hold a Countercyclical Capital Buffer. Starting from 1 January 2019, this reserve, consisting of Common Equity Tier 1, may not exceed 2.5% of the total amount of risk-weighted exposures.

Considering that, as per Bank of Italy notice of 30 September 2022, for the fourth quarter of 2022, the countercyclical buffer ratio for exposures to counterparties resident in Italy has been set at 0%, that countercyclical capital ratios have generally been set at 0%, and that the Group has mainly exposures to domestic entities, the Group-specific countercyclical ratio is close to zero.

Lastly, the Group must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 et seq. of EU Directive no. 36/2013 (CRD IV). Through this process, the Competent Authority reviews and evaluates the process of determining capital adequacy conducted internally by the Group, analyses its risk profiles both individually and in the aggregate — including under stress conditions – assesses its contribution to systemic risk, the corporate governance system, and verifies compliance with the set of prudential rules.

At the end of the reporting period of these consolidated financial statements, the Group shows:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 22.79%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 22.79%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 22,80%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

B. Quantitative information

B.1 Consolidated accounting capital: breakdown by type of company

ITEMS OF EQUITY	Prudential consolidation	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Capital	1,271	-	-	-	**1,271**
2. Share premium	74	-	-	-	**74**
3. Reserves	6,397	-	83	(83)	**6,397**
4. Equity instruments	1	-	-	-	**1**
5. (Own shares)	(867)	-	-	-	**(867)**
6. Valuation reserves:	(231)	-	2	(2)	**(231)**
- Equities measured at fair value through other comprehensive income	(4)	-	-	-	**(4)**
- Hedging of equities measured at fair value through other comprehensive income	-	-	-	-	**-**
- Financial assets (other than equities) measured at fair value through other comprehensive income	(252)	-	2	(2)	**(252)**
- Tangible assets	4	-	-	-	**4**
- Intangible assets	-	-	-	-	**-**
- Hedging of foreign investments	-	-	-	-	**-**
- Cash flow hedging	-	-	-	-	**-**
- Hedging instruments (undesignated elements)	-	-	-	-	**-**
- Exchange rate differences	-	-	-	-	**-**
- Non-current assets and groups of assets held for disposal	-	-	-	-	**-**
- Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-	-	-	**-**
- Actuarial gains (losses) from defined benefit plans	(15)	-	-	-	**(15)**
- Quotas of valuation reserves relative to shareholdings measured with the equity method	2	-	-	-	**2**
- Special revaluation laws	34	-	-	-	**34**
7. Profit (Loss) for the year (+/-) of the group and pertaining to minority interests	562	-	57	(57)	**562**
Total	**7,207**	**-**	**142**	**(142)**	**7,207**

B.2 Valuation reserves for financial assets designated at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/2022				
	Prudential consolidation		Insurance companies		Other companies
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve
1. Debt securities	12	(264)	-	-	-
2. Equities	5	(7)	-	-	2
3. Loans	-	-	-	-	-
Total 31/12/2022	**17**	**(271)**	**-**	**-**	**2**
Total 31/12/2021	**85**	**(57)**	**-**	**-**	**1**

ASSETS/VALUES	Total 31/12/2022				
	Other companies	Eliminations and consolidation adjustments		Total	
	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	12	(264)
2. Equities	-	(2)	-	5	(9)
3. Loans	-	-	-	-	-
Total 31/12/2022	**-**	**(2)**	**-**	**17**	**(273)**
Total 31/12/2021	**-**	**(1)**	**-**	**85**	**(57)**

B.3 Valuation reserves for financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**64**	**(36)**	**-**
2. POSITIVE CHANGES	**255**	**49**	**-**
2.1 Increases in fair value	74	5	-
2.2 Value adjustments for credit risk	2	X	-
2.3 Reversals of negative reserves to the income statement: from sale	14	X	-
2.4 Transfers to other components of equity (equities)	-	11	-
2.5 Other changes	165	33	-
3. NEGATIVE CHANGES	**571**	**17**	**-**
3.1 Decreases in fair value	451	6	-
3.2 Write-backs for credit risk	1	-	-
3.3 Reversals of positive reserves to the income statement: from sale	84	X	-
3.4 Transfers to other components of equity (equities)	-	2	-
3.5 Other changes	35	9	-
4. CLOSING BALANCES	**(252)**	**(4)**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

ITEMS	31/12/2022
1. OPENING BALANCES	**(25)**
2. POSITIVE CHANGES	**15**
2.1 Actuarial gains from defined benefit plans	12
2.2 Other changes	2
2.3 Business combinations	1
3. NEGATIVE CHANGES	**5**
3.1 Actuarial losses from defined benefit plans	1
3.2 Other changes	3
3.3 Business combinations	1
4. CLOSING BALANCES	**(15)**

Section 2 - Own funds and adequacy ratios

With regard to the contents of this section, reference should be made to the information on own funds and capital adequacy contained in the disclosure to the public (so-called Third Pillar), prepared in accordance with Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 - Transactions implemented during the year

1.1 Business combinations

During the year, no business combinations of companies or branches, as governed pursuant to IFRS 3, were carried out.

Mergers between Cooperative Credit Banks belonging to the Group

During the year, a number of business combinations between Cooperative Credit Banks belonging to the Group were carried out, which did not, however, have any effect on the consolidated financial statements (as they are outside the scope of application of IFRS 3).

Such transactions pursue objectives of stability, efficiency and competitiveness. During 2021, the number of Affiliated Banks reached 71. Details of the business combinations during the year are shown below:

- Cassa Rurale Alta Vallagarina e Lizzana – Cooperative Company, merger by incorporation into Cassa di Trento, Lavis, Mezzocorona e Valle di Cembra - Banca di Credito Cooperativo - Cooperative Company: effective 1 April 2022, Trentino-Alto Adige region;
- Cassa Rurale Rotaliana e Giovo - Banca di Credito Cooperativo - Cooperative Company, merger by incorporation into Cassa Rurale Val di Non - Banca di Credito Cooperativo - Cooperative Company: effect 1 July 2022, Trentino-Alto Adige region;

From an accounting point of view, since these are business combinations between entities under common control, the above transactions are excluded from the scope of IFRS 3 (see IFRS 3.2(c) and IFRS 3 B1-B4). In fact, for this type of transaction, in the absence of an accounting standard of reference, the "ASSIREVI Preliminary Guidelines on IFRS" (so-called OPI) No. 1 and No. 2 are applied to this type of transaction, as is the established practice in the banking sector.

The documents already mentioned, for business combinations that have the nature of a reorganisation and which, therefore, do not have a significant influence on the future cash flows of the net assets transferred, provide for the application, in the financial statements of the acquiring entity, of the principle of "continuity of values".

This principle implies the recognition in the balance sheet of values equal to those that would have resulted if the companies involved in the combination had always been combined. The net assets of the acquired and the acquiring entity shall therefore be recognised at the book values they had in their respective accounts before the transaction. The income statement shall be the sum of the income statements of the two integrated entities from the effective date of the transaction.

Section 2 – Transactions implemented after the close of the year

After the end of the financial year and up to the date of approval of the draft Consolidated Financial Statements by the Board of Directors of the Parent Company, no transactions relating to mergers between cooperative credit banks belonging to the Cassa Centrale Group were carried out.

Section 3 – Retrospective adjustments

No adjustments relating to business combinations were recorded during the year.

PART H - Transactions with related parties

The Cassa Centrale Group, in compliance with the procedures provided for by sector regulations, has adopted the Group Regulation for the management of transactions with associated parties.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Associated Parties carried out by the Group, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Associated Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For more strictly accounting purposes, the provisions of IAS 24 - Related party disclosures also apply; under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives and officers with strategic responsibilities (including Directors, Standing Auditors and General Management members) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives and officers with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - children (even if not living together) and the spouse (even if legally separated) or common-law spouse of that person;
        - the children of the spouse or common-law spouse of that person;
        - the dependants of that person or the dependants of that person's spouse or common-law spouse for tax purposes;
        - the brothers, sisters, parents, grandparents and grandchildren — children of the children — even if not cohabitant, of that person.

Legal entity:

- entity controlled (direct, indirect or joint control) by one of the persons referred to in the previous point (natural persons);

- entity that has significant influence over the entity preparing the financial statements as well as their subsidiaries and related joint ventures;
- CR/BCC/Raika belonging to the Cassa Centrale Group;
- the companies belonging to the Cassa Centrale Group (direct, indirect or joint control) as well as their subsidiaries;
- associates and joint ventures that prepare the financial statements and their subsidiaries;
- post-employment benefit plans for employees of the Group.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

The table below shows, in compliance with the requirements of section 17 of IAS 24, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other Executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AS AT 31/12/2022	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	21	20	9	8	39	38	69	66
Benefits relative to the post-employment period (social security, insurance, etc.)	1	1	-	-	8	7	9	8
Other long-term benefits	-	-	-	-	-	-	-	-
Compensation for termination of employment	-	-	-	-	1	1	1	1
Payments in shares	-	-	-	-	-	-	-	-
Total	**22**	**21**	**9**	**8**	**48**	**46**	**79**	**75**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period. It should be noted that transactions with related parties consolidated on a line-by-line basis are not included in this disclosure, as they are eliminated at consolidated level.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Associates	66	2	17	-	9	3
Directors and Executives	34	73	8	79	1	7
Other related parties	237	524	74	487	8	2
Total	**337**	**599**	**99**	**566**	**18**	**12**

It should be noted that “Other related parties” include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties do not have a significant incidence on the financial situation, economic result and cash flows of the Group.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Group has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

Since the Group is not listed nor is an issuer of widely distributed securities, it is not required to complete the segment reporting pursuant to IFRS 8.

PART M - Information on leasing

Section 1 – Lessee

Qualitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically:

- information on rights of use acquired through lease is provided in Part B - Information on the Consolidated Balance sheet, Assets, Section 9 - Tangible assets and Section 10 - Intangible assets;
- information on payables for leases is provided in Part B - Information on the consolidated balance sheet, Liabilities, Section 1 - Financial liabilities measured at amortised cost;
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in Part C - Information on the consolidated income statement, in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

As at 31 December 2022, there were no commitments formally undertaken by the Group on lease contracts not yet entered into, considered significant.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to Part C - Information on the Income Statement.

Section 2 – Lessor

Qualitative information

The leasing activities carried out within the Group are mainly provided by Claris Leasing S.p.A.; the latter, as lessor, carries out leasing activities exclusively of a financial nature.

The credit risk to which the company is exposed in the granting of finance lease transactions is, due to the nature of the transaction carried out, mitigated by the presence of the asset of which the lessor retains ownership until the final purchase option is exercised.

However, for greater protection and in correlation with the economic, equity and financial structure of the customer, guarantees ancillary to the main obligation are frequently required of a personal nature (in this case the surety). Atypical guarantees are also collected, such as a commitment to take over, a commitment to repurchase or the Medio Credito Centrale guarantee.

Quantitative information

1. BALANCE SHEET AND INCOME STATEMENT INFORMATION

For information on the balance sheet and income statement on financing for leases, please refer to the sections of the Explanatory Notes in the previous section.

2. FINANCE LEASES

2.1 Classification by time brackets of payments to be received and reconciliation with financing for leases recorded under assets

The following table shows the breakdown of payments to be received for leases by time brackets.

TIME BRACKETS	Total 31/12/2022	Total 31/12/2021
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	**169**	125
Between 1 and 2 years	**151**	109
Between 2 and 3 years	**130**	96
Between 3 and 4 years	**99**	78
Between 4 and 5 years	**65**	55
Over 5 years	**178**	184
Reconciliation with loans	**792**	**647**
RECONCILIATION WITH LOANS		
Financial income not accrued (-)	**91**	35
Residual value not guaranteed (-)	**(67)**	(69)
Financing for leases	**768**	**681**

2.2 Other information

There is no further information to be provided in this section.

3. OPERATING LEASE

At the end of the reporting period, there were no such circumstances. This subsection does not contain any evaluation and is therefore omitted.

Annexes to the financial statements of the Cassa Centrale Group

Annex A) Audit and non-audit fees

TYPE OF SERVICES	Fees (EUR million)
Auditing	0,9
Certification services	0,3
Other services	0,0
Total	**1,2**

It should be noted that the fees indicated do not include VAT and out-of-pocket expenses, while they include any balance of audit expenses relating to the 2022 financial statements.

Cassa Centrale Banca Report and Financial Statements

Cassa Centrale Banca Report on Operations

2022 Financial Year

Operating performance of Cassa Centrale Banca

Performance indicators

The main performance and risk indicators for the year ended 31 December 2022 are shown below.

RATIOS	31/12/2022	31/12/2021	% change
STRUCTURAL RATIOS			
Loans to customers* / Total assets	**8.8%**	6.3%	39.4%
Direct funding / Total assets	**11.8%**	6.1%	91.2%
Net equity / Total assets	**4.9%**	4.4%	11.3%
Net loans / Direct funding	**75.2%**	103.1%	(27.1%)
Loans to banks / Total assets	**69.2%**	75.2%	(8.0%)
Financial assets / Total assets	**17.8%**	15.3%	16.6%
PROFITABILITY INDICES			
Net profit / Net equity (ROE)	**3.8%**	4.0%	(5.1%)
Not profit / Total assets (ROA)	**0.2%**	0.2%	5.6%
Cost / Income**	**70.8%**	61.5%	15.2%
Interest margin / Net interest and other banking interest	**34.6%**	17.8%	94.2%
Net commissions / Net interest and other banking interest	**43.3%**	44.9%	(3.6%)
Net interest and other banking interest / Total assets	**1.0%**	0.8%	21.6%

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

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

The assets of Cassa Centrale Banca at the end of 2022 were 69.2% compromised of loans to banks. The high proportion of this component reflects the Parent Company's typical business, which turns to the interbank market through treasury operations in order to carry out brokerage activities on behalf of the Affiliated Banks. The index decreased slightly compared to the previous year as a result of a drop in loans to banks only partially offset by the increase in other loans.

The proportion of financial assets on total assets was 18%, up compared to 2021. This increase was due to the growth in the securities portfolio following the decrease in total assets, referring to the decrease in exposures to banks. Loans to customers stood at around 9%, a higher contribution than in 2021 due to higher loans to ordinary customers and subsidiaries.

The ratio of net loans to direct funding from customers at the end of 2022 came to 75.2%, a decrease on the 103% in the previous year. Direct funding grew more than proportionally to net loans, mainly as a result of higher funding on the market with Cassa di Compensazione e Garanzia.

The ratio of equity to total assets grew to 4.9%, with equity increasing to 1.2 billion and strengthening the high level of capitalisation for the Bank.

Looking at the profitability indicators, ROE stood at 3.8%, down compared to 2021 (4.0%) as a result of lower profit for the year. The ROA[1], calculated as the ratio of net profit to total assets, was 0.2%, in line with the previous year.

The ratio of net commissions to net interest and other banking income, 43.3%, was lower than in the previous year, reflecting the incidence on net interest and other banking income of other revenue, in particular the strong interest margin, and dividends.

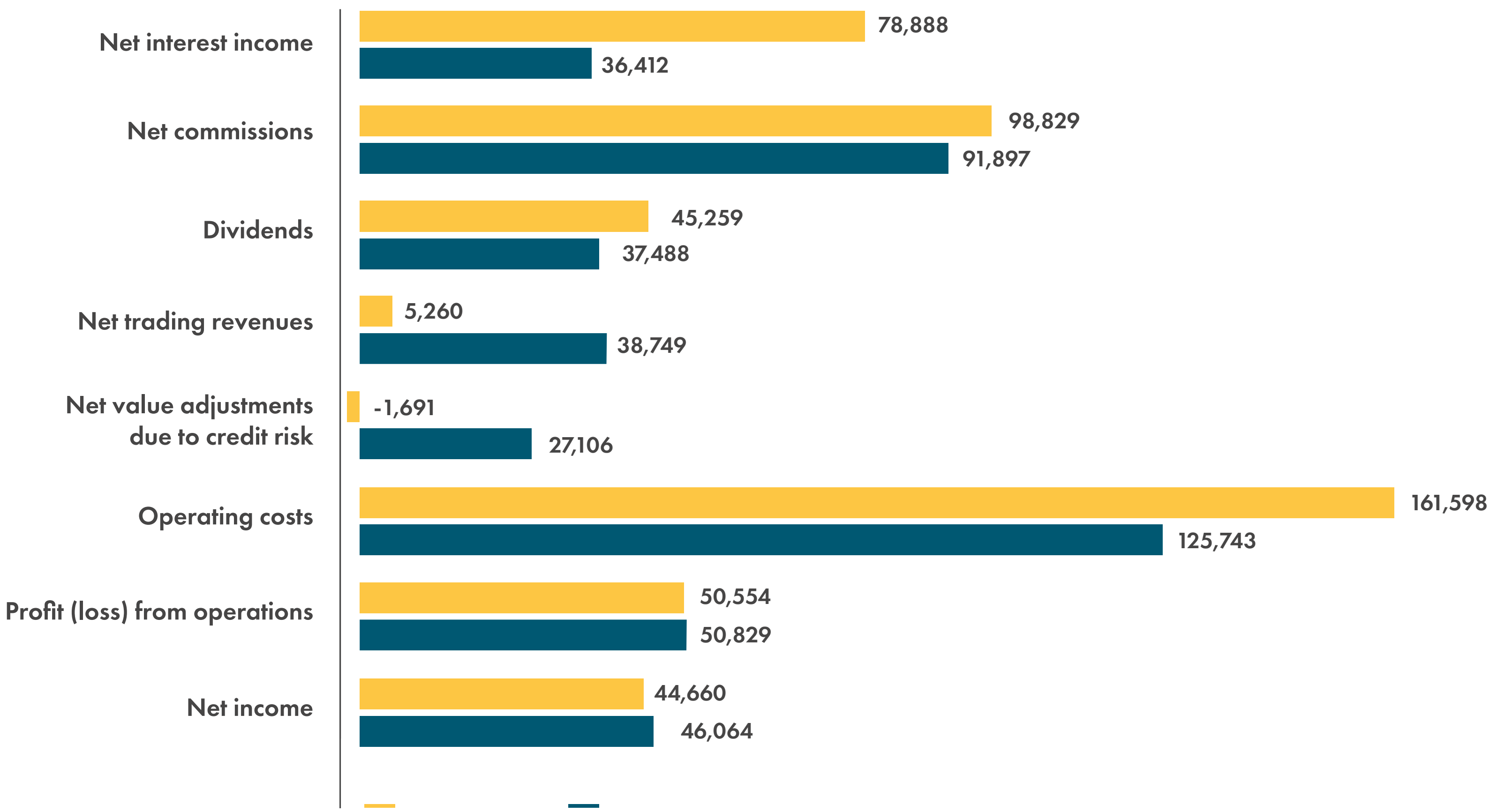
The growth in the ratio of net interest and other banking income to total assets, 1%, reflects the growth in net interest and other banking income as well as the decrease in total assets.

[1] The ROA is calculated in accordance with Directive (EU) no. 36/2013 (CRD IV).

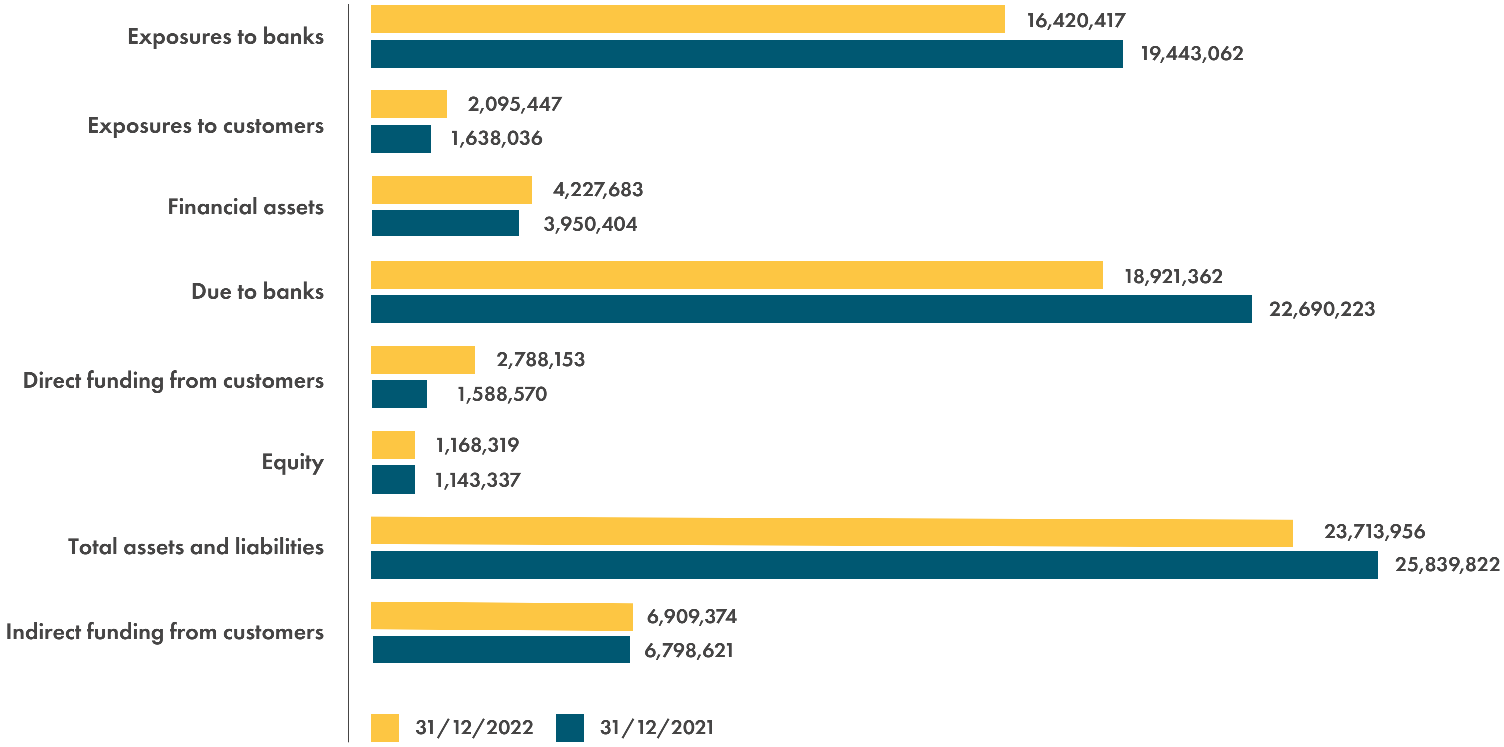
Summary of results

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

Income statement data (thousands of euro)



Statement of financial position data (thousands of euro)



Economic results

Reclassified income statement [2]

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Interest margin	**78,888**	**36,412**	**42,476**	**116.7%**
Net commissions	98,829	91,897	6,932	7.5%
Dividends	45,259	37,488	7,771	20.7%
Net revenues from financial activities	5,260	38,749	(33,489)	(86.4%)
Net interest and other banking income	**228,237**	**204,546**	**23,691**	**11.6%**
Net value adjustments/write-backs	1,709	(27,103)	28,812	n.s.
Income from financial activities	**229,945**	**177,442**	**52,503**	**29.6%**
Operating expenses **	(201,633)	(162,138)	(39,495)	24.4%
Net allocations to provisions for risks and expenses	(617)	(2,341)	1,724	(73.6%)
Other income (expenses)	40,652	38,736	1,916	5.0%
Profit (loss) from disposal of investments and equity investments	(17,794)	(870)	(16,924)	n.s.
Gross current result	**50,554**	**50,829**	**(275)**	**(0.5%)**
Income tax	(5,893)	(4,765)	(1,128)	23.7%
Net income	**44,660**	**46,064**	**(1,404)**	**(3.1%)**

* This item includes Net result from trading, Profit/(loss) from disposal/repurchase of financial assets, and Net result from other financial assets and liabilities designated at fair value through profit or loss.

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

Net interest and other banking income for Cassa Centrale Banca in 2022 was 228.2 million, up by 23.7 million compared to 2021. The growth is especially attributable to the increase in the interest margin, which came to 78.9 million compared to 36.4 million in 2021. The contribution from trading significantly dropped by 33.5 million. Contribution from dividends and net commissions also grew.

As for value adjustments on loans, in 2022, there were net write-backs for approximately 1.7 million.

The growth in income from financial activities supported the increase in operating expenses, up by 39.5 million compared to the previous year. This trend reflects the continuous process of adaptation to the role of Parent Company assumed by Cassa Centrale Banca and the expenses necessary to support the pre-established operational and strategic objectives.

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

Net allocations to provisions for risks and expenses amounted to 0.6 million, down by 2.3 million compared to the previous year. The amount consisted of 1.3 million in allocations for commitments and margins, against higher coverage of off-balance sheet exposures, and 0.7 million in write-backs to provisions for risks and expenses.

Other income and expenses amounted to 40.7 million, up on the previous year by 1.9 million. The increase is mainly attributable to the higher recoveries of indirect taxes, as well as higher contributions collected during the year.

Lastly, in 2022, the Cassa Centrale Banca equity investments in the subsidiary Claris Leasing S.p.A. and in Casse Rurali Raiffeisen Finanziaria S.p.A. were partially written down by 10.7 million and 7.1 million respectively.

The gross current result, therefore, stood at 50.6 million in 2022, a slight decrease on the previous year. Taxes (for 5.9 million) led to a net result of 44.7 million, down by 1.4 million compared to 2021.

Interest margin

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Financial assets measured at amortised cost not comprising loans	54,999	11,542	43,458	n.s.
Other financial assets and liabilities measured at FVTPL	2,263	1,259	1,005	79.8%
Other financial assets measured at FVOCI	6,029	514	5,516	n.s.
Financial instruments	**63,292**	**13,314**	**49,979**	**n.s.**
Net interest to customers (loans)	14,294	8,406	5,888	70.1%
Debt securities in issue	(3,061)	(212)	(2,849)	n.s.
Customer relations	**11,233**	**8,193**	**3,039**	**37.1%**
Net interest to banks	**1,219**	**3,948**	**(2,729)**	**(69.1%)**
Other net interest	**3,144**	**10,957**	**(7,813)**	**(71.3%)**
Total interest margin	**78,888**	**36,412**	**42,476**	**116.7%**

The interest margin for 2022 amounted to 78.9 million, more than double the result of the previous year (36.4 million), with a contribution to net interest and other banking income increasing to 35%.

For Cassa Centrale Banca, the aggregate represents a significant revenue item and is attributable for 80% to income flows related to the financial instruments in the portfolio, for 63.3 million in 2022, a notable increase on the 13.3 million of the previous year as a result of the higher return on the securities in the portfolio and the inflation-linked securities in particular.

Net interest from intermediation with customers, for 11.2 million, also increased from the 8.2 million in 2021, mainly as a result of the higher interest income from loans following the rise in interest rates, as well as the increase in loans to ordinary customers and instrumental companies.

The item "other net interest" includes the management reclassification of net interest relating to the intermediation of repos with Cassa Compensazione e Garanzia and the net interest relating to brokerage activities (funding and loan) in ECB auctions. The downturn mostly derives from the increase in the rates, which negatively impacted the direct funding not traded in ECB auctions, also affecting the period prior to 2022.

Net commissions

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Fees and commissions income	**202,387**	**188,254**	**14,132**	**7.5%**
Financial instruments	84,241	82,923	1,317	1.6%
Custody and administration	4,386	4,280	106	2.5%
Payment services	86,565	73,685	12,880	17.5%
Other fees and commissions income	27,195	27,366	(171)	(0.6%)
Fees and commissions expenses	**(103,557)**	**(96,358)**	**(7,200)**	**7.5%**
Financial instruments	(51,027)	(53,024)	1,997	(3.8%)
Offsetting and settlement	(47)	-	(47)	
Custody and administration	(1,315)	(1,343)	29	(2.1%)
Collection and payment services	(47,118)	(38,306)	(8,812)	23.0%
Other fees and commissions expenses	(4,051)	(3,685)	(366)	9.9%
Total net commissions	**98,829**	**91,897**	**6,932**	**7.5%**

In 2022, despite the significant increase in the interest margin, net commissions represent the main revenue item for Cassa Centrale Banca, contributing 43% to net interest and other banking income, confirming the Parent Company's operations focused on the provision of services to support its Affiliated Banks and other customer banks. Net commissions amounted to approximately EUR 98.8 million, an increase of EUR 6.9 million compared to the previous year.

In particular, fees and commissions income, amounting to 202.4 million, consisted of 43% of fees related to payment services (86.6 million) and 42% of fees and commissions relating to financial instruments (84.2 million). Fee income related to payment services in particular increased by 12.9 million, driven by commissions in the e-money segment. On the other hand, commissions related to financial instruments increased slightly (+1.3 million), influenced by the negative market effect seen during 2022.

Total fee and commission expense amounted to 103.6 million, an annual increase of 7.2 million, following the increase (albeit lower) in asset-side fees and commissions. The increase is therefore, and above all, attributable to higher fees and commissions expenses from collection and payment services (which rose from 38.3 million to 47.1 million), partly offset by lower commissions expenses from financial instruments.

Net income from financial operations

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Financial assets and liabilities held for trading	5,361	5,878	(517)	(8.8%)
- Debt securities	*11*	*2*	*8*	*n.s.*
- UCITS units	*-*	*(0)*	*0*	*(100.0%)*
- Derivative instruments	*6,321*	*9,420*	*(3,099)*	*(32.9%)*
- Other	*(970)*	*(3,544)*	*2,574*	*(72.6%)*
Net income from the sale of financial assets and liabilities	9,971	30,040	(20,069)	(66.8%)
Dividends and similar income	45,259	37,488	7,771	20.7%
Net change in value of other financial assets and liabilities	(10,071)	2,831	(12,903)	n.s.
Total result from financial operations	**50,519**	**76,237**	**(25,718)**	**(33.7%)**

The result of financial operations is an important revenue dynamic for Cassa Centrale Banca, contributing 22% to net interest and other banking income. In 2022, this item stood at 50.5 million and was mostly represented by dividends received from subsidiaries, which amounted to 45.3 million (up by 7.8 million on the previous year).

The other constituent items of the result of financial operations are represented by net income from the sale of financial assets and liabilities (down on 2021) and the net change in value of other financial assets and liabilities, which is negative for EUR -10.1 million in 2022, a decrease of EUR 12.9 million compared to 2021. These negative changes are due to lower trading profits realised during the year and significant valuation losses due to the negative market effect.

Operating costs

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Administrative expenses	(197,913)	(158,020)	(39,892)	25.3%
- staff expenses	*(62,667)*	*(57,407)*	*(5,260)*	*9.2%*
- other administrative expenses	*(135,246)*	*(100,614)*	*(34,632)*	*34.4%*
Operating amortisation/depreciation	(3,720)	(4,117)	397	(9.7%)
Other net provisions (excluding credit risk adjustments)	(617)	(2,341)	1,724	(73.6%)
- of which on commitments and guarantees	*(1,292)*	*(858)*	*(434)*	*50.6%*
Other operating expenses/income	40,652	38,736	1,916	5.0%
Total operating costs	**(161,598)**	**(125,743)**	**(35,855)**	**28.5%**

Operating costs amounted to EUR 161.6 million and increased by approximately EUR 35.9 million compared to the previous year. The increase mainly reflects the strengthening trends of the Bank's structures in its role as Parent Company and is due to the increase in other administrative expenses and personnel costs.

Staff expenses, amounting to EUR 62.7 million, increased by EUR 5.3 million and are mainly related to the growth in the number of employees from 604 at the end of 2021 to 666 at the end of 2022, as well as the renewal of the CCNL in the second half of the year.

Other administrative expenses amounted to EUR 135.2 million and increased year-on-year by EUR 34.6 million. These expenses are mainly related to IT consultancy and development costs aimed at strengthening the controls of Cassa Centrale Banca as Parent Company of the Banking Group, and to the increasing regulatory contributions, in particular, the increase compared to 2021 of the contribution to the Single Resolution Fund.

As at 31 December 2022, operating amortisation/depreciation amounted to EUR 3.7 million, a decrease of approximately EUR 0.4 million compared to 2021. On the other hand, net allocations amounted to EUR 0.6 million, a decrease of EUR 1.7 million compared to the previous year, this change is especially due to write-backs carried out in 2022 on provisions for risks and expenses.

Other operating income and expenses, amounting to EUR 40.7 million, mainly include recoveries of costs for the outsourcing of control functions by the Affiliated Banks to the Parent Company, as well as write-backs of indirect taxes and write-backs for supervisory expenses. This item increased slightly on the previous year.

As at 31 December 2022, the cost-income ratio of Cassa Centrale Banca, calculated as the ratio of operating costs to net interest and other banking income, stood at 70.8%, up from 61.5% in the previous year. The increase in costs was only partially offset by the increase in revenue.

Value adjustments

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Loans to customers	8	(26,781)	26,790	n.s.
- of which write-offs	-	*(9)*	*9*	*(100.0%)*
Loans to banks	1,869	(287)	2,156	n.s.
OCI debt securities	(186)	(37)	(149)	n.s.
Contractual changes without derecognitions	18	2	15	n.s.
(Net value adjustments)/write-backs	**1,709**	**(27,103)**	**28,812**	**n.s.**

During 2022, net value write-backs of Cassa Centrale Banca amounted to EUR 1.7 million.

The write-backs carried out on NPL positions were offset by adjustments to loans, mainly due to the increase in exposures. As for exposures to banks, write-backs of approximately EUR 1.9 million were carried out, resulting from the decrease in interbank volumes.

Financial position aggregates

Reclassified balance sheet[3]

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
ASSETS				
Cash and cash equivalents	197,277	236,308	(39,030)	(16.5%)
Exposures to banks	16,420,417	19,443,062	(3,022,645)	(15.6%)
Exposures to customers	2,095,447	1,638,036	457,411	27.9%
of which at fair value	*25,551*	*27,889*	*(2,338)*	*(8.4%)*
Financial assets	4,227,683	3,950,404	277,279	7.0%
Equity investments	242,489	255,104	(12,615)	(5.0%)
Tangible and intangible assets	22,756	23,887	(1,130)	(4.7%)
Tax assets	30,313	25,475	4,837	19.0%
Other asset items	477,574	267,546	210,028	78.5%
Total assets	**23,713,956**	**25,839,822**	**(2,125,865)**	**(8.2%)**
LIABILITIES				
Due to banks	18,921,362	22,690,223	(3,768,860)	(16.6%)
Direct funding	2,788,153	1,588,570	1,199,583	75.5%
- Due to customers	*2,585,092*	*1,588,570*	*996,522*	*62.7%*
- Debt securities in issue	*203,061*	-	*203,061*	*100.0%*
Other financial liabilities	109,006	21,230	87,776	n.s.
Provisions (Risks, expenses and staff)	25,910	26,210	(300)	(1.1%)
Tax liabilities	3,006	3,875	(869)	(22.4%)
Other liability items	698,200	366,378	331,823	90.6%
Total liabilities	**22,545,638**	**24,696,484**	**(2,150,846)**	**(8.7%)**
Equity	1,168,319	1,143,337	24,981	2.2%
Total liabilities and net	**23,713,956**	**25,839,822**	**(2,125,865)**	**(8.2%)**

As at 31 December 2022, the total assets of Cassa Centrale Banca amounted to EUR 23.7 billion, a decrease of EUR 2.1 billion compared to the previous year. The total amount is mainly made up of exposures to banks (EUR 16.4 billion), which explain most of the annual change, marking a decrease of EUR 3.0

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

billion compared to the end of 2021. The decrease, which is also reflected in the liabilities, is mainly linked to the withdrawal of the tiering benefit and related deposit of excess liquidity, collected by the Banks, with the central bank.

On the other hand, exposures to customers, which amounted to EUR 2.1 billion at the end of 2022, increased by approximately EUR 460 million compared to the end of 2021. Financial assets also increased by approximately EUR 280 million compared to the previous year.

Lastly, the item "other assets", which increased from approximately EUR 270 million in 2021 to EUR 480 million in 2022, includes tax credits, which explains most of the positive change.

Liabilities consist mainly of amounts due to banks of EUR 18.9 billion, down by approximately EUR 3.8 billion compared to 2021, and direct funding of EUR 2.8 billion, up by EUR 1.2 billion compared to the previous year. As noted above, the liabilities were also strongly influenced by the decrease in liquidity in circulation, which drove the Group's Banks to reduce their deposits with Cassa Centrale Banca.

Equity, including profit for the period, amounts to EUR 1.2 billion.

Overall customer funding

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Current accounts and deposits on demand	821,500	1,031,860	(210,360)	(20.4%)
Fixed-term deposits	43,161	40,888	2,272	5.6%
Repos and securities lending	1,277,965	58,273	1,219,692	n.s.
Bonds	203,061	-	203,061	100.0%
Other funding	442,467	457,548	(15,081)	(3.3%)
Direct funding	**2,788,153**	**1,588,570**	**1,199,583**	**75.5%**

The total amount of direct funding from customers at the end of the year was EUR 2.8 billion, up significantly compared to the previous year (EUR +1.2 billion). The increase is nearly exclusively attributable to the increase in repos with Cassa Compensazione e Garanzia, which amounted to EUR 58.3 million at the end of 2021. On the other hand, current accounts and deposits on demand decreased as a result of the lower balances of current accounts dedicated to asset management as part of the PIP Cash asset management initiative launched in 2020 and completed at the end of 2022. The negative change was offset by growth in bonds. In the last quarter of the year, 200 million was issued as part of the Group's MREL issue plan.

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Assets under management	**2,953,629**	**2,576,090**	**377,538**	**14.7%**
Mutual funds and SICAVs	201,390	20,678	180,712	n.s.
Asset management	2,743,733	2,546,996	196,737	7.7%
Banking-insurance products	8,505	8,417	89	1.1%
Assets under administration	**3,955,746**	**4,222,531**	**(266,785)**	**(6.3%)**
Bonds	3,231,733	3,264,850	(33,117)	(1.0%)
Shares	724,013	957,681	(233,669)	(24.4%)
Indirect funding*	**6,909,374**	**6,798,621**	**110,753**	**1.6%**

* Indirect funding is expressed at market values.

Indirect funding of Cassa Centrale Banca[4] amounted to approximately EUR 6.9 billion at the end of 2022, 43% of which was represented by assets under management, amounting to approximately EUR 2.9 billion. Assets under administration amounted to EUR 4.0 billion and represent 57% of volumes.

Total funding from Cassa Centrale Banca customers amounted to approximately EUR 9.7 billion, an increase of 16% compared to EUR 8.4 billion in 2021, of which 29% was composed of direct funding (the weight of which increased mainly due to higher repo funding) and 71% of indirect funding.

% COMPOSITION OF CUSTOMER FUNDING	31/12/2022	31/12/2021	% change
Direct funding	28.8%	18.9%	52.4%
Indirect funding	71.2%	81.1%	(12.2%)

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

Net loans to customers

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Loans at amortised cost	**2,069,896**	**1,610,147**	**459,749**	**28.6%**
Mortgage loans	1,294,853	965,000	329,853	34.2%
Current accounts	659,193	528,061	131,132	24.8%
Other loans	106,168	113,643	(7,475)	(6.6%)
Impaired assets	9,682	3,444	6,239	n.s.
Loans at fair value	**25,551**	**27,889**	**(2,338)**	**(8.4%)**
Total net loans to customers	**2,095,447**	**1,638,036**	**457,411**	**27.9%**

Net loans to customers at the end of the year totalled EUR 2.1 billion, comprising mortgages of EUR 1.3 billion and current accounts of approximately EUR 659 million. Other loans include exposure to Cassa di Compensazione e Garanzia.

The growth in net loans to customers was mainly due to the development of mortgage loans, which rose by EUR 330 million; this growth is attributable for around EUR 145 million to the disbursement of loans to the subsidiary Prestipay, aimed at supporting the development of its loans. On the other hand, the increase in current accounts is related to the growth in exposure to Claris Leasing.

Credit quality

Cassa Centrale Banca adopts an extremely rigorous policy in the valuation of impaired loans. Loans granted to customers are the main sources of credit risk and require precise control and monitoring. A summary of loans to customers by degree of risk is provided below.

Customer loans

(Figures in thousands of euro)	31/12/2022			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	37,072	(27,390)	9,682	73.9%
- Non-performing	*7,997*	*(7,203)*	*795*	*90.1%*
- Unlikely to pay	*29,075*	*(20,187)*	*8,888*	*69.4%*
- Overdue/past due	-	-	-	
Performing exposures at amortised cost	2,103,001	(42,787)	2,060,214	2.0%
Total customer loans at amortised cost	**2,140,073**	**(70,177)**	**2,069,896**	**3.3%**
Impaired exposures at fair value	-	-	-	
Performing exposures at fair value	25,551	-	25,551	0.0%
Total customer loans at fair value	**25,551**	**-**	**25,551**	**0.0%**
Total customer loans	**2,165,624**	**(70,177)**	**2,095,447**	**3.2%**

(Figures in thousands of euro)	31/12/2021			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	34,737	(31,293)	3,444	90.1%
- Non-performing	*10,996*	*(10,893)*	*102*	*99.1%*
- Unlikely to pay	*23,729*	*(20,399)*	*3,330*	*86.0%*
- Overdue/past due	*13*	*(1)*	*12*	*5.0%*
Performing exposures at amortised cost	1,648,907	(42,203)	1,606,704	2.6%
Total customer loans at amortised cost	**1,683,644**	**(73,496)**	**1,610,147**	**4.4%**
Impaired exposures at fair value	-	-	-	
Performing exposures at fair value	27,889	-	27,889	0.0%
Total customer loans at fair value	**27,889**	**-**	**27,889**	**0.0%**
Total customer loans	**1,711,532**	**(73,496)**	**1,638,036**	**4.3%**

As at 31 December 2022, Cassa Centrale Banca's net performing exposures amounted to approximately EUR 2.1 billion, an increase of approximately EUR 454 million compared to the previous year. They account for over 99% of Cassa Centrale Banca's net cash assets to customers at amortised cost.

Total net impaired loans amounted to approximately EUR 9.7 million, up compared to the previous year by EUR 6.2 million; net bad loans amounted to approximately EUR 0.8 million and had a coverage level of 90%, while unlikely to pay, net of value adjustments, amounted to EUR 8.9 million, with a coverage level of 69%.

The table below shows the main risk management indicators[5].

RISK MANAGEMENT RATIOS	31/12/2022	31/12/2021
NPL ratio	1.7%	2.0%
NPL coverage	73.9%	90.1%

With regard to asset quality, as at 31 December 2022, Cassa Centrale Banca's NPL ratio was 1.7%, placing it at an absolutely virtuous level, also in light of a positive trend, (down by 0.3% compared to December 2021).

The overall level of coverage of impaired loans stood at 73.9%, lower than the value for 2021, but which still stood out as being among the highest in the Italian banking market.

Composition of financial instruments

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	242,570	242,161	409	0.2%
Trading book liabilities (FVTPL)	-	-	-	
Financial liabilities	-	-	-	
Banking book assets (FVOCI)	1,016,580	1,059,654	(43,074)	(4.1%)
Financial fixed assets excluding loans (AC)	2,859,602	2,623,850	235,752	9.0%
Total securities portfolio	**4,118,752**	**3,925,665**	**193,087**	**4.9%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	108,930	24,738	84,192	n.s.
Trading liabilities (FVTPL)	(109,006)	(21,230)	(87,776)	n.s.
Total derivatives portfolio	**(76)**	**3,509**	**(3,584)**	**(102.2%)**
TOTAL FINANCIAL INSTRUMENTS	**4,118,677**	**3,929,174**	**189,503**	**4.8%**

As at 31 December 2022, total financial instruments amounted to EUR 4.1 billion, up by approximately EUR 190 million compared to the end of 2021. The portfolio consists of 69% of assets classified under BV, 25% under FVOCI and 6% under FVTPL. Compared to the previous year, there was a 9% increase in the exposure of financial assets classified at amortised cost. This increase was almost exclusively due to the purchase, in the fourth quarter of 2022, of the liabilities issued by the Affiliated Banks as part of the MREL issue plan.

[5] The NPL ratio is calculated as the ratio of gross impaired loans to total gross loans to customers (given the importance of the loans to banks component for Cassa Centrale Banca, it was considered appropriate to exclude this item from the calculation of the index), while the NPL coverage is calculated on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated October 2021). In calculating the NPL ratio on the basis of the EBA data model, the value of the index for 2022 would be 0.20% and for 2020, 0.16%.

Additionally, the OTC derivatives activity is mainly aimed at hedging the interest rate risk of the Group's banking book. As a result, the almost symmetrical increase in trading assets and liabilities in the derivatives portfolio is representative of market trading in hedging transactions carried out by Cassa Centrale Banca for its Affiliated Banks and, to a lesser extent, in favour of other client banks.

Financial assets

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Debt securities	**4,036,707**	**3,824,306**	**212,401**	**5.6%**
- Obligatorily measured at fair value (FVTPL)	34	44	(10)	(21.8%)
- Measured at fair value (FVTPL)	174,551	180,958	(6,407)	(3.5%)
- Measured at fair value through other comprehensive income (FVOCI)	1,002,520	1,019,454	(16,934)	(1.7%)
- Measured at amortised cost (AC)	2,859,602	2,623,850	235,752	9.0%
Equities	**14,060**	**40,200**	**(26,140)**	**(65.0%)**
- Measured at fair value through other comprehensive income (FVOCI)	14,060	40,200	(26,140)	(65.0%)
UCITS units	**67,985**	**61,159**	**6,826**	**11.2%**
- Obligatorily measured at fair value (FVTPL)	67,985	61,159	6,826	11.2%
Total financial assets	**4,118,752**	**3,925,665**	**193,087**	**4.9%**

At the end of December 2022, financial assets amounted to EUR 4.1 billion, up by EUR 193 million compared to the same period in 2021, and consisted mainly of debt securities (98%). The latter mostly consist of government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Loans to central banks	532,327	3,276,152	(2,743,825)	(83.8%)
Loans to other banks	15,888,090	16,166,910	(278,820)	(1.7%)
- Current accounts and deposits on demand	*91,475*	*49,869*	*41,606*	*83.4%*
- Fixed-term deposits	*209,718*	*221,439*	*(11,721)*	*(5.3%)*
- Repos	-	-	-	
- Other loans	*15,586,897*	*15,895,602*	*(308,705)*	*(1.9%)*
Total loans (A)	**16,420,417**	**19,443,062**	**(3,022,645)**	**(15.6%)**
Due to central banks	(14,459,968)	(15,066,641)	606,673	(4.0%)
Due to other banks	(4,461,395)	(7,623,582)	3,162,187	(41.5%)
- Current accounts and deposits on demand	*(2,704,436)*	*(5,784,487)*	*3,080,051*	*(53.3%)*
- Fixed-term deposits	*(1,280,473)*	*(1,828,564)*	*548,091*	*(30.0%)*
- Repos	*(475,642)*	*(9,595)*	*(466,048)*	*n.s.*
- Other loans	*(843)*	*(936)*	*93*	*(9.9%)*
Total payables (B)	**(18,921,362)**	**(22,690,223)**	**3,768,860**	**(16.6%)**
NET FINANCIAL POSITION (A-B)	**(2,500,945)**	**(3,247,161)**	**746,215**	**(23.0%)**

As at 31 December 2022, total loans to banks amounted to EUR 16.4 billion (a decrease of approximately EUR 3.0 billion compared to the end of 2021) and were influenced, as reported above, by the increase in interest rates and decrease in cash deposited with central banks as a result of the tiering benefit being withdrawn. This decrease corresponds, in terms of due to banks, to a decrease in current accounts and demand deposits.

The main component of loans to banks (other loans) is made up of exposures related to brokerage activities in ECB auctions with the Affiliated Banks amounting to approximately EUR 14.1 billion and EUR 1.4 billion of exposures in the Collateral Account. This exposure is mainly financed by funding from Central banks, of approximately EUR 14.5 billion.

Fixed assets

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Equity investments	242,489	255,104	(12,615)	(5.0%)
Tangible	22,422	22,891	(468)	(2.1%)
Intangible	334	996	(662)	(66.4%)
Total fixed assets	**265,245**	**278,991**	**(13,745)**	**(4.9%)**

Non-current assets as at 31 December 2022 amounted to EUR 265 million, a decrease of approximately EUR 13.7 million compared to 2021, and consisted mainly of equity investments of EUR 243 million, tangible assets of approximately EUR 22.4 million and intangible assets of EUR 0.3 million (mainly user licences and software). The downturn is mainly linked to the writedown in 2022 of the equity investments of Cassa Centrale Banca in the subsidiary Claris Leasing S.p.A. and in Casse Rurali Raiffeisen Finanziaria S.p.A.

Equity

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Capital	952,032	952,032	-	0.0%
Share premium	19,029	19,029	-	0.0%
Reserves	171,051	158,979	12,072	7.6%
Valuation reserves	(18,454)	(32,767)	14,313	(43.7%)
Profit (loss) for the year	44,660	46,064	(1,404)	(3.1%)
Total equity	**1,168,319**	**1,143,337**	**24,981**	**2.2%**

Equity as at 31 December 2022 amounted to EUR 1.2 billion and is slightly higher than the previous year. The increase of approximately EUR 25.0 million is due to an increase in the valuation reserves (EUR +14.3 million) and the increase in other reserves, resulting from the allocation of EUR 21.4 million in profit from previous years, offset by negative changes for approximately EUR 9.5 million on securities measured at fair value.

Own funds and capital adequacy

Own funds and capital ratios

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

Total own funds consist of Tier 1 (T1) capital and Tier 2 (T2) capital. Specifically, Tier 1 capital is the result of the sum of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

The aforesaid aggregates (CET1, AT1 and T2) are determined by the algebraic sum of their constituent positive and negative elements, following consideration of prudential filters, referring to all positive and negative fair value changes to Common Equity Tier 1 capital introduced by the Supervisory Authority in order to reduce the potential volatility of the assets.

At the end of December 2022, Common Equity Tier 1 (CET1), Tier 1 capital and total own funds of the Bank were identical and stood at EUR 1,175,097 thousand.

The quantification of these balance sheet aggregates also took into account the effects of the current "transitory regime", mostly attributable to the prudential rules introduced by Regulation (EU) no. 2017/2395 and partially supplemented by Regulation no. 2020/873, whose impact on the Bank's Common Equity Tier 1 capital amounted to EUR 26,359 thousand. This regulation, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) envisaged by IFRS 9, allows to dilute until the end of 2024:

- the incremental impact after tax of the write-down on performing and impaired exposures, following the application of the new valuation model introduced by IFRS 9, recognised at the transition date ("static" $A2_{SA}$ filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 1 January 2020 with respect to the impact measured at the date of transition to the new standard ("old dynamic" A4SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 1 January 2020 ("dynamic" $A4_{SA}$ filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%;
- 2019 – 85%;
- 2020 – 70%;
- 2021 – 50%;
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%;
- 2021 – 100%;
- 2022 – 75%;
- 2023 – 50%;
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the COVID-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, section 1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Furthermore, the calculation of these balance sheet aggregates also took into account the effects of the current transitory regime pursuant to Art. 468 of the CRR, as amended by Regulation 2020/873, with an impact on the Bank's Common Equity Tier 1 capital of EUR 6,556 thousand. The regulation is aimed at mitigating the impact on own funds of unrealised profit and loss accumulated from 31/12/2019 on securities issued by government and similar bodies classified in the FVOCI portfolio, set out by the aforementioned Regulation (EU), through their sterilisation.

The adjustment of the CET1 related to the "unrealised profit and loss" components to be made between 2020 and 2022, re-including in the CET1 the impact of the unrealised components, to the extent indicated hereunder for each of the 3 years of the transitory period:

- 2020 – 100%;
- 2021 – 70%;
- 2022 – 40%.

The sterilisation is symmetrical, i.e. the filter is applied to the unrealised profit and loss using the same percentage. The Bank can only revoke its initial decision once during the transitory period; however, revocation is subject to the preliminary authorisation of the competent authority.

In light of the unrealised losses as at 31/12/2022:

- in application of section 4 of Art. 468 of the CRR, the related deferred tax assets were redetermined to make the appropriate recalculations;
- the dynamic new component was adjusted for the portion of increased writedowns on the securities considered in the sterilisation in order to avoid double counting, according to the specific provisions of the EBA Q&A 2020_5346.

If there are unrealised losses, application of the aforesaid transitory regime also allows for a savings in terms of RWA arising from the recalculation of the tax assets referring to FVOCI reserves on securities falling under the aforesaid transitory regime weighted at 250%, if no thresholds are exceeded.

The exercise of this provision is optional. The option was exercised by the Cassa Central Cooperative Banking Group starting from reports referring to 30/06/2022. In particular, Cassa Centrale Banca decided to exercise this option starting from the contribution referring to 30/06/2022.

From 31/12/2022, for the purposes of calculating the capital requirements in relation to credit risk, the use of the external ratings issued by a recognised ECAI has not only been extended to the Central Governments or Central Banks portfolio and Exposures to Securitisation, but also to the regulatory portfolios Exposures to Entities and Exposures to Companies.

Following this change, the adopted rating agencies are as follows, grouped by relevant portfolios:

- Central Governments or Central Banks: Moody's;
- Exposures to Securitisation: Moody's;
- Exposures to Entities: Moody's;
- Exposures to companies: CRIF ratings.

This choice is based on the more general framework of a continuous optimisation of risk-weighted assets, also in consideration of the expected benefits associated with application of the new Basel IV provisions.

It should also be noted, that from 31 December 2022, if the thresholds envisaged for the OEM at consolidated level are exceeded, for the purposes of calculating the capital requirements in relation to counterparty risk, the SIMPLIFIED SA CCR method, pursuant to Art. 281 of the CRR II, is applied.

This method is a simplified alternative to the OEM, applicable by intermediaries that hold exposures in derivatives valued at less than EUR 300 million and at 10% of the entity’s assets, as provided for by Art. 273-bis, section 1 of the CRR II.

Lastly, in 2022, the additional provisions already fully introduced in 2021 were applied in accordance with the application of the provisions envisaged by Regulation (EU) no. 876/2019 — known as CRR II — (e.g. the application of the new SME supporting factor and infrastructure factor) envisaged by the aforementioned Regulation, as well as the application of the regulation on Calendar Provisioning - NPL Backstop, which introduced a specific deduction from "Own funds" in the case of insufficient coverage referring to impaired exposures (Regulation (EU) no. 2019/630).

(Figures in thousands of euro)	31/12/2022	31/12/2021
Common Equity Tier 1 capital - CET1	1,175,097	1,153,969
Tier 1 capital - TIER 1	1,175,097	1,153,969
Total own funds - Total capital	1,175,097	1,153,969
Total risk-weighted assets	2,123,055	1,953,575
CET1 capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	55.35%	59.07%
Tier 1 capital ratio (Tier 1 capital/Total risk-weighted assets)	55.35%	59.07%
Total capital ratio (Total own funds / Total risk-weighted assets)	55.35%	59.07%

Risk Weighted Assets

(Figures in thousands of euro)	31/12/2022	31/12/2021	Change	% change
Credit and counterparty risk	1,558,009	1,427,473	130,536	9.1%
Credit valuation adjustment risk	35,005	68,334	(33,328)	(48.8%)
Market risk	118,377	109,521	8,855	8.1%
Operational risk	411,664	348,246	63,418	18.2%
Total RWA	**2,123,055**	**1,953,575**	**169,480**	**8.7%**

Risk-weighted assets increased from EUR 1,953,575 thousand to EUR 2,123,055 thousand following an increase mainly due to credit risk.

Therefore, the Bank has a ratio of Common Equity Tier 1 capital to risk-weighted assets (CET1 capital ratio) of 55.35% (59.07% as at 31 December 2021). The same value also refers to the ratio of Tier 1 capital to risk-weighted assets (T1 capital ratio) and total own funds.

The reduction in the capital ratios compared to the previous year is therefore attributable to an increase in the RWA, as shown in the above table.

Lastly, Cassa Centrale Banca's leverage requirement as at 31 December 2022 is 16.36% and thus higher than the expected regulatory minimum of 3%.

Other information

Pursuant to Articles 37-bis of the Testo Unico Bancario (Consolidated Banking Act - TUB) and 2497 *et seq.* of the Italian Civil Code, Cassa Centrale Banca exercises management and coordination activities with regard to its direct and indirect subsidiaries, in application of Articles 23 of the TUB and 2359 of the Italian Civil Code, including companies that, under current prudential regulations, are not part of the Banking Group. It is also specified that the management and coordination activities of the Affiliated Banks are carried out following the signing of the Cohesion Contract between Cassa Centrale Banca, as the Parent Company, and the Affiliated Banks themselves; in particular, the Cohesion Contract defines the powers and duties of the Parent Company and the tasks and duties of the Affiliated Banks.

This Report on Operations includes only comments on the results of operations of the Parent Company Cassa Centrale Banca. For all other information required by law and specific regulations, please refer to the Explanatory Notes to these separate financial statements, the Directors' Report on the Consolidated Operations and the Explanatory Notes to the consolidated financial statements.

In particular, reference should be made to the Explanatory Notes to these separate financial statements for the following information:

- information relating to the Bank's operations and transactions with related parties (Part H - Transactions with related parties);
- the list of wholly-owned subsidiaries, jointly controlled and subject to significant influence (Part B, Assets, Section 7 - Equity investments);
- information on the ownership of own shares (Part B, Liabilities, Section 13 - Equity);
- information on events after the end of the financial year (Part A - Accounting policies);
- other information on assets (Part F - Information on equity);
- extraordinary transactions (Part G – Business combinations regarding companies or branches).

Reference should be made to the *Directors' Report on Consolidated Operations of the Cassa Centrale Group* for information on the following:

- economic context;
- significant events during the year;
- information on the Group’s main strategic business areas;
- risk management;
- business continuity;
- research and development;
- other information;
- significant events occurred after the end of the financial year;
- business outlook.

Proposed appropriation of the result for the year

Dear Shareholders,

We bring to your attention the financial statements for the year ended 31 December 2022 consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the explanatory notes, and the report on operations.

In accordance with the provisions of the Law and the Articles of Association, we propose to allocate the profit of EUR 44,660,411.57 as set out below:

DESTINATION ITEM	Figures in Euro
1. to legal reserve	2,233,021
2. to extraordinary reserve	17,962,595
3. to dividends in favour of shareholders	23,839,795
4. allocation to the Board of Directors	625,000

Trento, 7 June 2023

The Board of Directors

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report to the Shareholders' Meeting pursuant to Article 2429 of the Italian Civil Code

Dear Shareholders,

With this report, drawn up pursuant to Article 2429 of the Italian Civil Code, the Board of Statutory Auditors reports to the Shareholders' Meeting of Cassa Centrale – Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale", "CCB", "Parent Company" or "Bank") on the supervisory activities carried out in the financial year ended 31 December 2022, in accordance with the relevant regulations, the Articles of Association and in compliance with the provisions issued by the National (Bank of Italy and CONSOB) and European (European Central Bank) Supervisory Authorities, also taking into account the Rules of Conduct of the Board of Statutory Auditors recommended by the National Board of Chartered Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili - CNDCEC).

1. Appointment of the Board of Statutory Auditors and preliminary considerations

The Board of Statutory Auditors in its current composition was appointed by the Shareholders' Meeting of Cassa Centrale on 30 May 2022, with assignment granted for a three-year period and, therefore, until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2024.
The Control Body in office at the date of this report is formed of Pierpaolo Singer (Chairman), Lara Castelli and Mariella Rutigliano.
The Board of Statutory Auditors of the Bank was also assigned the role of Supervisory Body pursuant to the provisions of Legislative Decree no. 231 of 8 June 2001, on the basis of the indications contained in Bank of Italy Circular no. 285 of 17 December 2013.
In undertaking its duties, the Board of Statutory Auditors oversaw compliance with the law, regulations and the Articles of Association. It also monitored the principles of correct administration and adequacy of the organisational and accounting structures, as well as the functionality of the overall Internal Control System of the Bank. During the year, it met 55 times and, between 1 January 2023 and the date of preparation of this report, held 16 meetings. The average length of the meetings was 5 hours.
Considering the work it is called upon to carry out, the Board of Statutory Auditors drew up an annual rolling agenda intended to plan the activities to be carried out and approved a Regulation to govern the functioning of the Body.
The Board of Statutory Auditors also drafts a half-yearly note for the Board of Directors which summarises the main activities carried out in the reporting period and the recommendations formulated so that they might be appropriately considered by the Board of Directors in a constructive critical meeting with management.
The Board of Statutory Auditors closely oversees the relationship with the statutory auditor, intended to continuously promote mutual exchange of information regarding the performance of the supervisory activities within their respective remits and the necessary discussion around the process of producing financial reporting.

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As part of its supervisory activities, the Control Body attended every meeting of the Board of Directors and of the Executive Committee and, in accordance with the Regulations, at least one member attended every meeting of the Board Committees. Moreover, the Control Body attended the Regional Shareholders' Meetings of the North-West, North-East, Centre and South and the Islands, announced by the Parent Company, with the aim of sharing the strategic projects of relevance for the entire Group and the development guidelines in the implementation of which the Group Banks are active players.
The Board of Statutory Auditors attended the meetings organised with the Affiliated Banks by the head of the Administration and Financial Statements Department, with a view to launching the procedure for the appointment of the Group's sole auditor; the meeting organised by the Compliance Department with the contact persons of the Affiliated Banks on the efficacy of the model and remedial actions, the transposition of ESG factors into the Group, the development of the Group model for the provision of investment services and the evolution of the MiFID II framework.
In 2022, the governance and the direction and coordination activities of the Group's entities continued to be refined, the body of internal regulations, the set of policies and procedures designed to consolidate the overall internal control and risk management system continued to be integrated and updated.
The Control Body paid particular attention to the progress of the Parent Company's initiatives aimed at the progressive achievement of objectives to fully standardise processes and procedures at Affiliated Bank and Subsidiary level. The Board of Statutory Auditors believes that the standardisation of processes and procedures at Group level is essential for the development of IT projects capable of supporting the business units, back office and Control Functions. The path taken to date reflects the progressive maturing of a Group culture that, although aware of the efforts still to be made, materialised thanks to the daily commitment of the structures of the Parent Company, Affiliated Banks and Subsidiaries.
The Control Functions continued to refine their methodological approach based on an integrated view of the risks in the planning and execution phases of the respective activities and in reporting them so as to allow the company bodies to promptly assess any anomalous phenomena and direct their supervision and guidance more effectively at Group level.
The activities carried out by the Parent Company since the launch of the Cooperative Banking Group, have thus far made it possible to intercept and direct, thanks to the business and control work carried out by the Functions, the main critical issues expressed by certain Affiliates, creating the priority objective to "secure" the Group's overall structure. The results achieved have created the conditions to spark reflections within the Strategic Supervisory Body on the opportunity for further initiatives to be assessed, taking account of the experience gained and the maturing Group spirit achieved to date by the constituent entities. This is with a view to progressively increasing the efficacy of the direction and coordination activity, continuing to protect the entire Group from legal and reputational impacts, in respect of the overall regulatory framework and provisions of reference and the guiding principles and mission of cooperative credit.

The Board of Statutory Auditors dedicated considerable efforts to the monitoring of the remedial actions planned following the outcomes of the inspections conducted by the ECB and by the Bank of Italy, as well as ordinary or targeted audits by the Control Functions, as a result of weaknesses found in the governance and control system of the Affiliated Banks. This supervisory activity was carried out through continuous meetings with the Control Functions and, where deemed necessary and appropriate, with the Boards of Statutory Auditors of the Affiliated Banks.
Similar efforts were dedicated to the monitoring of the risk profiles and credit quality, as well as the progress of projects related to the development of applications in support of first and second level controls.

2. Coordination with the Boards of Statutory Auditors of Affiliated Banks and Subsidiaries

During the year, as required by current regulations, the Board of Statutory Auditors implemented coordination activities with the counterpart Bodies of the Affiliated Banks and Subsidiaries in order to share guidelines for performing control activities and raise their awareness of the overall need to supervise the tangible transposition at local level of Group regulations and compliance with specific provisions/indications formulated by the Parent Company, with a view to promoting the aforesaid standardisation of processes, procedures and controls.
To pursue these objectives, in addition to the exchange of information and news, intended to analyse specific aspects of internal control or risk governance, three in-person meetings were organised in September 2022, involving the Chairpersons of the Boards of Statutory Auditors of the Affiliated Banks and of the Subsidiaries, according to geographical distribution. During these meetings, particular attention was also paid to the need for careful monitoring and strong impetus of the Control Bodies to meet the deadlines of remedial actions arising from the findings of the Supervisory Authorities following inspections and, in general, by the Corporate Control Functions.
This coordination also includes participation by the Board of Statutory Auditors in the aforementioned meetings organised with the Affiliated Banks by the head of the Administration and Financial Statements Department of the Parent Company to illustrate the phases planned for sharing documentation related to the tender, carried out centrally by the Parent Company, as well as the overall procedure defined to appoint the Group's statutory auditor, subject to early termination of the existing appointments, during the shareholders' meetings called to approve the financial statements for the year ended as at 31 December 2022.
Furthermore, in light of preparing the Annual Report on the Financial Statements, the Board of Statutory Auditors met with the Chairpersons of the Control Bodies of the Subsidiaries with the aim of learning the main outcomes of the supervisory activity performed and any critical issues detected.
A written request for information was sent to the Boards of Statutory Auditors of a pool of 26 Affiliated Banks, selected using a risk-based approach in order to discover, in particular:

- any significant shortcomings found in the internal control and risk management system;
- the state of implementation of the corrective actions identified following high or medium/high severity findings detected by the control functions;
- the outcomes of the activities conducted by the Control Body in order to transpose the provisions and indications issued by the Parent Company for implementation of the remedial plans following the Bank of Italy inspection on AML and Transparency;
- any significant shortcomings in the internal control system for financial reporting reported by the auditor.

Once the findings were received, the Board of Statutory Auditors noted that no significant events had arisen that were not already known and that the Boards of Statutory Auditors of the Affiliated Banks had performed the activity required of their role, also verifying from time to time the state of implementation of the corrective actions related to shortcomings and/or critical issues, where detected in the various areas, and supervised the transposition of the provisions and indications issued by the Parent Company for implementation of the remedial plans in relation to AML and Transparency.

3. Corporate governance

Following the resignation of the Chief Executive Officer and General Manager of CCB in December 2021, with effect from 1 February 2022, the Board of Directors, at its meeting on 3 February 2022, co-opted Sandro Bolognesi, former CFO and Deputy General Manager of the Parent Company, appointing him as Chief Executive Officer and General Manager.
On 25 March 2022, the Shareholders' Meeting of Cassa Centrale approved changes to the Articles of Association that, among other things, included the option to appoint the same person as both Chief Executive Officer and General Manager.
The Shareholders' Meeting of 30 May 2022 resolved to renew the appointment of the corporate officers and appointed the members of the Board of Directors, of which the General Manager and 5 independent directors, who will remain in office for the next three years. On the same date, the Board of Directors confirmed the General Manager in the role as Chief Executive Officer and appointed the Chairperson, two Deputy Chairpersons, of which one senior, the Executive Committee and the Board Committees. At the same meeting, the powers set out by Articles 33.1 and 34.2 of the Articles of Association were also granted to the Executive Committee and to the Chief Executive Officer, with the adoption of an initial framework resolution intended to guarantee operational correctness.
In line with the aforementioned changes to the Articles of Association, at the meeting of the Board of Directors on 21 July 2022, the system of delegated powers was subject to a full review, in terms of integration and extent of the scope. This was done in consideration of the expectations expressed by the Supervisory Authority when it issued prior authorisation of the new Articles of Association, regarding the need to guarantee a stronger role for Delegated Bodies, allowing the Strategic Supervisory

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Body to focus on topics specifically reserved to its remit, as required as part of the 2021 Supervisory Review and Evaluation Process (SREP).

Internal regulations are the main source of the current structure of delegated powers; their exercise is periodically reported to the Board of Directors.

At the aforementioned meeting on 21 July 2022, the Board of Directors also resolved to update the Corporate Governance Project, pursuant to Bank of Italy Circular no. 285/2013, Part I, Title IV, Chapter 1, Section II. The main changes compared to the previous document involved the Parent Company's governance system, with particular reference to the structure and composition of the Corporate Bodies and the organisational structure, the system of powers, as well as the transposition of the changes made to the internal regulation documents, with reference not only to national regulations, but to the indications issued by the European Banking Authority and the European Central Bank.

In compliance with the Regulatory Provisions and the guidelines expressed at European level on the composition and appointment of corporate bodies with regard to the requirements of experience, integrity, conflicts of interest and independence of judgement, availability of time and overall suitability, in March 2022, the Board of Directors carried out a self-assessment on its functioning and qualitative and quantitative composition, as well as of the Board Committees. The outcome of the same was submitted to the Board of Directors for approval on 10 March 2022 and made available to shareholders at the Shareholders' Meeting of 30 May 2022.

In its previous composition, the Board of Statutory Auditors supervised the self-assessment of the qualitative and quantitative composition and functioning of the Board of Directors in office at the time and carried out its own self-assessment.

At the reporting date of this report, the annual self-assessment process of the Corporate Bodies is under way. The Board of Statutory Auditors shall supervise the exercise by the Strategic Supervisory Body, the outcomes of which shall be reported to the Shareholders' Meeting during approval of the Financial Statements as at 31 December 2022.

By attending the meetings of the Appointments Committee and the Board of Directors, the Board of Statutory Auditors also monitored the processes for the appointment and assessment of the requirements of the members of the Affiliated Banks and the Subsidiaries, performed in line with the provisions of the "Regulation for the assessment of member suitability, self-assessment of the Bodies and appointments within the Subsidiaries".

4. Transactions with related parties

In terms of conflicts of interest and transactions with associated and related parties, the Board of Statutory Auditors monitored the suitability of the internal procedures to ensure compliance with the related rules and, in particular, with the provisions set out in Bank of Italy Circular no. 285/2013, through direct feedback, attending all meetings of the Independent Directors' Committee, analysing periodic information on the transactions carried out and issuing specific opinions when requested.

The Board of Statutory Auditors has no transactions with related parties in conflict with the interest of Cassa Centrale.
Furthermore, no writedowns were made and no losses for receivables from related parties were reported.
The relations and transactions are attributable to ordinary credit and service activities developed according to contingent needs or benefits, in the common interest of the parties.
The conditions applied to individual relationships and transactions with counterparties did not diverge from market conditions, namely they were aligned with the conditions applied to employees.
Quantitative information about the balance sheet and income statement transactions carried out in the reporting period is given below, as also indicated in the explanatory notes to the Separate Financial Statements.

Figures in euro

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Parent Company	-	-	-	-	-	-
Subsidiaries	17,057,922	3,659,813	13,009,506	4,764	274,826	
Associates	30,056	-	14,557	-	118	77
Directors and executives	1,310	2,211	380	-	232	28
Other related parties	7,454	3,132	24	5,608	696	43
Total	**17,096,742**	**3,665,156**	**13,024,466**	**10,372**	**275,872**	**91,462**

5. Monitoring of compliance with legal, regulatory and statutory provisions

The Board of Statutory Auditors also monitored the activity carried out by the Bodies and by the Board Committees, verifying its compliance with the principles of correct administration and protection of the Bank's assets.
The Control Body acquired information on the management activities and the most significant transactions from an economic and financial point of view and/or from an organisational point of view, of Cassa Centrale, the Affiliated Banks and the Subsidiaries through its participation in board meetings, the proceedings of the Board Committees and meetings with Top Management. As part of the meetings it attended, and in light of the audits carried out, the Board of Statutory Auditors did not discover overtly imprudent or risky transactions or in potential conflict of interest, nor transactions that went against the resolutions of the Shareholders' Meeting, or such that would compromise the integrity of the assets.
As for the decision-making processes of the Board of Directors and the Executive Committee, the Board of Statutory Auditors monitored their compliance with the law and the Articles of Associations, verifying that the decisions made were inspired by the principle of correct information and reason.
The Board of Statutory Auditors also acknowledged the statements provided by the Directors pursuant to Article 2391 of the Italian Civil Code and Article 53 of the

Consolidated Law on Banking, continuously verifying compliance with the applicable regulations on relevant interests, in line with the provisions of the "Group Regulations for managing conflicts of interest".
In the course of its activities and on the basis of the information obtained, the Board of Statutory Auditors has not found any irregularities, censurable acts or facts or circumstances such as to require reporting to the Supervisory Authorities; moreover, it has not been alerted pursuant to Article 2408 of the Italian Civil Code.
The Control Body acknowledged that, on 14 December 2022, the Banking Supervisory Board informed Cassa Centrale Banca of the outcome of the ECB decision following the Supervisory Review and Evaluation Process (SREP) carried out in 2022, which confirmed the requirements on own funds, liquidity and quality communicated following the 2021 SREP cycle.
The Group is therefore required to meet, on a consolidated basis, a total SREP requirement of 10.50%, including the additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%.
As at 31 December 2022, the Group capital ratios at consolidated level were 22.79% for Common Equity Tier 1 and 22.8% for the Total Capital Ratio, much higher than the envisaged minimums and the SREP requirements.

6. Significant transactions

Among the most significant transactions and events during the year - of which the Directors have provided information in the Report on Operations to the Group's consolidated financial statements - which the Board of Statutory Auditors deems appropriate to note for their consistency with the strategic guidelines and the objectives of corporate rationalisation and strengthening of the quality of assets, as well as their significance, the following are worth mentioning:
Business combinations
During the year, in the context of the rationalisation of the regional control unit outlined in the Group's Strategic Plan and with the intention of pursuing stability, efficiency and competitiveness objectives, the following business combinations were carried out between Cooperative Credit Banks belonging to the Group:

- Cassa Rurale Alta Vallagarina e Lizzana – Cooperative Company, merger by incorporation into Cassa di Trento, Lavis, Mezzocorona e Valle di Cembra - Banca di Credito Cooperativo - Cooperative Company, effective 1 April 2022;
- Cassa Rurale Rotaliana e Giovo - Banca di Credito Cooperativo - Cooperative Company, merger by incorporation into Cassa Rurale Val di Non - Banca di Credito Cooperativo - Cooperative Company, effect 1 July 2022.

Following these transactions, the number of Affiliated Banks as at 31 December 2022 fell to 68.
2022-2025 Strategic Plan
The Board of Directors of 30 June 2022 approved the new 2022-2025 Strategic Plan according to a process that involved all Affiliated Banks in accordance with the cohesion contract. The main objectives of the plan refer to: *i)* the development of the distribution model, with the aim of encouraging greater adoption of advanced

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customer relations management tools; *ii)* an acceleration of investments in technology, to continue the digital transformation already undertaken and to evolve the IT system for better support for all banking activities; *iii)* the allocation of significant resources to product companies, with the aim of offering competitive products and services on the market; *iv)* prioritised risk management, with the aim of providing shareholders and depositors of the Affiliated Banks with security and stability, with some of the highest provisioning levels for credit risk and primary capitalisation in Europe, and *v)* the development of a new sustainability plan, with the aim of encouraging efforts towards initiatives in support of communities and the environment.

Impaired asset management and Group NPE strategy

On 31 March 2022, the Board of Directors of Cassa Centrale approved the new NPE Strategy and the related Group NPE Operational Plan with a 2022-2024 time horizon.

The strategy, defined by also incorporating the impacts of the health crisis and the Russian/Ukrainian conflict, followed a prudent approach through the adoption of a higher provisional default rate than the historical data in recent years. The final figures for 2022 showed much better results than the estimates thanks to significantly lower default rates than the forecasts and recovery performance of impaired loans that exceeded expectations.

The effect of these dynamics on impaired loans, combined with the increase in performing loans, led to the achievement of a gross NPL ratio of 4.8% and a net NPL ratio of 0.9%.

For 2023, a slight decrease was envisaged in the gross NPL ratio, from 5.5% in late 2021 to 5.3% in late 2023, whereas a more notable reduction was expected with reference to 2024, with an envisaged gross NPL ratio of 4.8%.

On 30 March 2023, the Board of Directors updated these forecasts during approval of the 2023-2025 NPE strategy.

Disputes

The financial holding Malacalza Investimenti S.r.l., through civil action brought against Carige, FITD, SVI and Cassa Centrale Banca in January 2020, contested the validity of the resolution to increase the share capital approved by the shareholders of Carige at the shareholders' meeting of 20 September 2019, which took place with exclusion of the option right and led to the acquisition by Cassa Centrale Banca of an 8.34% stake, submitting a claim for damages of over EUR 480 million, subsequently increased to approximately EUR 539 million.

The contested validity of the shareholders' resolution was based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the considered breach of the criteria used to determine the issue price of the new shares, compared to the applicable regulations.

Two further disputes were brought against the defendants by the shareholder Vittorio Malacalza and 42 other shareholders, with a claim for a further approximate EUR 11.4 million based on the same assumptions and arguments put forward by Malacalza Investimenti.

In the joined proceedings before the Court of Genoa, Cassa Centrale Banca appeared, like the other defendants, filing a statement of appearance and response seeking a declaration of its lack of legal standing and the rejection of all claims made against it by the plaintiffs.

The Court of Genoa, with judgement of 15 November 2021, ascertained the validity of the capital increase resolution adopted by Carige and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs.

The judgement was appealed by Malacalza Investimenti, Vittorio Malacalza and by 5 of the 42 shareholders.

In March and April 2022, Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal.

At the hearing of 20 April 2022, the Court ordered the joinder of all the proceedings, reserving any decision until the continuation.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and charges in line with the provisions of the IAS/IFRS international accounting standards.

Minimum Requirement of Eligible Liabilities (MREL)

In April 2022, the Single Resolution Board (SRB) communicated to Cassa Centrale, pursuant to Article 12 bis, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, the Minimum Requirement of Eligible Liabilities (MREL), defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE).

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

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

The minimum requirement for own funds and eligible liabilities on a consolidated basis (with which the Parent Company complies) is 21.79% of TREA and 5.91% of LRE. The Parent Company is required to meet such requirements by 1 January 2024. From 1 January 2022, the Group is required to meet an interim requirement of 18.19% of TREA and 5.91% of LRE.

There are no subordination requirements to meet the aforementioned targets.

Bank of Italy Inspection on Transparency and AML

On 12 January 2022, the Bank of Italy notified the Board of Directors of Cassa Centrale of the inspection report on the AML and Transparency investigations carried out between 12 April 2021 and 6 August 2021. The Supervisory Authority found that three years after the Group's start the objectives of strengthening and harmonising operating and management standards in the areas under investigation have not been fully achieved, with the need to further strengthen the control units governing the Group's Anti-Money Laundering and Transparency processes, also with a view to improving the ability of the Parent Company Cassa Centrale to oversee the behaviour of its Affiliated Banks.

After analysing the areas of intervention, detailed implementation schedules of the Anti-Money Laundering and Transparency remedial plans were prepared. These schedules were sent to the Supervisory Authority on 24 March 2022 alongside the response to the inspection report. The remedial actions indicated in the plans of action are progressively implemented and reported to the Bank of Italy according to its indications provided from time to time.

On-Site Inspection

In the reporting period, the Bank was subject to an on-site inspection conducted by the European Supervisory Authority and planned and launched remediation programmes in response to the findings of the inspections previously conducted by it. In particular:

- in early 2022, Cassa Centrale was notified of the outcome of the OSI on capital adequacy aimed at assessing the calculation of the Pillar 1 capital requirements, concluded at the end of 2021. The Group acted promptly to resolve several points of concern that emerged and initiated dialogue with the JST aimed at representing the remedial plan undertaken with the aim of carrying it out according to the timeframe expected by the Supervisory Authority;
- in March 2022, as part of a broader scope of control and analysis activities conducted on the entire European banking the system, the ECB launched an on-site inspection on credit and counterparty risk with the aim of assessing compliance with and implementation of accounting standard IFRS 9. The investigations focused on the segment of exposures to commercial real estate. The inspection team carried out a credit quality review on a sample group of positions and assessed the credit risk processes, including all ancillary aspects such as governance, credit processes, internal regulations, IFRS 9 models and rating systems adopted by the Group;
- in September 2022, an on-site inspection on IT risk was launched, aimed at assessing the management of ICT operations and IT projects. It involved areas of the Parent Company, Allitude, the Affiliated Banks and the Group Companies involved in processes associated with IT operations and the framework of IT project management; the activities were completed in November.

Climate Risk Stress Test ("2022 SSM climate risk stress test")

The process already undertaken in 2021 continued throughout 2022, to develop methods to identify and quantify ESG risks in line with the requirements of the ECB as part of its climate roadmap, in order to obtain reporting from financial institutions based on a shared set of climate risk metrics, required to assess their degree of preparedness and capacity to withstand financial and economic shocks arising from this risk.

The poor availability of data related to greenhouse gas emissions, EPC ratings, geo-location guarantees, etc. was the most critical aspect that affected the negative assessment of the Group's exposure to climate risk.

Having received Supervisory feedback on the "Thematic Review on Climate and Environmental Risks", appropriate improvement actions were activated through the creation of a "Parent Company ESG Steering Committee" and the "ESG PMO", and the 2022-2025 Sustainability Plan was updated to include the actions and deadlines as indicated in the ECB letter on said Thematic Review, providing for a set of indicators for monitoring the related risk within the RAS panel.

Lastly, the climate risk stress testing framework adopted in 2021 was furthered refined for the purpose of including it in the ICAAP/ILAAP Report as at 31 December 2022.

The initiatives undertaken mark the first steps in a process intended to create a solid governance structure for the climate risk stress testing framework, which makes it possible to integrate the results of the climate risk stress tests into the main activities and planning.

Voluntary liquidation of the Company Centrale Credit Solutions S.r.l.

Liquidation of Centrale Credit Solutions S.r.l. was completed in September, after which the Shareholders' Meeting resolved to distribute the assets to the sole shareholder Cassa Centrale Banca for an amount of € 4,129,557.

Share capital increase of Neam

On 17 January 2022 the share capital increase of the subsidiary Neam was finalised for an amount of € 1,525,000, promoted by the Board of Directors of the Company in order to equip it with the necessary resources to ensure the capital ratios were met, considering the increase in the assets managed by the Company.

Following the subscription resolution made by the Board of Directors of Cassa Centrale Banca at the meeting on 2 December 2021, the share capital of Neam is now formed of 240,000 shares for the value of € 12.50 and a countervalue of € 3,000,000.

Share capital increase of Prestipay

In October, the Shareholders' Meeting of Prestipay S.p.A. resolved on a share capital increase totalling € 6 million, 60% subscribed by Cassa Centrale Banca and the remaining 40% subscribed by Deutsche Bank.

The underlying motivations for the share capital increase are attributable to an increase in loans higher than the forecasts for 2022 and, prospectively, also for 2023; the consequent higher capital absorption for credit risk resulted in the need to bring forward the timeframes for carrying out the capital strengthening, already considered in the Company's business plan.

Sale of ICCREA S.p.A. shares – Tranche 4

On 21 December 2022, the fourth and final tranche of the sale of ICCREA assets held by the Affiliated Banks was completed. The transaction, part of the shareholding structure agreements, involved the sale of 899,078 shares for a value of € 47,471,318, making it possible to cancel the crossing interests between the two Cooperative Banking Groups.

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

Following the promotion of the full takeover bid by BPER Banca on Banca Carige ordinary shares involving a total of 156,568,928 ordinary shares, representing 20.582% of the Issuer's share capital, for a consideration of € 0.80 per ordinary share, the Board of Directors of Cassa Centrale resolved to subscribe to the bid. This made it possible, in July 2022, to achieve the entire equity investment represented by ordinary shares for a value of € 45 million.

Partnership with the Assimoco Group

On 10 March 2022, the Board of Directors of Cassa Centrale, at the end of a selection process involving leading Italian and European insurance groups, resolved to continue exclusive negotiations with the Assimoco Group in order to define a five-year collaboration for the distribution of a complete range of life and non-life insurance products through the Affiliated Banks of the Group and through its subsidiary Assicura Agenzia.

Following the negotiations, a framework agreement was signed on 17 May 2022 between R+V Versicherung, the Assimoco Group companies, Cassa Centrale Banca and Assicura Agenzia, aimed at defining the rules of the strategic partnership in the context of the project and the shared financial and commercial objectives. A distribution mandate was also signed, whereby the companies grant Assicura an agency mandate for the distribution of insurance products, as was the management mandate defining the collaboration in the field of asset management between the companies and Cassa Centrale Banca.

Update on cyber risk management

As a result of the Russian/Ukrainian conflict, specific actions were adopted to strengthen oversight of the Group's security, with particular attention to cyber risk management in the following areas: *i)* threat analysis; *ii)* collection and enhancement of IoC shared by cyber threat intelligence sources; *iii)* information and awareness activities.

No reports and/or critical issues were sent.

* * *

Performance of the inspections conducted by the Supervisory Authorities, the related outcomes and the resulting initiatives taken by the Bank were subject to close analysis and periodic monitoring by the Board of Statutory Auditors.

With specific reference to the supervisory activity carried out on the findings of the on-site inspection by the ECB, the Control Body, including as part of specific meetings with the interested structures:

- emphasised the stringent and urgent nature of the objectives and deadlines of the remedial plan intended to follow up on the 6 recommendations, as per the final follow-up letter received by the Bank on 1 September 2022, following the OSI on the adequacy of the calculation of the capital ratios and the credit risk-weighted assets at consolidated level;
- acquired specific reporting from the structures involved on the main findings of the OSI on credit and counterparty risk; the final draft for the exit meeting, notified the day after preparation of the Report on Operations, was subject to reporting at the meeting of the Board of Directors on 20 April 2023;
- obtained information from the Information Technology and Security Department about the progress of the OSI on IT risk, acknowledging that, in a context still characterised by widespread customisation of the IT systems used by the Affiliated Banks, the process to harmonise the ICT system at Group level is being gradually carried out. The final report, notified the day after the preparation of the Report

on Operations, was brought to the attention of the Board of Directors on 20 April and should direct the adoption of the related remedial plan.

The Board of Statutory Auditors, after analysing the contents of the reports of the OSIs on credit and counterparty risk and on IT risk, shall oversee the adoption of the related remedial actions and monitor their regular implementation.

Furthermore, since being established in its current composition, the Board of Statutory Auditors has focused its attention on the outcomes of the Bank of Italy inspection on AML and Transparency, performing an in-depth review of the findings formulated by the Supervisory Authority, the related considerations proposed by the Corporate Bodies and the remedial plans approved by the Board of Directors. In line with the intentions expressed by the previous Control Body, sharing its positive assessments of the degree of attention reserved for the inspection report by the Board of Directors, the in-depth evaluations also conducted with support from the interested structures and the timely involvement of the Affiliated Banks, the Board of Statutory Auditors is closely monitoring the implementation of the planned remedial initiatives.

With the conviction that their full efficacy requires an informed contribution from the Affiliated Banks and Subsidiaries subject to the regulations that govern the areas inspected, the Board of Statutory Auditors, as mentioned above, deemed it appropriate to involve and raise the awareness of their counterpart Bodies, through specific meetings. During these meetings, the Board of Statutory Auditors sought to encourage supervision of the full transposition at peripheral level of the guidelines issued by the Parent Company in order to guarantee the correctness of customer relations and share with the Control Bodies of the Affiliated Banks the need to promote widespread distribution of the anti-money laundering culture, required to ensure higher quality and depth of evaluation during adequate verification, management of unexpected events and active collaboration. It also raised awareness among the participants, called upon to express their opinion during appointment of the Internal Representatives, of the need for strict compliance, regardless of the size of the individual entities of the Group, their requirements of integrity, professionalism and independence, while avoiding situations of incompatibility. Furthermore, it recommended close oversight of a prompt response to the findings formulated by the Control Functions.

The Board of Statutory Auditors has also assessed the requests for further investigation received from time to time from the Supervisory Authority and the related feedback produced by the Bank, as well as the reasonableness of the replanning of the initial timeframes, which, in the context of the remedial plans, concerned more complex isolated initiatives that, with a view to ensuring a harmonised process, presuppose the release of IT implementations and require an active contribution from the Group's legal entities with significant operational impacts.

The evidence produced by the monitoring carried out to date makes it possible to confirm the widespread efforts of the structures involved to implement remedial actions and continuously provides useful elements for assessing any specific requirements, including supporting and/or accompanying elements, of individual entities of the Group, as well as the opportunity to directly involve their Control Bodies, if necessary.

The Board of Statutory Auditors continues to perform the activities described including to verify, with support from the Control Functions, the efficacy of the partly implemented initiatives.

7. Monitoring of the principles of correct administration and the adequacy of the organisational structure

During the year and up to the reporting date of this Report, Cassa Centrale continued its efforts to complete and update the body of internal rules consisting of regulations, policies and procedures to regulate the conduct of business operations in compliance with the law and supervisory regulations and to achieve the often cited harmonisation of processes and line controls at Group level; these are essential conditions for an effective exercise of the direction and coordination actions and for the consolidation of the gradual strengthening of the control system.
The production and update of regulations and policies reflects the commitment of the Administrative Body and of the structure to ensure a governance of the processes that is in compliance with Supervisory regulations, aligned to best practice, and suitable to support the Group's ordinary and extraordinary operations, as well as its outlook, under conditions of security and continuity.
From an organisational point of view, the process of adapting and strengthening the structure to the operational complexity of the role as Parent Company continued.
In particular, in addition to the analytical description below of the size and organisational structure of the individual Corporate Control Functions, it should be noted that:

- during 2022, the workforce of the Group Transparency Function located within the "Internal Regulations and Processes" Service was expanded by 2 new resources, for a total of 3 people assigned to the Function, in order to ensure the coordination of the priority organisational and operational activities for the removal of shortcomings detected in the Bank of Italy Inspection Report in this area;
- with reference to outsourcing, the Office, located within the "Internal Regulations and Processes" Service, hired a resource, who in October 2022 was joined by another individual, currently shared with the Internal Regulations area;
- on 10 December 2022, the Business Continuity function was reallocated from the "Internal Regulations, Processes and Business Continuity Service" (at the same time renamed "Internal Regulations and Processes Service") to the "Information Security Service". This evolution aimed to create better integration of the monitoring of operating/ICT/cyber incidents into the Business Continuity Plan, also taking account of ongoing regulatory changes (Digital Operational Resilience Act, DORA). Manuele Margini also maintained the role of Head of the Group Business Continuity Plan;
- in line with the indications of the Parent Company's C-Suite Succession Plan and following the issue of a favourable decision from the ECB, the Administrative Body, at the meeting on 29 June 2022, appointed Alessandro Failoni as the new CFO with effect from 1 July 2022;

- on 25 August 2022, the Board of Directors appointed Paolo Sacco as Chief Operating Officer and as head of the new Organisation and Human Resources Department, effective from 1 September 2022;
- on 23 February 2023, the Board of Directors resolved to hire Roberta Famà who, from 1 May 2023, will assume the role of Chief of ESG and Institutional Relations at Cassa Centrale Banca, reporting directly to the Chief Executive Officer.

The Board of Statutory Auditors acquired knowledge on and supervised the adequacy of the organisational structure through the information obtained during meetings with the heads of the relevant corporate functions. The outcomes of the activities conducted found that, during the reporting year, the executive gave impetus to an ongoing process of rationalisation and optimisation. In the opinion of the Control Body, this process must continue in line with the requirements set out by the complications attributable to the Group's unique legal structure, taking into consideration the need to ensure adequate capacity for all structures called upon to perform first level controls that, albeit in some cases pending the release of scheduled IT implementations, require demanding manual interventions, such as in the case of the Outsourcing and Related Parties Monitoring Offices and the Transparency Function, as well as those in charge of supporting the activities of the Corporate Bodies.

The Control Body monitored the transposition of the regulations and policies by the Affiliated Banks and the Subsidiaries with the help of the Internal Regulations Office, in charge of carrying out the related monitoring, in accordance with the provisions of the "Group Policy for Managing Internal Regulations and Information Flows", the update of which was approved by the Board of Directors on 20 October 2022. Areas of improvement remain in relation to the monitoring of the transposition of internal regulations by the non-banking companies of the Group.

It oversaw compliance with the guidelines issued by the Parent Company to the Affiliated Banks and the Subsidiaries, also obtaining information about specific provisions issued to individual entities of the Group, through participation in board meetings and the proceedings of the Board Committees.

With regard to the principles of proper administration, the Board of Statutory Auditors, through meetings with Top Management, the Heads of the business areas, the Administration and Financial Statements Manager, the Heads of the Control Functions and the Independent Auditors, as well as through observation of the information flows to the Board of Directors, can reasonably affirm that the transactions carried out during the year are based on principles of sound and prudent administration and have been approved after obtaining adequate information flows that have enabled the Strategic Supervisory Body to appreciate the related risk profiles.

8. Monitoring of the adequacy of the internal control system

The Corporate Control Functions of the Affiliated Cooperative Credit Banks are outsourced by the Parent Company in accordance with the Supervisory Provisions for Banks in the Cooperative Banking Group issued by the Bank of Italy.

The organisational model of Cassa Centrale provides for the figure of the "Internal Contact Representative" at the individual user companies who, albeit employed by the individual Affiliated Banks, reports functionally to the heads of the Parent Company's Control Functions and, in the case of the Compliance and Anti-Money Laundering Functions, carries out centrally planned verification activities under the direct supervision of the respective Functional Departments. For the Luxembourg subsidiary NEAM, reports and annual reports have been acquired and the status of implementation of remedial actions is monitored in response to the findings.
The Board of Statutory Auditors oversaw the adequacy of the internal control and risk management systems through:

- the acquisition of information from Top Management and the Heads of Business Departments and support to the Department;
- the analysis of the annual plans and annual reports prepared in accordance with the regulations in force by the Control Functions – Compliance, AML, Risk Management and Internal Audit – and periodic meetings with them;
- the analysis and discussions of the reports prepared by the Control Functions as a result of the verification and monitoring activities carried out;
- participation in the meetings of the Internal Board Committees and the Board of Directors during which the aforementioned reports and annual reports were presented and examined;
- the monitoring of the implementation and effectiveness of the remedial actions in the areas subject to verification in light of the findings emerging from the reports of the Control Functions, through direct intervention or examination of the periodic reports on the relevant progress prepared by the same Functions;
- the checks carried out in accordance with the action plan defined;
- the periodic meetings with the Independent Auditors in order to acquire evidence from the checks on the proper keeping of accounts and the correct recognition of management events in the accounting records and the results of the procedures checking the reliability of the administrative and accounting control system that oversees the production of financial information;
- the exchange of information and the meetings with the Control Bodies of the Group entities.

During the year, including through updates to the regulations of the Functions or controls performed in specific areas and the release of operating policies for the Internal Representatives and IT applications, the process to strengthen and consolidate the centralised model of the Control Functions at the Parent Company continued.
In execution of the operating plan adopted for the areas of improvement found by Internal Audit following an overall assessment of the internal control system carried out in order to verify the adequacy of the governance systems and their implementation, in particular at the level of the Affiliated Banks, consolidation targets were met for the coordination activities between the CCFs and greater harmony of the control practices, which were formalised by the approval of the update to the "Group Regulations on MRB" and the "Regulations on coordination of controls at Group level".

Considering the key role held by the Internal Representatives in creating an effective internal control and risk management system, the CCFs, using methods to qualitatively and quantitatively assess their work, defined in order to take into consideration parameters that also include the time spent, years of experience in the role and the level of training, perform continuous monitoring of those Representatives and their contribution.

This monitoring made it possible to gradually resolve, or nevertheless direct in residual circumstances, any cases of incompatibility found, including several overlapping situations of the role of the Head of Complaints and the Internal Representatives of the Compliance Department.

The aforesaid monitoring and the strict interrelation between Departments of the Control Functions and the Representatives, which this Board of Statutory Auditors considers to be essential, also allowed for the launch of a gradual maturing of the awareness of those Representatives of their own role, related responsibilities and individual contribution to the efficacy of the entire control system.

The assessment of the Representatives, supported by their increased knowledge in terms of expertise and operating capacity, as also enriched by the feedback given by Internal Audit during interventions on the various areas at the Affiliated Banks, is progressively promoting the consolidation of the methods adopted for their coordination. The latter recorded the contribution of a shared calender between the CCFs containing all recurring activities assigned to the Internal Representatives, in order to assess their workload, and guided the content of training, including operational training, directed at them.

The activities of the Control Functions may still receive contribution, in terms of additional increases in efficacy, from: *i)* the completion of ongoing initiatives intended to expand the scope of the IT tools available for performing remote controls; *ii)* the completion of the standardisation of Group processes; *iii)* the measures in response to the findings formulated by the Supervisory Authority in terms of AML and Transparency; *iv)* the completion of data governance and data quality projects; *v)* the implementation of standard line controls at Group level; *vi)* the application of the governance score envisaged as part of the new Risk-Based Model, the design of which is pending authorisation from the European Supervisory Authority.

In this context, the Board of Statutory Auditors believes that the expansion of standardised line controls to all areas of operation of the Group entities should be a priority in the process of the gradual strengthening of the Internal Control System, the creation of which presupposes the full achievement of the preliminary standardisation of processes and procedures, the findings of which are already referred to in the preliminary considerations of this report.

While performing its activities, the Board of Statutory Auditors shall continue monitoring and stimulating the implementation of the aforesaid initiatives, in addition to feedback on the efficacy, in terms of increased oversight, of the actions adopted in the areas of improvement.

<u>Internal Audit Department</u>

The Board of Statutory Auditors reviewed and discussed the 2022-2024 Multi-Year Audit Plan with the Function before it was presented to the Board of Directors for approval,

on 31 March 2022. It also acknowledged the annual report by the Internal Audit Department, drafted according to Bank of Italy Circular no. 285/2013, which, in order to best illustrate to the corporate bodies the areas of risk on which their action should be focused, reported the activity carried out according to a structure that reflects the four macro-areas of the Supervisory Review and Evaluation Process: business model, governance and risk management, capital risk, liquidity risk and unexpected events, with reference to which the interventions carried out were indicated, as were the related outcomes and the main areas for improvement found.
The Function's activities were carried out in 2022 substantially in line with the approved Plan and with no significant replanning, albeit having conducting extra-plan activities, mainly attributable to the support requirements of the structures during the Credit OSI and requests for reconciliation of the amounts returned during the Bank of Italy inspection on Transparency.
Considering the results of the activity carried out and the initiatives currently ongoing, the Internal Audit Department confirmed the overall adequacy of the Group's internal control system, remarking that "*albeit areas of improvement do remain, the process of strengthening credit risk oversight has continued, thanks in part, among other things, to the approval of the internal regulations on first and second level controls in the sector, in addition to the release of the Group application on first level controls*".
The main areas of concern found relate to the need for a stronger management processes for Group spending, including through the definition of operating regulations for each phase of the process and updated monitoring of IT security.
As for the management of the risk of money laundering and financing of terrorism, the critical issues detected in the audits carried out led to a higher residual risk compared to the other areas examined. Therefore, while acknowledging that the actions programmed in the remedial plan prepared following the inspection findings are being regularly implemented, the Function stresses the need to strengthen the process in place at several Affiliated Banks, especially for the performance of the adequate audit, monitoring of customers operating in particular sectors of risk and for EPA management. During the meetings with the Function, the Board of Statutory Auditors was able to appreciate the evolution in the multi-year planning process of the measures, which also uses the findings of a system of remote indicators that, through potential anomaly indicators for the various areas of operation of the Bank and of the Group, contributes to the definition of audit requirements in a way that is increasingly inspired by a risk-based approach.
Considering the evidence of replanning of the dates for the conclusion of the remedial actions to the findings of the Function, the Board of Statutory Auditors advised that adequate assessment be ensured of the underlying motivations in order to raise awareness among the owner structures of planning reasonable deadlines as early as the first feedback to the reports, hoping for a maturing process within the structures when defining deadlines. In this regard, it was acknowledged that the Function had brought to light evidence of the start of the aforementioned maturing process, also shown by the fact that the number of findings closed during the financial year was higher than the findings that emerged during the audits conducted.

Furthermore, a more structured process for the management of findings was introduced during the update to the "Regulations on coordination of controls at Group level" in light of which delays and replanning could trigger escalation processes, where applicable. Moreover, in the context of the new Risk-Based Model, delays and replanning will contribute to the determination of the "governance score" with effects on the risk classification of the Affiliated Bank.

The Board of Statutory Auditors also paid attention to the adequacy of the Function' organisational structure, finding that an expansion of the workforce is ongoing, as required to achieve the target defined following a reassessment, in respect of which the number resources fell during hiring campaigns by competitors. In this regard, the Control Body therefore recommended careful reflection on the existence of any weaknesses in the Bank's retention capacity.

Compliance Department

The Board of Statutory Auditors examined the Annual Plan of Activities approved by the Board of Directors on 31 March 2022 and acknowledged the annual report by the Compliance Department, in accordance with Bank of Italy Circular no. 285/2013.

This report highlights the regular execution of the Plan, implementing a progressive expansion of the Group oversight in various regulatory areas, carried out through the issue of regulations and procedures that, in some cases accompanied by IT implementations, have even allowed for the closure of findings that would reoccur over time.

The Board of Statutory Auditors discussed and reviewed with the Compliance Department the projects launched with the aim of bridging gaps in the areas of improvement found with reference to several regulatory areas, the development of which is subject to monitoring, focusing in particular on those pertaining to Transparency and Investment Services.

In terms of Transparency, in addition to dedicating particular efforts to the coordination and stimulus of the Affiliated Banks for the purpose of transposing the provisions/indications of the Parent Company for implementation of the remedial plans to the inspection findings, the Function conducted two audit cycles, extended to all Affiliated Banks, and found anomalies, in some cases remedied during the intervention, also attributable to cases already flagged by the Supervisory Authority. The Board of Statutory Auditors was able to ascertain that the related remedial actions are closely monitored by the Function and that the situations of inhomogeneity in the application of the sector regulations and the internal regulations could be remedied by the completion of the measures envisaged in the Transparency remedial plan, partly rescheduled.

As for Investment Services, the Function continued the implementation of the intervention and monitoring plans of the indicators that had shown, for several Group Banks, inconsistencies in customer profiling. The project to prepare a new questionnaire model for customer profiling and updating the Group model for the adequacy assessment of investment services, also required for the adjustment to ESG regulations, as well as the integration of sustainability preferences into the product governance of financial instruments and insurance investment products, all appear to be able to direct the actions required to close late findings replicated across most of the legal entities.

The Function also raised awareness of and monitored the adoption of the Model 231/01. By the end of financial year 2022, all Affiliated Banks had an Organisation, Management and Control Model, while the Subsidiaries had carried out, or at least started, the risk assessment activities aimed at evaluating whether or not it needed to be adopted.

In relation to the performance of periodic controls and the status of anomaly management, the Board of Statutory Auditors was informed that these had recorded an improvement in the quality of the activities performed by the Representatives and that the anomalies detected were not particularly relevant.

As for developments in IT tools to support Compliance, in September 2022, the evolutions of the applications for periodic controls were released into production, made operational to perform controls relating to the third quarter. Activities to develop the Control Program Target app also continued, aimed at streamlining the management of findings, the release of which is expected by the second half of 2023. The new ordinary audit report and the new follow-up report were released into production. As part of the "Data Governance Compliance" project, intended to make it possible for Compliance to autonomously extract useful data for the purpose of constructing indicators for the performance of remote audits, views of the tables of the first areas analysed were made available and the first Investment Services indicators are being prepared.

The Board of Statutory Auditors acknowledged the report by the Compliance Department drafted pursuant to Article 22, paragraph 2, letter c) of Regulation (EU) 2017/565 and in accordance with Guideline 3 of the ESMA Guidelines, which, when reporting that the audits conducted on the efficacy of the monitoring found no high or medium/high risk, shows how with the approval and issue to the Affiliated Banks of the "Group regulations for the management of personal transactions", the activity to issue Group internal documentation envisaged pursuant to MiFID II and the related implementing regulations has been completed.

The 2022 financial year was also affected by:

- the completion of the review of the indicator that makes it possible to assess the risk of concentrating the investments contained in the customer portfolio, from a Group logic and without the possibility of customisation by the Affiliated Banks;
- the release of controls for internal regulations and IT tools required to monitor information about the sales made, in order to allow for an audit of the validity and newness of the model and the distribution strategies adopted by the Bank and by the Group, in addition to the transmission of information flows to the producer intermediaries;
- the adjustment to the provisions on the identification of holders of financial instruments envisaged by the updates made in October 2022 to the Bank of Italy/CONSOB joint measure, "Single Measure on Post Trading", introduced to transpose the SHRD II Directive on the long-term commitment of shareholders.

The "Group Regulations for the management of inside information and internal dealing" were also issued, intended to define a process and Group controls for the

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application of the legislative and regulatory provisions envisaged on market abuse, with particular reference to the management by the Affiliated Banks of relevant and inside information related to listed issuers or because they do business with third-party issuers.

In terms of the product governance of financial instruments and insurance investment products (IBIPs), with exclusive reference to ESG, there is still a need to complete the IT controls and internal regulations required to assess customer sustainability preferences acquired through the MiFID questionnaire.

Lastly, with reference to organisational adequacy, the Board of Statutory Auditors ascertained the strengthening of the workforce of the Parent Company's Department, currently formed of 46 resources, and was informed that the gaps found for several Representatives in the initial launch phase of the model had been addressed and overcome.

Risk Management Department

The Board examined the 2022 Annual Plan and the 2021 Activity Report of the Risk Management Department, approved by the Board of Directors on 31 March 2022.

The activities carried out in 2022 allowed for the substantial achievement of the planning objectives, with evidence of limited project queues and a residual portion of rescheduled initiatives that did not, however, lead to missed regulatory adjustments.

2022 recorded a positive maturing of the second level credit controls, which, accompanied by the completion of the update to the related internal regulations, allowed for mass risk assessments, with a scope extended to the entire chain of the process, as well as analytical analyses with specific reference to the areas of granting and classification. The outcomes of the activities, albeit not finding particularly critical situations, led to the identification of Affiliated Banks that must undergo additional investigation with a view to remedying partial inadequacies intercepted with reference to the phases of granting, monitoring and managing NPLs. In particular, in several cases, there was a need to: *i)* review the expired non-revolving positions; *ii)* carry out in-depth analyses of the forbearance measures through more detailed sustainability analyses of counterparty debt; *iii)* improve the monitoring of the entrusted exposures in order to attribute a more correct classification in terms of risk; *iv)* adequately assess the creditworthiness and ability to repay of loan applicants.

The internal regulations on strategic processes were updated, which allowed for further refinements to be made to their performance, with an increasingly adequate involvement of all legal entities.

With a view to improving the efficiency of the relationship between the Function, its Representatives and the other Departments, a data/information exchange point was developed in share point and, for the purposes of a more effective distribution of activities over time, an internal calendar of the Risk Management Department's activities was defined, to be shared with the Internal Representatives.

During the year, the Function oversaw the performance of the Climate Stress Test and the coordination of all Parent Company structures involved in carrying out the activities related to the 2022 Thematic Review on climate and environmental risks.

The Board of Statutory Auditors examined and investigated on several occasions the periodic risk monitoring reports (quarterly desk), developed at both consolidated and individual level for all legal entities of the Group, positively evaluating their detail and extent of information intended to direct their oversight and, if necessary, the required escalation processes, and acknowledging that they are provided with information intercepted almost entirely automatically, with the consequent need for residual manual intervention by the Internal Representatives.

While examining these reports, the Board of Statutory Auditors, in specific meetings with the Function, focused on: *1)* overruns in the compliance indicators, essentially linked to the outcomes of the inspection on Transparency and their impact on operational risk; *2)* negative risk opinions; *3)* significant transactions affected by inconsistencies between the purpose of the loans and the type of relationship detected by the Function during the follow-up; *4)* update on the appraisals on real estate used as a guarantee for loans granted; *5)* gradual release of several ICT projects to support the Function's activities.

The activities carried out showed that contingency solutions are still adopted to make up for shortcomings in the data infrastructure, which, albeit involved in a constant, general progression and structuring, has not yet reached an adequate level of maturity.

Surpassing the recurrence of delays or replanning of the ICT projects, attributable to the inhomogeneity of the data sources, requires an additional general impetus to the Data Quality project to define the target organic structure, taking into consideration the effective needs of the individual operational and control structures.

In August 2022, the Risk Management Department proposed a review of the personnel adequacy targets, which was approved by the Board of Directors including in response to the considerations formulated by the Supervisory Authority as part of the SREP Letter 2021.

The Board of Statutory Auditors received reassurance of the continued scouting activities for the strengthening of the workforce intended to ensure, without excessive workloads, the constant monitoring of the ongoing projects and to increase compliance with the timeframes set for their completion.

Anti-Money Laundering Department

The Board acknowledged the 2022 Activity Plan and the training plans of the AML Department approved at the meeting of the Board of Directors on 28 April 2022.

It also acknowledged the 2022 Group Self-Assessment and Consolidated Report and the Report of Cassa Centrale, approved by the Board of Directors on 28 April 2022.

2022 recorded strong efforts from the Function in the activities planned for the progressive harmonisation of the processes, procedures and related controls at Group level, including in execution of the remedial plan approved by the Board of Directors for the removal of critical issues encountered during the inspection conducted on the sector by Bank of Italy in 2021.

At the request of the Supervisory Authority, the Board of Statutory Auditors is called upon to express its considerations via reporting on the implementation of the remedial plan, to be submitted every six months.

The evidence found during the activity performed by the Control Body, including through participation in the meetings of the Risk and Sustainability Committee and the Board of Directors, made it possible to appreciate the contribution that the initiatives undertaken are able to make to the achievement of objectives to strengthen the monitoring of the risk of money laundering and financing of terrorism at Group level, including through more targeted actions on the individual Cooperative Credit Banks.

The initiatives intended to ensure consistency between the self-assessment processes, assignment of the rating and contribution to the RAF, the review of the system of controls, their extension and the strengthening of the monitoring of the activities assigned to the Representatives offer a wealth of information about the level of vulnerability of the individual legal entities that is suitable for highlighting the need to strengthen the controls at local level, as well as training requirements of the Representatives and operators.

This evidence directs the interventions of the Function, which also includes specific tutoring activities, suited to increasing the effectiveness of the Parent Company's direction and coordination activity.

The implementation of guided processes for the performance of adequate audit and analysis of customer transactions aims to increase the quality and timeliness of the active collaboration process.

The Board of Statutory Auditors also believes that the actions in progress aimed at sharing relevant information for Group profiling, the production of feedback on the SOS and the implementation of performance indicators could favour the prompt intercepting of any critical issues and contribute to increasing the culture of risk while promoting standard approaches in terms of extent and depth of analysis.

According to the Control Body, full achievement of the aforementioned objectives will require all awareness and engagement activities with the Affiliated Banks, constant dialogue with the Internal Representatives and their training, their active and informed contribution, while taking account of the structure of the AML Function.

Considering the effort required to carry out these activities, taking account of the number of Affiliated Banks, the Control Body approved the resolution made by the Board of Directors on 4 August 2022 to hire an additional 11 resources, which should allow the AML Department to reach a target size of 55 people by 30 June 2023, and recommended in this regard that scouting be carried out decisively and quickly, taking account of the fact that difficulties sourcing resources on the market who already have adequate expertise leads to the need for periods of integration to ensure the autonomy of the new resources when carrying out the activities the Department is in charge of under normal conditions.

Monitoring by the Board of Statutory Auditors continues in relation to the progress of the planned initiatives still under way with reference to Group customer profiling, the adoption of an advanced application based on machine learning technologies in the management process for unexpected events and the introduction of backtesting analyses on the allocation of customers to the correct risk bands.

Head of Internal Reporting Systems

In accordance with the relevant legislation and the "Group Whistleblowing Regulations", the Board of Statutory Auditors examined the annual report drafted by the Head of Internal Reporting Systems, which showed that in 2022 no reports were received in relation to Cassa Centrale and that, with reference to the Affiliated Banks and the Subsidiaries, there were no significant reports that gave rise to investigations, in-depth analyses, sanctions and/or serious disciplinary measures.
The report was approved by the Board of Directors and the Board of Statutory Auditors at their meeting on 20 April 2023.

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During the year, the Board of Statutory Auditors interacted with the Control Functions on an ongoing basis; it acquired the reports produced by them in a timely manner and discussed their outcomes and planned remedial actions and their progress in dedicated meetings. It also conducted monitoring activities of several Affiliated Banks, which found critical issues in terms of governance and/or anti-money laundering, as identified by the reports produced by those same Functions or by the analysis of the responses to the requests circulated to a sample of corresponding Control Bodies. In this regard, where deemed necessary, it also coordinated with them to acquire the necessary feedback on which to base its assessment.
The completion of the actions undertaken for the pursuit of objectives to standardise the processes, procedures and controls at Group level has proved to be essential for achieving the full consolidation of the entire system of controls and risk management.
The Board of Statutory Auditors, on the basis of the activities carried out and the opinion expressed by the Group Internal Audit Department, considers that although there are areas that require a strengthening of controls, the actions undertaken by the Parent Company and monitored reasonably allow us to conclude the absence of critical elements such as to affect the efficacy of the overall internal controls and risk management system.
Lastly, the Board of Statutory Auditors monitored the compliance of the remuneration policies of the Control Functions with supervisory regulations by attending all the meetings of the Remuneration Committee.

9. Monitoring of the risk management systems

The outcomes of the activities carried out by the Control Functions, as summarised below in relation to the individual risks, in some cases highlighted areas of concern that should direct the action of the structured involved.
Credit risk
In the context of the credit processes, respect for the programme defined in terms of SREP for the gradual adjustment to the LOM appears to be fundamental in order to achieve a satisfactory level of uniformity of Group rules and policies, especially in terms of disbursement, where different behaviours remain.
In this context, it is considered necessary to meet the timeframes currently defined for the implementation of the PEF project, as a main governance tool for such aspects.
As a matter of fact, the audit activities conducted revealed several delays in the completion of the activities to adjust to the EBA guidelines on granting and monitoring

of loans, as well as operational anomalies mainly determined by the presence of line controls that are not always effective, including due to the incomplete detailed rules in the Group and Affiliated Bank regulations, with particular reference to the area of guarantees.

The audit carried out on PD satellite models showed the substantial adequacy of the estimate process; for the Loss Given Default Method, in line with the objectives of the Credit Risk Model Road Map, the methodological framework for estimating the parameter was refined in line with best market practice, the indications of the Supervisory Authority and the indications of the Control Functions. There is still a need to strengthen the framework of first level controls on the data used for the estimate.

Market risk

The Group pursues a prudent approach aimed at limiting levels of exposure referring to a trading book formed of financial instruments held for the purposes of allocation and intermediation with customers and by derivatives for hedging risks not included in the banking book.

In this context, the risk limits and the market indicators are stationary, with no situations requiring attention.

Capital absorption related to market risk stands at rather stable levels. The checks carried out revealed no particular findings or critical issues.

Interest rate risk of the banking book

The positioning at consolidated level of capital absorption for interest rate risk shows substantial stability.

The check performed on the measurement and monitoring system for interest rate risk of the banking book showed a strengthening of the document framework for methodological aspects as well as aspects related to the framework of data quality controls.

Liquidity and funding risk

The Group pursues a prudent approach intended to ensure an adequate level of liquidity to address expected and unexpected payment commitments, so as to guarantee: *i)* banking operations over time, under normal and stress conditions; *ii)* a balance in terms of structural liquidity, which makes it possible to minimise stress scenarios on medium/long-term sources of funding.

The liquidity situation as at 31 December 2022 showed no particular critical issues.

In this sense, the operational maturity ladder also indicated a time-to-survival period of over 2 years.

In the context of stress scenarios, there were no situations of liquidity shortage.

Operational risk

No overruns were seen in the target indicators for operational risk. Overall, the Group recorded an amount of effective operating losses as at 31/12/2022 of approximately € 17 million, triggered by events attributable to the COVID-19 pandemic.

The analyses conducted also showed the need to strengthen the governance process for expenditure.

The cash management process shows areas for improvement, with particular reference to the service levels provided by the outsourcers used by the Group.

The controls performed on the Affiliated Banks (data quality of the supervisory reports, management of outsourcing, SVC (control and evaluation structure) reporting, payment systems and branches) outlined for nearly all cases a situation of substantial adequacy, not showing particular critical issues.

As for *reputational risk*, 1,040 complaints were received at Group level in 2022, which, nevertheless, did not exceed thresholds. There were five sanctions from the Bank of Italy for negotiation of cheques without a non-transferable clause and delayed reporting of counterfeit banknotes. There were no data breaches communicated to the Italian Data Protection Authority, nor ICT incidents classified as "serious IT security incidents".

The checks conducted on *compliance risk* showed overall adequate monitoring, through there were delays in some adjustment projects and areas of improvement that in any case were subject to specific corrective and project actions, largely initiated.

In particular: *i)* the initiatives envisaged in the "Transparency Action Plan" in response to the findings of Bank of Italy were aimed to ensure an adequate level of customer protection; *ii)* with reference to the supervisory reports, it is necessary to complete the regulation and the matrix of Group line controls on the Central Credit Register, as well as implement the extraction and delivery functions for advance notice of negative reports.

Strategic and business risk

The Group has substantially achieved the pre-established objectives with reference to all RAS areas pertaining to strategic and business risk. Furthermore, the RAS monitoring at individual level showed no particularly problematic situations.

With reference to quantification of the risk, in 2022 the measurement methods were updated, the outcomes of which were represented in the ICAAP/ILAAP Report as at 31 December 2022.

The management process for operational planning and strategic coordination nevertheless needs to promote the full adoption of Tagetik as the Group's planning tool, strengthening the dialogue and training with the Affiliated Banks and the Subsidiaries.

Lastly, several Affiliated Banks were identified that had shown areas of weakness, in response to which specific strengthening measures were activated.

Governance risk

In relation to outsourcing, as indicated in section 7 above, it is necessary to strengthen the controls and monitoring of the execution phases of the process and to implement the effectiveness of the dedicated tools.

With reference to the Fit and Proper process, there were several weaknesses mainly referring to: *i)* the absence of operating regulations that govern, among other things, the controls, the information flows and the related timeframes; *ii)* conducting control and monitoring activities in a manner not always structured and traceable; *iii)* the presence of operational tools that do not yet allow for prompt monitoring of all information available relating to corporate officers. The management process for real estate investments for business use requires further strengthening of the monitoring of several operational aspects.

The audits conducted on the initiatives relating to the development of the risk data aggregation and reporting framework showed how the adjustment process was not yet completed since it is connected to multi-year initiatives.

With reference to the Affiliated Banks, risk control at individual level is guaranteed through appropriate escalation measures activated by the monitoring of RAS indicators and the limits defined by the policies. These escalation measures contributed to the definition of remedial actions identified from time to time by the Affiliated Banks, through a process involving the competent structures of the Parent Company, in order to verify and validate the remedial actions indicated by the Affiliated Banks and Group Companies.

Risk of money laundering and financing of terrorism

The Group's Anti-Money Laundering Internal Control System resulted in the closure of the development phase pertaining to the evolution of the structural and methodological system of second level internal controls, launched in mid-2020 in order to strengthen the efficacy of the anti-money laundering controls and to consolidate the Group model adopted for money laundering risk governance.

The evidence of the control system, the audits conducted and the self-assessment revealed areas of improvement in relation to the following aspects: *i)* collection and updating of data on the adequate verification and constant monitoring; *ii)* completeness and depth of analysis in the evaluations pertaining to the process of the adequate verification; *iii)* promptness, depth and completeness of the evaluations in the management processes for unexpected events and active collaboration.

The initiatives adopted in implementation of the remedial plan in response to the Bank of Italy's findings in the inspection report notified on 12 January 2022 are essential for pursuing greater operational standardisation at Group level, for extending the anti-money laundering controls to areas not previously regulated, including through IT implementations, a more effective monitoring and constant compliance with the related regulatory obligations.

The framework set out, alongside the information already mentioned in section 8 above, makes it possible to confirm the assessment of the adequacy of the prepared controls, expressed herein.

10. Monitoring of the administrative and accounting system and the financial reporting process

Including in its role as Committee for Internal Control and Auditing pursuant to Article 19, paragraph 2, letter c) of Legislative Decree 39/2010, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system and the process of financial reporting by obtaining information from the Head of Administration and Financial Statements, examining the most significant company documents and carrying out investigations with the Independent Auditors Deloitte & Touche S.p.A..

The administrative and accounting procedures for the formation of the Separate and Consolidated Financial Statements, as with any other financial communication, were prepared under the responsibility of the Head of Administration and Financial Statements, who oversees a structured process including controls focused on the Affiliated Banks and Subsidiaries, suitable for providing reasonable certainty on the reliability of the financial information. The consolidation process is organised according to a programme of activities that provides for the sending of specific half-yearly and annual instructions to the legal entities of the Group.

The Separate and Consolidated Financial Statements have been prepared in accordance with Legislative Decree no. 38/2005, according to the IAS/IFRS international standards issued by the IASB (International Accounting Standards Board) and by following the indications set out in Bank of Italy Circular no. 262/2005, as amended.

Their preparation took account, where applicable, of interpretation and supporting documents for application of the accounting standards in relation to the impacts of the extraordinary events that characterised the recent financial years, issued by the Supervisory Authorities (ECB, EBA, ESMA and Bank of Italy), including the ESMA Public Statement on 28 October 2022 – "European common enforcement priorities for 2022 annual financial reports", published before in previous years and intended to clarify the methods of application of the IAS/IFRS in the current context, with particular reference to IFRS 9.

In 2022, there were aspects of uncertainty due to the COVID-19 pandemic, the continuation of the Russian/Ukrainian conflict, the acquired awareness of climate risk and related containment measures launched at international level, the related consequences for the macroeconomic environment, already impacted by a swift inflationary upturn and a sudden increase in market interest rates.

Taking this context into account, the Board of Statutory Auditors analysed the methods and results of the assessment of the main items subject to accounting estimates influenced by the aforesaid events, including those related to losses on loans, the fair value of financial instruments, income tax, goodwill and intangible assets.

The Board of Statutory Auditors oversaw the control process of the credit risk measurement and prevention systems, discussing them systematically with the functions in charge of monitoring and with the Independent Auditors, from which it received no reports of anomalies.

In order to determine the IFRS9 writedowns on the customer loan portfolio as at 31 December 2022, the Administrative Body adopted conservative criteria – in any case in accordance with the provisions of the IAS/IFRS accounting standards – reflecting in the credit evaluations the potential impacts of the aforementioned events, which suggest a possible increase in insolvency rates in the future. These uncertainties resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage levels, in line with the requirements envisaged by the Group policies and with the recommendations of the Supervisory Authority.

In this context, also taking account of the further deterioration of the macroeconomic growth forecasts associated with the Russia/Ukraine conflict, the Group adopted new

and more suitable mechanisms for determining the minimum coverage levels of allocations on the performing positions.
These models are based on Group risk drivers that include a high impact of the overall cash exposure at Group level allocated to stage 2, as well as the entrusted counterparty belonging to economic sectors deemed most vulnerable in the new risk environment (sectors related to energy-intensive and gas-intensive sectors and/or those impacted directly or indirectly by the Russian-Ukrainian conflict).
A further area of intervention concerned positions in stage 3 defined as sub-threshold, in accordance with the Group internal regulations. In line with the approach adopted in the financial statements as at 31 December 2021, minimum coverage has been set for these positions in order to align the coverage with the average Group coverage assessed on an analytical basis.
The Board of Statutory Auditors monitored the impairment process of equity investments and goodwill. The goodwill impairment process, updated as at 31 December 2022 during preparation of the separate and consolidated financial statements, was examined and discussed at specific meetings with the Administration and Financial Statements Department and with the Independent Auditors, requesting a closer look at the results of the valuation analyses and related sensitivity. The Board of Statutory Auditors acknowledged the impairment of the equity investments in Casse Rurali Raiffeisen Finanziaria S.p.A. for € 7.1 million (€ 10 million in the Consolidated Financial Statements) and in Claris Leasing S.p.A. for € 10.7 million.
The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.
The deferred tax assets are recognised in the financial statements following the positive outcome of the sustainability (probability) test on the consolidated tax scope, as envisaged by IAS 12. This test allows for an estimate of the expected future tax results capable of determining the recovery of deferred tax assets and, therefore, led to the recognition of deferred tax assets relating to deductible temporary differences mainly pertaining to the deferred deductibility over time in the adjustments made during first application of IFRS 9.
As part of its supervisory activities, the Board of Statutory Auditors was periodically informed about the main tax aspects concerning the Group.
In light of the above, the information received and the analyses carried out, the administrative and accounting structure appears adequately defined and suitable for addressing the company requirements expressed during the year and, on the whole, adequate for the provisions of the current regulations of reference.
The appointed Independent Auditors did not report any shortcomings in the administrative-accounting internal control system during their periodic meetings with the Board of Statutory Auditors and in the Additional Report issued pursuant to Article 11 of Regulation (EU) no. 537/2014. They also verified the correctness of the measurements in the operations in the accounting records, in addition to the completeness of the information and the measurement criteria for preparing the Separate Financial Statements and the Consolidated Financial Statements, with no findings and/or comments.

Though the external audit pursuant to Legislative Decree 39/2010 is not part of the duties of the Board of Statutory Auditors and is allocated to the Independent Auditors, on the basis of the information received from the latter, from the Head of the Administration and Financial Statements Department and the checks envisaged by Article 2403 et seq. of the Civil Code, it is believed that the administrative and accounting system is adequate and reliable on the whole and that operations are reported correctly and in due time.

11. Supervisory activities in relation to the statutory audit pursuant to Articles 16 and 19 of Legislative Decree no. 39/2010

The separate and consolidated financial statements are externally audited by the independent auditors Deloitte & Touche S.p.A. ("Deloitte") pursuant to Legislative Decree 39/2010, with mandate for the statutory audit of financial years 2021-2029 granted by the Shareholders' Meeting of 16 June 2021. Deloitte was appointed by a Group single selection procedure, carried out in compliance with the legislation of reference (Regulation (EU) no.537/2014 and Legislative Decree 39/2010), and in accordance with the Group Policy for conferring tasks upon the person responsible for the external audit and/or another auditor appointed within the Group and/or other companies belonging to the reference network". The decision to use a selection procedure that was also valid for the Affiliated Banks – with the exception of the CR in Trento for which a regional law requires them to confer the external audit appointment to their respective representative association – was intended, in line with the practice adopted by leading Italian banking groups (see Assonime Circular no. 28/2016), to identity a Group sole auditor in order to reduce the administrative and economic burden associated with the coordination and organisation of the auditing procedures and optimisation of the overall system for auditing the financial statements.
Now that the legislative restrictions of the cooling off period no longer apply, the Boards of Directors of the Affiliated Banks other than those in Trento (with one exception), resolved to submit to the respective Shareholders' Meetings called for the approval of the financial statements as at 31.12.2022 the proposal of early termination of the existing auditing appointments in order to appoint Deloitte for the 2023-2031 period.
Pursuant to Article 19 of Legislative Decree 39/2010, throughout 2022 and until the date of this Report, the Board of Statutory Auditors carried out intense monitoring of the auditing activities of the Separate Financial Statements and the Consolidated Financial Statements of the Cassa Centrale Group through constant dialogue and periodic meetings with the persons in charge of auditing, during which it examined and discussed:

- the planning and the progress of the limited audit of the consolidated financial statements at 30 June 2022, as well as the main accounting issues relating to the aforementioned financial reporting and any difficulties encountered;
- the strategy and planning for the external audit of the Separate and Consolidated Financial Statements as at 31 December 2022 with an indication of the subsidiaries

included in the scope of consolidation and audited by other independent auditors;

- the status of the preliminary intervention of the audit activity and in particular the analysis of the internal control system that oversees the preparation of financial information for the purposes of assessing audit risk;
- the audit approach to the potential risk of fraud;
- key aspects of the audit, namely the classification and measurement of loans to customers for loans measured at amortised cost;
- the outcome of checks on the proper keeping of accounts and the correct recording of management events on accounting records;
- planning and carrying out the limited review of the Consolidated Non-Financial Statement;
- the acquisition of the audit and the confirmation of the key aspects identified in the planning that the auditor considers to be most relevant to the presentation of his/her audit opinion;
- analysis of the contents of the Additional Report.

In the course of the meetings held, the Board of Statutory Auditors updated the persons responsible for auditing in relation to the supervisory activities carried out and the related outcomes, in addition to the relevant and significant events involving Cassa Centrale.

In its Reports on the audit of the Separate and Consolidated Financial Statements issued on 21 April 2022, the Independent Auditors expressed an opinion stating that:

- the Separate and Consolidated Financial Statements provide a true and fair view of the equity and financial position of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. and of the Cassa Centrale Cooperative Banking Group as at 31 December 2022, as well as the results of operations and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures issued in implementation of Article 43 of Legislative Decree no. 136/15;
- the Reports on Operations, which are the responsibility of the Directors, are consistent with the Separate and Consolidated Financial Statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and the Cassa Centrale Cooperative Banking Group as at 31 December 2022 and are prepared in accordance with the law.

In its Reports on the Audit of the Separate and Consolidated Financial Statements, it also certified:

- to have nothing to report, based on the knowledge and understanding of the company and of the related context acquired during the audit activity, with reference to the declaration referred to in Article 14, paragraph 2, letter e) of Legislative Decree no. 39/10 on significant errors in the Reports on Operations accompanying the Financial Statements;
- that it has verified the Directors' approval of the Consolidated Non-Financial Statement.

The Independent Auditors also submitted to the Board of Statutory Auditors the Additional Report required by Article 11 of Regulation (EU) no. 537/2014, which does

not reveal any weaknesses in the internal control system inherent in the financial reporting process, nor any circumstances to be reported as a result of the checks carried out on the regular keeping of the Company's accounts and the correct recording of operations in the accounting records. Attached to the Report is the annual confirmation of independence referred to in Article 6, paragraph 2, letter a) of the same Regulation in which the Independent Auditors stated that, on the basis of the information obtained and the checks carried out in the period from 1 January 2022 until the Report is issued, no situations were found that compromised its independence pursuant to Articles 10 and 17 of Legislative Decree no. 39/2010 and Articles 4 and 5 of Regulation (EU) no. 537/2014.
During 2022, the Board of Statutory Auditors monitored, pursuant to Article 19 of Legislative Decree 39/2010 and the "Group Policy for conferring tasks upon the person responsible for the external audit and/or other companies belonging to the reference network", the independence of the auditor, particularly in reference to the adequacy of the provision of services other than auditing pursuant to Article 14 of Legislative Decree 39/2010, where allowed insofar as they are not incompatible, provided by the Independent Auditors or by other entities belonging to its network.
On the basis of the final figures for 2022, the value of the services provided to the Parent Company by the independent auditors amounted to approximately € 245 thousand and exclusively involve certification tasks, as shown below:

Services other than auditing provided to Cassa Centrale Banca during 2022			
Category	**Service provider**	**Description of the service**	**Amount (€/000)**
Certification services	Deloitte & Touche S.p.A.	ISAE 3000R certification pursuant to Article 7, paragraph 1, letter e) of the MEF Decree of 3 August 2016 in the context of the GACS	35
	Deloitte & Touche S.p.A.	Agreed Upon Procedures on data reporting for the calculation of the contribution to the Single Resolution Fund	20
	Deloitte & Touche S.p.A.	ISA 805 review of the statement of receivables and payments from/to the Autonomous Province of Trento	15
	Deloitte & Touche S.p.A.	ISAE 3000R certification pursuant to Article 23, paragraph 7 of the Bank of Italy Regulation of 5 December 2019 implementing Articles 4-*undecies* and 6, paragraph 1, letters b) and c-bis) of Legislative Decree 58/98 with reference to the MiFID descriptive document	65
	Deloitte & Touche S.p.A.	Signing of tax statements	9
	Deloitte & Touche S.p.A.	Certification of IRES tax statement for offsetting tax receivables	5

	Deloitte & Touche S.p.A.	Comfort Letter for Update to Base Prospectus of EMTN Programme	92
	Deloitte & Touche S.p.A.	Certificate of compliance on the reference aggregates for the calculation of the contribution to the National Guarantee Fund	4
		Total	**245**

Certification services are conferred on the Statutory Auditor by law or regulation or in accordance with Authority measures on the grounds that, by their nature, they are similar to an extension of audit activity and, as such, do not compromise the Statutory Auditor's independence and are not counted for the purpose of determining the ceiling under the fee cap rule referred to in Article 4, par. 2, of the aforementioned European Regulation.

Lastly, the Board of Statutory Auditors has acquired the Transparency Report for the year ended 31 May 2022, available on the Deloitte & Touche S.p.A. website which contains the information required by Article 13, paragraph 2, letters d), g) and h) of European Regulation no. 537/2014 relating to the year ended 31 May 2022 on the internal control and quality system, compliance with independence requirements and continuous training of the Independent Auditors.

12. Remuneration policies

The Board of Statutory Auditors acknowledged that the Board of Directors, at the meeting on 9 March 2023, approved the document "Group Remuneration and Incentive Policies 2023" that defines the principles and standards used to design, implement and monitor the Group remuneration systems, which will be submitted for the approval of the Shareholders' Meeting.

At the subsequent meeting on 30 March 2023, the Administrative Body also approved the "Annual Incentive Plan (MBO 2023) for Key Personnel of the Parent Company", which defines, for the current year, the performance targets to be met in order to activate the Plan.

In light of the provisions of the Supervisory Authorities on remuneration and incentive systems, the Board of Statutory Auditors verified the adequacy and compliance with the regulatory framework of the remuneration and incentive policies and practices adopted by Cassa Centrale – Credito Cooperativo Italiano S.p.A.

In particular, it acknowledged that:

- for Group employees, a maximum ratio is adopted between the variable and fixed components of the remuneration no higher than 1:1;
- the Shareholders' Meeting of the Affiliated Banks cannot be asked to increase the ratio between the variable and fixed components up to the limit of 2:1;
- the assessment and payment process is in line with the provisions of the Bank of Italy, which provide for a cap on the ratio of variable to fixed remuneration;
- for the General Managers and Deputy Managers of the Affiliated Banks and Subsidiaries, if in receipt of an incentive system, a portion of the incentive linked to the Group indicators has a 30% weighting, whereas the remaining 70% is linked to

objectives defined autonomously by the individual Boards of Directors, so long as they are aligned with the Group policies and current regulations;

- the determination of the bonus pool and related activation conditions for Group personnel are linked to surpassing specific requirements and performance indicators, considering the respective class of the Risk-Based Model; while for Key Personnel of the Parent Company an "MBO" incentive system is in place, formalised through the allocation to each recipient of a performance sheet, containing objectives in line with the responsibilities assigned and compliant with the "Group Remuneration and Incentive Policies 2023";
- for Parent Company personnel, the following maximum ratio of fixed remuneration to performance-based variable remuneration is applied: 60% for the Chief Executive Officer - General Manager and for the Deputy General Manager; 55% for the CFO/COO/CIO/CLO; 33% for the Corporate Control Functions; 50% for C-suite and the NPL Manager; 40% for the managers of other services. Compared to the previous year, these maximum theoretical percentages have increased (with the sole exception of those envisaged for the CCFs), but are lower than those set by the Group Remuneration and Incentive Policies 2023;
- the performance indicators were documented and assessed by the Remuneration Committee;
- the total amount of the variable component proposed for Parent Company personnel has no impact on its ability to continue complying with all prudential rules, with particular reference to the requirements on own funds;
- the assessment carried out complies with the applicable regulatory framework.

13. Preparation of opinions and reports

As part of the supervisory activities carried out during the financial year ended as at 31 December 2022, the Board of Statutory Auditors:

- expressed its positive binding opinion on the update of: *i)* the Corporate Governance Project; *ii)* the Group Regulations on managing conflicts of interest; *iii)* the Group Regulations of the Risk Management Department and on equity investments;
- approved the model for the qualitative and quantitative composition of the Parent Company's Control Body;
- commented on the Internal Audit Department's Report on Outsourced Essential or Important Functions (EIF), pursuant to Bank of Italy Circular no. 285/2013, Part III, Chapter 6, Section II, para.2;
- approved the Consolidated Report on Internal Whistleblowing Systems for 2021 as required by Bank of Italy Circular no. 285/2013, Part I, Title IV, Chapter 3, Section VIII;
- issued the Report on Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports, submitted to the Board of Directors;
- In accordance with the Bank of Italy requirements, issued its opinion on the progress as at 30 June and 31 December 2022 of the ongoing and planned

initiatives of the Parent Company in its role of direction and coordination of the Group's Anti-Money Laundering activities;

- taking account of the provisions of the "Group Policy for conferring tasks upon the person responsible for the external audit and/or other companies belonging to the reference network", as mentioned above, reviewed the documentation and approved the tasks for audit-related and non-audit-related services, following assessment of the potential risks for the independence of the Independent Auditors identified by Article 10 of Legislative Decree 39/2010.

14. Sustainability and Consolidated Non-Financial Statement

During its supervisory activities, and in light of the constant participation in the meetings of the Risk and Sustainability Committee, the Board of Statutory Auditors noted the progressive and growing attention of the Group to ESG issues that affect all areas of the Bank across the board, in addition to the adjustment of the Internal Regulations resulting from changes in ESG rules.

The Board of Statutory Auditors received precise information in relation to the Group's main ESG projects, dialogue with the ECB and the Consolidated Non-Financial Statement.

On 20 October 2022, the Board of Directors approved the 2022-2025 Sustainability Plan, which outlines the Group's development in terms of ESG, with the aim of creating long-term shared value through the strengthening of sustainability topics within the company business model.

Cassa Centrale is required to draw up the Consolidated Non-Financial Statement (NFS) in compliance with Article 3 of Legislative Decree no. 254/2016 and Article 5 of the CONSOB Regulation implementing the Decree adopted with Resolution no. 20267 of 18 January 2018.

This Statement, approved by the Board of Directors of Cassa Centrale on 30 March 2023, was presented as a separate document in relation to the Report on Operations to the Consolidated Financial Statements as at 31 December 2022.

The task of carrying out the limited examination of the Consolidated Non-Financial Statement was assigned to the Statutory Auditor which, on 21 April 2023, certified that no evidence has come to its attention that the Consolidated Non-Financial Statement of the Cassa Centrale Group, relating to the financial year ended 31 December 2022, has not been drafted in accordance with the requirements of Articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards".

In the performance of its duties, the Board of Statutory Auditors has monitored compliance with the provisions of Legislative Decree no. 254/2016, with reference to the drafting process, the procedures and controls established and the contents of the Consolidated Non-Financial Statement through meetings with the dedicated function and the appointed Independent Auditors, examining the actions undertaken and partly ongoing for the formalisation of the input process of non-financial information and related controls, taking into consideration the outcomes of the audit conducted by Internal Audit in 2022.

During these meetings and following the entry into force of the new GRI framework in January 2023, the Board of Statutory Auditors acquired knowledge of the process underlying the review of the process to determine the materiality matrix for the identification of the material topics and the measurement indicators for the Group's economic, social and environmental impacts to be included in the related reporting. The audit conducted on the preparation process of the Consolidated Non-Financial Statement (NFS) defined by the Parent Company showed a context of substantial adequacy, though some areas of improvement still remain.

15. Significant events occurring after the end of the financial year

In the Report on Operations accompanying the Consolidated Financial Statements, the Directors stated that after the end of the financial year, until the date of its approval by the Board of Directors (30 March 2023), no events had occurred that were likely to have a material impact on the financial position and results of operations for the year ended 31 December 2022.
In particular, note the following information:

- on 27 December 2022, the deed of merger by incorporation of Credito Etneo - Banca di Credito Cooperativo into Banca Sicana Credito Cooperativo di Sommatino, Serradifalco e Sambuca di Sicilia - Società Cooperativa was stipulated. Following this operation, taking legal effect from 1 January 2023, the absorbed Bank took the name Sicilbanca Credito Cooperativo Italiano - Società Cooperativa;
- on 8 February 2023, Cassa Centrale Bank completed the public placement of the senior preferred fixed-rate bond worth € 500 million, reserved for domestic and international institutional investors, with a 4-year duration and repayable early. Part of the process to meet the MREL requirements, the bond listed on the Irish Stock Exchange was issued as part of the Euro Medium-Term Notes (EMTN) Programme worth € 3 billion;
- on 2 February 2023, DBRS Morningstar confirmed Cassa Centrale's place in the Investment Grade category, making no change to the BBB (low) rating or the stable outlook, due to the high levels of liquidity, significant capitalisation, stable funding and progress made to improve the efficiency of the Group structure and improve the asset quality.

Lastly, for the sake of more detailed information, we note the launch of the following inspections by the Regulatory Authorities during 2023:
Governance OSI
With letter dated 4 January 2023, the ECB, in line with the prudential review programme adopted by the Decision of 7 December 2022, communicated the start of an inspection on internal governance and risk management, beginning in March 2023.
CONSOB Audit
With communication dated 21 February 2023, CONSOB communicated the start of an inspection aimed to ascertain:

i) the state of adjustment of the regulations resulting from transposition of Directive 2014/65/EU (so-called MiFID II), with regard to the procedural structures defined in terms of product governance and the procedures for assessing the appropriateness/adequacy of the transactions carried out on behalf of customers;

ii) the methods of subdividing and carrying out compliance checks following the outsourcing of Compliance functions to Cassa Centrale by the individual Affiliated Banks, with reference to the areas of the product governance adequacy assessment.

16. Conclusions

Dear Shareholders,

the Separate Financial Statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at 31 December 2022 closed with a net profit for the year of € 44,660,411 and equity of € 1,168,318,518.

The Board of Statutory Auditors, considering the supervisory activities carried out and the opinions expressed in the Audit Reports by the Independent Auditors, did not observe, for matters within its remit, any reasons impeding the approval of the draft Separate Financial Statements as at 31 December 2022 accompanied by the Report on Operations and the approval of the proposal for the allocation of the net profit for the year.

Trento, 21 April 2023

Pierpaolo Singer — Chairperson of the Board of Statutory Auditors

Lara Castelli — Standing Auditor

Mariella Rutigliano — Standing Auditor

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Independent auditors' report on the financial statements of Cassa Centrale Banca

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INDEPENDENT AUDITOR’S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (the “Bank”), which comprise the balance sheet as at December 31, 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Classification and valuation of loans to customers for financing measured at amortised cost

Description of the key audit matter	As indicated in the Explanatory Notes “Part B - Information on the Balance Sheet – Section 4 of Assets” and in the Report on Operations – paragraph “Credit Quality”, the gross amount of loans to customers for financing measured at amortised cost as at December 31, 2022 is equal to Euro 2,140.1 milion (of which Euro 37.1 milion of non-performing loans) reduced by adjustment provisions of Euro 70.2 milion (of which Euro 27.4 milion related to non-performing loans), resulting in a net amount of Euro 2,069.9 milion (of which Euro 9.7 milion of non-performing loans).

Furthermore, the Report on Operations shows that the coverage ratio of the aforementioned loans to customers as at December 31, 2022 is equal to 3.3%. More specifically, in accordance with the allocation required by IFRS 9 “Financial Instruments”, the coverage ratio of performing exposures, classified in “First Stage” and “Second Stage”, is equal to 2.0%, while the coverage ratio of non-performing exposures, classified in “Third Stage”, is equal to 73.9%.

The Explanatory Notes “Part A – Accounting Policies” and “Part E – Information on Risks and Related Hedging Policies” describe:

- the processes and the classification criteria of credit exposures adopted by the Bank in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards;
- the measurement criteria of loans to customers for financing measured at amortised cost as well as the estimate methods of the expected credit losses and for determining the consequent loan loss provisions based on the allocation of credit exposures among the three reference stages.

Furthermore, the credit monitoring processes and controls adopted by the Bank, as part of its policies for managing loans to customers, provide, moreover, a more structured segmentation into homogeneous risk clusters. In this regard, in particular, the uncertainties arising from the current macroeconomic context were taken into account.

In fact, also during 2022 the general macroeconomic scenario was affected by significant uncertainties connected, in addition to the effects of the residual phase of the Covid-19 pandemic, to the Russian-Ukrainian conflict and the consequent effects attributable to inflationary tensions and the interruption of supply chains with significant repercussions on certain economic sectors.

Considering the mentioned evolution of the macroeconomic scenario, the Bank implemented further refinements to the IFRS 9 impairment model, by identifying, among other things, some areas of intervention, at a geo-sectoral level, considered worthy of a strengthening of the incisive actions and controls to increase coverage levels in accordance with the guidelines of the regulators and with the Bank policies.

Considering the significance of the amount of loans to customers for financing measured at amortised cost recorded in the financial statements, the complexity of the monitoring process of the credit quality and of the estimation process of the expected credit losses adopted by the Bank, which also took into account the current macroeconomic context, and the relevance of the discretionary components inherent in such processes, we considered the classification and valuation of loans to customers for financing measured at amortised cost as a key audit matter of the financial statements of the Bank as at December 31, 2022.

Audit procedures performed

The main audit procedures performed, also supported by specialists of the Deloitte Network, were as follows:

- analysis of the lending process with particular reference to the recognition and understanding of the organizational and procedural controls set up by the Bank to ensure the monitoring of credit quality and the correct classification and measurement of the credit exposures in accordance with the regulatory framework, the internal policies and applicable accounting standards;

- check the implementation and operating effectiveness of the relevant controls identified in relation to the classification and valuation processes of loans to customers for financing measured at amortised cost;

- analysis and understanding of the main valuation models adopted by the Bank for the determination of the additional loan loss provisions relating to performing loans, and the related refinements in order to also reflect the uncertainties arising from the current macroeconomic context, as well as check of the reasonableness of the parameters subject to estimation;

- check, on a sample basis, the classification of performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Bank’s internal policies and applicable accounting standards, with focused analysis on high-risk performing loans (known as “bonis sotto osservazione”);

- check, on a sample basis, of the classification and measurement of non-performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Bank's internal policies and applicable accounting standards;

- comparative and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortised cost and of related loan loss provisions, also through examination of the monitoring reports provided by the Bank and discussion of the related results with the functions involved;

- analysis of subsequent events occurring after the reference date of the financial statements;

- check the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has appointed us on June 16, 2021 as auditors of the Bank for the years from December 31, 2021 to December 31, 2029.

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We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the report on operations of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2022, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2022 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2022 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
April 21, 2023

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Separate Financial Statements of Cassa Centrale Banca

2022 Financial Year

Balance Sheet

Balance sheet - assets

	ASSETS	31/12/2022	31/12/2021
10.	Cash and cash equivalents	293,887,117	288,863,891
20.	Financial assets designated at fair value through profit or loss	377,051,690	294,788,117
	a) financial assets held for trading	108,930,427	24,738,151
	b) financial assets designated at fair value	174,550,654	180,957,899
	c) other financial assets mandatorily measured at fair value	93,570,609	89,092,067
30.	Financial assets designated at fair value through other comprehensive income	1,016,579,662	1,059,654,012
40.	Financial assets measured at amortised cost	21,253,305,610	23,624,503,582
	a) loans to banks	16,943,958,491	19,771,581,998
	b) loans to customers	4,309,347,119	3,852,921,584
50.	Hedging derivatives	-	-
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-
70.	Equity investments	242,488,974	255,103,974
80.	Tangible assets	22,422,281	22,890,703
90.	Intangible assets	334,211	995,974
	of which:		
	- goodwill	-	-
100.	Tax assets	30,312,533	25,475,346
	a) current	25,124	25,124
	b) deferred	30,287,409	25,450,222
110.	Non-current assets and groups of assets held for disposal	-	610,000
120.	Other assets	477,574,369	266,935,940
	Total assets	**23,713,956,447**	**25,839,821,538**

Balance sheet - liabilities

	LIABILITIES AND EQUITY	31/12/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	21,540,593,427	24,105,688,821
	a) due to banks	18,752,440,235	22,517,118,886
	b) due to customers	2,585,092,376	1,588,569,935
	c) debt securities in issue	203,060,816	-
20.	Financial liabilities held for trading	109,005,966	21,229,587
30.	Financial liabilities designated at fair value	168,922,244	173,103,919
40.	Hedging derivatives	-	-
50.	Adjustment of the financial liabilities subject to macro-hedging (+/-)	-	-
60.	Tax liabilities	3,006,035	3,874,571
	a) current	2,608,989	2,748,357
	b) deferred	397,046	1,126,214
70.	Liabilities associated to assets held for disposal	-	-
80.	Other liabilities	698,200,222	366,377,585
90.	Provision for severance indemnity	1,201,054	1,554,327
100.	Provisions for risks and expenses	24,708,981	24,655,280
	a) commitments and guarantees given	6,249,900	4,980,400
	b) post-employment benefits	-	-
	c) other provisions for risks and expenses	18,459,081	19,674,880
110.	Valuation reserves	(18,453,922)	(32,766,857)
120.	Repayable shares	-	-
130.	Equity instruments	-	-
140.	Reserves	171,051,187	158,979,192
150.	Share premium	19,029,034	19,029,034
160.	Capital	952,031,808	952,031,808
170.	Own shares (-)	-	-
180.	Profit (loss) for the year (+/-)	44,660,411	46,064,270
	Total liabilities and equity	**23,713,956,447**	**25,839,821,538**

Income Statement

	ITEMS	31/12/2022	31/12/2021
10.	Interest income and similar revenues	299,030,986	197,020,128
	of which: interest income calculated with the effective interest method	296,767,494	195,761,443
20.	Interest expenses and similar expenses	(220,142,742)	(160,608,364)
30.	**Interest margin**	**78,888,244**	**36,411,764**
40.	Fees and commissions income	202,386,779	188,254,492
50.	Fees and commissions expenses	(103,557,435)	(96,357,532)
60.	**Net commissions**	**98,829,344**	**91,896,960**
70.	Dividend and similar income	45,258,650	37,487,767
80.	Net result from trading	5,360,995	5,877,871
90.	Net profit (loss) on hedge accounting	-	-
100.	Profit (loss) from disposal/repurchase of:	9,970,622	30,039,777
	a) financial assets measured at amortised cost	5,861,356	26,429,501
	b) financial assets designated at fair value through other comprehensive income	4,109,266	3,610,276
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities designated at fair value through profit or loss	(10,071,357)	2,831,373
	a) financial assets and liabilities designated at fair value	(2,279,174)	(960,103)
	b) other financial assets mandatorily measured at fair value	(7,792,183)	3,791,476
120.	**Net interest and other banking income**	**228,236,498**	**204,545,512**
130.	Net value adjustments/write-backs due to credit risk of:	1,691,110	(27,105,730)
	a) financial assets measured at amortised cost	1,877,271	(27,068,842)
	b) financial assets designated at fair value through other comprehensive income	(186,161)	(36,888)
140.	Profit/loss from contractual changes without derecognitions	17,782	2,334
150.	**Net income from financial activities**	**229,945,390**	**177,442,117**
160.	Administrative expenses:	(197,912,877)	(158,020,483)
	a) staff expenses	(62,666,973)	(57,406,697)
	b) other administrative expenses	(135,245,904)	(100,613,786)

	ITEMS	31/12/2022	31/12/2021
170.	Net allocations to provisions for risks and expenses	(617,465)	(2,341,454)
	a) commitments and guarantees given	(1,291,989)	(858,131)
	b) other net allocations	674,524	(1,483,323)
180.	Net value adjustments/write-backs to tangible assets	(3,011,868)	(3,255,565)
190.	Net value adjustments/write-backs to intangible assets	(708,259)	(861,859)
200.	Other operating expenses/income	40,652,187	38,736,224
210.	**Operating costs**	**(161,598,281)**	**(125,743,137)**
220.	Profit (loss) on equity investments	(17,800,000)	(921,021)
230.	Net result of fair value measurement of tangible and intangible assets	-	-
240.	Value adjustments to goodwill	-	-
250.	Profit (loss) from disposal of investments	6,485	51,104
260.	**Profit (loss) before tax from current operating activities**	**50,553,594**	**50,829,063**
270.	Income taxes for the year on current operating activities	(5,893,182)	(4,764,793)
280.	**Profit (loss) after tax from current operating activities**	**44,660,411**	**46,064,270**
290.	Profit (loss) after tax from discontinued operations	-	-
300.	**Profit (loss) for the year**	**44,660,411**	**46,064,270**

Statement of Comprehensive Income

	ITEMS	31/12/2022	31/12/2021
10.	**Profit (loss) for the year**	**44,660,411**	**46,064,270**
	Other post-tax components of income without reversal to the income statement	**33,548,176**	**(9,080,843)**
20.	Equities measured at fair value through other comprehensive income	33,439,293	(9,072,028)
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	108,884	(8,815)
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**(19,235,242)**	**(3,478,057)**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non designated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	(19,235,242)	(3,478,057)
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
170.	**Total other post-tax components of income**	**14,312,935**	**(12,558,900)**
180.	**Comprehensive income (Item 10+170)**	**58,973,346**	**33,505,370**

Statement of changes in equity as at 31/12/2022

				Allocation of result from previous year		Changes during the year								
							Equity transactions							
	Balance as at 31/12/2021	Adjustment to opening balances	Balance as at 31/12/2022	Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2022	Equity as at 31/12/2022
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) profit	158,960,909	-	158,960,909	21,579,575	X	(9,507,581)	-	-	-	X	X	X	X	171,032,903
b) other	18,284	-	18,284		X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	(32,766,857)	-	(32,766,857)		X	-	X	X	X	X	X	X	14,312,935	(18,453,922)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	46,064,270	-	46,064,270	(21,579,575)	(24,484,695)	X	X	X	X	X	X	X	44,660,411	44,660,411
Equity	**1,143,337,447**	**-**	**1,143,337,447**	**-**	**(24,484,695)**	**(9,507,581)**	**-**	**-**	**-**	**-**	**-**	**-**	**58,973,346**	**1,168,318,518**

Statement of changes in equity as at 31/12/2021

	Balance as at 31/12/2020	Adjustment to opening balances	Balance as at 31/12/2021	Allocation of result from previous year		Changes during the year								Equity as at 31/12/2021
							Equity transactions							
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2021	
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) profit	147,186,740	-	147,186,740	16,293,390	X	(4,519,221)	-	-	-	X	X	X	X	158,960,909
b) other	18,284	-	18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	(20,207,958)	-	(20,207,958)	X	X	4,367,565	X	X	X	X	X	X	(16,926,465)	(32,766,858)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	35,867,789	-	35,867,789	(16,293,390)	(19,574,399)	X	X	X	X	X	X	X	46,064,270	46,064,270
Equity	**1,133,925,697**	**-**	**1,133,925,697**	**-**	**(19,574,399)**	**(151,656)**	**-**	**-**	**-**	**-**	**-**	**-**	**29,137,805**	**1,143,337,447**

Cash Flow Statement

Indirect method

	Amount	
	31/12/2022	31/12/2021
A. OPERATING ACTIVITIES		
1. Operations	**37,573,425**	**46,464,001**
- income for the year (+/-)	44,660,411	46,064,270
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	10,344,713	(1,061,098)
- gains/losses on hedging activities (-/+)	-	-
- net value adjustments/write-backs due to credit risk (+/-)	(1,691,107)	27,105,730
- net value adjustments/write-backs to tangible and intangible assets (+/-)	3,720,127	4,117,421
- net allocations to provisions for risks and expenses and other costs/revenues (+/-)	617,465	2,341,454
- taxes, duties and tax credits not settled (+/-)	5,893,182	4,764,793
- net value adjustments/write-backs from discontinued operations net of tax (+/-)	-	-
- other adjustments (+/-)	(25,971,367)	(36,868,572)
2. Cash flows generated/used by the financial assets	**2,113,536,241**	**(1,934,004,278)**
- financial assets held for trading	(84,037,774)	10,057,200
- financial assets designated at fair value	12,319,515	(13,281,010)
- other financial assets mandatorily measured at fair value	3,693,641	7,919,259
- financial assets designated at fair value through other comprehensive income	24,126,774	(154,705,737)
- financial assets measured at amortised cost	2,372,299,969	(1,749,283,975)
- other assets	(214,865,615)	(34,710,015)
3. Cash flows generated/used by the financial liabilities	**(2,159,073,005)**	**1,926,219,243**
- financial liabilities measured at amortised cost	(2,566,938,261)	1,905,827,893
- financial liabilities held for trading	87,776,379	(14,846,965)
- financial liabilities designated at fair value	(8,075,918)	9,277,244
- other liabilities	328,164,794	25,961,071
Net cash flow generated/used by operating activities	**(7,963,339)**	**38,678,966**

	Amount	
	31/12/2022	31/12/2021
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**45,628,506**	**39,295,850**
- sales of equity investments	-	-
- dividends collected on equity investments	45,258,434	37,487,764
- sales of tangible assets	370,072	1,808,086
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(8,157,246)**	**(14,252,975)**
- equity investment acquisitions	(5,185,000)	(8,023,093)
- tangible asset acquisitions	(2,925,751)	(6,018,547)
- intangible asset acquisitions	(46,495)	(211,335)
- purchases of business units	-	-
Net cash flow generated/used by investment activities	**37,471,260**	**(25,042,875)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(24,484,695)	(19,574,399)
Net cash flow generated/used by funding activities	**(24,484,695)**	**(19,574,399)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**5,023,226**	**44,147,441**

KEY:

(+) generated

(–) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2022	31/12/2021
Cash and cash equivalents at the beginning of the year	288,863,891	244,716,450
Total net cash flows generated/used during the year	5,023,226	44,147,441
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	293,887,117	288,863,891

Separate Financial Statements of Cassa Centrale Banca

EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General Section

Section 1 - Statement of compliance with international accounting standards

These Financial Statements were prepared in compliance with the international accounting standards issued by the IASB and endorsed by the European Union according to the procedure per Art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), limited to those applied for the preparation of the Financial Statements as at 31 December 2022.

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The seventh update, issued on 29 October 2021 and supplemented by the communication of 21 December 2021, called "Update of the additions to the provisions of Circular 262. Bank financial statements: layouts and rules of preparation" concerning the impacts of COVID-19 and measures to support the economy.

Please note that the seventh update to Bank of Italy Circular no. 262 of 2005 introduced certain changes to financial disclosures. Therefore, where necessary, the comparison period - with reference to the items on the Income Statement only - was restated in order to improve the comparison of the items in the accounts.

In interpreting and applying the new international accounting standards, reference was also made to the "Framework for the Preparation and Presentation of Financial Statements", i.e. the Systematic Framework for the preparation and presentation of financial statements (known as Conceptual Framework or the Framework), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Bank uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the Financial statements give a true and fair view of the Bank's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Finally, the report considered the communications issued by the Supervisory Authorities (Bank of Italy, CONSOB, ESMA, EBA, ECB) which provide recommendations on the information to be included in the Financial Statements on priority topics or on the accounting treatment of certain operations, where applicable.

Section 2 - General preparation criteria

The Financial Statements include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes, together with the Director's report on operations and the situation of the Bank.

In addition, IAS 1 "Presentation of financial statements", requires the representation of a "statement of comprehensive income" also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Bank chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive income.

In accordance with the provisions of art. 5 of Italian Legislative Decree no. 38/2005, the financial statements are prepared using the euro as the accounting currency. The layouts of these financial statements are drawn up in euro.

The accounts of the balance sheet and the income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the income statement and the related Explanatory Notes, revenue is recorded without sign, while costs are indicated in brackets. In the statement of comprehensive income the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the Explanatory Notes, including when not specifically required by the legislation.

The Balance Sheet and the Income Statement, as well as the statement of comprehensive income, the statement of changes in equity and the cash flow statement are expressed in thousands of euro, unless indicated otherwise. Any differences found between the amounts in the Explanatory Notes and the Financial Statements are attributable to rounding up.

The Financial Statements as at 31 December 2022 have been prepared with clarity and give a true and fair view of the financial position, economic result for the year and changes in equity of the Bank.

The financial statements as at 31 December 2022 are prepared on the basis of the going concern assumption of the Bank, as the directors reasonably expect that the Bank will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Bank and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Bank may be subject in the flow of its operations, also considering the current macroeconomic environment characterised by a combination of residual effects of the COVID-19 pandemic, inflation, high interest rates, geopolitical risks related to the Russian/Ukrainian conflict and uncertainties around future developments, are not significant and are therefore do not cast doubt on the company's ability to continue as a going concern.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the carrying amount of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the carrying amount of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on the active markets;
- the assessment of consistency in the value of goodwill, other intangible assets and equity investments;
- the measurement of personnel funds and provisions for risks and expenses;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the financial statements. For further details on the breakdown and relative carrying amounts of the specific statement captions affected by said estimates, see the relevant sections of these Explanatory Notes. The processes adopted support the carrying amounts on the date of preparing these financial statements. The measurement process was particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by the considerable volatility of the financial parameters determined for the measurement (including an inflationary trend which has rapidly accelerated in the first six months of 2022) as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors, which are out of the Bank's control, alongside the issues and risks arising from climate change and may undergo rapid and unforeseeable changes.

The financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of clarity, truth, fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the current macroeconomic environment characterised by geopolitical tensions arising from the Russia-Ukraine conflict and the residual effects of the COVID-19 pandemic, please refer to the specific section "d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic environment" included in Section 5 - "Other aspects" of this Part A.

The 2022 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the financial statements as at 31 December 2021 except for what is shown in "Other Aspects" in point d) in relation to the measurement of loans to customers in the current macroeconomic environment characterised by geopolitical tensions arising from the Russia/Ukraine conflict and the residual effects of the COVID-19 pandemic.

Section 3 - Subsequent events

In relation to the provisions of IAS 10, in the period between the reference date of this document and its approval by the Board of Directors, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 31 December 2022 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

That being said, in February 2023, Cassa Centrale Banca resolved to exercise the purchase option on the share package of the subsidiary company Prestipay S.p.A. held by Deutsche Bank and equal to 40% of its share capital. The price of exercising the purchase option on the share package will be equal to the appraisal value or 40% of the equity of the subsidiary on the basis of the latest financial statements approved by the Shareholders' Meeting, whichever is higher. Activities are under way by an independent expert to determine the appraisal value.

Section 4 – Other aspects

a) IFRS accounting standards, amendments and interpretations applicable from 1 January 2022

The following IFRS accounting standards, amendments and interpretations were applied by the Bank for the first time from 1 January 2022:

- amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The above amendments did not have an impact on the Bank's financial position and economic results as at 31 December 2022.

b) Approved accounting standards that will enter into force after 31 December 2022

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 31 December 2022 are shown below:

- IFRS 17 Insurance Contracts (including the amendments published in June 2020): intended to replace IFRS 4 Insurance Contracts. The standard is effective beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are also applied.
- amendments to IFRS 17 Insurance contracts: *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*. The changes will come into effect on 1 January 2023, coinciding with the application of IFRS standard 17;
- amendment to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes are aimed at improving accounting policy disclosures in order to provide investors and other primary users of the financial statements with more usable information, and to enable companies to distinguish between changes to accounting estimates and changes to accounting policy. The changes will come into effect on 1 January 2023 but early application is permitted;
- amendments to IAS 12 Income Taxes: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The changes will come into effect on 1 January 2023 but early application is permitted.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the bank.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. The changes will come into effect on 1 January 2023 but early application is permitted;
- amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how the conditions that an undertaking must satisfy, within twelve months from the end of the financial year, influence the classification of a liability. The changes will come into effect on 1 January 2024 but early application is permitted;
- amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes will come into effect on 1 January 2024 but early application is permitted.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the bank.

d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context

The European regulatory and Supervisory Authorities, as well as the standard setters, have published a series of guidelines aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the context of the COVID-19 pandemic. The aforementioned interventions published during 2020 were extensively described in the Annual Financial Report as at 31 December 2020, to which reference should be made.

During 2021 (29 January 2021) the EBA updated its report on the implementation of the prudential regulatory framework defined in relation to the COVID-19 pandemic ("*EBA Report on the implementation of selected COVID-19 policies, EBA/Rep/2021/02*"), clarifying that, in the event that a bank enters into a second moratorium on the same credit facility, any suspension of payments scheduled to occur on or after 1 April 2021 is treated as an individual moratorium measure. Therefore, in such cases, the general rules regarding the definition of default, forbearance and distressed restructuring apply.

Regarding the use of macroeconomic projections, the ECB recommended using as an anchor point the projections formulated by its staff on 12 March 2020, in the subsequent quarters of 2020, 2021 and 2022.

Finally, with its communication of 21 December 2021, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the seventh update of Circular no. 262 "Bank financial statements: layouts and rules of preparation", in order to provide the market with detailed information on the effects that COVID-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

In 2022, aspects of uncertainty were seen due to the end stage of the COVID-19 pandemic and the Russia/Ukraine conflict. In particular, new elements of uncertainty have emerged which resulted in a revision of forecasts due to the conflict and the latter made the risk measurement system particularly complex, and characterised by the uncertainties reflected in the markets, which are mainly attributable to the increase in the price of energy and food, the interruption in supply chains, as well as the sudden increase in demand following the reopening of the economic sectors previously hardest hit by the pandemic. In this context, the Bank implemented a particularly conservative risk management policy, continuing to adopt strengthened measures and processes, as in the previous two years.

Since the early stages of the conflict, the Bank's management has monitored the emergence of potential critical issues and weaknesses with regard to credit risk. To this end, it has implemented significant actions aimed at i) identifying potential direct impacts on risk factors associated with exposures, and ii) incorporating new macroeconomic expectations and identifying new vulnerabilities at sector level.

From a macroeconomic perspective, in 2022, the ECB published decreasingly optimistic GDP growth forecasts for the Eurozone, indicating an economic trend of +0.5%, +1.9% and +1.8%, respectively, for the 2023-2025 three-year period compared to the forecast issued in December 2022, which showed an increase of +3.4% for the same year. The growth illustrated in the forecasts for the three-year period is more modest compared to the projections by the same authority published in 2021 and the first part of 2022 as a result of the conflict in Ukraine. The start of the conflict intensified critical issues regarding the supply of raw materials, with a consequent impact on the price of these commodities, eroding buying power and having a general negative effect on market confidence. In fact, the GDP forecasts for the Eurozone published in 2021 by the ECB indicated a respective growth of +4.2%, +2.9% and +1.6% in the 2022-2024 three-year period, a more sustained trend than shown in the new projections issued in June and December 2022.

Similar trends can be seen across the Italian macroeconomic context. In particular, in December 2022, the Bank of Italy published the GDP forecasts for Italy, which indicated a growth trend of +0.4%, +1.2% and +1.2%, respectively, for the 2023-2025 three-year period and +3.8% for 2022. The latter figure is still higher than the expectations issued in October 2022. Like the Eurozone GDP, this growth is below the forecasts published in 2021 and at the beginning of 2022 due to the start of the conflict between Russia and Ukraine. The most recent outlook of economic forecasts for the 2022-2024 period issued in December 2021 by the Bank of Italy indicate more pronounced economic growth at +4.0%, +2.5% and +1.7% respectively.

In terms of preparing the financial statement disclosures as at 31 December 2022, the Group continued to adopt the guidelines and recommendations issued by the European regulatory and Supervisory Authorities, as well as by the standard setters, while taking into account the assessments of the significant business activities and the support measures put in place by the Government to support households and businesses.

Lastly, the management of the Bank placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the residual effects of the COVID-19 pandemic and the evolution of the situation arising from the war in Ukraine, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, income taxes, goodwill and intangible assets.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by the Bank as at 31 December 2022 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

In order to calculate expected loss at 31 December 2022, the Bank has incorporated the macroeconomic scenario as at October 2022 into its IFRS 9 impairment model, including the effects of the war in Ukraine and the uncertain evolution of the economic context, aspects which have a major influence on growth forecasts, the main macroeconomic variables and the financial indicators for 2023-2025, compared to the previous forecasts.

In order to determine the IFRS9 value adjustments on the customer loan portfolio as at 31 December 2022, conservative criteria – in accordance with the IAS/IFRS accounting standards – were adopted, taking into account the socio-economic effects resulting from the pandemic crisis, as well as the uncertainty arising from the conflict between Russia and Ukraine and the still ongoing inflationary spiral. However, given the difficulty in estimating their duration and development, the Bank incorporated the potential impacts of the aforementioned events - which suggest a possible increase in insolvency rates in the future - into its credit evaluations. The support measures introduced by the State, such as those relating to the granting of state guarantees on newly originated loans and, in more incisive terms for our sector, the moratorium measures required, from an operational point of view, a high degree of attention in the management and monitoring mechanisms undertaken by the bank for the possible effects of deterioration of counterparties may not be punctually and promptly intercepted.

These uncertainties resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage levels, in line with the strict requirements envisaged by the Group policies and with the recommendations of the Supervisory Authority.

In particular, in the first half of 2022, the first area of intervention concerned the continuation of provisions on performing exposures that were still under moratorium during the second half of 2021, envisaging the application of minimum coverage levels (known as floors), identified within ranges defined by the Parent Company, and differentiated on the basis of the staging of the positions in terms of IFRS 9.

Subsequently, the ESMA, in its public statement on 28 October 2022 on "European common enforcement priorities for 2022 annual financial reports", among other aspects, underlines that the current macroeconomic context poses a significant challenge for the expected credit loss models used by European financial institutions due to a lack of experience in modelling such circumstances. Furthermore, the ESMA, acknowledging that different groups of borrowers may be affected differently by the current macroeconomic developments, draws attention to the need for a greater consideration of the risk drivers of specific economic sectors in measuring the expected loss.

In this context, also taking account of the further deterioration of the macroeconomic growth forecasts associated with the Russia/Ukraine conflict, the Bank adopted new mechanisms for determining suitable minimum coverage levels of allocation (floors) on the performing positions, on the basis of Group risk drivers that include a high impact of the overall cash exposure allocated to Stage 2, as well as the entrusted counterparty belonging to economic sectors deemed most vulnerable in the new risk environment (sectors related to energy-intensive and gas-intensive sectors and/or those impacted directly or indirectly by the Russia/Ukraine conflict).

A further area of intervention concerned positions in stage 3 defined as sub-threshold, in accordance with the "Group Credit Classification Policy", i.e. with an exposure of less than EUR 100 thousand and for which there is no analytical recovery plan. In line with the approach in December 2021, minimum coverage has been set for these positions with the aim of aligning the coverage to the average Group coverage assessed on an analytical basis. This approach is also in line with the recommendations of ESMA in its "*Public Statement European common enforcement priorities for 2020 annual financial reports*" published on 28 October 2020. More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", which were still deemed valid in view of the new uncertainties associated with the conflict in Ukraine.

For the purposes of calculating the expected loss as at 31 December 2022, the Bank has used the three scenarios (mild, baseline, adverse), appropriately averaging their contributions, in accordance with the assessment of macroeconomic projections that expect continued high variability in the future and potential uncertainty linked to the possible evolution of the health emergency and the conflict between Russia and Ukraine. The scenarios used were those provided by the info-provider Prometeia, in accordance with a scenario generation system that considers publications from leading forecasting bodies as well as publications issued by the Supervisory Authorities, with no corrections.

Despite a confirmed growth trend, the updating of the macroeconomic scenarios shows a lowering of expectations for the 2023-2025 period, with a negative impact on medium-long term forecasts compared to the projections based on the scenarios in late 2021.

After over two years, the COVID-19 pandemic is returning to a more structured and ordinary healthcare scenario. Therefore, certain prudential measures previously introduced within the IFRS 9 model in 2021 have been revised. This review is aimed to avoid double counting following the introduction of new minimum allocation levels and the update to the macroeconomic environment as explained previously.

The interventions outlined above, guided primarily by a conservative approach and in any case improved and finalised during the year, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current context, with particular reference to the sectors of the economy impacted by the sharp increase in energy prices. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, PD curves were differentiated by sector, a component calibrated using the Bank's internal data and refined in the first half of 2022. This had effects both on staging and on the calculation of expected losses, refining the previous approach of penalisations (by downgrading creditworthiness) in certain economic sectors and geographical areas considered more exposed to the negative effects of the pandemic and the current stress introduced by price rises and the uncertainty in the availability of raw materials resulting from the Russian-Ukraine conflict.

The evolution of geo-sectoral treatment, through the use of specific curves for certain economic sectors, has contributed to maintaining conservative assessments of the most energy intensive sectors and those most affected by the pandemic, as well as improving the degree of identification of exposures to which more stable and robust criteria should be adopted.

Moreover, access to support measures was treated with a particularly conservative approach, as shown below:

- for positions under moratorium, in line with GL ECB SSM 2020 0744, potential credit improvement of counterparties with an operational moratorium at the end of the reporting period or in the preceding three months have been eliminated; this action results in the sterilisation of any credit improvement in the rating of the counterparty during the moratorium period, i.e. until a situation is restored that demonstrates the start of and compliance with the repayment schedule for the identified positions;
- for government guarantees given as part of new lending or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the guarantees.

With reference to the stage classification process of the performing portfolio, in 2022 the effects of the prudential backstop of 300% of the SICR (introduced in Q4 2021, in addition to the current transfer threshold definition model) continued to manifest as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the COVID-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Bank has set up an enhanced monitoring system aimed at verifying punctually the positions, including those that benefited from a COVID-19 moratorium in order to promptly intercept eventual downgrading to non-performing. In 2022, as in the previous year, first and second level controls were conducted by the NPL Service and the Risk Management Department. These analyses led to the classification of some counterparties in stage 2 and others, deemed in default, in stage 3, reducing the potential cliff-effect that could occur at the end of the support measures. This enabled positions associated with the emerging vulnerabilities arising from the conflict in Ukraine to be promptly intercepted, with particular reference to exposures belonging to specific economic sectors that are more sensitive to the outcome of this crisis. During the year, therefore, the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of COVID-19 moratoria

The Bank has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the debtor has been found to be in financial difficulty (known as Forborne) lead to a change in the carrying amount of the financial asset, resulting in the need to recognise a gain or loss in item 140. "Profits/losses from contractual changes without derecognition" of the income statement (so-called Modification accounting).

On the basis of the indications provided by the European Banking Authority in the document "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers *ex lege* (mainly Law Decree no. 18 of 17 March 2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all renegotiations implemented by 30 September 2020. Therefore, the aforementioned positions were not classified as Forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01.10.2020, the banks made a specific assessment of whether or not the requirements for the assignment of the Forborne attribute were met, given that with the communication of 21.09.2020, EBA declared the interruption of the exemptions previously recognised for the moratoria granted as a result of the health emergency to 30.09.2020. However, the subsequent resurgence of the pandemic led the EBA to change its stance, as per the Amendment of 02 December 2020, date from which the continuation of moratoria, already granted before 30 September 2020 and based on national law or agreements, has made it possible to further benefit from the exemption from the requirement to assess the state of distress of the counterparty.

On the basis of the various guidelines issued by the European Banking Authority in 2020 and in 2021, the conduct adopted by the Bank in granting moratoria can be outlined as follows:

- from 17 March 2020 to 30 September 2020, there was an almost complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 1 October 2020 to 1 December 2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the "Group Policy for the classification and valuation of loans";
- from 2 December 2020, the presumption of absence of the conditions for the forbearance of the COVID-19 moratoria granted in the first instance between 17 March 2020 and 30 September 2020, for which a possible extension did not result in the total of 9 months of suspension being exceeded was applied, while for new requests for moratorium the individual assessment system for each position as described above was maintained;
- finally, from 1 April 2021, following the publication by the EBA of the "Report on the implementation of selected COVID-19 policies, EBA/Rep/2021/02", all the suspensions granted starting from 1 April 2021 are no longer considered "EBA Compliant". Therefore, starting from that date, it is necessary to assess the individual position, so as to define whether it is to be reclassified as a forborne exposure or in default.

In relation to the above, therefore, all moratoria granted to customers in the first and third points, to which the forborne attribute has not been assigned, have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by the Bank on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned "Group Policy for the classification and measurement of loans".

As part of the monitoring, in 2022 the interventions developed primarily in the previous year continued, concerning the verification of internal controls on the identification of the status of financial difficulty of the counterparty when granting the measures (legislative or contractual), or provided by the Bank to support customers affected by the recession induced by the pandemic; this activity consists of an analysis in terms of risk profile, regulatory framework and compliance and functionality of information systems. The audits were also conducted at the level of the individual Affiliated Banks, in order to assess the effectiveness of the controls in relation to the identification of conditions of financial difficulty of the customers benefiting from the support measures (moratoria and/or new liquidity), also taking account of the risk profile that characterises the sector at the Bank and also resorting to sample controls.

Measurement of securities at fair value

The Bank's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets designated at fair value through other comprehensive income, exceeding certain thresholds, provided for by the Group's "Fair Value Policy" were measured as at 31 December 2022. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to reflect the turbulence seen on the financial markets it was deemed appropriate to adopt a limited observation horizon of the market capitalisations of comparable listed companies. Specifically, reference was made to the precise observations as at the date the parameters were updated and, limited to the application of the regression methodology, also to the average of the six-month observations.

e) Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO III)

At the end of the reporting period, the Bank had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a carrying amount of about EUR 14.46 billion, which resulted in a negative contribution to interest margin of about EUR 156.1 million as at 31 December 2022.

The Bank has assessed that the operations of the TLTRO-III programme cannot be assimilated to loans at a below-market interest rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the end of the reporting period, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained was also confirmed by the Bank of Italy.

Consequently, the method used to apply the interest rate to existing TLTRO-III operations considered the following hypotheses:

- incorporation of reference rates effective until the date of the report and subsequent stability of the reference rates of the European Central Bank until the maturity of the operations, pending the expected rise in key interest rates at the next ECB monetary policy meetings during the second half of 2023;
- maintenance of transactions until natural maturity, a provision incorporated within the Business Plan approved by the Board of Directors of the Parent Company. At accounting level, in line with this strategic approach and in continuity with the accounting method applied previously, in the case of changes in the rates in interim periods, the internal rate of return of the loan is determined using the residual value of the same transaction.

f) Interest Rate Benchmark Reform: disclosure required according to IFRS 7

The hedging derivatives of the Bank's fixed-rate loans (fair value hedges) are entirely at Euribor, whose calculation method was revised in 2019 in order to continue to use this parameter even after 1 January 2022, for both existing and new contracts.

To make the Euribor compliant with the EU benchmark regulation (*Benchmarks Regulation*, BMR - Regulation no. 2016/1011/EU), the EMMI – *European Money Markets Institute* – has transitioned to a new "hybrid" calculation method. The current calculation system – whose activities were completed at the end of November 2019 – does not change the economic variable measured by the index: the Euribor expresses the actual cost of funding for contributing European banks and is always available for consultation. Therefore, the Bank does not believe that there is any uncertainty about the timing or amount of Euribor cash flows and does not consider Euribor-linked fair value hedges to be impacted by the reform as at 31 December 2022.

Therefore, as at 31 December 2022, there were no derivatives indexed to benchmarks impacted by the reform, in particular at EONIA and LIBOR, whereas the remaining financial items are not significant.

In the broader context of the complex process of reform of the indices, the Bank has launched a project to adjust to the European Regulation no. 1011/2016 ("BMR Regulation"), which provides for areas of adjustment both in customer relations and in its own organisational and operational structures. However, it should be noted that the assets and liabilities indexed to rates other than the EURIBOR are negligible for the Bank; therefore, no significant impact is expected from rate substitution.

g) Statutory Audits

The financial statements are audited by Deloitte & Touche S.p.A., pursuant to the resolution of the Shareholders' Meeting of 16 June 2021, which appointed Deloitte & Touche S.p.A. to audit the financial statements for the 2021-2029 period.

Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013.

i) Government Grants Received

Note that, in accordance with the provisions of the "Annual market and competition law" (Law no. 124/2017), that, in 2022, the Bank did not receive the grants from the public administrations tied to the exposure.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these Separate financial statements are shown below.

1 – Financial assets designated at fair value through profit or loss

Classification criteria

Financial assets designated at fair value through profit or loss include:

- financial assets which, according to the business model of the Bank, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under asset item 20. Financial assets designated at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets designated at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under asset item 20. Financial assets designated at fair value through profit or loss, sub-item b) financial assets designated at fair value;
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are obligatorily measured at fair value. These assets are included under asset item 20. Financial assets designated at fair value through profit or loss, sub-item c) other financial assets mandatorily measured at fair value.

Therefore, the Bank recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets designated at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets designated at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets designated at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the Income Statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid or by the amount disbursed for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the Income Statement.

Measurement criteria

Following initial recognition, the financial assets designated at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial assets designated at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called Fair Value Option), are entered in the Income Statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the Income Statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities designated at fair value through profit or loss for instruments obligatorily measured at fair value and for instruments measured at fair value.

2 - Financial assets designated at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
    - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (hold-to-collect-and-sell business model);
    - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid;
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
    - shall be made at the time of initial recognition of the instrument;
    - must be carried out at the level of the individual financial instrument;
    - is irrevocable;
    - is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets designated at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets designated at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets designated at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross carrying amount. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the re-payment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called "recycling").

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

For further details on how fair value is determined for financial assets, please refer to paragraph "A.4 - Information on fair value" of this part A.

It should also be noted that "Financial assets designated at fair value through other comprehensive income", both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as "Financial assets measured at amortised cost". Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets designated at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the Income Statement on an accrual basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the Income Statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve is reversed, wholly or partly to the Income Statement (recycling).

With reference to equity instruments, the only component that is recognised in the Income Statement is dividends. The latter are recognised in the Income Statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be transferred subsequently to the Income Statement even if they are realised ("no recycling").

3 - Financial assets measured at amortised cost

Classification criteria

Financial assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually ("Hold to Collect" business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Bank recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included under item "10. Cash and cash equivalents" are also included;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets designated at fair value through other comprehensive income or to financial assets designated at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets designated at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the Income Statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and expenses directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases, the financial asset is considered impaired upon initial recognition (so-called "Purchased or originated credit- impaired financial assets"), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the Income Statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered Purchased or originated credit-impaired financial assets on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. Distinguishments can be made between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They result in the recognition in the Income Statement of any differences between the carrying amount of the derecognised financial asset and the carrying amount of the new asset;

- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment carrying amount and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under item "10. Interest income and similar revenues" and is recorded on an accruals basis, based on the effective interest rate, i.e. applying the latter to the gross carrying amount of the financial asset, except for:

- Purchased or originated credit- impaired financial assets. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not Purchased or originated credit- impaired financial assets but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in point 2 of the above list, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross carrying amount.

It should be noted that the Bank applies the criterion referred to in the second point of the above list only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at the end of each reporting period in the Income Statement under item "130. Net value adjustments/write-backs due to credit risk". Gains and losses resulting from the sale of receivables are recorded in the Income Statement under item "100. Profit (loss) from disposal/repurchase".

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the Income Statement items relating to interest.

Gains and losses relating to securities are recognised in the Income Statement under item "100. Profit (loss) from disposal/repurchase" at the time the assets are sold.

Any impairment of securities is recognised in the Income Statement under item "130. Net value adjustments/write-backs due to credit risk". If the reasons that led to the evidence of the decline in value are removed, the write-back is entered with recognition in the Income Statement in the same item.

4 - Hedging transactions

With regard to hedge accounting, the Bank avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedging, aimed at hedging against the exposure to the change in fair value of a financial statement entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedging, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk related to a highly probable present or future financial statement entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non Euro country or currency.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the Income Statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the Income Statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the Income Statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the Balance sheet in item 60. "Fair value change of financial assets in hedged portfolios" or item 50. "Adjustment of the financial liabilities subject to macro-hedging".

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and the one which would have been its carrying amount if the hedge had never existed, is amortised in the Income Statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at the amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non interesting bearing financial instruments, it is recorded immediately in the Income Statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the Income Statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the Income Statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the Income Statement when the flows relating to the risk originally hedged occur.

5 – Equity investments

Classification criteria

Equity investments means stakes in the capital of other companies, generally represented by shares or holdings and classified as controlling interests, interests carrying significant influence and joint ventures.

The following definitions in particular apply:

- subsidiary: equity investments in companies as well as investments in entities over which the parent company exercises control of the relevant activities in compliance with IFRS 10. More specifically, 'an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee'. The power requires the investor to have existing rights that give the current ability to direct the activities that significantly affect the investee's returns. Power is based on an ability, whether or not that power is used in practice. Control is analysed on a continuous basis. The investor must redetermine whether it controls an investee when facts or circumstances indicate changes in one or more elements of control;
- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Bank, directly or indirectly, is able to exercise a significant influence as it has the power

to participate in determining the financial and management policies of the investee company. Such influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20.00% of the voting rights of the investee company;

- jointly controlled company (Joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Equity investments that in the separate financial statements of participating entities do not have the characteristics to be considered as investments in subsidiaries or associates, but instead, at a consolidated level, qualify as such, already in the separate financial statements of the individual Group entities, are qualified as equity investments subject to significant influence and are consistently classified in the "Equity investments" item, measuring them accordingly at purchase cost. In such cases, the significant influence is demonstrated by the fact that the equity investment of the individual Affiliated Bank is instrumental in achieving control or connection at Group level.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary expenses.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled companies are measured by using the cost method net of any impairment losses.

If there is objective evidence of impairment, an estimate is made of the recoverable amount of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable amount of the asset is lower than its carrying amount, the impairment loss is recognised in the Income Statement under item "220. Profits (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recognised under item "70. Dividends and similar income". The latter are recognised in the Income Statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item "220. Profits (losses) on equity investments".

6 - Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

"Property for business use" is defined as those tangible fixed assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary expenses directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are entered under "Other Assets" and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the Income Statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the "right of use" model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the carrying amount compared to the recoverable amount. The recoverable amount of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the Income Statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the carrying amount of the asset is compared with its recoverable amount if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the Income Statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the Balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the carrying amount of the asset; they are recorded in the Income Statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the Income Statement, in item 180. "Net value adjustments/ write-backs to tangible assets".

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the carrying amount might not be recoverable. These impairment losses are recognised in the Income Statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In item 250. "Profit/(loss) from disposal of investments", the positive or negative balance between the profits and losses on investments is recognised.

7 - Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the Income Statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a "definite" useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the depreciation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable amount of the asset. The amount of the impairment, recorded in the Income Statement, is equal to the difference between the carrying amount of the asset and its recoverable amount.

Derecognition criteria

Intangible assets are eliminated from the Balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the carrying amount of the asset and entered in the Income Statement.

Criteria for the recognition of the income components

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

In item 190. "Net value adjustments/write-backs to intangible assets", the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In income statement item 250. "Profit/(Loss) from disposal of investments", the positive or negative balance between the profits and losses on investments is recognised.

8 – Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose carrying amount will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups held for disposal and discontinued operations and related liabilities are shown under specific items of assets ("Non-current assets and groups of assets held for disposal") and liabilities "Liabilities associated to assets held for disposal").

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the carrying amount and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their carrying amount and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the Balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable amount at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profit/loss on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant Income Statement item “290. Profit (loss) after tax from discontinued operations”.

9 - Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under “Current tax liabilities” of the Balance sheet.

In case of overpayment, which gave rise to a recoverable receivable, this is accounted for among the “Current tax assets” of the Balance sheet.

In accordance with IAS 12, the Bank compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the "balance sheet liability method", taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the Balance sheet and its value recognised for tax purposes. These differences are distinguished between "Deductible temporary differences" and "Taxable temporary differences".

Deferred tax assets

"Deductible temporary differences" indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

"Deferred tax assets" are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

"Taxable temporary differences" indicate a future increase in taxation and consequently generate "Deferred tax liabilities", since these differences give rise to taxable amounts in the years following those when they are attributed to the statutory Income Statement, determining a deferment of the taxation compared to the economic-statutory accrual.

"Deferred tax liabilities" are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting in item 100. "Tax assets b) deferred" and in item 60. "Tax liabilities b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 - Provisions for risks and expenses

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and expenses include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- "Provision for credit risk relative to commitments and financial guarantees given": the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- "Provision for other commitments and guarantees given": the value of the total provisions in respect of other commitments and other guarantees given which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- "Provisions for post-employment benefits" includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- Other provisions for risks and expenses: these include other provisions for risks and expenses established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the Income Statement in item 170. "Net allocations to provisions for risks and expenses".

The item includes the positive or negative balance between the allocations and any re-attributions to the Income Statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11- Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than "Financial liabilities held for trading" and "Financial liabilities measured at fair value".

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, as at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the Income Statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the Income Statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the Income Statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the Income Statement under item 100. "Profit/(loss) from disposal/repurchase of: c) Financial liabilities".

12 - Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives linked to fair value option are also included in this category (as defined in IFRS 9, paragraph 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet; if the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets designated at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the Income Statement under item "80. Net result from trading".

13 - Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities designated at fair value with valuation results entered in the Income Statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is designated at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities measured at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the Income Statement.

Measurement criteria

Liabilities are designated at fair value. The income components are reported according to the provisions of IFRS 9, as set out below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under item 110. "Net result of other financial assets and liabilities designated at fair value through profit or loss".

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The financial liabilities designated at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the carrying amount of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the "Interest expense and similar expenses" of the Income Statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under item 110. "Net result of other financial assets and liabilities designated at fair value through profit or loss".

14 - Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the Income Statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the Income Statement, also the related exchange rate difference is recorded in the Income Statement.

15 - Other information

15.1 SALES AND REPURCHASE CONTRACTS (REPOS)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 PROVISION FOR SEVERANCE INDEMNITY AND SENIORITY BONUSES

Provision for severance indemnity (TFR) is similar to a "post-employment benefit" of the "defined benefit plan" type for which, according to IAS 19, its value must be determined using actuarial methods.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the T.F.R. accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee T.F.R. is carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity (TFR) accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the Income Statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the Income Statement sub-item "160. a) Staff expenses".

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among "Other liabilities") for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "statement of comprehensive income".

The "Other long-term benefits" described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and expenses of the balance sheet.

The allocation, as the reattribution to the Income Statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the Income Statement among the "Staff expenses".

15.3 RECOGNITION OF REVENUES AND COSTS

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

a. at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer;
b. over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to point b) above, a "performance obligation" is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are i) the payment obligation ii) the legal title to the right for the consideration accrued iii) the physical possession of the asset iv) the transfer of the risks and benefits connected with ownership v) acceptance of the asset.

With regards to revenues realised over a period of time, the Bank adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Bank are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the Income Statement only at the time of its actual collection;
- the dividends are recorded in the Income Statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the commissions for revenue from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered;

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the Income Statement according to the accrual principles; the costs relating to obtaining and fulfilling the contracts with the customer are recognised in the Income Statement in the periods in which the associated revenues are recognised.

15.4 IMPROVEMENTS TO THIRD-PARTY ASSETS

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the "Other assets" and are amortised for a period not exceeding the duration of the lease.

15.5 METHODS OF RECOGNITION OF IMPAIRMENT LOSSES

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at the end of each reporting period - to verify whether there are any indicators that these assets may be impaired (known as "impairment indicators").

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The impairment model adopted by the Bank is consistent with the one adopted by the entire Group.

The scope of application of the IFRS 9 impairment model adopted by the Bank, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the COVID-19 pandemic, during the year the Bank continued to implement several refinements to the IFRS 9 impairment model, mainly introduced with the annual financial statements as at 31 December 2021, to reflect the guidelines and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to paragraph "d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context" included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as low credit risk;
- in stage 3, non-performing positions.

More specifically, the Bank made provision for the allocation of the individual credit, cash and off-statement of financial relations, in one of the 3 stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);
- in stage 3, bad loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- Low risk class (class 5 for the Private segment, class 3 for Small Economic Operators and class 4 for Small Businesses and Companies).

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset ("lifetime expected loss");
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Bank has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks have been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Bank adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also PD and EAD) risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the stage 1 of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In stage 2, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- The 12-month ECL represents the expected value of the loss estimated on an annual basis;
- The lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the 'Probability of Default', the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Bank to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- cash exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called "size threshold");
- cash exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- cash exposures classified as unlikely to pay that exceed the size threshold;
- cash exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 100,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable amount (valuation component), the Bank adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- "going concern" approach, which applies only to business counter-parties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 *bis* and *septies*, Article 186 *bis*, Article 160 *et seq.*, it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- gone concern approach, which applies obligatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable amount (financial component), applied for bad loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable amount of the investment is lower than its carrying amount.

The recoverable amount is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the carrying amount.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" in this Part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable amount is higher than the carrying amount of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Income Statement item 220."Profit/(loss) on equity investments".

Should the recoverable amount subsequently be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at FV (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable amount (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative carrying amount.

If and only if the recoverable amount of an asset or of the CGU is lower than its carrying amount, the latter must be reduced to the recoverable amount, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Bank is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress).

Other intangible assets (e.g. those with a defined useful life such as "core deposits" acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite useful life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable amount is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite useful life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable amount, which will be compared with their carrying amount in order to quantify any impairment. The recoverable amount is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the carrying amount of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A "CGU" is written down when its carrying amount is higher than its recoverable amount. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the carrying amount of the asset, or because the asset would be sold for less than its carrying amount.

15.6 BUSINESS COMBINATIONS

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the parent company (acquirer) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the Income Statement.

15.7 ACCRUALS AND DEFERRALS

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 OWN SHARES

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity.

15.9 PAYMENTS BASED ON SHARES

This case does not apply to the Bank, as it does not have a "stock option plan" in place on bank-issued shares.

15.10 Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

In order to counter the negative economic effects of the spread of the COVID-19 pandemic, the Italian Government issued a series of measures in Law no. 77 of 17 July 2020, converting, with amendments, the 'Rilancio' Law Decree, which, among others, allow, under certain conditions, for a tax deduction for expenses incurred on certain cases.

The law also allows the taxpayer to opt, in place of the direct use of the deduction, to transfer the corresponding tax credit to other parties, within the limit envisaged by the regulations of reference which in 2022 were subject to multiple changes by the legislator — including credit institutions and financial intermediaries.

Since the conversion into law of the Rilancio Decree, the tax deductions arising from construction works have undergone significant changes, both in terms of the procedure for exercising the option of sale or discount on the invoice — with the introduction of the visa proving compliance and technical certification also for minor bonuses — as well as in terms of the time period within which the expenses are incurred.

Nonetheless, the possibility granted to the taxpayer to opt for the conversion of the tax deduction into a tax credit that can be transferred to third parties — mainly credit institutions and suppliers — represents a fundamental principle for facilitating the execution of energy efficiency or seismic works on national real estate assets.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;

- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/CONSOB/IVASS Document no. 9 ("Accounting treatment of tax credits related to the *Cura Italia* and *Rilancio* Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In this specific case, the hold-to-collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- taking into account the special characteristics of these tax credits held with the aim of using them until they are completely offset, within the time period allowed, with the payments of debts payable through F24, the reference business model, as mentioned above, was conventionally identified as hold to collect (HtC). This consideration is always checked if the purchases of the transferee Bank are within the limits of the Group ceiling. If, according to the Bank, the individual ceiling has been exceeded, on the basis of the transfer orders collected from its customers, and in order to preserve the established commercial relationships, it is possible to transfer tax credits to selected counterparties within or outside the Group;
- SPPI Test: The mechanism of compensation in fifths ensures that the test is passed because each fifth offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified.

A.3 - Information on transfers between portfolios of financial assets

The Bank has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, CARRYING AMOUNT AND INTEREST INCOME

The Bank has nothing to report for the year covered by these Financial statements.

A.3.2 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, FAIR VALUE AND EFFECTS ON COMPREHENSIVE INCOME

The Bank has nothing to report for the year covered by these Financial statements.

A.3.3 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL AND EFFECTIVE INTEREST RATE

The Bank has nothing to report for the year covered by these Financial statements.

A.4 - Information on fair value

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The “Fair value policy” of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called “fair value hierarchy”.

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Bank has equipped itself with tools to monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on internal valuation models which are described in the Group’s internal regulations.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Bank has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:
    - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
    - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;

- UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.

- Level 2: fair value is determined on the basis of valuation techniques that envisage:

  - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
  - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Bank refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
    - the prices of similar financial assets/liabilities;
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatility;
    - credit spread;
    - inputs corroborated by the market based on observable market data.

  The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

  - non-governmental bonds for which a price is available on a non-active market;
  - securities for which the valuation is provided by a third party provider using inputs observable on active markets;
  - securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
  - shares that are not listed on an active market;
  - OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:

  - unlisted minority equity investments;
  - insurance investment products;
  - unlisted non-UCITS funds;
  - junior securitisation securities;
  - unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

Information of a qualitative nature

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal valuation model is used to determine fair value.

The internal valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers issued by Italian banks

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks of the Cassa Centrale Banca Cooperative Banking Group or other cooperative credit banks, the rating class is determined on the basis of the rating assigned to the senior unsecured/senior preferred liabilities of the related Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used based on the level of seniority of the bond.

Given the predominant use of observable inputs, the fair value is classified at level 2, expect in some cases where the fair value is set at level 3 since the inputs used are not observable due to the special characteristics of the issue (senior non-preferred or Tier 2 subordinate securities exchanged between companies of the bank group, for example).

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Bank therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - minimum transfer amount (that is the difference between the fair value of the contract and the value of the guarantee) under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Bank, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);
- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Bank verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Bank uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the Fair Value Policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as 'AIFs') are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the net asset value (NAV) used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the carrying amount.

With regard to non-performing positions – except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used – the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 PROCESSES AND SENSITIVITIES OF THE VALUATIONS

The Bank generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euroswap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out by the Parent Company on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

A.4.3 FAIR VALUE HIERARCHY

For a description of the fair value hierarchy levels envisaged by the Bank, please refer to paragraph “A.4 - Information on fair value” above.

With reference to assets and liabilities designated at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 OTHER INFORMATION

The Bank does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Bank, with reference to derivatives concluded with financial counterparties with which it stipulated framework netting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 FAIR VALUE HIERARCHY

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

	31/12/2022			31/12/2021		
FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss	226,233	108,930	41,889	221,813	24,738	48,237
a) financial assets held for trading	-	108,930	-	-	24,738	-
b) financial assets designated at fair value	158,773	-	15,778	160,853	-	20,105
c) other financial assets mandatorily measured at fair value	67,460	-	26,111	60,960	-	28,132
2. Financial assets designated at fair value through other comprehensive income	1,003,094	-	13,485	1,019,454	-	40,200
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,229,327**	**108,930**	**55,374**	**1,241,267**	**24,738**	**88,437**
1. Financial liabilities held for trading	-	109,006	-	-	21,230	-
2. Financial liabilities designated at fair value	-	-	168,922	-	-	173,104
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**109,006**	**168,922**	**-**	**21,230**	**173,104**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

A.4.5.2 Annual changes in assets designated at fair value on a recurring basis (level 3)

	Financial assets designated at fair value through profit or loss				Financial assets designated at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. OPENING BALANCES	**48,237**	**-**	**20,105**	**28,132**	**40,200**	**-**	**-**	**-**
2. INCREASES	**3,521**	**-**	**283**	**3,238**	**727**	**-**	**-**	**-**
2.1. Purchases	2,540	-	-	2,540	100	-	-	-
2.2. Profit attributed to:	575	-	283	292	627	-	-	-
2.2.1. Income Statement	575	-	283	292	-	-	-	-
- of which capital gains	575	-	283	292	-	-	-	-
2.2.2. Equity	-	X	X	X	627	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	406	-	-	406	-	-	-	-
3. DECREASES	**9,869**	**-**	**4,609**	**5,260**	**27,442**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	14,351	-	-	-
3.2. Repayments	4,310	-	-	4,310	-	-	-	-
3.3. Losses attributed to:	5,559	-	4,609	950	1,841	-	-	-
3.3.1. Income Statement	5,559	-	4,609	950	-	-	-	-
- of which capital losses	-	-	4,609	950	-	-	-	-
3.3.2. Equity	-	X	X	X	1,841	-	-	-
3.4. Transfers to other levels	-	-	-	-	11,250	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. CLOSING BALANCES	**41,889**	**-**	**15,778**	**26,111**	**13,485**	**-**	**-**	**-**

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

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. OPENING BALANCES	**-**	**173,104**	**-**
2. INCREASES	**-**	**-**	**-**
2.1 Emissions	-	-	-
2.2. Losses attributed to:	-	-	-
2.2.1. Income Statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. DECREASES	**-**	**4,182**	**-**
3.1. Repayments	-	287	-
3.2. Repurchases	-	-	-
3.3. Profit attributed to:	-	3,894	-
3.3.1. Income Statement	-	3,894	-
- of which capital gains	-	3,894	-
3.3.2. Equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. CLOSING BALANCES	**-**	**168,922**	**-**

At the end of the reporting period, the Bank does not hold any liabilities measured at fair value on a recurring basis (Level 3) relating to the funding from the Affiliated Banks of readily available financial funds to establish the “ex-ante portion” of the cross-guarantee, as illustrated in Annex A to these Explanatory Notes.

A.4.5.4 Assets and liabilities which are not designated at fair value or which are designated at fair value on non-recurring basis: breakdown by fair value levels

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2022				31/12/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	21,253,306	2,240,393	230,121	18,669,719	23,624,504	2,474,258	134,998	21,141,381
2. Tangible assets held for investment purposes								
3. Non-current assets and groups of assets held for disposal					610		610	-
Total	**21,253,306**	**2,240,393**	**230,121**	**18,669,719**	**23,625,114**	**2,474,258**	**135,608**	**21,141,381**
1. Financial liabilities measured at amortised cost	21,540,593		203,155	21,337,533	24,105,689			24,105,689
2. Liabilities associated to assets held for disposal								
Total	**21,540,593**	**-**	**203,155**	**21,337,533**	**24,105,689**	**-**	**-**	**24,105,689**

Key:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 – INFORMATION ON DAY ONE PROFIT/LOSS

A.5 Information on day one profit/loss

DAY ONE PROFIT/LOSS	
1. OPENING BALANCES	**1,738**
2. INCREASES	**-**
2.1 New operations	-
3. DECREASES	**(659)**
3.1 Income statement releases	(659)
4. CLOSING BALANCES	**1,079**

In accordance with IFRS 9, the initial recognition of the financial instruments must be at fair value. Normally, the fair value of a financial instrument at initial recognition coincides with the "transaction price", which in turn is equal to the amount paid for financial assets or the amount received for financial liabilities.

In residual cases where the fair value of a financial instrument does not coincide with the "transaction price", it is necessary to estimate the fair value through the use of valuation techniques. The "day one profit/loss" disclosure included in this section refers to any differences between the transaction price and the fair value obtained by using valuation techniques, which emerge at the moment of first-time recognition of a financial instrument and are not immediately booked to the income statement, based on the provisions of paragraph B5.1.2 A of IFRS 9.

With regard to the above, pursuant to IFRS 7 paragraph 28, the Bank does not recognise a profit or loss on initial recognition of the financial asset or financial liability because the fair value is not evidenced by a listed price in an active market for an identical asset or liability (i.e. a Level 1 input) nor is it based on a valuation technique that uses only observable market data (see paragraph B5.1.2 A of IFRS 9). The difference between the fair value at the time of initial recognition and the transaction price reflects a change in the factors (including time) that market participants would take into account in determining the price of the asset or liability (see paragraph B5.1.2 A, letter b) of IFRS 9).

In this case, the day one loss originated on the T2 subordinated bond issued by Cassa Padana and subscribed by Cassa Centrale Banca as part of a support operation carried out in 2020 in pursuance of the Cross Guarantee Scheme (IPS). The above-mentioned bond was subscribed on 15 September 2020 for a nominal value of EUR 20 million at a coupon rate of 2% and maturing on 15 September 2027. The financial instrument in question, constituting part of the separate assets set up through the loan for a specific business, pursuant to Articles 2447-bis, letter b) and 2447-decies of the Italian Civil Code, was measured at fair value. The carrying amount as at 31 December 2022 was EUR 15,778 thousand. The fair value is level 3 because the fair value model of this financial instrument uses as input the interest rate curve of the T2 subordinated interbank loan market which, in this case, is not considered representative of an observable input for the valuation of a T2 subordinated loan subscribed by the Parent company as part of a support intervention carried out in pursuance of the Cross Guarantee Scheme (IPS).

PART B - Information on the Balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2022	Total 31/12/2021
a) Cash	197,277	236,308
b) Current accounts and demand deposits at central banks	5,135	2,687
c) Current accounts and demand deposits at banks	91,475	49,869
Total	**293,887**	**288,864**

The sub-item "Cash" includes foreign currencies for a value equal to EUR 8,068 thousand.

The sub-item "Deposits on demand at central banks" includes liquidity - constituting part of the "ex-ante portion" of the cross-guarantee - deposited on the dedicated Bank of Italy account.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2022.

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

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	108,930	-	-	24,738	-
1.1 trading	-	108,930	-	-	24,738	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**108,930**	**-**	**-**	**24,738**	**-**
Total (A+B)	**-**	**108,930**	**-**	**-**	**24,738**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item "B. Derivative instruments - 1. Financial derivatives - 1.1 for trading" includes interest rate swaps and forwards vis-à-vis primary market institutions and balanced with specular but opposite transactions with Affiliated Banks.

The change in the value compared to the previous year mainly derives from the increase in the mark to market.

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial corporations	-	-
of which: insurance companies	-	-
c) Non-financial corporations	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS	**-**	**-**
a) Central counterparties	-	-
b) Other	108,930	24,738
Total (B)	**108,930**	**24,738**
Total (A+B)	**108,930**	**24,738**

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**158,773**	**-**	**15,778**	**160,853**	**-**	**20,105**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	158,773	-	15,778	160,853	-	20,105
2. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**158,773**	**-**	**15,778**	**160,853**	**-**	**20,105**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "1. Debt securities - Other debt securities" includes the investments constituting part of the "ex-ante portion" of the cross-guarantee: the composition of the investments of the "ex-ante portion" established through the loan for as at 31 December 2022 is shown below:

- Italian government securities of EUR 158,773 thousand;
- Subordinated debt securities deriving from Support interventions of EUR 15,778 thousand.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2022.

2.4 Financial assets designated at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
1. DEBT SECURITIES	**174,551**	**180,958**
a) Central Banks	-	-
b) General Governments	158,773	160,853
c) Banks	15,778	20,105
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. LOANS	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**174,551**	**180,958**

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

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	-	-	34	-	-	44
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	34	-	-	44
2. EQUITIES	-	-	-	-	-	-
3. UCITS UNITS	67,460	-	525	60,960	-	199
4. LOANS	-	-	25,551	-	-	27,889
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	25,551	-	-	27,889
Total	**67,460**	**-**	**26,111**	**60,960**	**-**	**28,132**

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

The sub-item 1.2 “Other debt securities” includes the following securities related to securitisation transactions:

- mezzanine of EUR 7 thousand;
- junior of EUR 27 thousand.

The item ‘UCITS units’ is composed of the following main categories of funds:

- bonds totalling EUR 52,860 thousand;
- stocks totalling EUR 525 thousand;
- balanced totalling EUR 14,600 thousand;

Loans include those obligatorily measured at fair value following the failure of the SPPI test.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2022	Total 31/12/2021
1. EQUITIES	**-**	**-**
of which: banks	-	-
of which: Other financial corporations	-	-
of which: Non-financial corporations	-	-
2. DEBT SECURITIES	**34**	**44**
a) Central banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	34	44
of which: insurance companies	-	-
e) Non-financial corporations	-	-
3. UCITS UNITS	**67,985**	**61,159**
4. LOANS	**25,551**	**27,889**
a) Central banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	15,096	19,115
of which: insurance companies	-	-
e) Non-financial corporations	10,371	8,662
f) Households	84	111
Total	**93,571**	**89,092**

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

3.1 Financial assets designated at fair value through other comprehensive income: breakdown by category

ITEMS/VALUES	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**1,002,520**	**-**	**-**	**1,019,454**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,002,520	-	-	1,019,454	-	-
2. EQUITIES	**575**	**-**	**13,485**	**-**	**-**	**40,200**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,003,094**	**-**	**13,485**	**1,019,454**	**-**	**40,200**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

With reference to item 2. "Equity securities", following subscription of the IPO of ordinary shares of Banca Carige on 18 July 2022, Cassa Centrale Banca zeroed out the equity interest in Banca Carige.

3.2. Financial assets designated at fair value through other comprehensive income: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
1. DEBT SECURITIES	**1,002,520**	**1,019,454**
a) Central banks	-	-
b) General Governments	987,230	1,018,527
c) Banks	1,373	927
d) Other financial corporations	4,944	-
of which: insurance companies	-	-
e) Non-financial corporations	8,972	-
2. EQUITIES	**14,060**	**40,200**
a) Banks	7,345	34,195
b) Other issuers:	6,715	6,005
- Other financial corporations	1,499	884
of which: insurance companies	-	-
- Non-financial corporations	5,216	5,121
- other	-	-
3. LOANS	**-**	**-**
a) Central banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**1,016,580**	**1,059,654**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	1,002,704	-	-	-	-	184	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**1,002,704**	**-**	**-**	**-**	**-**	**184**	**-**	**-**	**-**	**-**
Total 31/12/2021	**1,019,613**	**-**	**-**	**-**	**-**	**159**	**-**	**-**	**-**	**-**

* Value to be displayed for information purposes

The division by stage of risk of financial assets designated at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A – Accounting policies in paragraph “15.5 Methods of recognition of impairment losses” and Part E – “Information on risks and related hedging policies”.

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and writedowns

The Bank does not hold any positions attributable to this case.

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

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022					
	Book value			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**527,192**	**-**	**-**	**-**	**-**	**527,192**
1. Fixed-term deposits	-	-	-	X	X	X
2. Compulsory reserve	527,192	-	-	X	X	X
3. Repos	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. LOANS TO BANKS	**16,416,766**	**-**	**-**	**142,531**	**230,121**	**16,001,268**
1. Loans	**15,796,615**	**-**	**-**	**-**	**-**	**15,796,615**
1.1 Current accounts	-	-	-	X	X	X
1.2. Fixed-term deposits	209,718	-	-	X	X	X
1.3. Other loans:	15,586,897	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X
- Other	15,586,897	-	-	X	X	X
2. Debt securities	**620,151**	**-**	**-**	**142,531**	**230,121**	**204,654**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	620,151	-	-	142,531	230,121	204,654
Total	**16,943,958**	**-**	**-**	**142,531**	**230,121**	**16,528,461**

Sub-item "B. Loans to banks – 1 Loans – 1.3 Other loans" represents loans guaranteed by ECB eligible securities offered to the Affiliated Banks as part of the "Collateral Account" service, activated in order to broker the Affiliated Banks themselves not only in relation to the European Central Bank's refinancing operations, but also in relation to the repo market.

In these services, based on the financial guarantee agreements pursuant to Legislative Decree no.170 of 21 May 2004, Cassa Centrale Banca obtained the transfer of legal ownership of eligible securities from the Affiliated Banks. These securities can therefore be used by the Bank to guarantee the participation in the refinancing operations of the European Central Bank and for the stipulation of transactions on the repo market.

The balance of item "2.2 Other debt securities" includes the subscription, by the Cassa Centrale Group, of the subordinated loan previously issued by Banca Carige and, following the merger by incorporation in 2022, now attributable to the issuer BPER Banca, for a nominal value of EUR 12,400 thousand and an annual yield of 8.25%.

Item 2.2 "Other debt securities" includes 199,054 thousand securities issued by the BCCs and subscribed by the Parent Company following the eligible MREL issue.

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2021					
	Book value			Fair value		
	Stages 1and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**3,273,465**	**-**	**-**	**-**	**-**	**3,273,465**
1. Fixed-term deposits	-	-	-	X	X	X
2. Compulsory reserve	3,273,465	-	-	X	X	X
3. Repos	-	-	-	X	X	X
4. Others	-	-	-	X	X	X
B. LOANS TO BANKS	**16,498,117**	**-**	**-**	**208,077**	**134,998**	**16,158,170**
1. Loans	**16,117,041**	**-**	**-**	**-**	**-**	**16,117,041**
1.1 Current accounts	-	-	-	X	X	X
1.2. Fixed-term deposits	221,439	-	-	X	X	X
1.3. Other loans:	15,895,602	-	-	X	X	X
1.4 Repos receivables	-	-	-	X	X	X
1.5. Financing for leases	-	-	-	X	X	X
1.6 Other	15,895,602	-	-	X	X	X
2. Debt securities	**381,076**	**-**	**-**	**208,077**	**134,998**	**41,129**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	381,076	-	-	208,077	134,998	41,129
Total	**19,771,582**	**-**	**-**	**208,077**	**134,998**	**19,431,635**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by category of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022						Total 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. LOANS	**2,060,214**	**9,682**	**-**	**-**	**-**	**2,137,331**	**1,606,704**	**3,444**	**-**	**-**	**-**	**1,704,966**
1.1. Current accounts	659,193	-	-	X	X	X	528,061	-	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	1,294,853	9,682	-	X	X	X	965,000	3,444	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	106,168	-	-	X	X	X	113,643	-	-	X	X	X
2. DEBT SECURITIES	**2,239,451**	**-**	**-**	**2,097,862**	**-**	**3,927**	**2,242,774**	**-**	**-**	**2,266,181**	**-**	**4,780**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	2,239,451	-	-	2,097,862	-	3,927	2,242,774	-	-	2,266,181	-	4,780
Total	**4,299,665**	**9,682**	**-**	**2,097,862**	**-**	**2,141,258**	**3,849,478**	**3,444**	**-**	**2,266,181**	**-**	**1,709,746**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

In item 1. "Loans", for impaired positions, the fair value was deemed to be equal to the net book value on the basis of the considerations set out in Part A, Section A.4 Information on Fair Value, to which reference is made.

The sub-item 1.7 "Other loans" consists of:

- fixed-term subsidies for EUR 17,782 thousand;
- security deposits in own name for EUR 31,364 thousand;
- initial margins relating to transactions with Cassa Compensazione e Garanzia for EUR 56,722 thousand;

- subsidies repayable in instalments for EUR 281 thousand;
- other entries totalling EUR 19 thousand.

Item 2. "Debt securities" includes senior securities related to "third party" securitisation transactions (Lucrezia Securitisation) for a carrying amount of EUR 138 thousand and Senior securities from own securitisations (Nepal and Buonconsiglio 3 and 4) for a carrying amount of EUR 3,488 thousand.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022			Total 31/12/2021		
	Stages 1 and 2	Stage 3	Impaired assets acquired or originated	Stage 1 and 2	Stage 3	Impaired assets acquired or originated
1. DEBT SECURITIES	**2,239,451**	**-**	**-**	**2,242,774**	**-**	**-**
a) Public administrations	2,235,825	-	-	2,238,430	-	-
b) Other financial corporations	3,626	-	-	4,344	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	-	-	-	-	-	-
2. LOANS TO:	**2,060,214**	**9,682**	**-**	**1,606,704**	**3,444**	**-**
a) Public administrations	25,968	-	-	20,554	-	-
b) Other financial corporations	1,049,852	-	-	750,317	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	943,824	9,408	-	802,230	3,153	-
d) Households	40,569	275	-	33,602	290	-
Total	**4,299,665**	**9,682**	**-**	**3,849,478**	**3,444**	**-**

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	2,845,853	-	17,893	-	-	2,394	1,750	-	-	-
Loans	18,240,632	-	190,346	37,072	-	33,451	13,507	27,390	-	4,851
Total 31/12/2022	**21,086,485**	**-**	**208,239**	**37,072**	**-**	**35,845**	**15,257**	**27,390**	**-**	**4,851**
Total 31/12/2021	**23,509,818**	**-**	**163,660**	**34,737**	**-**	**34,944**	**17,473**	**31,293**	**-**	**4,070**

* Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information on the impairment model, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E - "Information on risks and related hedging policies".

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. EBA-compliant moratoria loans	845	-	-	-	-	52	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-
3. Other loans with COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-
4. Newly originated loans	166,465	-	19,982	9,164	-	3,886	1,801	1,435	0	-
Total 31/12/2022	**167,310**	**-**	**19,982**	**9,164**	**-**	**3,938**	**1,801**	**1,435**	**-**	**-**
Total 31/12/2021	**133,620**	**-**	**43,451**	**3,401**	**-**	**3,561**	**4,144**	**1,772**	**-**	**-**

* Value to be displayed for information purposes

The loans included in the first item of the table refer, for a gross value of EUR 845 thousand, to loans subject to the COVID-19 EBA Compliant moratorium at the date of granting, with a repayment schedule still suspended as at 31 December 2022.

The newly originated loans represented under item no. 3 constitute new liquidity granted through public guarantee mechanisms.

Section 5 - Hedging derivatives - Item 50

At the end of the reporting period, the Bank had not entered into hedging transactions. This section does not contain any evaluation and is therefore omitted.

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

At the end of the reporting period, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on type of relationship

NAME	Registered office	Operating headquarters	% interest	Votes available %
A. WHOLLY-OWNED SUBSIDIARIES				
Assicura Agenzia S.r.l.	Udine	Udine	100.00%	100.00%
Centrale Soluzioni Immobiliari S.r.l.	Trento	Trento	100.00%	100.00%
Centrale Casa S.r.l.	Trento	Trento	100.00%	100.00%
Nord Est Asset Management S.A.	Luxembourg	Luxembourg	100.00%	100.00%
Claris Leasing S.p.A.	Treviso	Treviso	100.00%	100.00%
Allitude S.p.A.	Trento	Trento	96.70%	96.70%
Prestipay	Udine	Udine	60.00%	60.00%
B. JOINTLY CONTROLLED COMPANIES				
Casse Rurali Raiffeisen Finanziaria S.p.A.	Bolzano	Bolzano	50.00%	50.00%
C. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE				
Centrale Trading S.r.l.	Trento	Trento	42.50%	42.50%
Servizi e finanza Friuli Venezia Giulia S.r.l.	Udine	Udine	27.19%	27.19%
Partecipazioni cooperative S.r.l.	Trento	Trento	13.92%	13.92%
Scouting S.p.A.	Bellaria Igea Marina	Bellaria Igea Marina	8.26%	8.26%
Cabel Holding S.p.A.	Empoli	Empoli	7.66%	7.66%
Finanziaria Trentina della cooperazione S.p.A.	Trento	Trento	4.08%	4.08%

7.2 Significant equity investments: carrying amount, fair value and dividends received

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.3 Significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.4 Non significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.5 Equity investments: annual changes

	Total 31/12/2022	Total 31/12/2021
A. OPENING BALANCES	**255,104**	**248,002**
B. INCREASES	**5,235**	**8,023**
B.1 Purchases	5,185	8,023
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	50	-
C. DECREASES	**17,850**	**921**
C.1 Sales	-	-
C.2 Value adjustments	17,800	-
C.3 Write-downs	-	921
C.4 Other changes	50	-
D. CLOSING BALANCES	**242,489**	**255,104**
E. TOTAL REVALUATIONS	**-**	**-**
F. TOTAL ADJUSTMENTS	**-**	**-**

The main changes in equity investments during the current year with reference to the item "Equity investments" are summarised below:

The amount in sub-item "B.1 Purchases" includes the acquisition of additional shares already in the portfolio:

- Nord Est Asset Management S.A. for EUR 1,525 thousand;
- Prestipay S.p.A. of EUR 3,600 thousand;
- Servizi e Finanza FVG S.r.l. for EUR 60 thousand;

Value adjustments:

The amount in sub-item "C.2 Value adjustments" includes the effects arising from the review, following the impairment test exercise, of the value of equity investments in:

- Claris Leasing S.p.A. of EUR 10,700 thousand;
- Casse Rurali Raiffeisen Finanziaria S.p.A. of EUR 7,100 thousand;

Other Changes:

the amount in sub-item "C.4 Other changes" includes the effects arising from the liquidation of the subsidiary Centrale Credit & Real Estate Solution S.r.l.

As required by IAS/IFRS, investments are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable. For investments recognised in the separate financial statements, the process for recognising any impairment involves checking for impairment indicators and the determination of any writedown.

Following verification of the trigger events, investments in Claris Leasing, Casse Rurali Raiffeisen Finanziari, Prestipay, Assicura and NEAM were subject to impairment testing. Following the impairment test, with the exception of the value adjustments on the aforesaid investments in Claris Leasing and Casse Rurali Raiffeisen Finanziaria, which were recognised in the income statement of the Bank, no further impairment losses on other investments recognised in the financial statements of Cassa Centrale Banca were found.

For the additional investments for which there were no impairment indicators, at the reporting date it was not necessary to carry out the impairment test, in line with the provisions of the international accounting standards.

7.6 Commitments referring to equity investments in subsidiaries under joint control

There are no commitments referring to equity investments in subsidiaries under joint control.

7.7 Commitments referring to equity investments in companies subject to a significant influence

There are no commitments referring to equity investments in companies subject to a significant influence.

7.8 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

7.9 Other information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

Section 8 – Tangible assets – Item 80

8.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2022	Total 31/12/2021
1. ASSETS OWNED	**11,994**	**12,672**
a) land	3,665	3,665
b) buildings	5,438	5,670
c) furniture	1,293	1,218
d) electronic systems	802	1,081
e) other	796	1,038
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**10,429**	**10,219**
a) land	-	-
b) buildings	10,009	9,748
c) furniture	-	-
d) electronic systems	-	-
e) other	419	471
Total	**22,422**	**22,891**
of which: obtained through the enforcement of guarantees received	-	-

For information on operating leases, please refer to the table in this Section 8.6bis - Right-of-Use Assets.

8.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

There are no tangible assets held for investment purposes measured at cost.

8.3 Tangible assets for business use: breakdown of the revalued assets

There are no revalued tangible assets for business use.

8.4 Tangible assets held for investment purposes: breakdown of the assets designated at fair value

There are no tangible assets held for investment purposes measured at fair value.

8.5 Inventories of tangible assets disciplined by IAS 2: breakdown

There are no tangible assets disciplined by IAS 2.

8.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. GROSS OPENING BALANCES	**(3,665)**	**(26,141)**	**(6,874)**	**(6,944)**	**(8,132)**	**(51,756)**
A.1 Total net impairment	-	10,723	5,656	5,863	6,623	28,865
A.2 NET OPENING BALANCES	**3,665**	**15,418**	**1,218**	**1,081**	**1,509**	**22,891**
B. INCREASES:	**-**	**1,774**	**337**	**191**	**637**	**2,938**
B.1 Purchases	-	1,762	337	191	636	2,926
- of which business combinations	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	12	-	-	-	12
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. DECREASES:	**-**	**1,745**	**261**	**470**	**931**	**3,407**
C.1 Sales	-	178	-	5	187	370
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	1,563	261	465	734	3,024
C.3 Impairment losses charged to	-	-	-	-	-	-
a) to equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) to equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-

	Land	Buildings	Furniture	Electronic systems	Others	Total
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for disposal	-	-	-	-	-	-
C.7 Other changes	-	4	-	-	9	12
D. NET CLOSING BALANCES	**3,665**	**15,448**	**1,293**	**802**	**1,215**	**22,422**
D.1 Total net impairment	-	12,187	5,832	6,300	6,954	31,273
D.2 GROSS CLOSING BALANCES	**3,665**	**27,634**	**7,125**	**7,102**	**8,169**	**53,695**
E. Valuation at cost	-	-	-	-	-	-

It should be noted that the balances relating to the gross and net opening balances of tangible assets include the effects of the first-time adoption of IFRS 16 for Buildings and other assets.

The item "E. Valuation at cost" is not measured since its compilation is only set for tangible assets measured at fair value in the financial statements, not held by the Bank.

With regard to the details of Item "C. Decreases - C3 and C6", please refer respectively to the table in "Part C - Section 12 - 12.1 - Net value adjustments to tangible assets" and in that of this Part - "Section 11 - 11.1 - Non-current assets and groups of assets held for disposal: breakdown by type of asset".

Below are the annual changes in the rights of use acquired through lease.

8.6 bis Assets by right of use

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 30/12/2022
NET OPENING BALANCES	**-**	**471**	**-**	**-**	**9,547**	**73**	**-**	**128**	**-**	**10,219**
Increases	-	421	-	71	1,669	-	-	4	-	**2,164**
Decreases	-	(163)	-	-	(159)	(19)	-	-	-	**(341)**
Amortisation	-	(309)	-	(4)	(1,277)	(12)	-	(12)	-	**(1,613)**
Impairment	-	-	-	-	-	-	-	-	-	**-**
NET CLOSING BALANCES	**-**	**419**	**-**	**67**	**9,780**	**42**	**-**	**120**	**-**	**10,429**

The item "Increases" includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under "Increases" and "Decreases".

At the end of the reporting period, the Bank had not entered into leaseback transactions.

8.7 Tangible assets held for investment purposes: annual changes

There are no tangible assets held for investment purposes.

8.8 Inventories of tangible assets disciplined by IAS 2: annual changes

At the end of the reporting period, there were no such circumstances.

8.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, at the end of the reporting period the contractual commitments for the purchase of tangible assets amounted to EUR 1,342 million and related to the purchase of a property located in Trento, in Piazza Duomo.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2022		Total 31/12/2021	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 GOODWILL	**X**	**-**	**X**	**-**
A.2 OTHER INTANGIBLE ASSETS	**334**	**-**	**996**	**-**
of which: software	67	-	199	-
A.2.1 Assets measured at cost:	334	-	996	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	334	-	996	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**334**	**-**	**996**	**-**

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

In compliance with the relevant accounting regulations:

- the amortisation rates used for software are 33.3%.

No internally generated intangible assets were posted.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**-**	**-**	**-**	**11,135**	**-**	**11,135**
A.1 Total net impairment	-	-	-	10,139	-	10,139
A.2 NET OPENING BALANCES	**-**	**-**	**-**	**996**	**-**	**996**
B. INCREASES	**-**	**-**	**-**	**46**	**-**	**46**
B.1 Purchases	-	-	-	46	-	46
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. DECREASES	**-**	**-**	**-**	**708**	**-**	**708**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	708	-	708
- Depreciation/amortisation	X	-	-	708	-	708
- Write-downs	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative fair value changes:	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. NET CLOSING BALANCES	**-**	**-**	**-**	**334**	**-**	**334**
D.1 Total net value adjustments	-	-	-	10,847	-	10,847
E. GROSS CLOSING BALANCES	**-**	**-**	**-**	**11,181**	**-**	**11,181**
F. Valuation at cost	-	-	-	-	-	-

KEY:

DEF = with definite useful life

INDEF = with indefinite useful life

The intangible assets described were entirely acquired externally and measured at cost.

The sub-item “F. Valuation at cost” is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, it should be noted that the Bank does not have any:

- impediments to the distribution to shareholders of capital gains on revalued intangible assets (see IAS 38, paragraph 124, letter b);
- established intangible assets to secure its debts (see IAS 38, paragraph 122, letter d);
- outstanding intangible assets acquired by government concession (see IAS 38, paragraph 122, letter c);
- commitments to purchase intangible assets (see IAS 38, paragraph 122, letter e);
- outstanding intangible assets subject to lease operations;
- outstanding allocation of goodwill among the various cash generating units (see IAS 36, paragraph 134, letter a).

Section 10 - Tax assets and tax liabilities - Item 100 of assets and item 60 of liabilities

10.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2022			31/12/2021		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Loans	11,899	1,471	13,370	14,254	1,695	15,949
Tangible fixed assets	-	-	-	-	-	-
Provisions for risks and expenses	6,575	907	7,482	6,124	776	6,900
Tax losses	-	-	-	-	-	-
Administrative expenses	44	-	44	34	-	34
Other items	-	-	-	19	-	19
Total	**18,518**	**2,378**	**20,896**	**20,431**	**2,470**	**22,902**

THROUGH EQUITY	31/12/2022			31/12/2021		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	7,727	1,664	9,391	367	2,158	2,525
Severance indemnity (TFR)	-	-	-	24	-	24
Other items	-	-	-	-	-	-
Total	**7,727**	**1,664**	**9,391**	**391**	**2,158**	**2,549**

The item “Loans” in the table above shows Deferred Tax Assets (or “DTA”) mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (known as “Qualified DTAs”) of EUR 12,196 thousand.
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to banks that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 1,174 thousand (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to banks.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans and intangible assets into tax credits, in providing "certainty" to the recovery of qualified DTAs, affect the "probability test" provided for by IAS 12, making it automatically satisfied for all the aforementioned DTAs.

The item "Negative reserves for HtCS financial assets" reflects the tax effect on the negative performance of the financial markets in 2022.

10.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2022			31/12/2021		
	IRES	IRAP	Total	IRES	IRAP	Total
Tangible fixed assets	-	-	-	-	-	-
Capital gains by instalments	-	-	-	-	-	-
Other items	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

THROUGH EQUITY	31/12/2022			31/12/2021		
	IRES	IRAP	Total	IRES	IRAP	Total
Positive reserves for HTCS financial assets	305	93	397	907	219	1,126
Other items	-	-	-	-	-	-
Total	**305**	**93**	**397**	**907**	**219**	**1,126**

10.3 Changes in deferred taxes (through the income statement)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**22,902**	**25,346**
2. INCREASES	**592**	**728**
2.1 Advance taxes recorded in the year	592	728
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	592	728
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**2,597**	**3,172**
3.1 Advance taxes cancelled in the year	2,590	3,161
a) reversals	2,590	3,161
b) writedowns for uncollectable amounts	-	-
c) changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	7	11
a) conversion into tax credits under Law no. 214/2011	7	11
b) other	-	-
4. CLOSING AMOUNT	**20,896**	**22,902**

The deferred tax assets recognised during the year, amounting to EUR 20,896 thousand, derive mainly from the recognition of the following deferred tax assets referring to:

- loans Law no. 214/2011;
- loans to banks;
- non-deductible provisions for risks and expenses;
- other Administrative expenses;
- provision for severance indemnity.

The decreases in advance taxes mainly include the discharge of their balance prior to the end of the reporting period.

10.3 bis Changes in deferred taxes according to Law no. 214/2011

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**14,053**	**16,733**
2. INCREASES	**-**	**7**
3. DECREASES	**1,857**	**2,687**
3.1 Reversals	1,851	2,676
3.2 Transformation into tax credits	7	11
a) deriving from losses for the year	-	-
b) deriving from tax losses	7	11
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**12,196**	**14,053**

Table 10.3 bis shows changes in advanced taxes recognised on value adjustments of receivables from customers pursuant to Law no. 214/2011, including those relating to the transformation of tax losses/negative value of production due to the reversal pursuant to Law no. 214/2011 of write-downs of loan not deducted in the past.

10.4 Changes in deferred taxes (through the income statement)

During the year, and in the previous year, no changes were recorded with respect to the zero balance at the start of the period.

10.5 Changes in advance taxes (through Equity)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**2,549**	**1,781**
2. INCREASES	**7,360**	**774**
2.1 Advance taxes recorded in the year	7,360	774
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	7,360	774
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**517**	**6**
3.1 Advance taxes cancelled in the year	517	6
a) reversals	517	6
b) writedowns for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**9,391**	**2,549**

With regard to the breakdown of the Change in deferred taxes (as a contra-entry to equity), please refer to the contents of Table 10.1 in this Section.

10.6 Changes in deferred taxes (through Equity)

	Total 31/12/2022	Total 31/12/2021
1. OPENING AMOUNT	**1,126**	**2,722**
2. INCREASES	**-**	**-**
2.1 Deferred taxes recorded in the year	-	-
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**729**	**1,596**
3.1 Deferred taxes cancelled in the year	729	1,596
a) reversals	729	1,596
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**397**	**1,126**

Deferred tax assets and liabilities recognised during the year refer to taxes calculated on the valuations of "Financial assets designated at fair value through other comprehensive income".

These changes have a contra-entry in the reserve on 'Financial assets designated at fair value through other comprehensive income'.

10.7 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	Other	Total
Current tax liabilities	(5,934)	(4,593)	-	**(10,527)**
Advances paid/tax credits	4,383	2,528	-	**6,911**
Withholding taxes incurred	446	-	-	**446**
Other tax credits	-	561	-	**561**
Tax credits under Law no. 214/2011	-	-	25	**25**
TOTAL BREAKDOWN OF CURRENT TAXES	**(1,105)**	**(1,504)**	**25**	**(2,584)**
of which debt balance of item 60 a) of liabilities	**(1,105)**	**(1,504)**	**-**	**(2,609)**
of which credit balance of item 100 a) of assets	**-**	**-**	**25**	**25**
Tax credits that cannot be offset: capital portion	-	-	-	**-**
Tax credits that cannot be offset: interest portion	-	-	-	**-**
of which credit balance of item 100 a) of assets	**-**	**-**	**25**	**25**

With regard to the Bank's tax position, for the financial years not yet prescribed, there have been no assessment notices received to date.

Information on the deferred tax assets "Probability test"

IAS 12 requires that tax liabilities and tax assets be recognised on the basis of the following criteria:

- a deferred tax liability must be recognised for all taxable temporary differences;
- a deferred tax asset must be recognised for all deductible temporary differences if it is probable that a sufficient taxable income will be generated compared to the deductible temporary differences.

As known, tax assets are measured at the tax rates that are expected to be applicable in the year in which they arise. They are periodically tested to determine the degree of recoverability and level of the applicable tax rates, as well as whether assets not recognised or derecognised due to lack of requirements in previous years should be reassessed.

To this end, note that a 3.5% IRES surtax has been applied to banks since 2017, resulting in a total IRES rate of 27.5% for the banking sector only.

As at 31 December 2022, deferred tax assets recognised by Cassa Centrale Banca under item "100 Tax assets b) deferred" totalled EUR 30,287 thousand and refer to the following generating events:

- excess value adjustments of loans pursuant to Art. 106, paragraph 3, TUIR of EUR 12,196 thousand (of which EUR 1,471 thousand recognised for IRAP purposes);
- allocations and non-deductible expenses for reasons of competence, pursuant to the TUIR, of EUR 8,700 thousand;
- write-downs of securities in the FVOCI portfolio and actual gain reserve of EUR 9,391 thousand (in addition to EUR 397 thousand of deferred taxes).

In carrying out the Probability Test on deferred tax assets recognised in the financial statements as at 31 December 2022, those deriving from deductible temporary differences related to writedowns and credit losses (known as "qualified deferred tax assets"), amounting to EUR 12,196 thousand, were separately considered.

Starting from the tax period ended 31 December 2011, deferred tax assets (IRES) recorded in the financial statements are converted into tax credits upon the realisation of operating losses, as well as upon the realisation of tax losses deriving from the deferred deduction of temporary differences relating to the aforementioned adjustments to the value of loans to customers (Article 2, paragraph 56-bis of Decree Law no. 225 of 29 December 2010, introduced by Art. 9 of Decree Law no. 201 of 6 December 2011). Starting from the 2013 tax year, a similar conversion is established, if the IRAP return shows a negative net value of production, related to the deferred tax assets (IRAP) referring to the aforementioned temporary differences that contributed to the determination of the negative net value of production (Art. 2, paragraph 56-bis.1, Decree Law no. 225 of 29 December 2010, introduced by Law no. 147/2013).

The convertibility of deferred tax assets on IRES tax losses and on the negative net value of production for IRAP purposes, determined by qualified temporary differences, is therefore a sufficient condition for recognising these deferred tax assets in the financial statements, implicitly making the relative Probability Test passed.

On the basis of these assumptions, Cassa Centrale Banca identified deferred tax assets, other than the qualified ones, which, together with the deferred tax liabilities recognised in the financial statements, were distinguished for IRES and IRAP purposes by type and foreseeable timing of reabsorption and quantified a forecast of future profitability, aimed at checking the capacity to absorb them.

The analysis carried out showed that, at both the IRES and IRAP levels, the income prospects of Cassa Centrale Banca are such as to allow the full recovery of the recognised DTAs in the future.

There are no deferred taxes related to ACE surpluses.

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

11.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

	Total 31/12/2022	Total 31/12/2021
A. ASSETS HELD FOR SALE		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	-	610
of which: obtained through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**-**	**610**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	*610*
of which measured at fair value level 3	-	-
B. DISCONTINUED OPERATIONS		
B.1 Financial assets designated at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets designated at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-

	Total 31/12/2022	Total 31/12/2021
Total (B)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities measured at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

No non-current assets (or groups of assets held for disposal) were classified as held for sale at the end of the reporting period, since the property classified in this category in 2021 was sold in 2022.

11.2 Other information

At the end of the reporting period there is no significant additional information.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Tax receivables from tax authorities and other tax bodies	151,166	44,636
Cheques to be settled at the Clearing House or with Associates	-	-
Transit accounts - other	-	-
Accounts to be processed	264,439	118,434
Adjustments for illiquid items in the portfolio	-	29,163
Other debtors for security transactions	169	28
Customers and revenues to be collected	12,200	17,010
Prepayments and accrued income not capitalised	1,673	2,199
Improvement and enhancement expenses on non-separable third-party assets	411	458
Advances to suppliers	924	767
Intrinsic value of securities transactions and exchanges to be settled	17	110
Other lenders	46,575	54,130
Total	**477,574**	**266,936**

The item “Tax receivables from tax authorities and other tax bodies” as at 31 December 2022 includes tax credits, recorded pursuant to Law no. 77 of 17 July 2020 “Tax Bonus”, for a value of EUR 116,373 thousand.

The sub-item “Accounts to be processed” refers mainly to the positive balance of electronic flows related to transactions not settled yet by Cassa Centrale Banca on behalf of Affiliated Banks by and towards the interbanking system.

The sub-item “Adjustments for illiquid items in the portfolio” does not show the imbalance between the debt adjustments and the credit adjustments of the portfolio “subject to payment in due course”, since the balance is in credit and as such is represented in the item “Other liabilities”.

The sub-item “Other lenders” mainly includes the contra-entry of revenue for services rendered, by the BCCs, recorded on an accrual basis during the year but not yet collected for EUR 36,588 thousand and VAT receivables from VAT Group participants for EUR 2,785 thousand.

At the end of the reporting period, the Bank did not present any significant amounts in relation to assets arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128, in particular.

Liabilities

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

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**14,459,968**	**X**	**X**	**X**	**15,066,641**	**X**	**X**	**X**
2. DUE TO BANKS	**4,292,473**	**X**	**X**	**X**	**7,450,478**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	2,704,436	X	X	X	5,784,487	X	X	X
2.2 Fixed-term deposits	1,111,551	X	X	X	1,655,460	X	X	X
2.3 Loans	475,642	X	X	X	9,595	X	X	X
2.3.1 Repos payables	475,642	X	X	X	9,595	X	X	X
2.3.2 Others	-	X	X	X	-	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Payables for leases	309	X	X	X	144	X	X	X
2.6 Other payables	534	X	X	X	792	X	X	X
Total	**18,752,440**	**-**	**-**	**18,752,440**	**22,517,119**	**-**	**-**	**22,517,119**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to “Part A – Accounting policies, A.4 - Information on fair value” in the Explanatory Notes.

The item “1. Due to Central Banks” consists of funding transactions at negative rates with the ECB. For detailed information on TLTRO III loan transactions, please refer to Part, Section 4.

Intermediation of refinancing operations with the ECB and securitised financing operations of Affiliated Banks and customers as part of the Collateral Account service decreased to EUR 14,460 million at the end of 2022, compared to EUR 15,067 million at the end of 2021.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	821,500	X	X	X	1,031,860	X	X	X
2. Fixed-term deposits	43,161	X	X	X	40,888	X	X	X
3. Loans	1,277,965	X	X	X	58,273	X	X	X
3.1 Repos payables	1,273,898	X	X	X	54,826	X	X	X
3.2 Other	4,066	X	X	X	3,447	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	10,421	X	X	X	10,351	X	X	X
6. Other payables	432,046	X	X	X	447,198	X	X	X
Total	**2,585,092**	**-**	**-**	**2,585,092**	**1,588,570**	**-**	**-**	**1,588,570**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Sub-item "3.1 Loans - Repos payable" outlines a notable increase following the change in refinancing policy, as outlined by the 2022-2025 strategic plan, given the gradual decrease in TLTRO transactions maturing in 2024.

The sub-item "6. Other payables" represents:

- outstanding balances on prepaid cards in circulation issued by the Bank for EUR 149,775 thousand;
- value of banker's drafts in circulation issued by the Bank for EUR 282,271 thousand.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. Bonds	203,061	-	203,155	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	203,061	-	203,155	-	-	-	-	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**203,061**	**-**	**203,155**	**-**	**-**	**-**	**-**	**-**

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

This item includes issued securities measured at amortised cost. The securities were issued to comply with the minimum requirement of eligible liabilities (MREL) at consolidated level for Cassa Centrale Banca and at individual level for the affiliated banks identified as relevant entities by the relevant legislation in the 2021 resolution cycle, communicated by the SRB (Single Resolution Body). For more details, please refer to the report on operations.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process.

For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

1.4 Details of subordinated debts/securities

At the end of the reporting period, there are no subordinated relationships.

1.5 Details of structured debts

At the end of the reporting period, there are no structured debts.

1.6 Payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total
OPENING BALANCES	**-**	**475**	**-**	**-**	**9,818**	**73**	**-**	**129**	**-**	**10,495**
New contracts	-	489	-	71	1,283	-	-	-	-	**1,843**
Repayments	-	(308)	-	(4)	(1,242)	(11)	-	(11)	-	**(1,576)**
Other non-monetary movements*	-	(69)	-	-	387	-	-	4	-	**322**
Terminated contracts for modification/ revaluation	-	(172)	-	-	(162)	(19)	-	-	-	**(354)**
CLOSING BALANCES	**-**	**415**	**-**	**67**	**10,084**	**43**	**-**	**122**	**-**	**10,730**

*includes increments for indexing

The item "New contracts" includes the lease liability relating to contracts signed into during the period. Changes in the financial lease liability due to contractual changes are recorded under "New contracts" and "Terminated contracts for modification/revaluation".

The table below shows the maturity date of financial payables for leases, as required by IFRS 16, para. 58.

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2022
Within 12 months	-	-	-	-	-	-	-	-	-	**-**
Between 1-5 years	-	415	-	-	-	-	-	-	-	**415**
Beyond 5 years	-	-	-	67	10,084	43	-	122	-	**10,315**
TOTAL LEASE LIABILITIES	**-**	**415**	**-**	**67**	**10,084**	**43**	**-**	**122**	**-**	**10,730**

At the end of the reporting period, the Bank is subject to contractual obligations with reference to lease contracts for EUR 10,730 thousand, of which EUR 415 thousand between one and five years and EUR 10,315 thousand after five years.

During 2022, the Bank's lease contracts involved a cash outlay of EUR 1,629 thousand, mainly due to branch leases.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	109,006	-	X	X	-	21,230	-	X
1.1 Trading	X	-	109,006	-	X	X	-	21,230	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**109,006**	**-**	**X**	**X**	**-**	**21,230**	**-**	**X**
Total (A+B)	**X**	**-**	**109,006**	**-**	**X**	**X**	**-**	**21,230**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

Item “B. Derivative instruments - 1. Financial derivatives - 1.1 for trading” includes interest rate swaps and forwards vis-à-vis primary market institutions and balanced with specular but opposite transactions with Affiliated Banks.

The change in the value compared to the previous year mainly derives from the increase in the mark to market.

2.2 Details of ‘Financial liabilities held for trading’: subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of ‘Financial liabilities held for trading’: structured debts

At the end of the reporting period, there are no financial liabilities held for trading related to structured debts.

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

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**170,104**	**-**	**-**	**168,922**	**168,922**	**172,970**	**-**	**-**	**173,104**	**173,104**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	170,104	-	-	168,922	X	172,970	-	-	173,104	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**170,104**	**-**	**-**	**168,922**	**168,922**	**172,970**	**-**	**-**	**173,104**	**173,104**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

Item 1.2 Others includes the total value of the “ex-ante portions” contributed by the Affiliated Banks through the instrument of financing allocated to a specific business.

For further details, please refer to the annex “Report on the Guarantee Scheme” as at 31 December 2022.

3.2 Details of 'Financial liabilities measured at fair value': subordinated liabilities

At the end of the reporting period, there are no financial liabilities measured at fair value with a subordination restriction.

Section 4 - Hedging derivatives - Item 40

At the end of the reporting period, the Bank had not entered into hedging transactions. This section does not contain any evaluation and is therefore omitted.

Section 5 - Adjustment of the financial liabilities subject to macro-hedging - Item 50

At the end of the reporting period, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 6 - Tax liabilities - Item 60

For information on tax liabilities reference is made to Section 10 of the Assets.

Section 7 - Liabilities associated to assets held for disposal - Item 70

For information on tax liabilities reference is made to Section 11 of the Assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Tax payables to tax authorities and other tax bodies for indirect taxes	27,191	29,433
Temporary items Centralised Treasury management	856	3,109
Wire transfers to be settled	-	-
Housing contributions - General Governments	1,825	1,105
Due to suppliers and expenses to be settled	39,002	44,085
Collection on behalf of third parties and amounts available to customers or third parties	7,963	3,965
Payables for guarantees given and commitments	-	-
Due to employees	7,619	7,189
Due to social security institutions and external pension funds	-	2,860
Other accounts to be processed	467,719	250,985
Accrued expenses and deferred income not attributable to own items	430	382
Intrinsic value of securities transactions and exchanges to be settled	54	23
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	126,279	-
Debit transit accounts	-	-
Advances received from third parties for property disposals to be completed	-	-
Payables for educational, cultural, charitable and social purposes	-	-
Sundry creditors - other	19,264	23,241
Total	**698,200**	**366,378**

This item includes the liabilities that are not attributable to other items in the balance sheet liabilities.

The sub-item "Other accounts to be processed" mainly includes the negative balance of electronic flows related to transactions not settled yet and that Cassa Centrale Banca sorts on behalf of Affiliated Banks towards the interbanking system and in the opposite direction.

The sub-item "Balance of illiquid items in the portfolio" shows the imbalance between the debt adjustments and the credit adjustments of the portfolio "subject to successful payment".

Other liabilities include deferred income from contracts with customers, in accordance with IFRS 15, paragraphs 116(a), 118, 120 and 128, for EUR 58 thousand.

Section 9 – Provision for severance indemnity – Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2022	Total 31/12/2021
A. OPENING BALANCES	**1,554**	**1,951**
B. INCREASES	**14**	**20**
B.1 Allocation for the year	14	18
B.2 Other changes	-	3
C. DECREASES	**367**	**417**
C.1 Payments made	217	417
C.2 Other changes	150	-
D. CLOSING BALANCES	**1,201**	**1,554**
Total	**1,201**	**1,554**

At the end of the reporting period, the Bank recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation – DBO).

The sub-item "B.1 Allocation for the year" consists of net interest expense (Interest Cost) of EUR 14 thousand.

The sub-item "C.1 Payments made" consists of decreases for Benefits paid of EUR 217 thousand.

The sub-item "C.2 Other changes" consists exclusively of actuarial gains, amounting to EUR 150 thousand.

The amount of the Interest Cost is included in the income statement in table "10.1 Staff expenses".

The actuarial gain was recognised in the "Valuation reserves" in accordance with IAS 19.

It should also be noted that under Law no. 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees pay, on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary pension funds referred to in Legislative Decree no. 252/05 or to a special fund for the payment to private sector employees of severance pay pursuant to Art. 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Other information

ITEMS	Total 31/12/2022	Total 31/12/2021
CHANGES IN THE YEAR	**(203)**	**(399)**
- Service cost related to current employment benefits	-	-
- Interest expense on the defined benefit obligation	14	6
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	-	12
- Transfers	-	-
- Decreases	(217)	(417)
ACTUARIAL (PROFITS) LOSSES RECOGNISED IN VALUATION RESERVES (OCI)	**(150)**	**3**
Description of the main assumptions		
- Discount rate	3.77%	0.98%
- Expected inflation rate	2.50%	1.75%

Description of the main actuarial assumptions for the valuation of severance indemnity

The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the Annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of para. 83 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 3.77%;
- annual inflation rate: 2.50%;

- annual rate of actual salary increase:

  - executives: 2.50%;
  - middle managers: 1.00%;
  - office staff: 1.00%;
  - workers: 1.00 %.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon meeting the AGO requirements as per Law Decree no. 4/2019.

The annual frequency of advances (3.00%) and turnover (1.00%) are deduced from the Bank's historical experience and frequencies triggered by the experience of the actuary in charge of a significant number of similar companies.

In conclusion, we provide the sensitivity analyses on the Actuarial Value (Defined Benefit Obligation – DBO) for the end of the period using:

- a discount rate of +0.50% and of -0.50% compared to the one applied:

  - in the event of an increase of 0.50 %, the severance indemnity provision would equal EUR 1,162 thousand;
  - in the event of a decrease of 0.50 %, the severance indemnity provision would equal EUR 1,242 thousand;

- an inflation rate of +0.50% and of -0.50% compared to the one applied:

  - in the event of an increase of 0.50 %, the severance indemnity provision would equal EUR 1,227 thousand;
  - in the event of a decrease of 0.50 %, the severance indemnity provision would equal EUR 1,176 thousand;

- a turnover rate of +0.50% and -0.50% compared to the one applied:

  - in the event of an increase of 0.50 %, the severance indemnity provision would equal EUR 1,203 thousand;
  - in the event of a decrease of 0.50 %, the severance indemnity provision would equal EUR 1,199 thousand.

Section 10 – Provisions for risks and expenses – Item 100

10.1 Provisions for risks and expenses: breakdown

ITEMS/VALUES	Total 31/12/2022	Total 31/12/2021
1. Provision for credit risk relative to commitments and financial guarantees given	6,250	4,980
2. Provision for other commitments and guarantees given	-	-
3. Post-employment benefits	-	-
4. Other provisions for risks and expenses	18,459	19,675
4.1 Legal and tax disputes	590	779
4.2 Personnel expenses	10,032	8,948
4.3 other	7,837	9,948
Total	**24,709**	**24,655**

Item 1. "Provision for credit risk relative to commitments and financial guarantees given" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

Item 4. "Other provisions for risks and expenses", sub-item "4.2 personnel expenses" mainly includes:

- the Provision for Bonuses for employees of EUR 6,710 thousand, as well as staff leaving incentives of EUR 3,000 thousand.

Item 4. "Other provisions for risks and expenses", sub-item "4.3 others" mainly includes:

- the value of allocations against requests from the National Resolution Fund of EUR 7,036 thousand;
- the Provision for charity, which originates from the Articles of Association, of EUR 801 thousand;

10.2 Provisions for risks and expenses: annual changes

	Provision for other commitments and guarantees given	Pension funds	Other provisions for risks and expenses	Total
A. OPENING BALANCES	**-**	**-**	**19,675**	**19,675**
B. INCREASES	**-**	**-**	**10,614**	**10,614**
B.1 Allocation for the year	-	-	10,614	10,614
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. DECREASES	**-**	**-**	**11,830**	**11,830**
C.1 Use for the year	-	-	11,737	11,737
C.2 Changes due to modifications in the discount rate	-	-	-	-
C.3 Other changes	-	-	93	93
D. CLOSING BALANCES	**-**	**-**	**18,459**	**18,459**

The table above shows the annual changes in the provisions for risks and expenses with the exception of those in the item “provision for credit risk relative to commitments and financial guarantees given”, which are shown in Table A.1.4 of Part E.

With reference to “Other provisions for risks and charges”:

- the sub-item “B.1 - Allocation for the year” includes the increase in future estimated debt related to both existing provisions and provisions established in the year;
- the sub-item “C.1 - Use for the year” refers to payments made.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total 31/12/22
Commitments to disburse funds	4,100	1,989	-	-	6,089
Financial guarantees given	72	8	81	-	161
Total	**4,172**	**1,997**	**81**	**-**	**6,250**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9, including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see "Part A - Accounting policies", paragraph "15.5 Methods of recognition of impairment losses" and "Part E - Information on risks and related hedging policies".

10.4 Provision for other commitments and guarantees given

At the end of the reporting period, the Bank has no provisions of this kind.

10.5 Defined benefit post-employment benefits

The Bank does not have defined benefit pension funds.

10.6 Provisions for risks and expenses - other provisions

ITEMS	Total 31/12/2022	Total 31/12/2021
OTHER PROVISIONS FOR RISKS AND EXPENSES		
1. Provision for risks on revocatory actions	-	-
2. Provision for charity	801	905
3. Personnel risks and expenses	10,032	8,948
4. Legal and tax disputes	590	779
5. Other provisions for risks and expenses	7,036	9,043
Total	**18,459**	**19,675**

Provision for charity of EUR 801 thousand.

The provision for charity, which originates from the Articles of Association (Art. 49), is included under other provisions. The allocation is determined on an annual basis, at the time of allocation of profits, by the Shareholders' Meeting; the relative use is decided by the Board of Directors. The provision has not been discounted as its use is anticipated in the course of the following year.

Personnel expenses for EUR 10,032 thousand

The amount recorded in sub-item "4.2 Personnel expenses" of Table 10.1 refers to seniority/loyalty bonuses regarding the financial charge that the Bank must incur in future years in favour of the employees in relation to seniority of service. Furthermore, the sub-item includes the Provision for Bonuses for employees of EUR 6,710 thousand, as well as staff leaving incentives of EUR 3,000 thousand.

In terms of operations, the application of the Project Unit Credit Method required the defined demographic and economic-financial hypotheses applied analytically to each employee.

Provision for future expenses for legal disputes of EUR 590 thousand.

The "Provision for future expenses for legal disputes" protects the Bank from probable negative outcomes deriving from court procedures against the Bank and complaints still pending. In particular, as at 31 December 2022 it only includes provisions for presumed losses on lawsuits.

The nature of legal court procedures against the Bank is wide ranging and diversified. In fact, even though they generally have in common a demand for compensation from the Bank, they arise from events which can be very different from each other. Simply put, the most frequent reasons relate to the disputes on interests (compound interest, usury, rate not agreed, etc.), the implementation of investment services and the erroneous negotiation of cheques.

The timings of judgements are difficult to predict. With regard to the amounts of foreseeable disbursements, the hypothesis formulated for judgements with likely negative outcome refers to the overall estimate disbursement. It is specified, also in relation to what was stated earlier, that the amounts and the time of foreseeable disbursement of every individual dispute must necessarily be considered to be estimates as, especially for judgements of a compensatory nature, the judge's discretion in the assessment of the damage is very wide.

Revocatory action disputes are promoted to obtain, with reference to the periods before subjecting the customer to insolvency procedures, an order for the Bank to return sums deposited in current accounts or the declaration of ineffectiveness of acquired guarantees. In relation to negative outcomes provisions are made, on the occurrence of adverse events that may lead to determine reliable predictions of a negative outcome, to the extent of the amount of the anticipated disbursement.

Other provisions for risks and expenses amounting to EUR 7,036 thousand.

The amount shown refers to provisions made in previous years for potential requests for intervention by the National Resolution Fund of EUR 7,036 thousand.

Contingent liabilities: development of significant legal disputes

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

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

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three lawsuits, which were joined in a single proceeding, were settled with a judgement published on 26 November 2021.

The Court of Genoa rejected the claims for damages brought by Malacalza Investimenti S.r.l., Malacalza Vittorio and the other 42 shareholders and ascertained the validity of the resolution because (i) there was no violation of the principle of accounting parity; (ii) the exclusion of the shareholders' option right took place in the presence of a significant corporate interest; (iii) the issue price of the new shares was determined in accordance with the criteria set out in the company's regulations. The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined. The proceeding is under discussion.

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

Section 11 - Repayable shares - Item 120

11.1 Repayable shares: breakdown

The Bank has issued no repayable shares.

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Capital" and "Own shares": breakdown

ITEMS	31/12/2022			31/12/2021		
	Number of shares issued	Number of shares subscribed and not yet paid-up	Total	Number of shares issued	Number of shares subscribed and not yet paid-up	Total
A. SHARE CAPITAL						
A.1 Ordinary shares	18,158,304	-	18,158,304	18,158,304	-	18,158,304
A.2 Preference shares	150,000	-	150,000	150,000	-	150,000
A.3 Other shares	-	-	-	-	-	-
Total A	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**
B. OWN SHARES						
B.1 Ordinary shares	-	-	-	-	-	-
B.2 Preference shares	-	-	-	-	-	-
B.3 Other shares	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total A+B	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**

There are no shares subscribed and not yet paid-up.

There are no own shares in the portfolio.

12.2 Capital - Number of shares: annual changes

ITEMS/TYPES	Ordinary	Other
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. NUMBER OF SHARES OUTSTANDING: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

12.3 Capital: other information

ITEM	Total 31/12/2022	Total 31/12/2021
NOMINAL VALUE PER SHARE		
Fully paid-up		
Number	18,308,304	18,308,304
Value	52	52
Existing contracts for the sale of shares		
Number of shares under contract	-	-
Total value	-	-

The nominal value per share has not changed and amounts to EUR 52.

The Bank's share capital consists of 18,308,304 shares, including 150,000 preference shares and 18,158,304 ordinary shares. There are no dividend distribution restrictions or capital reimbursement restrictions on these shares.

The Bank does not hold, directly or indirectly, through subsidiaries or associates, own shares.

12.4 Profit reserves: other information

ITEMS/COMPONENTS	Amount	Portion available	Possibility of use
a) Legal reserve	32,894	32,894	B: to cover losses
b) Extraordinary reserve	-	-	-
c) Statutory reserve	-	-	-
d) Other reserves	138,139	138,139	B: to cover losses
Total	**171,033**	**171,033**	**-**

Profit reserves are generally formed when the net profit shown in the approved annual Financial Statements is distributed by explicit allocation to reserves.

The "Legal reserve" is formed with an allocation of at least 5% of the net profit for the year.

The "Legal reserve" is available to the Bank to cover losses for the year, in the same way as the other profit reserves recognised in equity, due to legal and statutory constraints.

"Other reserves" also includes the portion of the residual net profits after the allocations established by law and the Articles of Association and resolved by the shareholders' meeting.

With regard to the proposal for the allocation of the profit for the year, please refer to the Directors' Report on operations of these Financial statements.

With reference to the valuation reserves, unavailable, where positive, pursuant to Art.6 of Legislative Decree no.38/2005, the following should be mentioned:

- the valuation reserves of financial instruments measured at fair value through other comprehensive income represent the gains or losses deriving from a change in fair value of the quoted financial activity;
- the reserves for the hedging of financial flows include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains/losses relate to the valuation of severance indemnity and defined provisions for retirement.

Pursuant to Article 2427, paragraph 22-septies, of the Italian Civil Code, for the proposed allocation of the profit for the year, reference should be made to the information contained in the Report on Operations (document accompanying these financial statements) in the chapter “Proposed appropriation of the result for the year”.

12.5 Equity instruments: breakdown and annual changes

There are no equity instruments other than the capital and reserves.

12.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Other information

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

	Nominal value of commitments and financial guarantees given				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO DISBURSE FUNDS	**13,880,617**	**88,397**	**-**	**-**	**13,969,013**	**13,846,004**
a) Central Banks	-	-	-	-	-	-
b) General Governments	16	-	-	-	16	865
c) Banks	13,497,398	36,395	-	-	13,533,793	13,377,788
d) Other financial corporations	161,645	888	-	-	162,533	279,944
e) Non-financial corporations	208,443	51,080	-	-	259,523	174,917
f) Households	13,115	33	-	-	13,149	12,491
2. FINANCIAL GUARANTEES GIVEN	**61,153**	**863**	**81**	**-**	**62,097**	**67,589**
a) Central Banks	-	-	-	-	-	-
b) General Governments	-	-	-	-	-	-
c) Banks	35,707	619	-	-	36,327	36,523
d) Other financial corporations	7,365	-	-	-	7,365	6,769
e) Non-financial corporations	14,404	244	81	-	14,730	20,049
f) Households	3,676	-	-	-	3,676	4,249

This table shows the commitments to disburse funds and the financial guarantees given which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees given that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees given that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

The item "Commitments to disburse funds" includes margins usable on irrevocable credit facilities for EUR 13,968,125 thousand.

The item "Financial guarantees given" mainly includes guarantees securing the regular fulfilment of the debt service by the ordering party.

2. Other commitments and guarantees given

	Nominal value Total 31/12/2022	Nominal value Total 31/12/2021
1. Other guarantees given	**1,998**	**1,878**
of which: impaired	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	1,998	1,878
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-
2. Other commitments	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees given which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2022	Amount 31/12/2021
1. Financial assets designated at fair value through profit or loss	174,551	180,958
2. Financial assets designated at fair value through other comprehensive income	-	-
3. Financial assets measured at amortised cost	711,997	514,245
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

Item “1. Financial assets designated at fair value through profit or loss” includes the value of securities pledged as collateral in agreements with the Affiliated Banks for EUR 174,551 thousand;

Item “3. Financial assets measured at amortised cost” include the value of securities pledged as collateral:

- issues of banker’s drafts for EUR 81,333 thousand;
- Cassa Compensazione Garanzia initial margins for EUR 20,266 thousand;
- guarantee agreement with the Affiliated Banks ex post for EUR 131,691 thousand:
- Bankit/ECB pool account for EUR 340,741 thousand;
- derivative collateral for EUR 125,184 thousand;
- guarantee in favour of Cassa del Trentino for EUR 12,782 thousand.

4. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	**109,005**
a) purchases	2,907
1. settled	2,907
2. not settled	-
b) sales	106,098
1. settled	106,098
2. not settled	-
2. INDIVIDUAL PORTFOLIO MANAGEMENT	**11,365,775**
3. CUSTODY AND ADMINISTRATION OF SECURITIES	**53,514,726**
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by the bank that prepares the financial statements	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	49,616,312
1. securities issued by the bank that prepares the financial statements	1,070,267
2. other securities	48,546,045
c) third-party securities deposited with third parties	48,541,491
d) own securities deposited with third parties	3,898,414
4. OTHER TRANSACTIONS	**-**

The Bank provides brokerage services on behalf of third parties.

With regard to the asset management described in point 2, the following should be noted:

- the amounts refer to the value of assets under management at the end of the year, at market values;
- the amounts refer to both the securities component of management and the liquidity component (current accounts and deposits), which amounted to EUR 387,457 thousand in the current year;
- the amounts in point 3. refer to the nominal value of the securities and sub-item b) also includes securities on deposit as collateral.

5. Financial assets which are offset or subject to framework netting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	108,878	-	108,878	-	2,704	(106,174)	(9,253)
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**108,878**	**-**	**108,878**	**-**	**2,704**	**(106,174)**	**X**
Total 31/12/2021	**24,598**	**-**	**24,598**	**-**	**15,346**	**X**	**(9,253)**

6. Financial liabilities which are offset or subject to framework netting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	104,750	-	104,750	-	107,070	(2,320)	1,107
2. Repos	475,642	-	475,642	470,907	4,735	-	(2)
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**580,392**	**-**	**580,392**	**470,907**	**111,805**	**(2,320)**	**X**
Total 31/12/2021	**31,224**	**-**	**31,224**	**10,058**	**20,061**	**X**	**1,104**

With regard to the disclosures required by IFRS 7 about financial instruments that have been offset in the balance sheet in accordance with IAS 32 or that are potentially offsettable, if certain conditions are met, but are presented in the balance sheet without offsetting because they are governed by "framework netting agreements or similar" that do not meet all the criteria set out in IAS 32 paragraph 42, it should be noted that Cassa Centrale Banca does not have netting agreements in place that meet the requirements of IAS 32 para. 42 for offsetting in the financial statements.

With regard to the instruments that can potentially be offset when certain events occur, shown in Tables 5 and 6, Cassa Centrale Banca uses bilateral netting agreements that allow for, in the event of default by the counterparty, the offsetting of credit and debit positions relating to financial derivatives, as well as SFT (Securities Financing Transactions). In particular, there are ISDA (for derivative transactions) contracts and GMRA (for repurchase agreements) contracts.

For the purposes of compiling the tables and in line with the provisions of IFRS 7, please note that:

- the effects of potential offsetting of the financial statements values of financial assets and liabilities are shown in column (d) "Financial instruments", together with the fair value of financial collateral represented by securities;
- the effects of the potential offsetting of the exposure against the related cash guarantees are shown under column (e) 'Cash deposits received/issued as guarantee';
- repos are shown in the tables according to the amortised cost measurement criterion, while the related financial collateral is shown at its fair value;
- derivative transactions are represented at fair value:
- the effects of offsetting shall be calculated individually for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

Netting agreements between financial instruments and related guarantees significantly reduce the credit/debit exposure to the counterparty, as can be seen in column (f) "Net amount". The effects shall be calculated for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

7. Securities lending transactions

The Bank has not carried out securities lending transactions.

8. Information on joint operations

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

PART C - Information on the income statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar revenues: breakdownI

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
1. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,081**	**182**	**-**	**2,263**	**1,259**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	2,074	-	-	2,074	1,000
1.3 Other financial assets mandatorily measured at fair value	7	182	-	189	258
2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**6,029**	**-**	**X**	**6,029**	**514**
3. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**63,849**	**191,734**	**-**	**255,583**	**33,865**
3.1 Loans to banks	8,849	169,741	X	178,590	6,762
3.2 Loans to customers	54,999	21,993	X	76,993	27,103
4. HEDGING DERIVATIVES	**X**	**X**	**-**	**-**	**-**
5. OTHER ASSETS	**X**	**X**	**2,373**	**2,373**	**-**
6. FINANCIAL LIABILITIES	**X**	**X**	**X**	**32,781**	**161,383**
Total	**71,959**	**191,917**	**2,373**	**299,031**	**197,020**
of which: interest income on impaired financial assets	-	505	-	505	333
of which: interest income on financial leases	X	-	X	-	-

The increase in item 3.2 "Financial assets measured at amortised cost - Loans to customers" is considerably linked to the contribution of inflation-linked debt securities and, to a lesser extent, to the combined effect of the increase in loans to customers for loans at amortised cost as well as the generalised increase in returns of variable rate financial instruments. These factors made it possible, on the whole, to record an increase in interest income compared to the previous year for around EUR 49,890 thousand.

Items "2. Financial assets designated at fair value through other comprehensive income" and "3. Financial assets measured at amortised cost" mainly include interest income for a total value of around EUR 44,848 thousand, attributable to investments in inflation-linked government securities established by BTP ITALIA for a total exposure of approximately EUR 612,708 thousand. The securities in question guarantee the investor a return linked to Italian inflation, which provides protection against an increase in the price level: both the principal and the coupons paid on a six-monthly basis are, in fact, revalued on the basis of Italian inflation measured by ISTAT through the Consumer price index Households of manual workers and employees (so-called "FOI"), generally used to quantify the monetary revaluations of the securities. Inflation index parameters were mainly activated during 2022, providing a significant additional contribution to the interest margin compared to the base yield of the issues.

Item "6. Financial liabilities" comprises interest income accrued on funding transactions which at 31 December 2022 were still characterised by negative returns. For detailed information on TLTRO III loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects of these Explanatory Notes.

The line "of which: interest income from impaired financial assets" shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates to loans to customers.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets in foreign currency

ITEMS	Total 31/12/2022	Total 31/12/2021
Interest income from financial assets in foreign currency	432	72

1.3 Interest expenses and similar expenses paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**(205,555)**	**(3,061)**	**X**	**(208,615)**	**(14,301)**
1.1 Due to central banks	(155,527)	X	X	(155,527)	-
1.2 Due to banks	(21,844)	X	X	(21,844)	(2,814)
1.3 Due to customers	(28,183)	X	X	(28,183)	(11,274)
1.4 Debt securities in issue	X	(3,061)	X	(3,061)	(212)
2. FINANCIAL LIABILITIES HELD FOR TRADING	-	-	-	-	-
3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	-	-	-	-	-
4. OTHER LIABILITIES AND PROVISIONS	**X**	**X**	-	-	-
5. HEDGING DERIVATIVES	**X**	**X**	-	-	-
6. FINANCIAL ASSETS	**X**	**X**	**X**	**(11,527)**	-
Total	**(205,555)**	**(3,061)**	-	**(220,143)**	**(160,608)**
of which: interest expense on payables for leases	(141)	X	X	(141)	(150)

The increase in the item “Due to central banks” reflects the increase in yields applied to several TLTRO III loan transactions, communicated by the European Central Bank in 2022. For detailed information on these loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects of these Explanatory Notes.

Items 1.2 “Due to banks” and 1.3 “Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

In the item 6. “Financial assets”, negative interest accrued on financial assets is recognised.

1.4 Interest expenses and similar expenses paid: other information

1.4.1 Interest expenses from liabilities in foreign currency

ITEMS	Total 31/12/2022	Total 31/12/2021
Interest expenses from liabilities in foreign currency	(944)	(141)

1.5 Differentials relative to hedging transactions

The Bank does not have hedging transactions in place.

Section 2 – Fees and Commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	84,241	82,923
1. Placement of securities	3,435	3,297
1.1 With direct underwriting and/or on a firm commitment basis	3,435	3,297
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	6,951	6,834
2.1 Order receipt and transmission of one or more financial instruments	6,738	6,640
2.2. Execution of orders on behalf of customers	214	194
3. Other fees and commissions associated with activities related to financial instruments	73,855	72,792
of which: dealing for own account	-	-
of which: individual portfolio management	73,855	72,792
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees and commissions related to corporate finance services	-	-
c) Investment advisory activities	94	122
d) Offsetting and settlement	-	-
e) Custody and administration	4,386	4,280
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	4,386	4,280
f) Central administrative services for collective portfolio management	-	-
g) Trust business	-	-
h) Payment services	86,565	73,685
1. Current accounts	126	120
2. Credit cards	-	-
3. Debit and other payment cards	62,994	51,555
4. Bank transfers and other payment orders	10,067	9,000
5. Other fees and commissions related to payment services	13,379	13,010

TYPE OF SERVICES/VALUES	Total 31/12/2022	Total 31/12/2021
i) Distribution of third-party services	1,731	2,581
1. Collective portfolio management	-	-
2. Insurance products	49	46
3. Other products	1,682	2,536
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing activities for securitisation operations	202	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	369	385
of which: credit derivatives	-	-
n) Financing transactions	1,591	1,028
of which: for factoring operations	-	-
o) Foreign currency trading	2	18
p) Commodities	-	-
q) Other fees and commissions income	23,206	23,230
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**202,387**	**188,254**

It should be noted that no revenue deriving from fees and commissions (other than the amounts included in the calculation of the effective interest rate) arising from financial assets not measured at fair value recognised in profit or loss for the year are recognised.

The amount shown under the sub-item "other fees and commissions income" is composed of fees and commissions mainly relating to:

- payment intermediation services related to the participation in UCITS;
- centralised securities database;
- provision of financial information;
- Asset Liability Management;
- Value at Risk;
- valuation of unlisted securities prices;
- lease and factoring brokerage;
- structured finance;
- credit line and other residual services.

2.2 Fees and commissions income: distribution channels of products and services

CHANNELS/VALUES	Total 31/12/2022	Total 31/12/2021
A) WITHIN ITS OWN COUNTERS:	**79,021**	**78,671**
1. portfolio management	73,855	72,792
2. placement of securities	3,435	3,297
3. third-party services and products	1,731	2,581
B) OFFERS OUTSIDE THE BRANCH	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
C) OTHER DISTRIBUTION CHANNELS:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.2 bis. Fees and commissions income: type and timing of recognition

TYPE OF SERVICES	31/12/2022			31/12/2021		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) Financial instruments	84,241	-	**84,241**	82,923	-	82,923
b) Corporate Finance	-	-	**-**	-	-	-
c) Investment advisory activities	94	-	**94**	122	-	122
d) Offsetting and settlement	-	-	**-**	-	-	-
e) Collective portfolio management	-	-	**-**	-	-	-
f) Custody and administration	4,386	-	**4,386**	4,280	-	4,280
g) Central administrative services for collective portfolio management	-	-	**-**	-	-	-
h) Trust business	-	-	**-**	-	-	-
I) Payment services	86,565	-	**86,565**	73,685	-	73,685
l) Distribution of third-party services	1,731	-	**1,731**	2,581	-	2,581
m) Structured finance	-	-	**-**	-	-	-
n) Servicing activities for securitisation operations	202	-	**202**	-	-	-
o) Commitments to disburse funds	-	-	**-**	-	-	-
p) Financial guarantees given	-	369	**369**	-	385	385
q) Financing transactions	1,591	-	**1,591**	1,028	-	1,028
r) Foreign currency trading	2	-	**2**	18	-	18
s) Commodities	-	-	**-**	-	-	-
t) Other fees and commissions income	23,206	-	**23,206**	23,230	-	23,230
Total	**202,017**	**369**	**202,387**	**187,870**	**385**	**188,254**

2.3 Fees and commissions expenses: breakdown

SERVICES/VALUES	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	(51,027)	(53,024)
of which: trading of financial instruments	(1,258)	(1,441)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(49,769)	(51,583)
- Own	(49,769)	(51,583)
- Delegated to third parties	-	-
b) Offsetting and settlement	(47)	-
c) Custody and administration	(1,315)	(1,343)
d) Collection and payment services	(47,118)	(38,306)
of which: credit cards, debit cards and other payment cards	(43,362)	(34,798)
e) Servicing activities for securitisation operations	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(59)	(76)
of which: credit derivatives	-	-
h) Out-of-branch offer of financial instruments, products and services	-	-
i) Foreign currency trading	-	-
j) Other fees and commissions expenses	(3,992)	(3,609)
Total	**(103,557)**	**(96,358)**

It should be noted that no costs deriving from fees and commissions (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value recognised in profit or loss for the year are recognised (IFRS 7, paragraph 20, letter c (i)).

The comparative figures for 2020 have been restated to take into account the changes contained in the 7th update of Bank of Italy Circular no. 262 of 2005.

Section 3 – Dividend and similar income – Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	841	-	548	-
D. Equity investments	44,418	-	36,940	-
Total	**45,258**	**-**	**37,488**	**-**

The item "D. Equity investments" includes the dividends relative to controlling interests and shareholdings in associates measured at cost and distributed by:

- Allitude S.p.A. for EUR 33,891 thousand;
- Finanziaria Trentina della Cooperazione S.p.A. for EUR 20 thousand;
- Centrale Credit Reale Estate Solution for EUR 4,080 thousand;
- Claris Leasing S.p.A. of EUR 2,300 thousand;
- Assicura Agenzia S.r.l. for EUR 4,128 thousand;

The item "C. Financial assets designated at fair value through other comprehensive income" mainly includes dividends distributed by Etica Sgr of EUR 730 thousand.

Section 4 – Net result from trading – Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**11**	**-**	**-**	**11**
1.1 Debt securities	-	11	-	-	11
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**(970)**
4. DERIVATIVE INSTRUMENTS	**114,806**	**2,863**	**(114,961)**	**(2,702)**	**6,321**
4.1 Financial derivatives:	114,806	2,863	(114,961)	(2,702)	6,321
- On debt securities and interest rates	114,806	2,863	(114,961)	(2,702)	7
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	6,313
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges linked to fair value option	X	X	X	X	-
Total	**114,806**	**2,874**	**(114,961)**	**(2,702)**	**5,361**

The item “4. Derivative instruments - 4.1. Financial Derivatives - On debt securities and interest rates” includes the net result of trading in derivatives (interest rate swaps and forwards), with primary market institutions balanced with specular but opposite transactions with Affiliated Banks.

Section 5 – Net profit (loss) on hedge accounting – Item 90

5.1 Net profit (loss) on hedge accounting: breakdown

During the financial year, the Bank did not hold hedging derivatives during the year.

Section 6 - Profit (loss) from disposal/repurchase - Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2022			Total 31/12/2021		
	Profit	Loss	Net income	Profit	Loss	Net income
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	5,861	-	5,861	28,849	(2,420)	26,430
1.1 Loans to banks	20	-	20	49	-	49
1.2 Loans to customers	5,841	-	5,841	28,801	(2,420)	26,381
2. Financial assets designated at fair value through other comprehensive income	4,278	(168)	4,109	3,611	(1)	3,610
2.1 Debt securities	4,278	(168)	4,109	3,611	(1)	3,610
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**10,139**	**(168)**	**9,971**	**32,460**	**(2,420)**	**30,040**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

The table reports the economic result deriving from the sale of financial assets/liabilities other than those held for trading and those measured at fair value, as well as the result derived from the repurchase of the company's own financial liabilities. In particular:

- the net amount of EUR 5,861 thousand recognised in line 1 refers to the net result deriving from the sale of bonds (especially BTPs, OATs) for a net result of EUR 4,128 thousand and from the transfer of bad loans for EUR 1,733 thousand;
- the amount of EUR 4,109 thousand specified in line 2.1 represents the profit relative to the transfer of bond securities (in particular, Italian government bonds B.T.P., C.C.T., SPAIN).

Section 7 - Net result of other financial assets and liabilities designated at fair value through profit or loss - Item 110

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

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**-**	**-**	**(5,912)**	**(261)**	**(6,173)**
1.1 Debt securities	-	-	(5,912)	(261)	(6,173)
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**4,049**	**-**	**(155)**	**-**	**3,894**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	4,049	-	(155)	-	3,894
2.3 Due to customers	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**4,049**	**-**	**(6,067)**	**(261)**	**(2,279)**

The capital gains and capital losses in sub-item "2.2 Due to banks" represent the allocation to the lending parties (Affiliated Banks) of the operating result of the cross-guarantee scheme, which takes place through an accounting entry adjusting the fair value of the financial liability recognised through the funds received as "ex-ante portion" from the lending parties themselves.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2022.

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

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net income [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**292**	**380**	**(8,465)**	**-**	**(7,792)**
1.1 Debt securities	-	-	(10)	-	(10)
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	380	(7,628)	-	(7,248)
1.4 Loans	292	-	(827)	-	(534)
2. FINANCIAL ASSETS DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**292**	**380**	**(8,465)**	**-**	**(7,792)**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

Section 8 - Net value adjustments/write-backs due to credit risk - Item 130

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

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. LOANS TO BANKS	**(2,370)**	**(1,664)**	**-**	**-**	**-**	**-**	**5,689**	**214**	**-**	**-**	**1,869**	**(287)**
- Loans	(1,120)	(535)	-	-	-	-	4,276	-	-	-	2,622	(274)
- Debt securities	(1,250)	(1,129)	-	-	-	-	1,413	214	-	-	(753)	(13)
B. LOANS TO CUSTOMERS	**(12,736)**	**(7,530)**	**-**	**(4,683)**	**-**	**-**	**7,810**	**11,303**	**5,843**	**-**	**8**	**(26,781)**
- Loans	(12,454)	(7,528)	-	(4,683)	-	-	7,631	11,303	5,843	-	113	(26,824)
- Debt securities	(282)	(1)	-	-	-	-	179	-	-	-	(105)	43
Total	**(15,106)**	**(9,194)**	**-**	**(4,683)**	**-**	**-**	**13,499**	**11,518**	**5,843**	**-**	**1,877**	**(27,069)**

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

TRANSACTIONS/INCOME COMPONENTS	Net value adjustments						Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
			Write-offs	Other	*Write-offs*	Other		
1. EBA-compliant moratoria loans	-	-	-	-	-	-	-	(313)
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	(990)
3. Other loans with COVID-19-related forbearance measures	-	-	-	-	-	-	-	(334)
4. Newly originated loans	(1,238)	-	-	(1,007)	-	-	(2,244)	(5,197)
Total 31/12/2022	**(1,238)**	**-**	**-**	**(1,007)**	**-**	**-**	**(2,244)**	**(6,835)**
Total 31/12/2021	**(3,326)**	**(3,174)**	**-**	**(334)**	**-**	**-**	**(6,835)**	**-**

8.2 Net value adjustments due to credit risk relative to financial assets designated at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. DEBT SECURITIES	**(219)**	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**(186)**	**(37)**
B. LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(219)**	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**(186)**	**(37)**

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

The table does not contain information and therefore was not filled in.

Section 9 - Profit/loss from contractual changes without derecognitions - Item 140

9.1 Profit (loss) from contractual changes: breakdown

Under this item, losses from contractual changes without derecognitions were recorded for EUR 18 thousand.

Section 10 - Administrative expenses - Item 160

10.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2022	Total 31/12/2021
1) Employees	**(58,949)**	**(54,568)**
a) salaries and wages	(38,554)	(35,306)
b) social security contributions	(10,247)	(10,176)
c) severance indemnity	(2,284)	(2,061)
d) pension contributions	-	-
e) provision for severance indemnity	(41)	(82)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary pension funds:	(1,730)	(1,478)
- with defined contribution	(1,730)	(1,478)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
I) other employee benefits	(6,093)	(5,464)
2) Other operating personnel	**(4)**	**(7)**
3) Directors and Auditors	**(3,268)**	**(2,576)**
4) Retired personnel	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**247**	**293**
6) Reimbursement of expenses for third-party employees seconded to the company	**(693)**	**(549)**
Total	**(62,667)**	**(57,407)**

The increase in costs compared to the previous year mainly reflects the increase in the average number of employees during 2022.

10.2 Average number of employees by category

	Total 31/12/2022	Total 31/12/2021
EMPLOYEES (A+B+C)	**648**	**586**
a) executives	33	29
b) middle managers	258	229
c) remaining employees	357	328
OTHER PERSONNEL	**18**	**18**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies.

In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

10.3 Defined benefit post-employment benefits: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Balance sheet, Section 9, paragraph “9.2 Other information”.

10.4 Other employee benefits

ITEMS	Total 31/12/2022	Total 31/12/2021
STAFF EXPENSES		
1. allocation of loyalty bonus	73	(87)
2. insurance	(1,006)	(916)
3. staff leaving incentives	(3,000)	(3,379)
4. meal vouchers	(785)	(232)
5. training courses	(768)	(634)
6. other benefits	**(607)**	**(215)**
Other employee benefits	**(6,093)**	**(5,464)**

10.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
ICT expenses	**(35,593)**	**(21,312)**
Outsourced ICT expenses	(33,546)	(19,228)
ICT expenses other than outsourced ICT expenses	(2,047)	(2,084)
Taxes and levies (other)	**(16,620)**	**(15,946)**
Expenses for professional and consulting services	**(42,657)**	**(35,414)**
Advertising and entertainment expenses	**(4,958)**	**(3,303)**
Expenses related to debt collection	**(197)**	**(73)**
Litigation expenses not covered by allocations	-	-
Expenses for real estate	**(531)**	**(849)**
Lease fees	-	-
Other administrative expenses - Other	**(34,690)**	**(23,717)**
of which: cash contributions to resolution funds and deposit guarantee systems	(12,109)	(2,761)
Total administrative expenses	**(135,246)**	**(100,614)**

The increase in IT costs is attributable to new services provided by Allitude, in particular Facility Management related to the needs of the Banking Group.

The increase in expenses for "Professional and consulting services" is also attributable to the renewed needs of the Banking Group.

The increase in "Other administrative expenses - Other" is mainly attributable to the higher contribution to the National Resolution Fund.

Section 11 - Net allocations to provisions for risks and expenses - Item 170

11.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees given: breakdown

ITEMS	31/12/2022			31/12/2021		
	Phase 1	Phase 2	Phase 3	Phase 1	Phase 2	Phase 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(1,607)	(1,311)	(977)	(2,302)	(17)	(60)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(4)	(5)	-	(4)	(20)	(48)
Total allocations (-)	**(1,611)**	**(1,316)**	**(977)**	**(2,307)**	**(37)**	**(108)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	1,415	119	1,023	1,001	101	191
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	33	7	14	19	282	-
Total reallocations (+)	**1,448**	**126**	**1,037**	**1,020**	**383**	**191**
	Net allocation			Net allocation		
Total	**(163)**	**(1,190)**	**61**	**(1,287)**	**346**	**83**

11.2 Net allocations relative to other commitments and guarantees given: breakdown

The Bank does not hold any positions attributable to this case.

11.3 Net allocations to other provisions for risks and expenses: breakdown

ITEMS	31/12/2022			31/12/2021		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
Allocations and reallocations to other provisions for risks and expenses						
1. for risks on revocatory actions	-	-	-	-	-	-
2. for charity	-	-	-	-	-	-
3. for personnel risks and expenses	-	-	-	-	-	-
4. for legal and tax disputes	(134)	158	24	(11)	1	(10)
5. for other risks and expenses	(270)	921	651	(1,481)	8	(1,473)
Total	**(405)**	**1,079**	**675**	**(1,492)**	**9**	**(1,483)**

Section 12 - Net value adjustments/write-backs to tangible assets - Item 180

12.1. Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net income (a + b - c)
A. TANGIBLE ASSETS				
1. For business use	**(3,024)**	**-**	**12**	**(3,012)**
- Owned	(1,411)	-	-	(1,411)
- Rights of use acquired through lease	(1,613)	-	12	(1,601)
2. Held for investment purposes	**-**	**-**	**-**	**-**
- Owned	-	-	-	-
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
B. ASSETS HELD FOR SALE	**X**	**-**	**-**	**-**
Total	**(3,024)**	**-**	**12**	**(3,012)**

For further information, please refer to the contents of the corresponding section “Tangible assets” of the balance sheet assets.

Section 13 - Net value adjustments/write-backs to intangible assets - Item 190

13.1 Net value adjustments to intangible assets: breakdown

ASSETS/INCOME COMPONENT	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net income (a + b - c)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	**(708)**	**-**	**-**	**(708)**
- Generated internally by the company	-	-	-	-
- Other	(708)	-	-	(708)
A.2 Rights of use acquired through lease	**-**	**-**	**-**	**-**
B. Assets held for sale	**X**	**-**	**-**	**-**
Total	**(708)**	**-**	**-**	**(708)**

Section 14 - Other operating income/expenses - Item 200

14.1 Other operating expenses: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Amortisation of improvements to non-separable third-party assets	(47)	(42)
Expenses for treasury contracts with General Governments	-	-
Expenses for transactions and indemnities	-	(19)
Non-existent items and contingencies not ascribable to own items	(28)	(93)
Bonuses and rounding down	(6)	(5)
Other operating expenses - other	(136)	(24)
Total other operating expenses	**(217)**	**(183)**

14.2 Other operating income: breakdown

ITEMS	Total 31/12/2022	Total 31/12/2021
Recovery of taxes	16,251	15,616
Expenses to third parties for costs on deposits and current accounts	-	-
Recovery of insurance premiums	-	-
Receivable rents and payments	-	-
Recovery of other expenses	3,617	3,053
Non-existent items and contingencies not ascribable to own items	452	611
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	20,550	19,640
Total other operating income	**40,869**	**38,919**

The Item "Other operating income - other" mainly consists of the recovery of administrative expenses incurred by the Parent Company on behalf of the Affiliated Banks. These include, in particular, revenues from centralised services relating to the performance of the activities of the corporate control functions.

The item "Recovery of other expenses" mainly refers to the recovery of expenses related to European supervision as well as to the recovery of legal costs.

Section 15 - Profit (loss) on equity investments - Item 220

15.1 Profit (loss) on equity investments: breakdown

INCOME COMPONENT/VALUES	Total 31/12/2022	Total 31/12/2021
A. INCOME	**-**	**-**
1. Revaluations	-	-
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. EXPENSES	**(17,800)**	**(921)**
1. Write-downs	-	(921)
2. Impairment losses	(17,800)	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	**(17,800)**	**(921)**

The amount in sub-item "B.2 Impairment losses" includes the effects arising from the review of the value of the investments in Casse Rurali Raiffeisen Finanziaria S.p.A. for EUR 7,100 thousand and Claris Leasing S.p.A. for EUR 10,700 thousand.

Section 16 - Net result of fair value measurement of tangible and intangible assets - Item 230

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

During the course of the year, no fair value measurement was implemented with respect to tangible or intangible assets.

Section 17 - Value adjustments to goodwill - Item 240

17.1 Value adjustments to goodwill: breakdown

The Bank has not registered any asset item as goodwill.

Section 18 - Profit (loss) from disposal of investments - Item 250

18.1 Profit (loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2022	Total 31/12/2021
A. REAL ESTATE	**-**	**-**
- Gains from disposal	-	-
- Losses from disposal	-	-
B. OTHER ASSETS	**6**	**51**
- Gains from disposal	35	51
- Losses from disposal	(29)	-
Net income	**6**	**51**

Section 19 - Income taxes for the year on current operating activities - Item 270

19.1 Income taxes for the year on current operating activities: breakdown

	INCOME COMPONENTS/VALUES	Total 31/12/2022	Total 31/12/2021
1.	Current taxes (-)	(4,083)	(2,400)
2.	Changes in current taxes of previous years (+/-)	195	80
3.	Decrease in current taxes of the year (+)	-	-
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4.	Change in advance taxes (+/-)	(2,005)	(2,444)
5.	Change in deferred taxes (+/-)	-	-
6.	**Income taxes for the year (-) (-1±2+3+3bis±4±5)**	**(5,893)**	**(4,765)**

Current taxes were booked in accordance with currently effective legislation:

- IRES: 27.5% including surcharge;
- IRAP: 5.57% for the Value of Production realised in the Province of Trento. Provincial Law no. 21 of 30 December 2015 provides that only banking companies operating in the province of Trento shall have an IRAP rate of 5.57% for the year 2020.

19.2 Reconciliation between the theoretical fiscal charge and the effective fiscal charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (item 260 of the income statement)	50,554
IRES income taxes - theoretical fiscal charge:	(13,082)
Effects of decreases in taxable income on IRES	18,945
Effects of increases in taxable income on IRES	(6,861)
A. EFFECTIVE FISCAL CHARGE – CURRENT IRES TAX	**(998)**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(1,913)
Increases in deferred tax liabilities	-
Decreases in deferred tax liabilities	-
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(1,913)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**-**
D. TOTAL ACCRUED IRES (A+B+C)	**(2,911)**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(4,287)
Effect of decreases in value of production	3,266
Effect of increases in value of production	(2,064)
Changes in current taxes of previous years	195
E. EFFECTIVE FISCAL CHARGE – CURRENT IRAP TAX	**(2,890)**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(92)
Increases in deferred tax liabilities -	-
Decreases in deferred tax liabilities -	-
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(92)**
G. TOTAL ACCRUED IRAP (E+F)	**(2,982)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**-**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**(3,888)**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(5,893)**

Section 20 - Profit (loss) after tax from discontinued operations - Item 290

20.1 Profit (loss) after tax from discontinued operations: breakdown

During the course of the year, the Bank did not proceed with disposals of groups of assets. This section does not contain any evaluation and is therefore omitted.

Section 21 – Other information

There is no further information other than that already provided.

Section 22 - Earnings per share

ITEMS	31/12/2022	31/12/2021
Net result of the Group	(44,660,411	(46,064,270)
Reversal of result of minority interests	-	-
NET RESULT OF THE PARENT COMPANY	**44,660,411**	**46,064,270**
Number of ordinary Parent Company shares outstanding	18,158,304	18,158,304
Number of preference Parent company shares outstanding	150,000	150,000
Number of own shares	-	-
NUMBER OF SHARES OUTSTANDING	**18,308,304**	**18,308,304**
Income per ordinary share outstanding (Basic EPS) in Euro	**2.46**	**2.54**
Income per share outstanding (diluted EPS) in Euro	**2.44**	**2.52**

With regard to the above, it should be noted that, given that the share capital is also represented by preference shares, the economic result which is attributable to parties owning ordinary equity instruments is given by the profit for the year minus the dividends paid to preference shares. The calculation of the basic EPS therefore differs from that of the diluted EPS.

22.1 Average number of ordinary shares with diluted capital

In view of that previously stated, this scenario is considered irrelevant.

22.2 Other information

In view of that previously stated, this scenario is considered irrelevant.

PART D - Comprehensive income

Analytical statement of comprehensive income

ITEMS		31/12/2022	31/12/2021
10.	**Profit (loss) for the year**	**44,660**	**46,064**
	Other components of income without reversal to the income statement	**33,548**	**(9,081)**
20.	Equities measured at fair value through other comprehensive income:	35,361	(9,731)
	a) change in fair value	25,292	(14,264)
	b) transfers to other components of equity	10,068	4,533
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	133	(3)
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the income statement	(1,945)	653
	Other components of income with reversal to the income statement	**(19,235)**	**(3,478)**
110.	Hedging of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-

ITEMS		31/12/2022	31/12/2021
130.	Cash flow hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	(28,752)	(5,189)
	a) changes in fair value	(25,887)	(828)
	b) reversal to income statement	(2,864)	(4,361)
	- credit risk adjustments	25	(16)
	- profit/loss on sale	(2,890)	(4,345)
	c) other changes	-	-
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quota of reserves from the valuation of shareholdings measured with the equity method:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- adjustments for impairment	-	-
	- profit/loss on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	9,517	1,711
190.	**Total other income components**	**14,313**	**(12,559)**
200.	**Comprehensive income (Item 10+190)**	**58,973**	**33,505**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Bank pays particular attention to risk management and governance and operates by ensuring the constant evolution of its organisational/procedural controls and methodological solutions used for measuring and monitoring. These activities are carried out with tools aimed at supporting effectively and efficiently the governance of risks, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at Cassa Centrale Banca by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of Cassa Centrale Banca to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks and considers both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of Cassa Centrale Banca, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by Cassa Centrale Banca and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP-ILAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

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

The general principles that guide the company's risk-taking strategy are summarised below:

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

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

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

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio, the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

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

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

The definition of the RAF is based on an articulated and complex process involving the various business units of the Bank. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

The specific policies and regulations issued by Cassa Centrale Banca have been adopted to strengthen the overall system of governance and risk management

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Bank is exposed, is part of the broader framework of the company's internal control system, which is addressed by Cassa Centrale Banca as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Bank may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banks must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Bank intends to achieve in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Bank's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Consequently, risk management is configured as a set of limits, delegations, rules, procedures, resources and first- and second-level line controls as well as operational activities through which risk management policies are implemented.

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In line with the provisions issued by the Bank of Italy, the model adopted by the Bank outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Bank's Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted, and through the approval of the ICAAP-ILAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the Group's organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP/ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report. However, when updating the annual RAS, the Parent Company defines a forward-looking positioning at individual level in terms of capital and liquidity and other relevant risks, and compliance with it is verified on a quarterly basis. Furthermore, analyses relating to the Guarantee Agreement, which allow banks to be assessed in terms of capital and liquidity and thus define the Fund's allocation, and the quarterly monitoring of the Risk-Based model, which classifies banks according to different risk profiles, also provide support.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer of Cassa Centrale Banca, who takes part in the meetings of the Board of Directors. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer/General Management, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer/General Management, in the delegated areas;
- decisions of the Chief Executive Officer/General Management and the corporate structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer/General Management is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Bank is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The supervisory regulations require banks to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

The Internal Audit Department, which oversees the third level of control, holds periodic sessions aimed at monitoring risk variables. During the year, Audits focused on the following corporate processes:

- Planning;
- RAF;
- ICAAP – ILAAP;
- Non-Financial Statement;
- Shares that may be held and real estate investments;
- Fit & proper;
- Governance of expenditure;
- Remuneration policies;
- BCBS 239;
- Risk assessment models;
- Resolution framework;
- Credit;
- Compliance;
- Transparency
- Anti-Money Laundering;
- Investment services;
- Back office;
- Cash management;
- ICT;
- Other topics.

Section 1 - Credit risk

Information of a qualitative nature

1. General aspects

The objectives and strategies of the Bank's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Bank's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, Cassa Centrale Banca guides and coordinates all the Affiliated Banks, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Bank's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with families, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Bank in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Bank, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Bank's particular focus on the household sector.

The micro and small businesses and the craft segment is another sector of particular importance for the Bank. In this context, the Bank's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Bank's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Bank operates.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" published by the EBA (EBA/GL/2020/07).

2. Policies for managing credit risk

2.1 Organisational factors

In carrying out its activities, the Bank is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and, to a lesser extent, in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Bank to credit risk (e.g. subscription of non-speculative OTC derivative contracts).

The new Group Regulation on the granting of loans, approved by the Board of Directors on 24 February 2022, uniformly defines the process for granting and managing performing loans, allowing the individual affiliated banks to autonomously determine the operational units required to perform the different stages of the process. In any case, and in compliance with regulatory provisions on Internal Audits, a clear division of roles and responsibilities is established between the commercial component, the functions responsible for identifying and managing positions classifiable as NPEs, and the Control Functions, including the Risk Management Department.

As at 31 December 2022, the Bank had 14 regional offices and 1 branch office in the country.

The Credit Department is the central body responsible for governing the entire performing loan process (granting and auditing; management and monitoring), as well as the coordination and development of loans.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Unit Service is the central body with the following functions:

- coordination of the management of the Group's bad loan portfolio by defining, implementing and monitoring the Group's NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to promptly intercept the deterioration of credit quality and ensure the correct classification of customers between performing and bad loans.

In light of the provisions on the internal control system (contained in Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 3), the Bank has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the Group framework.

In addition to line controls, as first-level activities, the functions in charge of second-level and third-level controls, with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operational risks) is carried out by the risk control function (Risk Management Department).

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Bank with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Service ensure the supervision and coordination of the operational phases of the lending process, make decisions within the scope of their powers and carry out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Regulation on loans, Group Regulations for the management of impaired loans and the new Group Regulation for the classification and valuation of loans, approved by the Board of Directors on 27 January 2022, which define criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- management and recovery of loans classified as bad;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with related parties, the Bank has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating, among others, to the granting of loans. From this perspective, the Bank is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of related parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group Regulation for the granting of loans, the Group Regulation for the management of impaired loans and the Group Regulation for the classification and valuation of loans, specific procedures were put in place for the investigation/deliberation, credit line revision and credit risk monitoring phases, classification of loans and definition of recovery strategies for impaired loans. All of the above phases apply qualitative and quantitative criteria to assess the creditworthiness of the counterparty.

The investigation/deliberation and revision of the credit lines are regulated by a deliberative process in which the various competent bodies intervene, in accordance with the levels of delegation provided for. The Parent Company can intervene on the loan granting practices of individual affiliated banks in the event that they exceed the maximum credit limits permitted for individual counterparties, set by the Parent Company on a personalised basis for each individual bank, taking into account the own funds and creditworthiness of the same. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on economic-financial data, as well as on personal knowledge of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with the investigation reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Bank, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the loan granting and monitoring activities is ensured by the Risk Management Department.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the management system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory.

For the purposes of determining the minimum capital requirement for credit risk, the Bank adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers[1].
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I);

Moreover, with reference to the internal capital adequacy assessment process (ICAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Bank has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established within the Group.

The Bank therefore periodically carries out such stress tests through sensitivity analyses that take the form of an assessment of the effects of specific events on the Bank's risks.

With reference to credit risk, stress tests are carried out by the Bank as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the securities portfolio in the Hold to Collect and Sell category.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Bank's Finance Department carries out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

1 The rating models developed are subject to annual review by Cassa Centrale Banca. During the year, under the supervision of the Risk Management Department, credit risk models were refined and updated. For more details see paragraph 2.3.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[2] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR) or which can be identified as low credit risk;
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as low credit risk;
- in stage 3, non-performing positions [3].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months [4];
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 100,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Bank's strategy for the management of impaired receivables.

2 The application segments are ordinary customers, interbank segment and securities portfolio.

3 Bad loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

4 The calculation of the expected loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.

Specific risk parameters (PD, LGD and EAD) were defined from an IFRS 9 perspective to be used for impairment calculations (stage allocation and ECL); to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[5]. It should be underlined that the Bank calculates the ECL based on the allocation stage, per individual position, with reference to cash and off-balance sheet exposures.

For more details, please refer to these Explanatory Notes, Part A “Accounting policies” section 5 “Other aspects” - d) Accounting treatment of COVID-19 moratoria.

Loans to ordinary customers

The steps common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the geographical area in which the Bank operates and the creditworthiness (in terms of the customer’s rating)
- the inclusion of forward-looking scenarios occurs through the application of outputs defined by appropriate “Satellite Models” to the PD Point in Time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The steps common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the type of counterparty, the geographical area in which the Bank operates, and the type of guarantee, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter (an expression of the probability of “curing” a position to default as well as possible increases in exposure in the migration to worse credit states) is estimated from a set of administrative state transition matrices with an annual observation horizon. These matrices were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal LGS parameter (complement to one of the recoveries obtained in respect of the exposure of a position classified as non-performing) is calculated as the arithmetic mean of the nominal LGS, segmented by type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs according to the type of technical macro-form and the type of counterparty. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

With reference to stage allocation, the Bank made provision for the allocation of the individual cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

5 During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
  - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, greater than a certain threshold differentiated according to specific drivers such as risk segment, ageing and residual maturity of the position and geographic area. A backstop of 300% is applied to this threshold in line with the guidelines issued by the ECB in the "Dear CEO" letter;
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. that have the following characteristics at the valuation date: rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment [6]);
- in stage 3, bad loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Loans between banks or to financial intermediaries

For transactions in the interbank segment, the PD parameter is provided by an external provider that is differentiated on the basis of a rating that defines the creditworthiness of the counterparty; these default probabilities are extrapolated from listed credit spreads or listed bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Bank has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD point in time less than 0.3%. Stage 2 is defined on the basis of PD changes between origination and reporting of 200% (as the backstop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

6 The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Bank has allocated the individual tranches for the purchase of securities in three stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the stage 2, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of “expected loss”, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that the Bank has adhered to the option introduced by Regulation (EU) no. 2395/2017 and partially supplemented by Regulation (EU) no. 873/2020, by which amendments were made to Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024:

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard (“dynamic old” A4, SA old filter component);

- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%;
- 2019 – 85%;
- 2020 – 70%;
- 2021 – 50%;
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%;
- 2021 – 100%;
- 2022 – 75%;
- 2023 – 50%;
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the COVID-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, paragraph 1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, some consolidation interventions are also planned, based, *inter alia*, on the implementation of automated and proactive processes as well as the refinement of early warning and trigger tools that have been introduced by the Cassa Centrale Group in order to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures. It should be noted that, in relation to the introduction of the new definition of default as well as to some primary contextual elements (i.e. the growing sophistication of the Banking Group, elements deriving from the COVID-19 health emergency, etc.), the Bank has launched a project to estimate again all the credit models of the accounting framework (i.e. IFRS 9 and macro-economic models) as well as management such as monitoring and acceptance (i.e. rating systems) with expected release by the end of 2022.

The Bank has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated gradual use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

With regard to the impacts of the variables and the specific cases that led to a significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Bank would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Bank is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

In order to limit the risks of non-existence or termination of protection, specific safeguards are provided, such as: the reinstatement of the pledge in the presence of a decrease in the initial value of the property or, for mortgage guarantees, the obligation of insurance coverage against fire damage, as well as the presence of adequate monitoring of the value of the property.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to customers in the retail and small business sectors (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also “CRM”) techniques.

The Bank has decided to use the following CRM tools:

- financial collateral involving cash and a restricted list of financial instruments traded on regulated markets, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- mortgage collateral, represented by residential and non-residential mortgages;
- personal guarantees represented by sureties given by authorities authorised to issue state commitments (e.g., SME Guarantee Fund, SACE, ISMEA) or by supervised financial intermediaries.

Collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company’s policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Bank complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- observance of the maximum ratio between the requested credit facility and the value of the real estate pledged as collateral (loan-to-value): 80% for residential properties and 50% for non-residential properties.
- the use of the property and the debtor’s ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Bank's own funds) the valuation is in any case reviewed by an independent expert at least every 3 years.

For impaired exposures, the Policy adopted by the Bank provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Bank, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Bank has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

For personal guarantees, the Bank uses CRM techniques only for sureties protected by government guarantees as these are issued by authorised issuers (e.g. SME Guarantee Fund, SACE, ISMEA, or other authorities in the EU framework such as BEI, FEI). Moreover, they may provide access to benefits in terms of capital weighting on sureties provided by supervised financial intermediaries.

Netting agreements

The Bank has adopted bilateral netting agreements for contracts relating to OTC derivatives and long-term settlement transactions with leading counterparties (e.g. Unicredit, Banca IMI, Credit Suisse) that, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Bank has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral netting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Bank complies with the specific requirements set out in the regulations.

In this respect, the Bank adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Bank has entered into margining agreements that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to affiliates, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. Impaired credit exposures

3.1 Management strategies and policies

The Bank is organised with regulatory/IT structures and procedures for the management, classification and control of loans.

Consistent with IAS/IFRS regulations, at each reporting date the presence of objective elements of impairment on each instrument or group of financial instruments is verified.

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three main categories:

- bad loans: Bank's credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than bad loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;

- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out automatically, upon the occurrence of the binding cases provided for by the reference regulations, or by means of *evaluation and deliberation processes on individual counterparties*, triggered automatically or manually, upon the identification of certain *early warning signs* and/or *triggers* defined in the Group Regulation for the Classification and Valuation of Loans. Similarly, the return to performing status of impaired exposures occurs automatically when the binding cases provided for by the reference regulations are no longer met, or through *valuation and resolution processes*, triggered manually by the structures responsible for managing impaired loans, in compliance with the "monitoring period" and "cure period" timeframes provided for by the reference regulations.

The Group model for the management of impaired loans involves management and coordination by the Parent Company and the direct management of the impaired loans portfolio by the individual affiliated banks. In the context of this model, the Parent Company:

- prepares and implements the Group's NPE Strategy and related operational plan;
- defines and updates internal regulations and processes related to the classification and valuation of loans;
- defines and updates the internal regulations and processes related to the management and recovery of impaired loans.

Each affiliated bank, through its own structures, conducts the following activities:

- the development and implementation its own individual NPE Strategy and related operational plan in compliance with the objectives defined by the Parent Company;
- the classification of individual exposures;
- the definition of the most appropriate management and/or recovery strategies for the individual positions;
- the activities of determining the provisions on the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the Group policy for the classification and valuation of loans.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS 9.

3.2 Write-offs

The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the writedowns, as a contra-entry to the gross value of the impaired exposure; and
- for any portion exceeding the amount of the writedowns, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

3.3 Purchased or originated credit- impaired financial assets

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Bank's typical business model, so the above mentioned cases are to be considered residual.

4. Financial assets subject to commercial renegotiations and forborne exposures

The category of 'forborne non-performing exposures' does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes cash exposures and commitments to disburse funds that are forborne ('forborne exposures'), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of "credit deterioration" (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);

- the Bank agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of credit impairment are instead classified in the category of forborne performing exposures and are included among the other performing exposures, or among the performing past due exposures if they meet the requirements for this classification.

In terms of the Bank's internal regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
    - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
    - the debtor was not reclassified by the Bank as an impaired counterparty as a result of the forbearance granted;
- forborne non-performing if at least one of the following conditions occurs:
    - the debtor was classified as impaired prior to the granting of the forbearance;
    - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (known as cure period):
    - granting of the forbearance measure on impaired credit exposures;
    - classification as impaired of the counterparty;
    - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Bank;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
    - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
    - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;

- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 2 years have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the Bank at the end of the probation period.

Information of a quantitative nature

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

PORTFOLIOS/QUALITY	Bad loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	795	8,888	-	10,187	21,233,437	21,253,306
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	1,002,520	1,002,520
3. Financial assets designated at fair value	-	-	-	-	174,551	174,551
4. Other financial assets mandatorily measured at fair value	-	-	-	-	25,585	25,585
5. Financial assets held for disposal	-	-	-	-	-	-
Total 31/12/2022	**795**	**8,888**	**-**	**10,187**	**22,436,092**	**22,455,961**
Total 31/12/2021	**102**	**3,330**	**12**	**14,099**	**24,835,306**	**24,852,848**

At the end of the reporting period, forborne impaired exposures amounted to EUR 1,600 thousand.

At the end of the reporting period, forborne performing exposures amounted to EUR 19,412 thousand.

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

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs*	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	37,072	27,390	9,682	4,851	21,294,725	51,101	21,243,623	21,253,306
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	1,002,704	184	1,002,520	1,002,520
3. Financial assets designated at fair value	-	-	-	-	X	X	174,551	174,551
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	25,585	25,585
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2022	**37,072**	**27,390**	**9,682**	**4,851**	**22,297,429**	**51,286**	**22,446,279**	**22,455,961**
Total 31/12/2021	**34,737**	**31,293**	**3,444**	**4,070**	**24,693,090**	**52,577**	**24,849,404**	**24,852,848**

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	108,930
2. Hedging derivatives	-	-	-
Total 31/12/2022	**-**	**-**	**108,930**
Total 31/12/2021	**-**	**-**	**24,738**

*Value to be displayed for information purposes

A.1.3 Breakdown of financial assets by maturity bands (carrying amounts)

PORTFOLIOS/ RISK STAGES	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	10,187	-	-	-	-	-	-	8	1,770	-	-	-
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**10,187**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**1,770**	**-**	**-**	**-**
Total 31/12/2021	**10,097**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**113**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total writedowns and total allocations

REASONS/ STAGES OF RISK	Writedowns											
	Stage 1 assets						Stage 2assets					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**33**	**34,944**	**159**	**-**	**-**	**35,137**	**-**	**17,473**	**-**	**-**	**-**	**17,473**
Increases from financial assets acquired or originated	-	1,103	154	-	-	1,257	-	-	-	-	-	-
Derecognitions other than write-offs	-	(257)	(129)	-	-	(386)	-	-	-	-	-	-
Net value adjustments/write-backs due to credit risk (+/-)	56	(13)	-	-	-	44	11	(2,136)	-	-	-	(2,125)
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	(1)	66	-	-	-	65	-	(80)	-	-	-	(80)
FINAL TOTAL ADJUSTMENTS	**88**	**35,845**	**184**	**-**	**-**	**36,117**	**12**	**15,257**	**-**	**-**	**-**	**15,268**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

REASONS/ STAGES OF RISK	Writedowns										
	Stage 3 assets						Purchased or originated credit- impaired financial assets				
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets designated at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**31,293**	**-**	**-**	**31,293**	**-**	**-**	**-**	**-**	**-**	**-**
Increases from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(2,431)	-	-	(2,431)	-	-	-	-	-	-
Net value adjustments/write-backs due to credit risk	-	(719)	-	-	(730)	11	-	-	-	-	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(820)	-	-	(820)	-	-	-	-	-	-
Other changes	-	67	-	-	(144)	211	-	-	-	-	-
FINAL TOTAL ADJUSTMENTS	**-**	**27,390**	**-**	**-**	**27,168**	**222**	**-**	**-**	**-**	**-**	**-**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-

REASONS/STAGES OF RISK	Total allocation for commitments to disburse funds and financial guarantees given				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given Purchased or originated credit impaired	
INITIAL TOTAL ADJUSTMENTS	**4,009**	**829**	**142**	**-**	**88,883**
Increases from financial assets acquired or originated	-	-	-	-	**1,257**
Derecognitions other than write-offs	-	-	-	-	**(2,817)**
Net value adjustments/write-backs due to credit risk	125	1,156	(61)	-	**(1,580)**
Contractual changes without derecognitions	-	-	-	-	**-**
Changes in estimation methodology	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	-	-	-	-	**(820)**
Other changes	37	12	-	-	**100**
FINAL TOTAL ADJUSTMENTS	**4,172**	**1,997**	**81**	**-**	**85,025**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	**-**
Write-offs recognised directly in the income statement	**-**	**-**	**-**	**-**	**-**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Bank does not use the simplified method, as required by IFRS 9, para. 5.5.15, for the valuation to cover losses.

Therefore, the details required by IFRS 7 section 35H, letter b, iii are not provided.

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

PORTFOLIOS/RISK STAGES	Gross exposure/Nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	161,710	87,274	2,089	386	9,560	-
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	87,633	1,184	-	-	-	-
Total 31/12/2022	**249,343**	**88,457**	**2,089**	**386**	**9,560**	**-**
Total 31/12/2021	**95,251**	**34,050**	**490**	**-**	**1,953**	**-**

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

PORTFOLIOS/ RISK STAGES	Gross value/nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**16,035**	**21,311**	**-**	**-**	**8,045**	**-**
A.1 EBA-compliant moratoria	-	-	-	-	-	-
A.2. subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-
A.3 subject to other forbearance measures	616	-	-	-	-	-
A.4 newly originated loans	15,419	21,311	-	-	8,045	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
B.1 EBA-compliant moratoria	-	-	-	-	-	-
B.2 subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 newly originated loans	-	-	-	-	-	-
Total 31/12/2022	**16,035**	**21,311**	**-**	**-**	**8,045**	**-**
Total 31/12/2021	**20,685**	**10,190**	**-**	**-**	**-**	**-**

A.1.6 Cash and off balance-sheet credit exposures to banks: gross and net values

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**96,709**	**93,083**	**3,626**	**-**	**-**	**99**	**88**	**12**	**-**	**-**	**96,610**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	96,709	93,083	3,626	X	-	99	88	12	X	-	96,610	-
A.2 OTHER	**16,968,329**	**16,863,081**	**89,470**	**-**	**-**	**7,219**	**5,664**	**1,555**	**-**	**-**	**16,961,110**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	16,968,329	16,863,081	89,470	X	-	7,219	5,664	1,555	X	-	16,961,110	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**17,065,038**	**16,956,165**	**93,096**	**-**	**-**	**7,318**	**5,751**	**1,567**	**-**	**-**	**17,057,720**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	13,702,235	13,533,105	37,015	X	-	1,637	1,625	12	X	-	13,700,598	-
TOTAL (B)	**13,702,235**	**13,533,105**	**37,015**	**-**	**-**	**1,637**	**1,625**	**12**	**-**	**-**	**13,700,598**	**-**
TOTAL (A+B)	**30,767,273**	**30,489,270**	**130,110**	**-**	**-**	**8,955**	**7,377**	**1,579**	**-**	**-**	**30,758,318**	**-**

A.1.7 Cash and off balance-sheet credit exposures to customers: gross and net values

TYPES OF EXPOSURES/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
a) Non-performing	7,997	X	-	7,997	-	7,203	X	-	7,203	-	795	4,851
- of which: forborne exposures	3,486	X	-	3,486	-	3,281	X	-	3,281	-	205	2,675
b) Unlikely to pay	29,075	X	-	29,075	-	20,187	X	-	20,187	-	8,888	-
- of which: forborne exposures	17,491	X	-	17,491	-	16,096	X	-	16,096	-	1,395	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	10,226	10,226	-	X	-	39	39	-	X	-	10,187	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	5,519,009	5,215,882	118,770	X	-	44,027	30,326	13,701	X	-	5,474,982	-
- of which: forborne exposures	22,676	-	22,676	X	-	3,264	-	3,264	X	-	19,412	-
TOTAL (A)	**5,566,308**	**5,226,108**	**118,770**	**37,072**	**-**	**71,457**	**30,365**	**13,701**	**27,390**	**-**	**5,494,851**	**4,851**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	81	X	-	81	-	81	X	-	81	-	-	-
b) Performing	479,346	408,664	52,245	X	-	4,532	2,546	1,985	X	-	474,815	-
TOTAL (B)	**479,427**	**408,664**	**52,245**	**81**	**-**	**4,613**	**2,546**	**1,985**	**81**	**-**	**474,815**	**-**
TOTAL (A+B)	**6,045,735**	**5,634,772**	**171,015**	**37,154**	**-**	**76,069**	**32,912**	**15,686**	**27,471**	**-**	**5,969,666**	**4,851**

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

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. BAD LOANS	**865**	**-**	**-**	**865**	**-**	**277**	**-**	**-**	**277**	**-**	**589**	**-**
a) EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	865	-	-	865	-	277	-	-	277	-	589	-
B. UNLIKELY TO PAY	**8,299**	**-**	**-**	**8,299**	**-**	**1,159**	**-**	**-**	**1,159**	**-**	**7,140**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	8,299	-	-	8,299	-	1,159	-	-	1,159	-	7,140	-
C. IMPAIRED PAST DUE LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place that are no longer GL- compliant and are not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	-	-	-	-	-	-	-	-	-	-	-	-

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
D. OTHER PERFORMING PAST DUE LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) GL-compliant forborne	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING LOANS	**187,292**	**167,310**	**19,982**	**-**	**-**	**5,739**	**3,938**	**1,801**	**-**	**-**	**181,554**	**-**
a) EBA-compliant moratoria	845	845	-	-	-	52	52	-	-	-	793	-
b) Subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans	186,447	166,465	19,982	-	-	5,686	3,886	1,801	-	-	180,761	-
TOTAL (A+B+C+D+E)	**196,457**	**167,310**	**19,982**	**9,164**	**-**	**7,174**	**3,938**	**1,801**	**1,435**	**-**	**189,282**	**-**

A.1.8 On-balance-sheet credit exposures to banks: trend in gross impaired exposures

The Bank had no impaired exposures of this type during the year.

A.1.8bis On-balance-sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

The Bank had no impaired exposures of this type during the year.

A.1.9 On-balance-sheet credit exposures to customers: trend in gross impaired exposures

DESCRIPTIONS/CATEGORIES	Bad loans	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**10,996**	**23,729**	**13**
- of which: exposures transferred but not derecognised	-	-	-
B. INCREASES	**1,334**	**11,254**	**-**
B.1 transfers from performing exposures	878	10,767	-
B.2 transfers from Purchased or originated credit- impaired financial assets	-	-	-
B.3 transfers from other categories of impaired exposures	406	-	-
B.4 contractual changes without derecognitions	-	3	-
B.5 other increases	50	484	-
C. DECREASES	**4,333**	**5,908**	**13**
C.1 transfers to performing exposures	-	374	13
C.2 write-offs	820	-	-
C.3 collections	1,407	5,122	-
C.4 gains from disposal	1,733	-	-
C.5 losses from disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	406	-
C.7 contractual changes without derecognitions	-	-	-
C.8 other decreases	373	6	-
D. GROSS FINAL EXPOSURE	**7,997**	**29,075**	**-**
- of which: exposures transferred but not derecognised	-	-	-

A.1.9bis On-balance-sheet credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**26,045**	**18,607**
- of which: exposures transferred but not derecognised	-	-
B. INCREASES	**2,620**	**9,119**
B.1 transfers from non-forborne performing exposures	350	4,101
B.2 transfers from forborne performing exposures	481	X
B.3 transfers from forborne impaired exposures	X	387
B.4 transfers from non-forborne impaired exposures	1,327	-
B.5 other increases	462	4,630
C. DECREASES	**7,688**	**5,050**
C.1 transfers to non-forborne performing exposures	X	2,006
C.2 transfers to forborne performing exposures	387	X
C.3 transfers to forborne impaired exposures	X	481
C.4 write-offs	378	-
C.5 collections	5,988	2,563
C.6 gains from disposal	668	-
C.7 losses from disposal	-	-
C.8 other decreases	267	-
D. GROSS FINAL EXPOSURE	**20,977**	**22,676**
- of which: exposures transferred but not derecognised	-	-

A.1.10 Impaired On-balance-sheet credit exposures to banks: trend in total writedowns

The Bank had no impaired exposures of this type during the year.

A.1.11 Impaired on-balance-sheet credit exposures to customers: trend in total writedowns

DESCRIPTIONS/CATEGORIES	Bad loans		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**10,893**	**4,680**	**20,399**	**18,391**	**1**	**1**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-
B. INCREASES	**499**	**1,115**	**4,781**	**2,122**	**-**	**-**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	273	46	4,500	2,013	-	-
B.3 losses from disposal	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	148	148	-	-	-	-
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	78	921	281	109	-	-
C. DECREASES	**4,190**	**2,514**	**4,992**	**4,418**	**1**	**1**
C.1 value write-backs from valuations	14	9	200	99	-	-
C.2 value write-backs due to collection	1,275	1,232	2,152	1,826	-	-
C.3 gains from disposal	1,733	660	-	-	-	-
C.4 write-offs	820	378	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	148	148	-	-
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	348	235	2,493	2,345	1	1
D. FINAL TOTAL ADJUSTMENTS	**7,203**	**3,281**	**20,187**	**16,096**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given by external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross values)

EXPOSURES	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**444,928**	**5,413**	**2,236,862**	**-**	**17,362**	**-**	**18,627,232**	**21,331,797**
- Stage 1	440,346	5,413	2,226,577	-	13,315	-	18,400,833	21,086,485
- Stage 2	4,582	-	10,285	-	4,047	-	189,326	208,239
- Stage 3	-	-	-	-	-	-	37,072	37,072
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
B. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**8,626**	**736**	**993,342**	**-**	**-**	**-**	**-**	**1,002,704**
- Stage 1	8,626	736	993,342	-	-	-	-	1,002,704
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**453,554**	**6,149**	**3,230,204**	**-**	**17,362**	**-**	**18,627,232**	**22,334,501**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED	**(500)**	**-**	**(4,813)**	**(215,000)**	**-**	**-**	**(13,810,798)**	**(14,031,111)**
- Stage 1	(500)	-	(4,813)	(185,000)	-	-	(13,751,457)	(13,941,769)
- Stage 2	-	-	-	(30,000)	-	-	(59,260)	(89,260)
- Stage 3	-	-	-	-	-	-	(81)	(81)
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**(500)**	**-**	**(4,813)**	**(215,000)**	**-**	**-**	**(13,810,798)**	**(14,031,111)**
Total (A+B+C+D)	**453,054**	**6,149**	**3,225,391**	**215,000**	**17,362**	**-**	**4,816,434**	**8,303,390**

The Bank adopts the assessments of the Moody's Investors Service and CRIF Ratings S.r.l. rating agencies on the reported portfolios.

Moody's Investors Service	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

CRIF Ratings S.r.l.	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Bbb	Bb	B	Ccc, Cc, C, Ds
Global short-term rating scale	Ig-1		Ig-2	Sig-1, Sig-2, Sig-3, Sig-4		

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross values)

At the end of the reporting period, the Bank does not use internal ratings in the calculation of capital requirements

A.3 Breakdown of secured credit exposures by type of guarantee

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

			Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	
1. SECURED ON-BALANCE-SHEET CREDIT EXPOSURES:	**15,587,144**	**15,583,056**	**-**	**-**	**15,582,895**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,582,895**
1.1 totally secured	15,510,409	15,506,335	-	-	15,506,335	-	-	-	-	-	-	-	-	-	-	**15,506,335**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	76,734	76,721	-	-	76,560	-	-	-	-	-	-	-	-	-	-	**76,560**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED "OFF-BALANCE-SHEET" CREDIT EXPOSURES:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

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

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
			Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	
1. SECURED ON-BALANCE-SHEET CREDIT EXPOSURES:	**870,119**	**814,124**	**423,068**	**-**	**13,949**	**63,352**	**-**	**-**	**-**	**-**	**-**	**179,028**	**66**	**7,740**	**27,359**	**714,562**
1.1 totally secured	586,352	539,666	423,068	-	6,190	49,560	-	-	-	-	-	34,608	66	2,010	11,699	**527,200**
of which impaired	26,168	1,402	1,315	-	-	79	-	-	-	-	-	8	-	-	-	**1,402**
1.2 partially secured	283,767	274,458	-	-	7,759	13,792	-	-	-	-	-	144,420	-	5,730	15,660	**187,361**
of which impaired	8,299	7,140	-	-	-	-	-	-	-	-	-	7,140	-	-	-	**7,140**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**16,009**	**15,848**	**-**	**-**	**-**	**1,995**	**-**	**-**	**-**	**-**	**-**	**1,040**	**2,504**	**2,934**	**757**	**9,229**
2.1 totally secured	2,214	2,208	-	-	-	1,995	-	-	-	-	-	-	140	73	-	**2,208**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	13,794	13,640	-	-	-	-	-	-	-	-	-	1,040	2,364	2,860	757	**7,021**
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

At the end of the reporting period, there were no financial or non-financial assets obtained through the enforcement of guarantees received.

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution by sector of on-balance and off-balance-sheet credit exposures to customers

EXPOSURES/ COUNTERPARTIES	General Governments		Financial companies		Financial companies (of which: insurance companies)		Non-financial corporations		Households	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES										
A.1 Non-performing	-	-	-	-	-	-	795	7,189	-	14
- of which: forborne exposures	-	-	-	-	-	-	205	3,281	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	8,613	17,773	275	2,414
- of which: forborne exposures	-	-	-	-	-	-	1,120	13,682	275	2,414
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,407,796	614	1,073,553	8,560	-	-	963,167	34,440	40,653	453
- of which: forborne exposures	-	-	-	-	-	-	18,850	3,251	562	13
Total (A)	**3,407,796**	**614**	**1,073,553**	**8,560**	**-**	**-**	**972,575**	**59,402**	**40,927**	**2,880**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	-	-	-	-	81	-	-
B.2 Performing exposures	16	-	186,653	1,628	-	-	271,368	2,856	16,778	47
Total (B)	**16**	**-**	**186,653**	**1,628**	**-**	**-**	**271,368**	**2,937**	**16,778**	**47**
Total (A+B) 31/12/2022	**3,407,812**	**614**	**1,260,206**	**10,188**	**-**	**-**	**1,243,943**	**62,340**	**57,705**	**2,928**
Total (A+B) 31/12/2021	**3,439,227**	**550**	**1,043,504**	**10,666**	**-**	**-**	**1,022,964**	**63,208**	**50,711**	**3,534**

B.2 Breakdown by territory of On-balance and off balance-sheet credit exposures to customers

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES								
A.1 Non-performing	590	319	205	6,883	-	-	-	-
A.2 Unlikely to pay	282	1,139	1,341	15,317	7,265	1,941	-	1,791
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	236,870	8,398	1,688,466	32,127	3,240,855	2,779	18,432	678
Total (A)	**237,742**	**9,856**	**1,690,012**	**54,326**	**3,248,120**	**4,720**	**18,432**	**2,469**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	81	-	-	-	-
B.2 Performing exposures	36,304	266	390,226	3,306	47,916	944	355	16
Total (B)	**36,304**	**266**	**390,226**	**3,387**	**47,916**	**944**	**355**	**16**
Total (A+B) 31/12/2022	**274,046**	**10,122**	**2,080,237**	**57,713**	**3,296,036**	**5,664**	**18,787**	**2,485**
Total (A+B) 31/12/2021	**227,747**	**10,755**	**1,734,595**	**59,085**	**3,287,955**	**5,676**	**12,659**	**2,408**

B.3 Breakdown by territory of on-balance and off-balance-sheet credit exposures to banks

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposures	Total writedowns	Net exposures	Total writedowns	Net exposures	Total writedowns	Net exposures	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	4,376,179	4,278	8,950,913	1,826	1,819,844	787	1,616,031	348
Total (A)	**4,376,179**	**4,278**	**8,950,913**	**1,826**	**1,819,844**	**787**	**1,616,031**	**348**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,166,903	682	7,606,227	799	842,987	92	2,004,053	63
Total (B)	**3,166,903**	**682**	**7,606,227**	**799**	**842,987**	**92**	**2,004,053**	**63**
Total (A+B) 31/12/2022	**7,543,082**	**4,960**	**16,557,140**	**2,625**	**2,662,831**	**879**	**3,620,084**	**410**
Total (A+B) 31/12/2021	**7,420,886**	**5,856**	**19,935,145**	**2,819**	**2,081,565**	**1,169**	**3,604,117**	**1,041**

B.4 Large exposures

ITEMS	Total 31/12/2022	Total 31/12/2021
A) AMOUNT OF LARGE EXPOSURES		
a1) carrying amount	36,850,308	37,108,795
a2) weighted value amount	127,592	85,182
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**9**	**6**

C. SECURITISATION TRANSACTIONS

Securitisation transactions are not recognised, in which banks in the same prudential consolidation are the originator and the total liabilities issued (e.g. ABS securities, loans in the warehousing phase) by the special purpose vehicles are subscribed at the time of issue by one or more companies in the same prudential consolidation.

Information of a qualitative nature

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Bank's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

In 2022, no own securitisation transactions were carried out.

2. Third party securitisation transactions

The Bank retains, within its portfolio, at the net carrying amount, securities from "third-party" securitisation transactions for a total of EUR 138 thousand.

These are unrated securities issued by the Special Purpose Vehicle Lucrezia Securitisation S.r.l. as part of the interventions of the Institutional Guarantee Fund:

- the securities "EUR 211,368,000 Asset-Backed Notes due October 2026", with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of bad loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 78,388,000 Asset-Backed Notes due January 2027" with ISIN code IT0005240749, were issued by the special purpose vehicle on 27 January 2017, following the securitisation of the portfolios of bad loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 32,461,000 Asset-Backed Notes due October 2027" with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of bad loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included in the Bank's balance sheet assets under item "40. Financial assets measured at amortised cost - Loans to customers" of the balance sheet.

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%, for EUR 8 thousand.

It should be noted that in relation to the above securitisation transactions, the Bank does not play any role as Servicer and does not hold any interest in the Special Purpose Vehicle.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the bank must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the bank, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the investor bank, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the bank is exposed or would be exposed.

In particular, the bank has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);
- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the bank has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;
- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

Information of a quantitative nature

C.1 Exposures deriving from primary "own" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/ EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**3,488**	**1**	**7**	**-**	**27**	**-**
IMPAIRED ASSETS	**3,488**	**1**	**7**	**-**	**27**	**-**
- Non-performing	3,488	1	7	-	27	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

Off-balance-sheet

As at 31 December 2022, the scenario was not present.

C.2 Exposures deriving from primary third-party securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
Lucrezia Securitisation Srl - Securities	(138)	717				

C.3 Securitisation special purpose vehicles

SECURITISATION NAME/ SPV NAME	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Lucrezia Securitisation S.r.l. - Crediveneto	Rome - Via Mario Carucci 31	No.	9,950			37,783		
Lucrezia Securitisation S.r.l. - Padovana/Irpina	Rome - Via Mario Carucci 31	No.	15,753			104,218		
Lucrezia Securitisation S.r.l. - Castiglione	Rome - Via Mario Carucci 31	No.	3,475			32,461		
Buonconsiglio 3 S.r.l.	Milan	No.	125,107			120,255	21,000	4,541
Buonconsiglio II - Nepal S.r.l.	Milan	No.	78,904			63,352		54,525
Buonconsiglio 4 S.r.l.	Conegliano (TV)	No.	102,603			99,095	16,500	5,893

C.4 Unconsolidated securitisation special purpose vehicles

The table has not been filled in as it is reportable in the consolidated financial statements.

C.5 Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

The table has not been filled in because, as at the reporting date, there were no balances ascribable to the item in question.

D. DISCLOSURE ON STRUCTURED ENTITIES NOT CONSOLIDATED FROM AN ACCOUNTING VIEWPOINT (DIFFERENT FROM SECURITISATION SPECIAL PURPOSE VEHICLES)

Information of a qualitative nature

This information is not provided given that the Bank drafts the consolidated financial statements.

Information of a quantitative nature

D. Disclosure on structured entities not consolidated from an accounting viewpoint (different from securitisation special purpose vehicles)

This information is not provided given that the Bank drafts the consolidated financial statements.

E. DISPOSAL TRANSACTIONS

A. Financial assets sold and not fully derecognised

Information of a qualitative nature

Financial assets sold and not derecognised and financial liabilities related to assets sold and not derecognised shown in the tables of this section pertain mainly to repos carried out on own securities recognised as assets in the balance sheet.

Information of a quantitative nature

E.1 Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
Total 31/12/2022	-	-	-	-	-	-	-
Total 31/12/2021	10,031	-	10,031	-	9,595	-	9,595

E.2 Financial assets sold and partially recognised and associated financial liabilities: carrying amounts

The information and the table are not provided because, as at the reporting date, there were no balances ascribable to this item.

E.3 Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Fully recognised	Partially recognised	Total	
			31/12/2022	31/12/2021
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**-**	**-**	**-**	**10,063**
1. Debt securities	-	-	-	10,063
2. Loans	-	-	-	-
Total financial assets	**-**	**-**	**-**	**10,063**
Total associated financial liabilities	**-**	**-**	**X**	**X**
Net value 31/12/2022	**-**	**-**	**-**	**X**
Net value 31/12/2021	**468**	**-**	**X**	**10,063**

B. Financial assets sold and fully derecognised with recognition of continuing involvement

Information of a qualitative nature

At the end of the reporting period, the Bank had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. Financial assets sold and fully derecognised

At the end of the reporting period, the Bank does not have any transactions attributable to this scenario.

D. Covered bond transactions

The information is not provided because, as at the reporting date, there were no balances ascribable to this item.

F. CREDIT RISK MEASUREMENT MODELS

At the end of the reporting period, the Bank does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to Section 1 - Credit Risk, Information of a qualitative nature, 2.2 Management, measurement and control systems.

Section 2 - Market risks

2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Information of a qualitative nature

A. General aspects

The Bank's Finance Department plans the investment choices relating to the trading book in accordance with the guidelines shared within the Group through the periodic portfolio management strategy documents and in compliance with any amounts of investment defined by the Board of Directors.

During the year, the management strategy for the proprietary portfolio established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option).

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Board of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or limits in the internal regulations are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, on the basis of the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information of a quantitative nature

1.Regulatory trading book: Breakdown by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	89,061	108,861	130,737	238,270	306,966	17	-	-
+ Short positions	89,061	108,861	130,737	238,270	306,966	17	-	-
- Other derivatives								
+ Long positions	13,882	562,254	153,601	76,180	282,502	171,283	256,283	-
+ Short positions	13,882	640,020	161,236	77,441	281,136	171,283	256,283	-

Other Currencies

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	-	-	-	-	-	-	-	-
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	98,145	21,237	5,348	-	-	-	-
+ Short positions	-	22,047	13,534	4,147	1,366	-	-	-

2. Regulatory trading book: breakdown of exposures in equities and stock market indices for the main countries of the listed market

The table is not reported given that a price risk sensitivity analysis for an internal model is supplied, as reported in the previous section.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the trading book is supported by reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (equities, funds, fixed rate and government, supranational and corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for interest rate and price risk

Interest rate risk - Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Bank is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, 'fair value' interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Bank has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are codified in the corporate regulations aimed at designing monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Bank, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Bank has identified the Finance Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Board of Directors of the Bank has decided to use the framework provided by the EBA guidelines (GL-2018-02) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows for quantification of the difference in value between discounted cash flow of balance sheet items using a curve without shock and one with shock. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (value and margin); in 2022, an update was applied to the model of items on demand, estimated using Group data.

The Bank determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAS by the ratio between the internal capital thus calculated and the value of Own Funds. At consolidated level, the Parent Company monitors the positioning of the Group also in relation to the value of CET1 and the attention threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAS, the Bank activated appropriate recovery initiatives.

Price risk - Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (equities, funds, fixed rate and government, supranational and corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2022 is reported below:

Figures rounded to nearest Euros

VaR 31/12/2022	Average VaR	Minimum VaR	Maximum VaR
82,002,794	53,121,792	27,592,122	86,579,796

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. At consolidated portfolio level the previous model did not identify any significant overruns in the year.

The year 2022 saw a continuation, with respect to VaR, of the quantification of issuer risk for government securities and therefore country risk, understood as VaR relating only to the risk factor “Credit Spread”, expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also calculated only on the Italian Government bonds segment.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2022 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

Figures rounded to nearest euro unit

Theoretical value at 31/12/22	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
3,776,295,809	22,214,958	-21,829,149	44,833,203	-43,278,133

Information of a quantitative nature

1.1. Banking book: breakdown by residual duration (re-pricing date) of financial assets and liabilities

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**929,339**	**4,001,861**	**3,214,394**	**2,110,455**	**11,436,172**	**557,253**	**223,094**	**-**
1.1 Debt securities	-	1,016,181	1,370,645	98,745	820,689	480,688	202,420	-
- with option of advance reimbursement	-	108,059	-	10,578	5,061	-	-	-
- other	-	908,122	1,370,645	88,167	815,627	480,688	202,420	-
1.2 Loans to banks	74,404	2,405,760	1,786,143	1,929,107	10,191,341	422	949	-
1.3 Loans to customers	854,935	579,919	57,606	82,603	424,143	76,143	19,725	-
- current accounts	200,455	458,738	-	-	-	-	-	-
- other loans	654,480	121,182	57,606	82,603	424,143	76,143	19,725	-
- with option of advance reimbursement	382,202	109,358	56,205	76,058	394,373	49,219	9,917	-
- other	272,278	11,823	1,401	6,545	29,769	26,925	9,808	-
2. CASH LIABILITIES	**3,854,478**	**3,069,250**	**1,923,123**	**1,791,971**	**10,759,245**	**9,943**	**168,922**	**-**
2.1 Due to customers	1,252,761	1,274,089	260	22	43,751	9,634	-	-
- current accounts	820,365	34	-	-	43,010	-	-	-
- other payables	432,396	1,274,054	260	22	741	9,634	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	432,396	1,274,054	260	22	741	9,634	-	-
2.2 Due to banks	2,601,717	1,795,161	1,922,863	1,791,949	10,512,433	309	168,922	-
- current accounts	2,282,388	-	-	-	-	-	-	-
- other payables	319,328	1,795,161	1,922,863	1,791,949	10,512,433	309	168,922	-
2.3 Debt securities	-	-	-	-	203,061	-	-	-
- with option of advance reimbursement	-	-	-	-	203,061	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Beyond 10 years	Indefinite useful life
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	59	66	118	1,047	521	1,035	-
+ Short positions	1,551	981	109	3	124	79	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Other Currencies

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Beyond 10 years	Indefinite useful life
1. CASH ASSETS	**22,206**	**8,942**	**1,184**	**332**	**-**	**47,339**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	47,339	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	47,339	-	-
1.2 Loans to banks	22,206	8,942	1,143	-	-	-	-	-
1.3 Loans to customers	-	-	41	332	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	41	332	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	41	332	-	-	-	-
2. CASH LIABILITIES	**106,051**	**16,686**	**8,252**	**1,596**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,718	1,640	219	-	-	-	-	-
- current accounts	751	-	-	-	-	-	-	-
- other payables	1,967	1,640	219	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	1,967	1,640	219	-	-	-	-	-
2.2 Due to banks	103,333	15,046	8,033	1,596	-	-	-	-
- current accounts	103,333	-	-	-	-	-	-	-
- other payables	-	15,046	8,033	1,596	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Beyond 10 years	Indefinite useful life
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Bank quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 31 December 2022, assuming a change in interest rates of +/-100 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of Own Funds at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario).

Amounts in euro

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-41,216,193	41,871,156
Banking book: securities	-93,594,194	101,573,593
Other assets	-71,418	75,609
Liabilities	36,572,426	-35,205,064
Total	**-98,309,378**	**108,315,294**
Own Funds	1,177,064,341	1,177,064,341
% Impact on own funds	-8.35%	9.20%

Amounts in euro

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	156,179,733	-157,061,783
Banking book: securities	14,132,306	-14,244,257
Other assets	-4,098,566	3,695,483
Liabilities	-184,353,484	170,699,400
Total	**-18,140,010**	**3,088,843**
Prospective interest margin	58,607,151	58,607,151
% Impact on prospective interest margin	-30.95%	5.27%

2.3 EXCHANGE RATE RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated with the applications and with the historical method via RiskMetrics, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2022 the Bank carried out transactions to hedge the exchange rate risk using outright derivatives.

Information of a quantitative nature

1. Breakdown of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	CHF	GBP	JPY	CAD	OTHER CURRENCIES
A. FINANCIAL ASSETS	**70,039**	**9,508**	**1,499**	**766**	**595**	**1,710**
A.1 Debt securities	47,339					
A.2 Equities						
A.3 Loans to banks	22,326	9,508	1,499	766	595	1,710
A.4 Loans to customers	373					
A.5 Other financial assets						
B. OTHER ASSETS	**6,618**	**1,074**	**1,634**	**317**	**552**	**1,754**
C. FINANCIAL LIABILITIES	**91,182**	**14,621**	**17,611**	**1,101**	**3,772**	**4,298**
C.1 Due to banks	87,303	14,621	16,918	1,101	3,772	4,294
C.2 Due to customers	3,879		693			4
C.3 Debt securities						
C.4 Other financial liabilities						
D. OTHER LIABILITIES						
E. FINANCIAL DERIVATIVES						
- Options						
+ Long positions						
+ Short positions						
- Other derivatives						
+ Long positions	99,409	4,611	15,419	32	2,707	2,552
+ Short positions	37,787	590	934	23	102	1,658
Total assets	**176,066**	**15,193**	**18,552**	**1,116**	**3,854**	**6,016**
Total liabilities	**128,969**	**15,211**	**18,545**	**1,123**	**3,874**	**5,956**
Imbalance (+/-)	**47,097**	**(18)**	**7**	**(8)**	**(20)**	**59**

2. Internal models and other methodologies for sensitivity analysis

The Bank's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

Section 3 – Derivatives and hedging policies

3.1 DERIVATIVES HELD FOR TRADING

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2022				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	**-**	**1,565,458**	**129,764**	**-**	**-**	**1,162,912**	**48,226**	**-**
a) Options	-	220,246	-	-	-	53,944	-	-
b) Swaps	-	1,345,211	129,764	-	-	1,108,968	48,226	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**141,833**	**3,881**	**-**	**-**	**127,713**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	141,833	3,881	-	-	127,713	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**1,707,291**	**133,645**	**-**	**-**	**1,290,626**	**48,226**	**-**

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Total 31/12/2022				Total 31/12/2021			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counterparties	With netting agreements	Without netting agreements	Organised markets	Central counterparties	With netting agreements	Without netting agreements	Organised markets
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	107,846	-	-	-	22,337	140	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	1,032	53	-	-	2,261	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**108,878**	**53**	**-**	**-**	**24,598**	**140**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	101,874	4,243	-	-	20,532	63	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2,875	13	-	-	634	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**104,750**	**4,256**	**-**	**-**	**21,167**	**63**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	71,800	57,964
- positive fair value	X	-	-	-
- negative fair value	X	-	2,033	2,211
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	3,881
- positive fair value	X	-	-	53
- negative fair value	X	-	-	13
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	1,565,458	-	-
- positive fair value	-	107,846	-	-
- negative fair value	-	101,874	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) CURRENCIES AND GOLD				
- notional value	-	141,833	-	-
- positive fair value	-	1,032	-	-
- negative fair value	-	2,875	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	280,306	339,538	1,075,377	**1,695,222**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	144,348	1,366	-	**145,714**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2022	**424,655**	**340,904**	**1,075,377**	**1,840,936**
Total 31/12/2021	**229,102**	**261,867**	**847,882**	**1,338,851**

B. Credit derivatives

This section is not filled out given that the Bank does not hold credit derivatives.

3.2 ACCOUNTING HEDGES

Information of a qualitative nature

The Bank does not implement hedging transactions attributable to this type of situation.

In any case, the Bank has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

3.3 OTHER INFORMATION ON TRADING AND HEDGING DERIVATIVES

A. Financial and credit derivatives

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

	Central counterparties	Banks	Other financial corporations	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	1,565,458	71,800	57,964
- positive net fair value	-	107,846	-	-
- negative net fair value	-	101,874	2,033	2,211
2) Equities and stock market indices				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	141,833	-	3,881
- positive net fair value	-	1,032	-	53
- negative net fair value	-	2,875	-	13
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

Section 4 - Liquidity risk

Information of a qualitative nature

A. GENERAL ASPECTS, MANAGEMENT PROCESSES AND MEASUREMENT METHODS FOR LIQUIDITY RISK

Liquidity risk is defined as the possibility that the Bank may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (funding liquidity risk), or that it may be forced to incur very high costs to meet these commitments (market liquidity risk). Funding Liquidity Risk, in turn, can be distinguished between: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Bank, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter also "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Bank with net cash outflows (difference between gross outflows and inflows) expected over a thirty-day time period, the latter developed taking into account a predefined stress scenario. The DR-LCR entered into force on 1 October 2015 and, after a phasing-in from 1 January 2018, a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation (EU) no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Bank (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:

    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
    - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);
- the analysis of the level of seniority of financial instruments.

The processes in which the Bank's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Bank adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic supervisory body, the Board of Directors of the Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Bank's liquidity is managed by the Finance Department in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department and is aimed at checking the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between maturities of lending and funding in the medium/long term.

The Bank intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Bank's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Bank has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Bank uses the analysis reports available on a regular basis.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Bank's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and non-financial corporations) on the Group's total funding from customers is 11% as at 31 December 2022.

The Bank's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Bank operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Bank uses the analysis reports available monthly.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the EU Regulation no. 2019/876 (CRR2).

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Bank calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted using an approach that aims to worsen the percentages applied to the most significant items by referring to a regulatory method, contemplate two liquidity crisis scenarios, market/systemic and bank-specific. In particular, the Bank performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

During 2020, an additional scenario linked to the pandemic crisis was also introduced, which envisages the reduction of the inflow components compared to the standard ones to take into account the effect of the moratoria.

The results of the analyses carried out are periodically documented to the Board of Directors.

In addition, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (hereinafter also referred to as the "CFP"), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Bank has had a significant amount of liquid resources due to the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem.

As at 31 December 2022, the total amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the individual Liquidity Coverage Ratio (LCR), stood at EUR 4.7 billion.

The recourse by the Group to refinancing from the ECB amounted to EUR 14.3 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO):

CLASSIFICATION	31/12/2022
TLTRO III loan	14,334,800,000
ECB auctions	30,000,000
Total Auctions	**14,364,800,000**

Information of a quantitative nature

1. Time-based breakdown by residual contractual duration of financial assets and liabilities

Euro

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Beyond 5 years	Indefinite useful life
A. CASH ASSETS	**435,152**	**549,280**	**329,488**	**811,665**	**1,004,182**	**1,931,590**	**2,723,331**	**13,059,571**	**1,226,449**	**526,793**
A.1 Government securities	44	-	177,804	-	55,082	47,690	624,278	1,923,219	567,219	-
A.2 Other debt securities	-	-	7	557	21,040	2,122	25,466	284,178	349,662	-
A.3 UCITS units	67,985	-	-	-	-	-	-	-	-	-
A.4 Loans	367,123	549,280	151,677	811,108	928,060	1,881,778	2,073,587	10,852,174	309,568	526,793
- Banks	65,208	548,500	150,000	322,500	866,425	1,800,060	1,927,887	10,076,418	1,371	526,793
- Customers	301,915	780	1,677	488,608	61,635	81,718	145,700	775,756	308,197	-
B. CASH LIABILITIES	**3,854,409**	**436,103**	**548,303**	**432,412**	**1,655,419**	**1,923,269**	**1,804,828**	**10,638,765**	**178,476**	**-**
B.1 Deposits and current accounts	3,421,829	11	14,150	1,499	842,553	144,745	45,360	83,010	168,767	-
- Banks	2,601,160	11	13,999	1,499	842,502	144,737	45,319	40,000	168,767	-
- Customers	820,669	-	150	-	51	9	41	43,010	-	-
B.2 Debt securities	-	-	-	-	-	-	11,830	200,000	-	-
B.3 Other liabilities	432,580	436,091	534,153	430,913	812,866	1,778,524	1,747,638	10,355,755	9,709	-
C. OFF BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	9,132	1,404	2,120	9,070	13,750	4,168	1,366	-	-
- Short positions	-	29,776	18,041	22,030	29,645	21,385	5,429	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	107,846	-	-	-	-	-	-	-	-	-
- Short positions	106,118	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Beyond 5 years	Indefinite useful life
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Beyond 5 years	Indefinite useful life
A. CASH ASSETS	**22,226**	**6,374**	**1,158**	**2,112**	**3,463**	**1,579**	**432**	**287**	**46,878**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	381	381	-	46,878	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	22,226	6,374	1,158	2,112	3,463	1,199	51	287	-	-
- Banks	22,226	6,374	1,158	2,112	3,463	1,148	-	-	-	-
- Customers	-	-	-	-	-	50	51	287	-	-
B. CASH LIABILITIES	**106,051**	**1,572**	**2,281**	**5,651**	**7,250**	**8,384**	**1,638**	**-**	**-**	**-**
B.1 Deposits and current accounts	104,083	1,408	1,953	5,597	6,157	8,165	1,638	-	-	-
- Banks	103,333	1,408	1,953	5,597	6,157	8,165	1,638	-	-	-
- Customers	751	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,967	164	328	55	1,093	219	-	-	-	-
C. OFF BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	29,641	17,722	21,910	28,872	21,237	5,348	-	-	-
- Short positions	-	9,090	1,354	2,754	8,849	13,534	4,147	1,366	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

The Bank did not implement any self-securitisation transactions.

Section 5 – Operating risks

Information of a qualitative nature

A. GENERAL ASPECTS, MANAGEMENT PROCESSES AND MEASUREMENT METHODS FOR OPERATIONAL RISK

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems and deficiencies in the handling of transactions or process management, as well as losses due to positions with commercial counterparties and suppliers.

The following subcategories of risk are significant in terms of operational risks:

- "ICT and security" risk, namely the risk of incurring losses due to a breach of confidentiality, lack of integrity of the systems and data, inadequacy or unavailability of the systems and data or inability to replace the information technology (IT) within reasonable time and cost limits, in case of changes to the requirements of the external context or activity (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber attacks or a level of inadequate physical security;
- "third-party risk", namely the risk of incurring economic losses, damage to reputation or market share losses arising from the outsourcing/supply of services and/or company functions.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment**, which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting**, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the year, the Bank fostered the procedure for the recognition of operating loss events and the related economic effects.

Finally, there are the third level controls carried out by the Internal Audit Department, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Bank mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Bank in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Bank internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operating risks, the Bank, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the end of the period situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

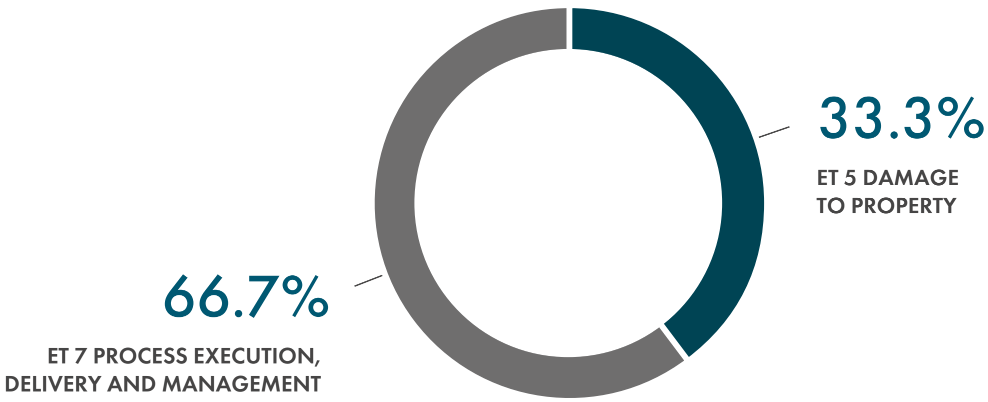
The adoption of a Business Continuity and Emergency Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

YEAR	Amount
Year T	259,016
Year T-1	210,406
Year T-2	189,240
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**219,554**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**32,933**

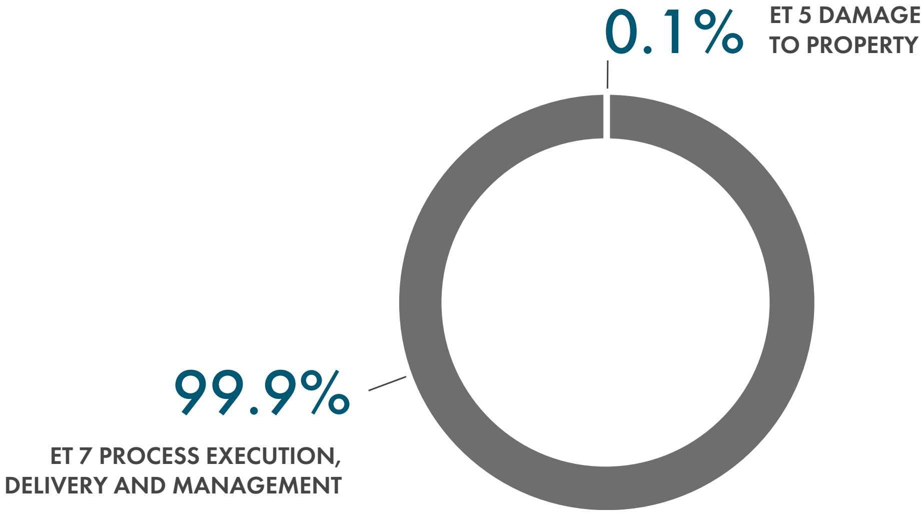
Information of a quantitative nature

With reference to the quantitative information, in relation to the structured process of Loss Data Collection, the breakdown by Event Type is reported for Cassa Centrale Banca.

Number of operational loss events with effects recorded in 2022



Net operating losses in 2022



The operational losses of Cassa Centrale Banca were mainly concentrated in the event type “ET 7 Execution, delivery and management of processes” (66.7% of frequencies and 99.9% of the total impacts detected), followed by “ET 5 Damage to tangible assets” (33.3% of frequencies and 0.1% of the total impacts detected).

The COVID-19 pandemic event did not account for any operating losses, since the effects generated by the COVID-19 pandemic include exclusively costs included in the 2022 budget, not considered operational losses but expenses necessary to allow business continuity.

Legal risk

In carrying out their activities, the Bank companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and/or "possibility" as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Bank. For more detailed information, please refer to Part B, Section 10 – Provisions for risks and expenses.

PART F - Information on equity

Section 1 - Equity

Information of a qualitative nature

Equity is the main safeguard against corporate risks associated with the Bank's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Bank's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the international and local Supervisory Authorities have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Bank refers is that defined by Regulation (EU) no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital – (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Bank;
- prudent management of investments, which takes into account the risk of counterparties;
- capital strengthening plans through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Bank operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Bank.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total capital ratio).

The Capital Conservation Buffer of 2.5% was added to these minimum regulatory requirements.

Any failure by the Supervised Entity to comply with all these requirements (the Combined Requirement) will result in limitations on dividend distributions, variable remuneration and other elements of regulatory capital beyond pre-established limits, and as a result, Supervised Entities will be required to take appropriate action to restore the required level of capital.

Moreover, as of 1 January 2016, the Banks are required to hold a Countercyclical Capital Buffer. Starting from 1 January 2019, this reserve, consisting of Common Equity Tier 1, may not exceed 2.5% of the total amount of risk-weighted exposures.

Considering that, as per Bank of Italy notice of 30 September 2022, for the fourth quarter of 2022, the countercyclical buffer ratio for exposures to counterparties resident in Italy has been set at 0%, that countercyclical capital ratios have generally been set at 0%, and that the Bank has mainly exposures to domestic entities, the Bank-specific countercyclical ratio is close to zero.

Lastly, the Bank must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 *et seq.* of Directive (EU) no.36/2013 (CRD IV). Through this process, the Competent Authority reviews and evaluates the process of determining capital adequacy conducted internally by the Bank, analyses its risk profiles both individually and in the aggregate — including under stress conditions – assesses its contribution to systemic risk, the corporate governance system, and verifies compliance with the set of prudential rules.

At the end of the reporting period, Cassa Centrale Banca reports:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 55.35%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 55.35%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 55,35%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

Information of a quantitative nature

B.1 Company's capital: breakdown

ITEMS OF EQUITY	Amount 31/12/2022	Amount 31/12/2021
1. Capital	952,032	952,032
2. Share premium	19,029	19,029
3. Reserves	171,051	158,979
- of profit	171,033	158,961
a) legal	32,894	30,591
b) statutory	-	-
c) own shares	-	-
d) other	138,139	128,370
- other	18	18
4. Equity instruments	-	-
5. (Own shares)	-	-
6. Valuation reserves:	(18,454)	(32,767)
- Equities measured at fair value through other comprehensive income	(1,987)	(35,426)
- Hedging of equities measured at fair value through other comprehensive income	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	(17,051)	2,184
- Tangible assets	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedging	-	-
- Hedging instruments [non designated elements]	-	-
- Exchange rate differences	-	-
- Non-current assets and groups of assets held for disposal	-	-
- Financial liabilities measured at fair value through profit or loss (changes in credit rating)	-	-
- Actuarial gains (losses) from defined benefit plans	(312)	(421)
- Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
- Special revaluation laws	896	896
7. Profit (loss) for the year	44,660	46,064
Total	**1,168,319**	**1,143,337**

The share capital of the Bank is composed of 18,158,304 ordinary shares and 150,000 preference shares with a nominal value of EUR 52 each and totalling EUR 952,031,808.

The reserves pursuant to point 3. include already existing profit reserves as well as the positive and negative reserves from the first-time adoption of IAS/IFRS (so-called FTA reserves) not recognised in other equity items.

The valuation reserves included in point 6. are detailed in Table B.2 below.

B.2 Valuation reserves for financial assets designated at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/2022		Total 31/12/2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	399	(17,451)	2,327	(143)
2. Equities	910	(2,897)	627	(36,053)
3. Loans	-	-	-	-
Total	**1,309**	**(20,348)**	**2,954**	**(36,197)**

The significant change in the negative reserve referred to in point 1. Debt securities is attributable to the net negative reserve of EUR 17.45 million arising from the negative performance on the financial markets in 2022, in particular for Italian government securities for EUR 15.8 million.

B.3 Valuation reserves for financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**2,184**	**(35,426)**	**-**
2. POSITIVE CHANGES	**10,652**	**37,701**	**-**
2.1 Fair value increases	504	1,093	-
2.2 Value adjustments for credit risk	219	X	-
2.3 Reversals of negative reserves to the income statement: from sale	158	X	-
2.4 Transfers to other components of equity (equities)	-	10,068	-
2.5 Other changes	9,771	26,539	-
3. NEGATIVE CHANGES	**29,887**	**4,261**	**-**
3.1 Fair value decreases	26,391	1,594	-
3.2 Write-backs for credit risk	194	-	-
3.3 Reversals of positive reserves to the income statement: from sale	3,047	X	-
3.4 Transfers to other components of equity (equities)	-	-	-
3.5 Other changes	254	2,668	-
4. CLOSING BALANCES	**(17,051)**	**(1,987)**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

ITEMS	Total 31/12/2022	Total 31/12/2021
1. OPENING BALANCES	**(421)**	**(412)**
2. POSITIVE CHANGES	**150**	**24**
2.1 Actuarial gains from defined benefit plans	150	-
2.2 Other changes	-	24
2.3 Business combinations	-	-
3. NEGATIVE CHANGES	**(41)**	**(33)**
3.1 Actuarial losses from defined benefit plans	-	(3)
3.2 Other changes	(41)	(30)
3.3 Business combinations	-	-
4. CLOSING BALANCES	**(312)**	**(421)**

Section 2 – Own funds and adequacy ratios

With regard to the contents of this section, please refer to the information on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared on a consolidated basis by the Parent Bank Cassa Centrale Banca Credito Cooperativo Italiano S.p.A. pursuant to Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 - Transactions implemented during the year

During the year, the Bank did not implement business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations with entities subject to common control (known as “Business combinations between entities under common control”).

Section 2 - Transactions implemented after the close of the year

After the end of the 2022 financial year and until the date of approval of the draft financial statements by the Board of Directors, the Bank did not carry out business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations between entities under common control (known as business combination between entities under common control).

Section 3 - Retrospective adjustments

No adjustments relating to business combinations that occurred in the same year or in previous years were recorded during 2022.

PART H - Transactions with related parties

The Bank, in compliance with the procedures provided for by sector regulations, has adopted the "Group Regulations for the management of transactions with related parties".

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 263 of 27 December 2006 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Related Parties carried out by the Parent Company, the Affiliated Banks and Group companies, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Related Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For stricter accounting purposes, the provisions of "IAS 24 - Related Party Disclosures" also apply, for which the Bank has taken into account the information provided at Cassa Centrale Group level with regard to the identification of the related scope of consolidation.

More specifically, under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors, Standing Auditors and General Management members) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - children (even if not living together) and the spouse (even if legally separated) or common-law spouse of that person;
        - the children of the spouse or common-law spouse of that person (provided they are living together);
        - the dependants of that person or the dependants of that person's spouse or common-law spouse for tax purposes;
        - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person;
- person who has significant influence over the entity preparing the financial statements.

Legal entity:

- entity controlled (direct, indirect or joint control) by one of the persons referred to in the previous point (natural persons);
- entity who has significant influence over the entity preparing the financial statements;
- entity that has control (joint control or otherwise) over the entity preparing the financial statements;
- BCC-CR-RAIKA belonging to the Cassa Centrale Group;
- the companies belonging to the Cassa Centrale Group (direct, indirect or joint control) as well as their subsidiaries;
- entity who has significant influence over a Group company and its joint ventures;
- associates and joint ventures and their subsidiaries;
- post-employment benefit plans for employees of the Group or a related entity.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

These include the following:

- Chief Executive Officer;
- Deputy General Manager;
- Chairperson of the Board of Directors;
- members of the Board of Directors;
- Chairperson of the Board of Statutory Auditors and the Standing Auditors;
- executives who report directly to the Board of Directors or the Chief Executive Officer.

The table below shows, in compliance with the requirements of section 17 of IAS 24, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AS AT 31/12/2022	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	2,867	2,711	401	401	5,201	5,201	**8,469**	**8,313**
Benefits relative to the post-employment period (social security, insurance, etc.)	-	-	-	-	198	-	**198**	**-**
Other long-term benefits	-	-	-	-	-	-	**-**	**-**
Compensation for termination of employment	-	-	-	-	-	-	**-**	**-**
Payments in shares	-	-	-	-	-	-	**-**	**-**
Total	**2,867**	**2,711**	**401**	**401**	**5,399**	**5,201**	**8,667**	**8,313**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Parent Company	-	-	-	-	-	-
Subsidiaries	17,057,922	3,659,813	13,009,506	4,764	274,826	91,314
Associates	30,056	-	14,557	-	118	77
Directors and Executives	1,310	2,211	380	-	232	28
Other related parties	7,454	3,132	24	5,608	696	43
Total	**17,096,742**	**3,665,156**	**13,024,466**	**10,372**	**275,872**	**91,462**

It should be noted that “Other related parties” include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

During the year there were no analytical value adjustments or losses for receivables from related parties. Only the collective write-down was applied to receivables from related parties in accordance with IFRS 9.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties, excluding those with subsidiaries, do not have a significant incidence on the financial situation, economic result and cash flows of the Bank.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Bank has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

Since the Bank is not listed nor is an issuer of widely distributed securities, it is not required to complete the segment reporting pursuant to IFRS 8.

PART M - Information on leasing

Section 1 – Lessee

Qualitative information

IFRS 16 has standardised the accounting treatment of operating and finance leases for the lessee, requiring the lessee to recognise:

- in the balance sheet: i) a financial liability, which represents the present value of future payments that the company undertakes to make in relation to the lease, and ii) an activity that represents the "right of use" of the asset involved in the lease;
- in the Income Statement: i) the financial expenses connected with the aforementioned financial liability and ii) the amortisation related to the above-mentioned "right of use".

The lessee recognises in the Income Statement the interest deriving from the lease liability and the amortisation of the right of use. The right of use is amortised over the effective duration of the underlying contract.

As part of the highlighted accounting aspects, the Bank mainly has leasing contracts relating to buildings.

The choices made by the Bank

The choices made by the Bank regarding IFRS 16 are fully consistent with those applied by the entire Cassa Centrale Group.

More specifically, the Bank adopts IFRS 16 using the simplified prospective approach, which provides for the recognition of a lease liability equal to the present value of future lease payments and a right of use for the same amount. This approach does not therefore have an impact on equity.

The Bank, by adopting the practical expedient described in paragraph 6 of IFRS 16, excluded from the scope of application (i) contracts with a residual useful life at the date of first application of less than 12 months and (ii) contracts involving assets with a value of less than EUR 5,000. With reference to these two scenarios, rental fees have been recorded under operating costs in the Income Statement. The Bank has also applied IFRS 16 to embedded leases, i.e. contracts other than hire/lease/rental contracts that substantially contain long-term rental, lease or hire.

Discount rate

The Bank, in application of IFRS 16, uses the weighted average rate of funding at maturity.

Contract duration

The duration of the contract corresponds to the non-cancellable period during which the individual company is subject to an obligation to the lessor and has the right to use the leased property. The following form part of the duration of the contract:

- the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise the option;
- the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise the option.

Periods covered by an option to terminate the bilateral contract are not part of the duration of the contract. In such cases the duration of the contract is limited to the notification period for the exercise of the option.

Lease and non-lease components

The Bank has considered separating the service and lease components. Only the lease components participate in the definition of the lease liability, while the service components maintain the same accounting treatment as other operating costs.

Quantitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically:

- information on rights of use acquired through lease is provided in "Part B - Information on the Balance sheet, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets";
- information on payables for leases is provided in "Part B - Information on the Balance sheet, Liabilities, Section 1 - Financial liabilities measured at amortised cost";
- the information on interest expense on payables for leases and other expenses related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in "Part C - Information on the Income Statement", in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to "Part C - Information on the Income Statement".

Section 2 - Lessor

This is not applicable to the Bank.

Annexes to the financial statements of Cassa Centrale Banca

Annex A) Report on the guarantee scheme

Report on the Guarantee Scheme

The financial soundness of the Group is assured through the signing of the Guarantee Agreement, whereby the Parent Company and the Affiliated Banks (hereinafter also “the Parties”) jointly and severally guarantee, within the limits of their free capital, the external creditors and provide each other with support to preserve the solvency and liquidity of each Affiliated Bank and the Parent Company.

To this end, Cassa Centrale Banca and its Affiliated Banks have established, each for its share, the financial means readily available for the proper operations of the guarantee scheme. The contributions to the readily available financial means are determined using the results of the stress tests expressed in terms of Probability of Default and Loss Given Default of each Party to the Guarantee Agreement, calculated applying the method defined in a specific Regulation on the cross-guarantee system methodology. This regulation was approved by resolution of the Board of Directors of Cassa Centrale Banca on 10 June 2022. On the basis of this Regulation, the method for allocating the portions of contributions to the available financial means is based on the individual RWAs of the Parties to the agreement.

The readily available financial funds, as determined above, have been divided between the ex-ante and ex-post portions of the cross-guarantee.

The ex-ante portion represents the portion of the Parent Company’s pre-established financial funds readily available to the Parties for the implementation of intra-group Support measures, while the “ex-post portion” represents the portion of the financial resources allocated to the Parties’ financial statements but subject to readily available constraints, which may be called by the Parent Company if the “ex-ante portion” is not available, as well as in the other cases indicated in the Guarantee Agreement.

The readily available financial means relating to the “ex-ante portion” have been constituted through the instrument of financing allocated to a specific business pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code. This instrument is regulated by a loan agreement entered into between the Parent Company and the Affiliated Banks whereby the lending parties (Affiliated Banks) make available to the beneficiary (the Parent Company) the “ex-ante portion” of their own for the sole purpose of the deal. The purpose of this deal is to set up and manage the “ex-ante portion” for the implementation of intra-group support measures to safeguard the solvency and liquidity of each Party. With the conclusion of the financing contract for a specific business and the registration of the contract at the Companies’ Register, the segregation effects provided for in Article 2447-decies of the Italian Civil Code are applied and produced, according to which the sums collected with the financing itself, as well as the proceeds and profits of the business, constitute separate assets of the company, protected from the availability and actions of the company’s creditors. The separation of assets corresponds to a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in Article 2447-decies of the Italian Civil Code.

The portion was invested by the Parent Company exclusively in liquid assets and/or assets which can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (known as "Level 1 assets").

The "ex-post portion", in order to make it immediately usable if required, has been incorporated directly in the financial statements of Cassa Centrale Banca, partly with the liquidity collected by the Affiliated Banks through a term deposit maturing over 12 months (30/6/2022-30/6/2023) and bearing interest at an annual rate of 0.56% and the remainder with the liquidity made available by the Parent Company itself. This portion was invested, as was the case for the "ex-ante portion", in Level 1 assets.

Having said all this, the Parent Company, following the stress tests mentioned above, determined the need for a total amount of readily available funds, for the 12-month period (1 July 2022 - 30 June 2023), of EUR 313 million, broken down as follows:

- ex-ante portion amounting to EUR 181 million;
- ex-post portion amounting to EUR 132 million.

Intra-group support measures implemented until 31/12/2022

The use of readily available financial resources set up at the Parent Company for the implementation of intra-group support measures is subject to the assessment and consequent decision to activate the guarantee system by the body with strategic supervisory functions of the Parent Company, in compliance with the rules set out in the "Regulation on the cross-guarantee system methodology" and the "Regulation on the Risk Based Model".

Before adopting such a resolution, the Parent Company is required to analyse all further possible recovery actions and, only if these are not feasible, it may proceed to activate the guarantee system.

The activation of guarantee measures can take different forms of intervention, such as:

- capital intervention, through the issuance by the Affiliated Bank of financing shares qualifying as CET 1 or additional equity instruments qualifying as AT 1 and Tier 2;
- liquidity initiatives, through the subscription of ordinary bond loans issued by the Affiliated Bank or through the subscription of term deposits.

During 2022, no measures were implemented in favour of the Affiliated Banks.

The separate assets of Cassa Centrale Banca as at 31 December 2022 include the subordinated bond issued by Cassa Padana on 15 September 2020 - for a nominal amount of EUR 20 million - resulting from the intervention related to the bank's recovery plan approved by the Board of Directors of Cassa Centrale Banca in March 2020 and aimed at restoring a situation of normality in the main technical capital, asset quality and business model parameters, also through a series of capital interventions during the plan period by activating the cross-guarantee system.

The main characteristics of the subordinated bond issued by Cassa Padana and subscribed by Cassa Centrale Banca in 2020 are set below:

ISIN	IT0005421851
Description	CASSA PADANA 15/09/2027 2% SUB T2
Fixed rate	2%
Coupon expiry date	Annual deferred
Date of issue	15/09/2020
Maturity	15/09/2027
Nominal value	20,000,000

Composition of the investments of the "ex-ante portion"

The composition of the investments of the "ex-ante portion" established through the allocated loan as at 31 December 2022 is shown below, compared with the same composition as at 31 December 2021:

The investments in Italian government securities, as well as the instruments deriving from support measures that make up the "ex-ante portion" as at 31 December 2022 and 31 December 2021, are measured at fair value through profit or loss as these instruments are measured at fair value.

ASSETS/VALUES	31/12/2022	31/12/2021
Italian government securities	158,772,694	160,853,336
Support measures	15,777,960	20,104,564
Liquidity	5,134,701	2,686,943
Total	**179,685,355**	**183,644,843**

Trend in the value of the "ex-ante portion"

The value of the "ex-ante portion" as at 31 December 2021 and 31 December 2022 is shown below, with evidence of the portion contributed by the Parent Company and Affiliated Banks:

	Ex ante portion		
	of which portion contributed by the Parent Company	Of which portion contributed by Affiliated Banks (Allocated Loan)	Total ex ante portion
31/12/2021	10,540,922	173,103,921	183,644,843
31/12/2022	10,763,111	168,922,244	179,685,355
Change in ex ante portion 31/12/2021 - 31/12/2022	**222,188**	**(4,181,675)**	**(3,959,487)**

The change in the "ex-ante portion" from 31 December 2021 to 31 December 2022 is due:

- for EUR 175,226, to the net contribution - which took place on 1 July 2022 - of readily available funds by the Parent Company - for EUR 462,658 - and the Affiliated Banks - for EUR -287,432;
- for EUR -4,134,712 to the valuation and/or realised income components, as detailed below, relating to the investments constituting the "ex-ante portion".

	Economic components constituting the ex ante portion		
	of which portion contributed by the Parent Company	Of which portion contributed by Affiliated Banks (Allocated Loan)	Total
Interest income	120,628	1,953,481	2,074,109
Interest expenses	(1,932)	(31,279)	(33,211)
Fees and commissions expenses	(128)	(2,067)	(2,194)
Valuation profit/(loss)	(359,039)	(5,814,378)	(6,173,416)
Total	**(240,470)**	**(3,894,242)**	**(4,134,712)**

Financial statements of the loan allocated to a specific business

The special civil law regulation of the loan allocated to a specific business envisages a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in article 2447-decies of the Italian Civil Code.

This accounting segregation was implemented in the accounts of Cassa Centrale Banca through the keeping of specific statement financial positions and income statements in the name of:

- investments in financial assets in which the liquidity raised through the allocated loan is invested;
- the liquidity on the demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan;
- the financial liability to the Affiliated Banks for the allocated loan;
- any positive or negative income component deriving from the valuation of assets and liabilities constituting separate assets and from income or expenses related to the management of the specific business.

All positive or negative income components attributable to the business year determine the operating result of the business. This operating result is attributed to the lending parties through an accounting entry adjusting the fair value of the financial liability recognised through the funds received as "ex-ante portion" from the lending parties themselves.

The financial statements of the loan allocated to a specific business as at 31 December 2022, consisting of the balance sheet, the income statement for the management of the business and further details, correspond to the results of the accounting records of Cassa Centrale Banca made on the specific accounts in the name of the allocated loan.

The balance sheet and income statement as at 31 December 2022 and - for comparative purposes - the same statements as at 31 December 2021 are shown below, in Euro.

Balance sheet

	ASSETS	31/12/2022	31/12/2021
10.	Cash and cash equivalents	5,134,701	2,686,943
20.	Financial assets designated at fair value through profit or loss	174,550,654	180,957,900
	b) financial assets designated at fair value	174,550,654	180,957,900
	Total assets	**179,685,355**	**183,644,843**

The item "cash and cash equivalents" includes the amount of cash and cash equivalents deposited on the Target 2 demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan.

The item "financial assets designated at fair value" includes:

- the fair value of the financial assets that can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) no. 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (known as "Level 1 assets");
- the fair value of the financial assets subscribed in implementation of the support measures.

The following table shows the composition of the portfolio of financial assets designated at fair value, as well as the related profit/(losses) from fair value measurement and interest income for the year:

ISIN	Security	Expiry date	Nominal value	Book value	Valuation profit (loss)	Interest income
IT0005384497	BTP-15GE23 0.05% 19/23 EUR	15/01/2023	75,000,000	74,975,222	(457,500)	37,500
IT0005332835	BTP ITALIA-21MG26 0.55%	21/05/2026	6,500,000	6,372,338	(535,063)	575,474
IT0005451361	CCT-EU 15AP29 TV%	15/04/2029	7,900,000	7,816,526	(180,752)	60,863
IT0005413684	BTP-15AG23 0.30% 20/23	15/08/2023	60,000,000	59,261,100	(356,050)	57,553
IT0005105843	BTP ITALIA-20AP23 0.50%	20/04/2023	10,000,000	10,347,508	(56,302)	835,474
IT0005421851	CASSA PADANA 15/09/2027 2% SUB	15/09/2027	20,000,000	15,777,960	(4,326,604)	400,000
Total			**179,400,000**	**174,550,654**	**(5,912,271)**	**1,966,864**

The item "Financial liabilities measured at fair value" includes the value of the "ex-ante portions" contributed by the Affiliated Banks, adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the lending parties.

The item "Other liabilities" includes the value of the "ex-ante portion" of Cassa Centrale Banca adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the Parent Company.

	LIABILITIES	31/12/2022	31/12/2021
30.	Financial liabilities designated at fair value	168,922,244	173,103,921
80.	Other liabilities	10,763,111	10,540,922
	Total liabilities	**179,685,355**	**183,644,843**

Income statement

	ITEMS	31/12/2022	31/12/2021
10.	Interest income	2,074,109	1,000,285
20.	Interest expenses	(33,211)	(31,912)
30	**Interest margin**	**2,040,898**	**968,373**
50	Fees and commissions expenses	(2,194)	(2,182)
60	**Net fees and commissions**	**(2,194)**	**(2,182)**
110	Net result of other financial assets and liabilities designated at fair value through profit or loss	(2,279,174)	(959,894)
	a) financial assets and liabilities designated at fair value	(2,279,174)	(959,894)
120	**Net interest and other banking income**	**(240,470)**	**6,297**
150	**Net income from financial activities**	**(240,470)**	**6,297**
200	Other operating expenses/income	240,470	(6,297)
210	**Operating costs**	**-**	**-**
260	**Profit (loss) before tax from current operating activities**	**-**	**-**
300	**Profit (loss) for the year**	**-**	**-**

The item "Interest income and similar revenues" includes accrued interest related to financial assets designated at fair value.

The item "Interest expenses and similar expenses" includes negative interest accrued on cash and cash equivalents deposited on the Target 2 demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan.

The item "Net result on financial assets and liabilities designated at fair value" includes valuation gains on financial assets designated at fair value and the change in fair value of financial liabilities to Affiliated Banks resulting from the allocation of the portion of the operating result for the year to the lending parties. The table below gives a breakdown of this item:

110 a)	NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: A) FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE	(2,279,174)
	- of which financial assets designated at fair value	(6,173,416)
	- of which change in the fair value of the allocated loan contributed by the Affiliated Banks	3,894,242

The item "other operating expenses/income" includes the change in the "ex-ante portion" resulting from the allocation of the portion of the operating result for the year of the Parent Company.

Annex B) Audit and non-audit fees

TYPE OF SERVICES	Fees (thousands of Euros)
Auditing	811
Certification services	245
Other services	-
Total	**1,056**

Please note that the fees indicated do not include VAT and out-of-pocket expenses.

Our values expressed by the accessibility of our reporting

We are a part of the Community; we are dedicated to creating shared value with People and the Territory. Our decision to draw up **reporting documents** in compliance with the highest standards of accessibility – **one of the first Banking Groups in Italy to do so** – expresses our way of being and the values we pursue every day.

The **2021 Annual Financial Report** and the **2021 Consolidated Non-Financial Statement** are easy to access from electronic devices and designed to offer a satisfying experience for readers of all abilities. Through these documents we communicate the actions carried out and results obtained during the year in an **accessible** way, making our **continuous dialogue** with stakeholders even more direct.

The table layout is imposed by stringent regulations established by the Bank of Italy and therefore may not be consistent with guidelines for full accessibility.

Listening will change the future

We have chosen to show who we are. We are the people and regions that we serve. We are the values that underpin our daily actions and that we share with our shareholders. By placing them together, we describe ourselves and how we listen to communities every day. The wave they form is the graphic representation of the sound of the word “proximity”. Because proximity is who we are.

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