



Gruppo Bancario Cambiano
Consolidated Financial Statements for the fiscal year
2022

On the cover:

Marco Borgianni, "La Poltrona"

Sculpture in statuary marble and Bardiglio marble, year 2008, gardens of Villa Fagan, head office of the Bank



Registered head office and general management: Viale Antonio Gramsci, 34 - 50132 Florence

Administrative head offices: Piazza Giovanni XXIII, 6 - 50051 Castelfiorentino (Fi)

Registered in the Bank of Italy Register of Banks at n. 5667

Share capital € 232,800,000.00 fully paid-in

Registration number in the Company Register of Florence, fiscal code and VAT code: 02599341209

Parent Company of the Gruppo Bancario Cambiano, registered at n. 238 in the Register of Banking Groups

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REPORT ON CONSOLIDATED MANAGEMENT

Considerations regarding the performance of the Gruppo Bancario Cambiano during the 2022 fiscal year as outlined here following.

For an illustration of the principle events that characterised the fiscal year closed at 31 December 2022, and the other sections required for the report on management of operations, please consult the information contained in the Report on management of the Individual Financial Statements of Banca Cambiano 1884 S.p.a., that constitutes the parent company and principle *asset* of the Gruppo Bancario, as well as the business structure within which the Governance and Control functions reside.

Evolution and composition of the Group and of the consolidation area

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

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

Banca Cambiano 1884 S.p.A., as Parent Company of the Gruppo Bancario Cambiano, registered in the respective registry at n. 238, is required to prepare the consolidated financial statements, based on the considerations set out below.

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

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

The Gruppo Bancario Cambiano comprises the following companies:

Parent company:

1) Banca Cambiano 1884 S.p.A. - Firenze

The company is the transferee of the “Banca di Credito Cooperativo di Cambiano (Castelfiorentino - Florence) Società Cooperativa per Azioni” banking company, within the scope of the process as per article 2, sub-section 3-bis, of Italian Law Decree n. 18 of 14 February 2016, converted with amendments into Law n. 49 of 8 April 2016. The transfer of the banking company, as per aforementioned sub-section 2) occurred pursuant to the combined provisions of article 58 of the “Consolidated Act on banking and credit laws” and article 2, sub-section 3-bis of Law-Decree n. 18 of 14 February 2016, converted with amendments into Law n. 49 of 8 April 2016.

Within the company, lie the governance competencies and control functions for the entire Group.

The share capital is 232,800,000 euro. Shareholders' equity is 207.194.335, euro, the balance sheet assets amount to 4,871,737,730. Profit for the 2022 fiscal year was 17.7 million euro.

Companies in the Group:

2) Cabel Leasing S.p.A. - Empoli

The Parent Company holds 95% of capital, equal to 10,000,000 euro.

It has been a part of the Gruppo Bancario Cambiano since December 2017. During 2022 the Bank shareholding increased from 90% to 95%, having purchased 5% of the share capital from Banca Lazio Nord Credito Cooperativo. carried out financial leasing activities for customers of the parent company Bank, through agreements of networks of financial agents or with other banks. The share capital is 22,206,313 euro, shareholders' equity is 306 million euro, profit for the 2022 fiscal year is equal to 1,309,459 euro.

3) Immobiliare 1884 S.r.l. - Firenze

The Parent Company holds the entire share capital, equal to 13,500,000 euro.

It has been a part of the Gruppo Bancario Cambiano since its incorporation, in November 2017.

Immobiliare 1884 Srl carries out real estate management activities for real estate property leased by the Parent Company or being restructured in view of being leased. The corporate purpose of the company is to build, restructure, buy and sell, lease and manage real estate property and assets, as well as to carry out any auxiliary and/or operational activity relating to the property and the area of accessory services, also for the purpose of managing non-performing loans backed by property collateral. The share capital is 13.5 million euro, the shareholders' equity is 13,920,219 euro, the financial statement assets are 27,736,273 euro, profit for the 2022 fiscal year was 259,063 euro.

4) Invest Italy SIM S.p.A. – Empoli

The Parent Company holds 98.50% of share capital, equal to 1,134,808 euro. The company became part of the Group as of 27 November 2021, following the merger by incorporation of Invest Banca S.p.A. under Extraordinary Administration (A.S.)

Invest Italy is authorised, pursuant to Legislative Decree n. 58 of 24 February 1998 (“TUF”), to perform the following investment services: (i) placement of financial instruments without a firm commitment basis to the issuer (the “Placement”); (ii) receiving and transmitting orders regarding one or more financial instruments (also through mediation activities) (the “RTO”); (iii) execution of order for customers, limited to underwriting and buying/selling own-issue financial instruments (the “Execution of orders limited to own-issue instruments”).

Moreover, Invest Italy provides: (iv) accessory consultancy services to companies, on the matters of capital structure, business strategy and related issues, as well as consultancy and services regarding the purchase of business (“Advisory”); (v) services and activities connected to the issue or placing of financial instruments, including the organization and constitution of placement consortia; (vi) so-called “corporate broking” services and activities, (collectively, the “Accessory Services”). The share capital is 1.1 million euro, shareholders' equity is 1,069,015 euro, the financial statement assets are 1,304,998 euro; in 2022 the company registered a loss for the fiscal year of 381 thousand euro.

The extraordinary shareholders' meeting held on 24 November 2022, after having reduced share capital from 4,011,418.57 euro to 634,808.23 euro, to hedge losses accrued as at 31 October 2022, authorised a divisible share capital increase against payment for a maximum amount of 500 thousand euro, with the issue of new ordinary shares, without par value, to be offered as an option for shareholders.

On 2 December 2022, subsequent to publication of the offer of increase of share capital in the registry of companies, Banca Cambiano exercised the right of option on the increase of capital and the right of pre-emption in respect of any unexercised options. On 16 December 2022, Banca Cambiano, after having received notification of the allocation of all the new shares from the capital increase, subscribed the new shares, by payment of 500 thousand euro, thereby perfecting the increase of share capital (the share capital of Invest Italy is 1,134,808.23 euro, divided into 12,000,000 shares).

All the activities functional to solving the issues compromising the possibility of defining an agreement for disposal, deriving from the need to terminate relations with the previous shareholding structure, continued for the duration of the 2022 fiscal year. Once it was ascertained that all such issues had been cleared, in March 2023 the procedure for the transfer to First Capital S.p.A. was finally initiated.

On 22 March 2023, First Capital S.p.A., financial holding company specialised in Private Investments in Public Equity and Private Equity investments, and Banca Cambiano 1884 S.p.A. undersigned a binding agreement for the purchase by First Capital, of an 88.5% shareholding in Invest Italy SIM S.p.A.

First Capital intends to focus the activities of Invest Italy SIM on investment banking aimed at SMEs, initially concentrating on assistance for listing on stock markets (equity capital markets services). The registered head office of IISIM will be based in Florence.

The consideration for the transaction, equal to about 1.1 million euro, includes a goodwill of about 10% on the book shareholders' equity of IISIM, and will be settled by means of First Capital treasury shares, valued at 23 euro

each. Banca Cambiano will therefore become a shareholder in First Capital, with a shareholding of just under 2% of share capital, in the context of a strategic and long-term relationship. Furthermore, Banca Cambiano will remain a shareholder in IISIM, with a 10% holding, and will continue to have representation in the Board of Directors. The agreement includes all the usual guarantees and representations for this type of transaction. The transaction is subordinate to authorisation by Supervisory Authorities.

Below is a diagram of the composition of the Gruppo Bancario Cambiano:



As regards other investments, during the first months of 2023, the procedure was defined for the disposal of the non-strategic investment in Cabel IP spa, in which the Bank had a 25.48% shareholding, by sale to Fintech Scalapay, a company active in the “Buy Now Pay Later” business sector. The process for authorisation of this transactions is characterised by a greater complexity, as compared to the ordinary process, due to the need for more in-depth regulatory information, made necessary by the unique nature of the business of the purchaser, which requirement was met only at the start of the 2023 fiscal year.

Significant events and business performance of the Group

During the 2022 fiscal year, the fragile recovery from the international crisis due to the Coronavirus pandemic was strongly influenced by the conflict in the Ukraine, which, starting from the end of February, generated strong repercussions on the internal economic system and on business operations.

Within this context, that remains characterised by great uncertainty for the global and Italian economies, Group business operations were focused on the areas of interventions described here following.

Supervisory inspection audits on the Gruppo Bancario Cambiano

During the fiscal year in review, the Gruppo Bancario Cambiano underwent periodical supervisory inspection audits, from 18 May to 23 November 2022. Pursuant to article 68 of the Consolidated Banking Act (TUB), for the first time the inspection activities were also extended to Cabel Industry, as supplier of outsourced information technology services that constitute essential or important company functions. The inspection audits were concluded without the application of any disciplinary measures. In response to the observations and comments formulated on conclusion of the inspections, the Bank will provide, within the required deadline, references relating to activities already executed in the meantime, and information regarding the detailed plan of interventions already defined in compliance with the outcome supervisory observations.

Also note that on 20 March 2023, the respective report was received. The need for a capital increase intervention was ascertained, to support the development of the Bank’s core business and satisfy the regulatory capital buffers attributed to the Bank itself. As regards interest holding, observations were made regarding an expected reduction in the entity of holdings in the Cabel network; as regards the credit process, the considerations set forth were consistent with the above reporting. Finally, as regards governance, the report underscored the need to comply with “Bank of Italy Guidelines on the composition and functioning of the boards of directors of LSI” in force since November 2022 already from the first renewal scheduled for expiration of the mandate with the shareholders’ meeting for approval of the 2022 financial reports. Furthermore, the need to review the Industrial Plan in light of the changes in the context of reference was also noted.

On the basis of the Supervisory observations, we hereby report that, as already mentioned in part, a first transaction on corporate capital is by way of being defined, and the same is also true as regards changes in the equity holdings in the Cabel group, with a significant reduction of our share of holdings. Considerable interventions have

already been operated on the credit process, and further interventions have been planned. Finally, the list of candidates that will be submitted to the shareholders' meeting for renewal of the Board of Directors and Board of Statutory Auditors will be drafted, along with a necessary graduality of renewal, in compliance with the prescriptions set out in the "Bank of Italy Guidelines on the composition and functioning of the boards of directors of LSI".

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

On 12 September 2022, Ente Cambiano Scpa submitted a request for exemption from the role of Parent Company of the Gruppo Bancario Cambiano pursuant to the provisions of the TUB (Consolidated Bank Act), on the matter of banking groups and registry of banking groups, as modified by Italian Legislative Decree 182/2021, as well as the Supervisory Provisions issued in the 39th update of Bank of Italy Circular n. 285, that implements article 21-bis of EU Directive 2013/36 (so-called "CRD"), as in turn modified by EU Directive 2019/878 (so-called "CRD5"), the provisions of which came into effect as of 14 July 2022. The authorisation procedure was concluded on 20 March 2023, when Bank of Italy communicated: "*On the matter, in light of the provisions of the vigilance regulations on the subject matter, considering the objectives of the initiative, and considering the outcome of the preliminary analysis carried out, the application for exemption is accepted and, therefore, it is acknowledged that the role of parent company will continue to be performed by Banca Cambiano 1884 S.p.A.*".

Within the same application – pursuant to art. 19 of the CRR – the exclusion of Ente Cambiano from the perimeter of prudential consolidation was also requested. As regards this request, on the basis of the interpretation provided, the Supervisory Authority has communicated: "it is noted that the provision dictated by art. 19 of the CRR (Capital Requirements Regulation n. 575/2013) allows the exclusion from prudential consolidation of "subsidiary companies" by the financial holding company and also the "controlling financial holding company. Therefore, lacking the conditions for exclusion provided for by the regulation, Ente Cambiano is required to abide by the obligations set forth by the dal CRR on the basis of the consolidated situation."

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

Analysis of balance sheet line items

The principal line items of the balance sheet as at 31 December 2022 are provided following, comparing them to the comparative data also provided.

Line item **40 b) of Assets – Receivable from customers** – includes financial assets measured at amortised cost owed from non-banking counterparties. At 31 December 2022, the line item includes government bonds for overall 354 million euro, substantially stable as compared to the data at 31/12/2021, and loans to ordinary customers for 3,304 million euro, with an increase for the period of 50 million euro (+1.53%). Specifically, as shown in the table below, this increase is attributable to the mortgages and loans component, that registered an overall increase of 101 million euro, and the leasing component, that registered an increase for the period of 45 million euro.

ECONOMIC LENDING				
€/000				
Type of transaction/values	31/12/2022	31/12/2021	Variation	% var.
Bank accounts	417,869	436,294	-18,426	-4.22%
Mortgages	2,096,063	1,994,862	101,201	5.07%
Portfolio	8,999	7,994	1,005	12.57%
Securitised mortgage loans	0	0	0	-
Self-securitised mortgage loans	403,152	460,974	-57,822	-12.54%
Leasing	282,757	237,695	45,062	18.96%

Other funding	60,297	51,179	9,118	17.82%
Gross non-performing loans	133,215	144,383	-11,168	-7.74%
Write-downs on non-performing loans	-70,360	-70,726	366	-0.52%
Overall-write-downs	-66,675	-60,964	-5,711	9.37%
Total ordinary net lending	3,265,316	3,201,692	63,624	1.99%
10. Receivables from Pontormo RMBS	10,046	12,141	-2,096	-17.26%
11. Receivables from Poste	264	247	17	6.94%
12. Receivables from C.C. & G.	28,323	40,071	-11,748	-29.32%
13. Receivables from C.D.P.	0	0	0	-
Total lending to institutional counterparties	38,633	52,459	-13,826	-26.36%
Total (balance sheet value)	3,303,949	3,254,152	49,798	1.53%
Receivables from customers - HTC securities	353,870	355,094	-1,225	-0.34%
Receivables for repurchase agreements	0	67,756	-67,756	-100.00%
Total balance sheet line item 40.b Receivables from customers	3,657,819	3,677,002	-19,183	-0.52%

Credit quality

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

QUALITY OF CREDIT - VALUES AT 31/12/2022				
	Gross exposure	Overall adjustments	Net exposure	Degree of coverage
CASH CREDIT EXPOSURES				
Stage 3 - Receivables from customers – Non-performing loans	133,215	70,360	62,855	52.82%
Stage 3 - Receivables from customers - UTP	156,977	44,697	112,280	28.47%
Stage 3 - Receivables from customers - Past-due	12,462	1,029	11,433	8.26%
Total impaired receivables	302,654	116,087	186,567	38.36%
Stage 2 - Receivables from customers	339,258	14,132	325,127	4.17%
Stage 1 - Receivables from customers	2,799,073	6,817	2,792,256	0.24%
Total in bonis receivables	3,138,331	20,948	3,117,383	0.67%
Total receivables from customers	3,440,985	137,035	3,303,949	3.98%
Stage 1 – Securities	354,077	208	353,870	0.06%
Stage 1 - Receivables for repurchase agreements	0	0	0	-
Total Cash credit exposures	3,795,062	137,243	3,657,819	3.62%

INDEXES FOR QUALITY OF CREDIT				
	Banca Cambiano	Cabel Leasing	Invest Italy	Group
	31/12/2022	31/12/2022	31/12/2022	31/12/2022
% OF NET RECEIVABLES				
% Net non-performing loans on total net receivables	1.64%	3.19%	0.00%	1.90%
% Net watchlist on total net receivables	3.20%	2.72%	0.00%	3.40%
% Net past-due on total net receivables	0.34%	0.16%	0.00%	0.35%
% Total net impaired receivables on total net receivables	5.18%	6.07%	0.00%	5.65%
% ON GROSS RECEIVABLES				

% Gross non-performing loans on total gross receivables	3.61%	3.72%	0.00%	3.87%
% Gross probable defaults on total gross receivables	4.39%	2.76%	0.00%	4.56%
% Gross overdue receivables on total gross receivables	0.35%	0.18%	0.00%	0.36%
% Total gross impaired receivables on total gross receivables	8.35%	6.66%	0.00%	8.80%
% OF HEDGES				
% hedges on non-performing loans	56.25%	15.36%	0.00%	52.82%
% hedges on other impaired receivables	28.30%	3.21%	0.00%	26.99%
% hedges on total impaired receivables	40.37%	9.99%	0.00%	38.36%
% hedges on in bonis receivables	0.62%	0.65%	0.00%	0.67%

Overall deposits

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

DEPOSITS				
<i>Data in €/000</i>				
Description	31/12/2022	31/12/2021	Absolute var.	% var.
Payable to customers	3,395,321	3,255,890	139,431	4.28%
Issued securities	158,574	141,462	17,112	12.10%
Direct deposits	3,553,894	3,397,352	156,543	4.61%
Direct deposits with institutional counterparties	193,331	67,762	125,569	185.31%
Direct deposits with ordinary customers	3,360,563	3,329,590	30,973	0.93%
Managed	611,030	572,956	38,074	6.65%
Funds	86,165	90,717	-4,552	-5.02%
GPM	64,832	65,723	-891	-1.36%
Insurance	554,407	541,105	13,303	2.46%
Indirect deposits	1,316,434	1,270,501	45,933	3.62%
Overall deposits	4,676,998	4,600,091	76,907	1.67%

Type of transaction/values	31/12/2022	31/12/2021	Var. assoluta	% var.
Bank accounts	2,844,641	2,822,431	22,211	0.79%
Deposits	43,456	46,868	-3,412	-7.28%
Time deposits	287,021	287,400	-379	-0.13%
Liabilities against sold assets	-	-	-	-
REPURCHASE AGREEMENTS. with ordinary customers	12,020	13,002	-981	-7.55%
Deposit certificates	79	89	-10	-11.23%
Bonds	158,494	141,372	17,122	12.11%
Debit for leases	12,832	15,322	-2,490	-16.25%
Other debits	2,019	3,106	-1,087	-34.99%
Total other deposits	3,360,563	3,329,590	30,973	0.93%
REPURCHASE AGREEMENTS. with C.C. & G.	193,331	67,762	125,569	185.31%
C.D.P. loans	-	-	-	-
Total other deposits	193,331	67,762	125,569	185.31%
Total (balance sheet value)	3,553,894	3,397,352	156,543	4.61%

Overall deposits (direct, administrated, managed and insurance) at December 2022 amounted to 4,677 million euro, with an increase of 77 million euro (+ 1.67%), as compared to the same line item at 31 December 2021.

Specifically, line item 10 b) of Liabilities – Payable to customers, increased by 139 million euro (+4.28%) due to the increase of bank accounts, and line item 10 c) of Liabilities – Issued securities, increased by 17 million euro (+12.10%).

Book shareholders' equity

At 31 December 2022, book shareholders' equity amounts to € 211,2 million, a slight decrease as compared to 31 December 2021, which amounted to € 212 million, as shown in the table below. This variation is due, as regards the increase quota, to both the profit for the period, and to the issue of new permanent debenture loans for € 3 million, classified in the line item "Capital instruments". The line item in question also decreased, mainly due to the reduction of fair value registered by securities allocated in the HTCS portfolio, for 19 million euro, net of taxes.

BREAKDOWN OF CONSOLIDATED EQUITY				
<i>data in €/000</i>	31/12/2022	31/12/2021	Variation	Percent variation
Share capital	232,800	232,800	0	0.00%
Premiums on issue of shares	803	803	0	0.00%
(Treasury shares)	0,00	0,00	0	0.00%
Capital instruments	30,000	27,000	3,000	11.11%
Reserves	-52,259	-49,106	-3,153	6.42%
Valuation reserves	-20,516	-1,161	-19,355	1667.64%
Third-party assets	1,188	2,355	-1,167	-49.55%
Total (excluding profit for the period)	192,017	212,692	-20,675	-9.72%
Profit (Loss) for the fiscal period	19,136	-738	19,874	133.83%
Total consolidated shareholders' equity	211,153	211,954	-801	-4.40%

Other sectors

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

Financial results

Revenue items typical of operations management register an increase of about 18.6 million euro (+17.6%) as compared to the comparison period, attesting an operating income of 124.5 million euro. This growth is primarily attributable to the increase in interest income, equal to 12.1 million euro (+17.5%), the net profit from trading activities, equal to 11.3 million euro (+298%), the positive result registered for net commissions, which increased by 3.3 million euro (+11.7%), partially off-set by the net result of financial assets and liabilities measured at fair value, which decreased for 4.3 million euro. Finally, the dividends line item amounts to 0.6 million euro (formerly 1.5 million euro).

The aggregate value of *operating expenses*, that includes *expenses for personnel*, *other administrative expenses* and *net value adjustments on property, plant and equipment and intangible assets*, amounts to approximately 78.6 million euro, and shows an increase of about 6 million euro (+8.1%), as compared to the previous period.

Other administrative expenses, and net value adjustments on property, plant and equipment and intangible assets increased with respect to the comparison period, respectively by 1 million euro (+2.4%) and by 1 million euro; expenses for personnel increased by 1.6 million euro, essentially due to the inclusion of human resources coming from Invest Banca.

Consequently, profit from operations at 31 December 2022 is equal to 24.3 million euro.

The sum of *current income* and *non-recurring income*, both net of taxes, considering the *income attributable to minority interest*, determines the income for the period for the Parent Company at 31 December 2022, for approximately 19.1 million euro.

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

Group human resources

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

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

BREAKDOWN OF PERSONNEL	BANCA CAMBIANO 1884			CABEL LEASING			INVEST ITALY SIM			GRUPPO BANCARIO CAMBIANO		
	2022	2021	Var.	2022	2021	Var.	2022	2021	Var.	2022	2021	Var.
BREAKDOWN BY QUALIFICATION												
Directors	4	4	0	1	1	0	0	1	-1	5	6	-1
Middle management	109	109	0	0	2	-2				109	111	-2
Professional areas	310	312	-2	11	10	1				321	322	-1
Traineeships	1	4	-3	0	0	0				1	4	-3
Total	424	429	-5	12	13	-1	0	1	-1	436	443	-7
BREAKDOWN BY GENDER												
Women	162	162	0	7	7	0				169	169	0
Men	262	267	-5	5	6	-1	0	1	-1	267	274	-7
Total	424	429	-5	12	13	-1	0	1	-1	436	443	-7
BREAKDOWN BY DEGREE OF INSTRUCTION												
University degree	202	202	0	4	4	0	0	1	-1	206	207	-1
Diploma	213	219	-6	7	8	-1				220	227	-7
Other	9	8	1	1	1	0				10	9	1
Total	424	429	-5	12	13	-1	0	1	-1	436	443	-7
BREAKDOWN BY AGE BRACKET												
Up to 25 years	12	11	1	0	0	0				12	11	1
26 - 35 years	98	116	-18	1	1	0	0	1	-1	99	118	-19
36 - 45 years	126	117	9	4	4	0				130	121	9
46 - 55 years	129	130	-1	5	5	0				134	135	-1
56 - 60 years	40	38	2	1	1	0				41	39	2
Over 60 years	19	17	2	1	2	-1				20	19	1
Total	424	429	-5	12	13	-1	0	1	-1	436	443	-7

BREAKDOWN OF PERSONNEL	BANCA CAMBIANO 1884			CABEL LEASING			INVEST ITALY SIM			GRUPPO BANCARIO CAMBIANO		
	2022	2021	Var.	2022	2021	Var.	2022	2021	Var.	2022	2021	Var.
BREAKDOWN BY SENIORITY												
Up 3 years	59	62	-3	1	1	0	0	1	-1	60	64	-4
4 - 8 years	92	91	1	0	0	0				92	91	1
9 - 15 years	113	117	-4	3	4	-1				116	121	-5
16 - 25 years	100	97	3	6	5	1				106	102	4
26 - 30 years	32	35	-3	2	3	-1				34	38	-4
over 30 years	28	27	1	0	0	0				28	27	1
Total	424	429	-5	12	13	-1	0	1	-1	436	443	-7
FUNCTIONAL DISTRIBUTION												
Centre	160	165	-5	12	13	-1	0	1	-1	172	179	-7
Network	264	264	0	0	0	0				264	264	0
Total	424	429	-5	12	13	-1	0	1	-1	436	443	-7

Consolidated equity and own funds

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

COMPOSITION OF CONSOLIDATED EQUITY				
€/000	31/12/2022	31/12/2021 (*)	Variation	Percent variation
Share capital	232,800	232,800	0	0.00%
Premiums on issue of shares	803	803	0	0.00%
(Treasury shares)	0,00	0,00	0	0.00%
Capital instruments	30,000,00	27,000,00	3,000	11.11%
Reserves	-52,259	-49,106	-3,153	6.42%
Valuation reserves	-20,516	-1,161	-19,355	1667.64%
Third-party assets	1,188	2,355	-1,167	-49.55%
Total (excluding profit for the period)	192,017	212,692	-20,675	-9.72%
Profit (Loss) for the fiscal year	19,136	-738	19,874	133.83%
Total consolidated shareholders' equity	211,153	211,954	-801	-4.40%

	31/12/2022	31/12/2021	Delta %
Net equity / Direct deposits from customers (effective)	6.28%	6.37%	-0.35%
Net equity / Receivables from customers (effective)	6.47%	6.62%	-0.43%
Net equity / Total assets	4.29%	4.31%	-0.19%

Net impaired receivables / Own funds	62.63%	48.86%	13.77%
CET1 capital ratio – Own funds	10.49%	10.96%	-0.47%
Total Capital Ratio – Own funds	15.12%	14.40%	0.72%

(*) The column referred to 31 December 2021 was subject to retroactive adjustments in accordance with accounting principle "IFRS 3 – Accounting principles– Company mergers" as fully described in part G of the Explanatory Notes.

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

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

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

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

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

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

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

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

- CET 1 ratio: 8.00%, composed of an obligatory amount of 5.50%, of which 4.50% for minimum regulatory requirements and 1.00% for additional requirements determined on the basis of the SREP results and, for the remaining amount, by the capital conservation reserve component;
- Tier 1 ratio: 9.90%, composed of an obligatory amount of 7.40%, of which 6.00% for minimum regulatory requirements and 1.40% for additional requirements determined on the basis of the SREP results and, for the remaining amount, by the capital conservation reserve component;
- Total Capital ratio: 12.30%, composed of an obligatory amount of 9.80%, of which 8.00% for minimum regulatory requirements and 1.80% for additional requirements determined on the basis of the SREP results and, for the remaining amount, by the capital conservation reserve component.

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

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

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

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

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

Reconciliation schedule

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

Breakdown of Group profit	Profit for the fiscal year	Third party profit for the fiscal year	Share of consolidated companies to shareholders' equity	Consolidation adjustments	Elimination of dividends	Contribution to Group profit
Banca Cambiano 1884 S.p.A.	17,762	0	0	225	0	17,987
Immobiliare 1884 srl	259	0	0	0	0	259
Cabel Leasing S.p.A.	1,309	-65	0	0	0	1,244
Invest Italy	-381	28	0	0	0	-353
Total	18,949	-38	0	225	0	19,136

Breakdown of Group equity	Shareholders' equity	Elimination of shareholders' equity with shareholding value	Equity pertaining to minority interest	Adjustment of consolidated shareholding to shareholders' equity	Elimination of infra-group transactions	Contribution to Group equity
Banca Cambiano 1884 S.p.A.	189,432	-225	0	0	0	189,208
Immobiliare 1884 srl	13,661	-13,500	0	0	0	161
Cabel Leasing S.p.A.	20,897	-18,739	-1,045	0	0	1,113
Invest Italy	1,450	-997	-106	0	0	347
	225,441	-33,461	-1,150	0	0	190,829

For the purpose of Regulation n. 575/2013 (CRR), the Parent Company is Ente Cambiano Scpa. Below is the reconciliation schedule between the Group profit and the relative profit for the purpose of calculating Own Funds.

RECONCILIATION BETWEEN PROFIT FOR THE PERIOD AND PROFIT THAT CONTRIBUTES TO THE CALCULATION OF OWN FUNDS				
<i>data in €/000</i>		TOTAL AMOUNT	RELATING TO MINORITY INTEREST	RELATING TO THE GROUP
PROFIT FOR THE PERIOD				
Ente Cambiano s.c.p.a.	Parent Company	480	0	480
Banca Cambiano s.p.a.	Subsidiary of the Parent Company	17,714	1,199	16,515
Immobiliare 1884 s.r.l.	Subsidiary of Banca Cambiano	259	18	242
Cabel Leasing s.p.a.	Subsidiary of Banca Cambiano	1,309	150	1,160
Invest Italy SIM s.p.a.	Subsidiary of Banca Cambiano	-376	-51	-325
Consolidation adjustments		-806	0	-806
TOTAL PROFIT		18,581	1,316	17,265
Dividends and Mutual Ins. Fund:				
Ente Cambiano s.c.p.a.	Shareholders on acc. of dividends	33	0	-14
Ente Cambiano s.c.p.a.	Mutual Fund promotion and development of co-op Law 59/1992	14	-81	-1,119
Banca Cambiano s.p.a.	Subsidiary of the Parent Company	1,200	81	1,119
TOTAL DISTRIBUTION AMOUNTS		1,247	0	-14
NET PROFIT FOR TH PERIOD				
Ente Cambiano s.c.p.a.	Parent Company	433	0	433
Banca Cambiano s.p.a.	Subsidiary of the Parent Company	16,514	1,118	15,396
Immobiliare 1884 s.r.l.	Subsidiary of Banca Cambiano	259	18	242
Cabel Leasing s.p.a.	Subsidiary of Banca Cambiano	1,309	150	1,160
Invest Italy SIM s.p.a.	Subsidiary of Banca Cambiano	-376	-51	-325
Consolidation adjustments		-806	0	-806
PROFIT/LOSS FOR THE PERIOD TO BE CALCULATED IN OWN FUNDS		17,333	1,234	16,099

The organisational model – Research, development and innovation

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

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

During 2023 the project aimed at overall updating of the organisational structure of the entire bank group will have to be implemented, in order to render the structure increasingly more capable of carrying out the business model. Specifically, the structures pertaining to the credit and finance management areas will have to be revised, also following their transfer and reorganisation within the operational offices in Castelfiorentino.

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

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

Among such projects, the main ones launched during the year related to:

- **Banca web.** This project regards the gradual activation of functions that will allow:
 - Autonomous updating by customers through the MITO internet banking platform, of their personal data recorded in the Bank's information system, such as, for example, personal information, KYC questionnaires;
 - The sale of products and services to existing customers, through a showcase of products accessible online through the CambianOnline application;
 - Activation of the new digital channel, CambianOnline www.cambianonline.it, from which it is possible to become a Banca Cambiano customer, through a specific onboarding process for new customers;
 - Activation of the new CambianOnline APP, fully renewed in terms of design and with new functions and features, such as, for example, the payment of bills online by scanning the QR code, or opening "time deposits" directly from the App.
- **ESG Project.** This project entails the gradual activation of various functions. To date, the following functions have been released:
 - **Finance worksite:** updating of the MiFID Questionnaire for customer profiling and recording of customer preferences regarding sustainability, and implementation within the scope of compliance control, of transactions in investment products between the preferences expressed by the customer and the "ESG score" assigned to the product through an external Infoprovider;
 - **Credit worksite:** within the process of background checks for credit lines, ESG indicators have been made available, for Bank assessment, relating to the sector and/or specific to the customer, through the analysis of data processed by an external Infoprovider.
- **ICT Security and Fraud Management Project.** This project regards a series of initiatives aimed at reinforcing the security of Bank customers and employees, with avant-garde technologies for access management.

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

- Specific distribution channels and business segments, such as, for example, investment services through off-site offers (BRIO Promoters);

- Accelerate operations dematerialisation and digitalisation processes in branches or «in remote» (remote signature project).

Significant investments have been, and will continue to be made, relating to compliance with **regulatory innovations** being issued continuously.

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

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

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

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

Risk management and control

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

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

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

For a complete description of the risks and uncertainties that the Group must face in the current market situation, please refer to “Part E – Information regarding risks and hedging policies” of the Explanatory Notes to the Consolidated Financial Statements.

The internal controls system

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

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

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

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

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

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

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

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

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

1. the correct operation of the company governance of the Parent Company Bank and of the Group Companies, whose characteristics are consistent with the supervisory provisions regarding company governance for banks;
2. the efficacy of the direction and coordination activities carried out by the Parent Company of the Group, in compliance with regulatory provisions.

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

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

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

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

Strategic development during the fiscal year – The new Strategic Plan

In the meeting held on 25 February 2022, the Board of Directors approved the 2022-2024 Strategic Plan of the Gruppo Bancario Cambiano, redefined subsequent to the merger with Invest Banca.

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

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

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

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

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

The revision of the strategic plan is also aimed at extracting greater value from lending, increasing the efficacy of sales activities relating to the placement of products / services, and, finally, reducing operating costs.

The actions for implementation of the above improvements are:

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

Transactions with related parties

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

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

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

Significant events after the close of the fiscal year

There are no significant events after the close of the fiscal year related to Group companies to report, other than those mentioned elsewhere in the Report, and summarised as follows: i) completion of the inspection audit by Bank of Italy, and consequent delivery of the report; ii) definition of the agreement with First Capital SpA for the disposal of Invest Italy SIM; iii) disposal of Cabel IP Spa; iv) submission to the Revenue Office of the claim for reimbursement, for recognition of the disapplication of art. 172 of the TUIR, and consequent full carryover of fiscal positions resulting from the merger with Invest Banca; v) confirmation of the position of Parent Company by Banca Cambiano, also following modifications to the TUB and issue of the Supervisory Provisions with the 39th update of Bank of Italy Circular n. 285.

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

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

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

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

The forecasts for the global economy appear unfavourable and characterised by an elevated degree of uncertainty. The global economy is experiencing the fiercer squeeze, more rapid and synchronised, of the global monetary policies of the last decades, and further increases are expected. As far as Europe is concerned, to these issues one must also add the effects of a severe shock to exchange rates and high inflation. The current geo-political scenario contributes to a context of great uncertainty. The main economic research centres foresee a slowdown in the growth of global GDP to 2.0% in 2023, with a subsequent recovery in 2024 to 2.6%. The rate of growth expected for the current year is therefore very low, as compared to historical data, resulting, in fact, in a global recession. For the Euro zone, forecasts call for stagnation of the GDP in 2023, and a 1.3% rise in 2024. A possible, more favourable, revision of data for 2023 could, nonetheless, derive from a less unfavourable context resulting from less rigid temperatures and the reduction of the price of gas. Furthermore, tax interventions, and the abundant savings and cash reserves of households and businesses, should continue to support economic activities. While inflation will remain high on average, a clear downward trend is expected for the greater part of this year. The price index is expected to rise by 6.5% in 2023 and by 3.5% in 2024. In Italy, after a growth of about 3.5% in 2022, GDP should stabilise in 2023, and then increase by 1.0% in 2024. Italy continues to be particularly exposed to the slowdown in global demands, while high energy prices and inflation continue to depress private consumption. Additionally, starting this year, the expected rise in the cost of financing for the private sector will further weaken internal demand. The interest rate on deposits with the European Central Bank is expected to be 2.50%, following an increase of 50 basis points during the first quarter of 2023. The ECB will begin to reduce securities in the APP (Asset Purchase Programme) in March, at a rate of about 15 billion euro a month, up to the second quarter of this year, through the partial re-investment of matured securities.

Therefore, it seems evident that the next months will be characterised by many elements that generate uncertainty at a global level. In this context, it is nonetheless Gruppo Bancario Cambiano's firm intention to re-affirm, and to continue to pursue, the path undertaken to consolidate the positions it has reached, maintaining stable corporate conditions, and continuously improving relations with the territory of reference, through a slim, customer-oriented organisational structure.

The new Industrial Plan that is currently being drawn up, will be aimed at improving operational efficiency and containing costs, and, along with the business dynamics it will allow meeting results that will confirm the capacity to generate value and increase equity soundness.

The Industrial Plan can be summarised in the following essential points:

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

Information on going concern

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

On this matter, the Board of Directors has evaluated the Group's and the Bank's capacity to continue to operate as a going concern.

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

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

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

Final considerations

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

Our not purely ceremonial appreciation and warm thanks go to the general management of the Parent Company and management personnel, and all Group employees, who have worked with extreme commitment during this uniquely difficult period.

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

Our thanks to the Boards of Directors and the Boards of Statutory Auditors of the companies in the Group, for the professionalism they have demonstrated, and to the Cabel Group for the collaboration provided. A special recognition to Ente Cambiano, our principle shareholder, for the precious social activities that it carries out.

Florence, 27 March 2023

The Board of Directors

SCHEduLES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Assets line items	31/12/2022	31/12/2021 (*)
10	Cash and cash equivalents	49,919,303	105,007,246
20	Financial assets measured at fair value with impact on profit and loss account	212,072,402	166,486,667
	<i>a) financial assets held for trading</i>	67,555,234	71,433,475
	<i>b) financial assets measured at fair value</i>	-	-
	<i>c) other financial assets obligatorily measured at fair value</i>	144,517,169	95,053,192
30	Financial assets measured at fair value with impact on total profits	612,370,441	526,568,993
40	Financial assets measured at amortised cost	3,798,879,711	3,900,445,275
	<i>a) receivables from banks</i>	141,060,644	223,443,469
	<i>b) receivables from customers</i>	3,657,819,068	3,677,001,806
50	Hedges	-	-
60	Adjustment of value of generic hedges for financial assets (+/-)	-	-
70	Equity investments	16,478,980	16,400,350
80	Reinsurers' share of technical reserves	-	-
90	Property, plant and equipment	89,427,019	87,594,947
100	Intangible assets	4,235,356	3,781,778
	of which:		
	<i>- goodwill</i>	-	-
110	Tax receivables	37,886,292	34,104,615
	<i>a) current</i>	9,104,748	13,179,581
	<i>b) pre-paid</i>	28,781,544	20,925,034
120	Noncurrent assets and groups of assets in the course of divestment	-	-
130	Other assets	104,935,644	80,302,221
	Total assets	4,926,205,149	4,920,692,091

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

	Liabilities and shareholders' equity line items	31/12/2022	31/12/2021 (*)
10	Financial liabilities measured at amortised cost	4,643,282,170	4,597,408,209
	<i>a) payable to banks</i>	1,089,387,873	1,200,056,679
	<i>b) payable to customers</i>	3,395,320,782	3,255,889,897
	<i>c) outstanding securities</i>	158,573,515	141,461,633
20	Financial liabilities from trading	97,671	693,746
30	Financial liabilities measured at fair value	-	-
40	Hedges	-	140,788
50	Adjustments of value of generic hedges for financial liabilities (+/-)	-	-
60	Tax liabilities	2,501,887	903,190
	<i>a) current</i>	1,988,934	314,603
	<i>b) deferred</i>	512,953	588,587
70	Liabilities associated to assets in the course of divestment	-	-
80	Other liabilities	57,407,138	97,730,227
90	Employee severance pay	3,390,698	3,903,109
100	Risk and expense funds:	8,372,469	7,958,908
	<i>a) commitments and issued guarantees</i>	2,047,871	1,882,353
	<i>b) pensions and similar obligations</i>	-	-
	<i>c) other risk and expense funds</i>	6,324,598	6,076,555
110	Technical reserves	-	-
120	Valuation reserves	-20,515,688	-1,160,629
130	Redeemable shares	-	-
140	Capital instruments	30,000,000	27,000,000
150	Reserves	-52,258,744	-49,105,742
160	Premiums on issue of shares	803,240	803,240
170	Share capital	232,800,000	232,800,000
180	Treasury shares (-)	-	-
190	Equity pertaining to minority interest	1,188,087	2,354,784
200	Fiscal year profit or loss	19,136,220	-737,739
	Total liabilities and shareholders' equity	4,926,205,149	4,920,692,091

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

CONSOLIDATED INCOME STATEMENT

	Line items	31/12/2022	31/12/2021 (*)
10.	Earned interest and similar income	93,826,747	82,108,369
	<i>of which: earned interest calculated using the actual interest method</i>	92,567,912	81,714,310
20.	Interest expenses and similar expenses	-12,239,817	-12,701,561
30	Interest income	81,586,930	69,406,808
40	Commission income	36,610,962	31,067,677
50	Commission expenses	-5,131,542	-2,882,428
60	Net commission income	31,479,420	28,185,248
70	Dividends and similar income	602,676	1,502,138
80	Net trading result	15,160,010	3,802,938
90	Net hedging result	-2,267	-7,882
100	Gains (losses) from disposal or repurchase of:	262,268	3,230,981
	<i>a) financial assets measured at amortised cost</i>	423,248	734,431
	<i>b) financial assets measured at fair value with impact on total profits</i>	-224,796	2,471,682
	<i>c) financial liabilities</i>	63,816	24,867
110	Net income of financial assets and liabilities measured at <i>fair value</i>	-4,590,477	-289,411
	<i>a) financial assets and liabilities measured at fair value</i>	-	-
	<i>b) other financial assets obligatorily measured at fair value</i>	-4,590,477	-289,411
120	Operating income	124,498,561	105,830,820
130	Net adjustments/ write-backs due to the impairment of:	-22,876,369	-19,107,572
	<i>a) financial assets measured at amortised cost</i>	-22,514,451	-19,090,509
	<i>b) financial assets measured at fair value with impact on total profits</i>	-361,918	-17,063
140	Profit/losses due to contract modifications without derecognition	219,326	-71,240
150	Net income from financial assets	101,841,518	86,652,007
160	Net premiums	-	-
170	Balance of other income/ expenses from insurance activities	-	-
180	Net income from financial and insurance assets	101,841,518	86,652,007
190	Administrative costs:	-73,923,032	-71,277,886
	<i>a) personnel costs</i>	-32,714,290	-31,058,264
	<i>b) other administrative costs</i>	-41,208,742	-40,219,622
200	Net allocations to risk and expense funds	-254,024	-83,929
	<i>a) commitments and issued guarantees</i>	-94,730	562,954
	<i>b) other net allocations</i>	-159,294	-646,883
210	Net adjustments/ write-backs on property, plant and equipment	-5,429,014	-5,540,249
220	Net adjustments/ write-backs on intangible assets	-1,656,468	-933,893
230	Other operating costs/ income	2,618,457	5,130,976
240	Operating costs	-78,644,082	-72,704,981
250	Profit (loss) from equity investments	1,192,477	-6,630,810
260	Net result of fair value measurement of property, plants and equipment and intangible assets	-14,258	8,440
270	Adjustments to value of goodwill	-	-5,516,373
280	Gains (losses) from disposal of investments	16,117	27,628
290	Gains (losses) from current operations before tax	24,391,771	1,835,911

	Line items	31/12/2022	31/12/2021 (*)
300	Fiscal year income tax on current operations	-5,217,808	-2,665,615
310	Gains (losses) on current operations before taxes	19,173,963	-829,704
320	Gains (losses) from groups of assets in the course of divestment net of taxes	-	-
330	Profit (loss) for the fiscal year	19,173,963	-829,704
340	Profit (loss) for the fiscal year attributable to minority interests	37,744	-91,965
350	Profit (loss) for the fiscal year attributable to the Parent Company	19,136,220	-737,739

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 - Accounting principles - Corporate mergers".

SCHEDULE OF OVERALL CONSOLIDATED PROFITABILITY

	Line items	31/12/2022	31/12/2021 (*)
10	Profit (loss) for the fiscal year	19,173,963	-829,704
	Other income components net of tax without reversal to the income statement		
20	Capital securities measured at fair value with impact on total profits	-250,244	1,553,458
30	Financial liabilities measured at fair value with impact on profit and loss account (variations of own creditworthiness)	-	-
40	Hedges on capital securities measured at fair value with impact on total profits	-	-
50	Property, plant and equipment	-	-
60	Intangible assets	-	-
70	Defined benefit plans	348,554	135,172
80	Noncurrent assets and groups of assets in the course of divestment	-	-
90	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-	-
	Other income components net of tax with reversal to income statement		
100	Hedging of foreign investments	-	-
110	Exchange rate differences	-	-
120	Hedges on cash flows	-	-
130	Hedging instruments (unmeasured instruments)	-	-
140	Financial assets (other than capital securities) measured at fair value with impact on total profits	-18,354,837	-2,169,191
150	Noncurrent assets and groups of assets in the course of divestment	-	-
160	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-	-1,263,906
170	Total other income components net of taxes	-18,256,527	-1,744,466
180	Overall profitability (line item 10+170)	917,436	-2,574,170
190	Overall consolidated profitability attributable to minority interest	37,744	-91,965
200	Overall consolidated profitability attributable to the parent company	879,692	-2,482,205

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

TABLE OF VARIATIONS TO CONSOLIDATED SHAREHOLDERS' EQUITY

TABLE OF VARIATIONS TO CONSOLIDATED SHAREHOLDERS' EQUITY AT 31/12/2022	Amounts at 31/12/2021	Changes to opening balance	Amounts at 01/01/2022	Allocation of prior fiscal year results		Fiscal year variations								Shareholders' equity at 31/12/2022	Group shareholders' equity at 31/12/2022	Third party Shareholders' equity at 31/12/2022	
				Reserves	Dividends and other allocations	Variations of reserves	Transactions on shareholders' equity						Overall profitability for the fiscal year 31/12/2022				
							Issue of new shares	Purchase of treasury shares	Extraord. Distrib. Of shares	Variations to capital instruments	Derivatives on treasury shares	Stock options					Variations to ownership interests
Share capital:																	
a) ordinary shares	234,919,186		234,919,186											-1,536,628	233,382,557	232,800,000	582,557
b) other shares	0		0												0	0	0
Premiums on issue of shares	803,240		803,240												803,240	803,240	0
Reserves:																	
a) from gains	-48,778,179		-48,778,179	-829,704	-1,100,213	240,222								-1,223,085	-51,690,958	-52,258,744	567,786
b) other	0		0												0	0	0
Valuation reserves	-1,160,629	-1,098,531	-2,259,160											-18,256,527	-20,515,688	-20,515,688	0
Capital instruments	27,000,000		27,000,000						3,000,000						30,000,000	30,000,000	0
Treasury shares	0		0												0	0	0
Fiscal year profit (loss)	-829,704		-829,704	829,704										19,173,963	19,173,963	19,136,220	37,744
Total Shareholders' equity	211,953,914	-1,098,531	210,855,382	0	-1,100,213	240,222	0	0	0	3,000,000	0	0	-2,759,713	917,436	211,153,115	209,965,028	1,188,087
Group shareholders' equity	209,599,130	-1,098,531	208,500,599	0	-1,100,213	0	0	0	0	3,000,000	0	0	-1,315,050	879,692	209,965,028	209,965,028	
Third party shareholders' equity	2,354,784	0	2,354,784	0	0	240,222	0	0	0	0	0	0	-1,444,664	37,744	1,188,087		1,188,087

The column "Changes to opening balance" recognises the adjustments made to balances at 31 December 2021, in accordance with the correction of the error made by the subsidiaries.

The column "Allocation of prior fiscal year results" includes the effects of the retroactive adjustments made to data relating to the 2021 fiscal year, and consequent changes to reserves, pursuant to the IFRS3 accounting principle.

TABLE OF CHANGES TO CONSOLIDATED SHAREHOLDERS' EQUITY AT 31/12/2021	Amounts at 31/12/2020	Changes to opening balance	Amounts at 01/01/2021	Allocation of prior fiscal year results		Fiscal year variations								Shareholders' equity at 31/12/2021	Group Shareholders' equity at 31/12/2021	Third party shareholders' equity at 31/12/2021	
				Reserves	Dividends and other allocations	Variations of reserves	Transactions on shareholders' equity						Overall profitability of the year at 31/12/2021				
							Issue of new shares	Purchase of treasury shares	Extraord. Distrib. Of dividends	Variations to capital instruments	Derivatives on treasury shares	Stock options					Variations to ownership interest
Share capital:																	
a) ordinary shares	233,800,000	0	233,800,000											1,119,186	234,919,186	232,800,000	2,119,186
b) other shares	0	0	0												0	0	0
Premiums on issue of shares	803,240	0	803,240												803,240	803,240	0
Reserves:																	
a) from gains	-52,622,545	0	-52,622,545	8,708,242	-4,863,876										-48,778,179	-49,105,742	327,563
b) other	0	0	0												0	0	0
Valuation reserves	583,837	0	583,837											-1,744,466	-1,160,629	-1,160,629	0
Capital instruments	10,000,000	0	10,000,000						17,000,000						27,000,000	27,000,000	0
Treasury shares	0	0	0												0	0	0
Fiscal year profit (loss)	8,708,242	0	8,708,242	-8,708,242										-829,704	-829,704	-737,739	-91,965
Total Shareholders' equity	201,272,774	0	201,272,774	0	-4,863,876	0	0	0	17,000,000	0	0	1,119,186	-2,574,170	211,953,914	209,599,130	2,354,784	
Group Shareholders' equity	199,240,506	0	199,240,506	0	-4,159,171	0	0	0	17,000,000	0	0	0	-2,482,205	209,599,130	209,599,130		
Third party Shareholders' equity	2,032,269	0	2,032,269	0	-704,705	0	0	0	0	0	0	1,119,186	-91,965	2,354,784		2,354,784	

The table relating to 31 December 2021 was subject to retroactive adjustments pursuant to the accounting principle "IFRS 3 – Accounting principles – corporate mergers".

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

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD	Amounts	Amounts
	31/12/2022	31/12/2021 (*)
A. OPERATING ASSETS		
1 Management	49,286,472	16,010,441
- Fiscal year results (+/-)	19,173,963	-829,704
- Gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value with impact on profit and loss account (+/-)	9,355,572	1,617,147
- Gains/losses on assets used for hedging (+/-)	2,267	7,882
- Net adjustments/write-backs due to impairment (+/-)	22,876,369	19,107,572
- Net adjustments/write-backs on property, plant, and equipment and intangible assets (+/-)	-7,085,483	-6,474,142
- Net allocations to risk and expense funds and other costs/income (+/-)	-254,024	-83,929
- Outstanding duties, taxes and receivables (+)	5,217,808	2,665,615
- Net adjustments/write-backs of groups of assets being divested net of tax (+/-)	-	-
- Other adjustments (+/-)	-	-
2 Liquidity generated/absorbed by financial assets	-56,912,980	-822,407,745
- Financial assets held for trading	-600,417	-7,490,688
- Financial assets measured at fair value	-	-
- Other assets obligatorily measured at fair value	-54,340,891	-14,810,546
- Financial assets measured at fair value with impact on total profits	-85,957,110	-334,884,483
- Financial assets measured at amortised cost	78,844,855	-458,013,469
- Other assets	5,140,582	-7,208,559
3 Liquidity generated/absorbed by financial liabilities	-18,624,689	829,062,107
- Financial liabilities measured at amortised cost	45,873,961	836,535,142
- Financial liabilities from trading	-596,075	52,446
- Financial liabilities measured at fair value	-	-
- Other liabilities	-63,902,575	-7,525,481
Net liquidity generated/absorbed by operating assets	-26,251,197	22,664,803
B. INVESTMENT ACTIVITIES		
1 Liquidity generated by	-9,895,226	-6,108,599
- Sale of equity investments	-	-
- Dividends received from equity investments	-	-
- Sale of property, plant and equipment	-9,899,211	-6,114,877
- Sale of intangible assets	3,985	6,278
- Sale of branches of business	-	-
2 Liquidity absorbed by	-20,841,308	-20,260,496
- Purchase of equity investments	-1,652,850	-4,114,089
- Purchase of property, plant and equipment	-17,078,411	-14,683,906
- Purchase of intangible assets	-2,110,046	-1,462,501
- Purchase of branches of business	-	-
Net liquidity generated/absorbed by investment activities	-30,736,534	-26,369,095
C. FUNDING ACTIVITIES		
- Issue / purchase of treasury shares	-	-
- Issue / purchase of capital instruments	3,000,000	17,000,000
- Distribution of dividends and other purposes	-1,100,213	-
Net liquidity generated/absorbed by funding activities	1,899,787	17,000,000
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	-55,087,943	13,295,708

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 - Accounting principles - Corporate mergers".

Legend:

(+) generated

(-) absorbed

Reconciliation		
LINE ITEMS OF THE FINANCIAL STATEMENTS	Amount	
	31/12/2022	31/12/2021 (*)
Cash and cash equivalents at the beginning of the fiscal year	105,007,246	91,711,538
Total net liquidity generated / absorbed during the fiscal year	-55,087,943	13,295,708
Cash and cash equivalents: effects of variations of exchange rates	0	0
Cash and cash equivalents at the close of the fiscal year	49,919,303	105,007,246

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

CONSOLIDATED EXPLANATORY NOTES

PART A – Accounting policies

A.1 – General part

Section 1 – Statement of conformity to International Accounting Standards

The consolidated financial statements of Gruppo Bancario Cambiano (the Group) were prepared in compliance with the IAS/IFRS1 international accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretation Committee (IFRIC) approved by the European Commission and in force at 31 December 2022, transposed into Italian law by Legislative Decree n. 38/2005 that exercised the option provided for by EC Regulation n. 1606/2002 on the matter of international accounting standards. The financial statements as at 31 December 2022 were prepared based on the instructions issued by Bank of Italy with Circular n. 262/05 “Banking financial statements: schedules and rules for preparation” updated to the 7th update of 02/11/2021. Said instructions establish obligatory schedule requirements for the financial statements and the respective methods of preparation, including compulsory contents of the Explanatory Notes. The financial statements are composed of the balance sheet, the income statement, the schedule of overall profitability, the cash flow statement, the schedule of variations to shareholders’ equity, and the explanatory notes, and are accompanied by a report on management. The schedules to the balance sheet and income statement are drawn up in Euro units and all other schedules and the tables in the explanatory notes are in thousands of Euros. The accounting standards adopted for the preparation of the Financial Statements for 2022, as regards the classification, recognition, measurement and derecognition of the various entries in the assets and liabilities, and the methods for recognition of revenues and costs, are unvaried with respect to the Financial Statements for 2021, with the exception of the changes made following the coming into effect, starting 1 January 2022, of the new accounting standards detailed below.

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

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

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

Title of the document	Date of publication	Effective as of
<p>Principio IFRS 17 – Insurance Contracts destined to replace principle IFRS 4 – <i>Insurance Contracts</i>. The objective of the new principle is to require that entities provide pertinent information that faithfully represents the rights and obligations deriving from issued insurance contracts. The IASB has developed the standard to eliminate incongruencies and weaknesses in the existing accounting policies, providing a single, principle-based framework to account for all types of insurance contracts, including re-insurance contracts held by an insurer. The new principle also includes requirements for the presentation of information to improve comparability between companies belonging to this sector. The new principle measures insurance contracts on the basis of a General Model or a simplified version of the latter, called the Premium Allocation Approach (“PAA”). The main characteristics of the General Model are:</p> <ul style="list-style-type: none"> • Estimates and hypotheses on future cash flows are always the most current ones; • Measurements reflect the time value money; • Estimates provide for an intensive use of information observable on the market; • There is a current and explicit measurement of risk; • Expected revenue is deferred and aggregated into group of insurance contracts at the moment of first recognition; 	18/05/2017	01/01/2023

Title of the document	Date of publication	Effective as of
<ul style="list-style-type: none"> Expected revenue is recognised in the period of contractual coverage, taking into account the adjustments deriving from variations in the hypotheses relating to financial cash flows relative to each group of contracts. <p>The PAA approach measuring liabilities for the residual coverage of a group of insurance contracts provided that, on first recognition, the entity provides that said liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically suitable for the PAA approach. The simplifications deriving from the application of the PAA approach do not apply to the assessment of liabilities for current claims, that are measured using the General Model. Nevertheless, it is not necessary to discount the cash flows in question, if it is expected that the balance amount will be paid or collected within one year of the date of the claim.</p> <p>The entity must apply the new principle to insurance contracts issued, including reinsurance contracts that are issued, reinsurance contracts that are held, and even investment contracts with a discretionary participation feature (DPF).</p> <p>This principle is applicable starting 1 January 2023, but anticipated application is permitted, only for companies that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. This Company does not expect any effects in the balance sheet deriving from application of this principle.</p>		
<p>Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information. This amendment is a transition option relative to comparative information on financial activities presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendments will be effective starting 1 January 2023, along with the application of IFRS 17. The Company does not expect any effect on the financial statements deriving from adoption of the principle.</p>	09/12/2021	01/01/2023
<p>Publication of the following amendments: “Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2” and “Definition of Accounting Estimates—Amendments to IAS 8”. The amendments are aimed at improving the disclosure on accounting policy so as to provide information of greater use to investors and other primary users of the balance sheet, and aid companies in distinguishing changes in accounting estimates from changes in accounting policy. These changes will be applicable starting 1 January 2023, but advance application is permitted. Company Administrators do not expect any significant effects in the consolidated financial statements of the Group, deriving from application of these amendments.</p>	12/02/2021	01/01/2023
<p>“Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. This document clarifies how to book deferred taxes on certain transactions that can generate assets and liabilities of equal amounts, such as leasing transactions and dismantling obligations. These changes will be applicable starting 1 January 2023, but advance application is permitted. Company Administrators do not expect any significant effects in the consolidated financial statements of the Group, deriving from application of these amendments.</p>	07/05/2021	01/01/2023

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

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

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

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

Section 2 – General principles for preparation

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

- Going concern – The financial statements were prepared on a going concern assumption, regarding which there are no uncertainties;
- Accrual basis accounting – Revenues and expenses are booked, regardless of their monetary settlement, based on economic accrual and correlation criteria;
- Coherency in the presentation of the financial statements – The format and classification of the various items are kept the same from one financial year to the next, in order to guaranty the comparability of the information,

save for changes required by an International Accounting Standard or an interpretation thereof, or even only so that another presentation or classification is deemed more appropriate in terms of relevance and reliability in the representation of the information;

- No compensation – Assets, liabilities, expenses and revenues are not compensated the ones with the others, unless required by an International Accounting Standard or by an interpretation or unless where expressly provided for by statement schedules for banks;
- Relevance and aggregation – Each relevant class of similar items is distinctly set out in the financial statements. Items that are dissimilar in terms of nature or destination are presented separately, unless they are irrelevant; The balance sheet and profit and loss account schedules are composed of line items (identified by Arabic numerals), by sub-line items (identified by letters) and by additional information details (the “of which” of line items and sub-line items). The line items, sub-line items and relative information details constitute the accounts of the financial statements. The schedules are conformant to those defined by Bank of Italy in Circular n. 262 of 22 December 2005 and subsequent updates. New line items may be added to the aforementioned schedules, if their content cannot be ascribed to any of the line items already provided for in the schedules, and only if the respective amounts are relevant. The sub-line items provided for by the schedules can be grouped together if one of the following two conditions exists:
 - a) the amount of the sub-line items is irrelevant;
 - b) grouping favours clarity of the financial statements; in this case, the explanatory notes will describe the sub-line items in the grouping, separately.

Accounts that contain no amounts, neither for the fiscal year of the financial statements in question, nor for the previous year, are not shown in the balance sheet, profit and loss account, and schedule of overall profitability;

- Prevalence of substance over form: transactions and other events are measured and booked in conformity with their substance and economic reality, and not purely based on their legal form;
- Comparative information– Comparative information is provided for the previous reporting period for all data entries in the schedules to the financial statements, with the exception of cases where an International Accounting Standard or an interpretation thereof allows differently. Commentary information and descriptions are also provided, when they provide a better understanding of the respective data or schedule. Data relating to the previous fiscal year can be appropriately adapted, where necessary, to ensure comparability of information relative to the current fiscal year. Non-comparability, adaptation, or the impossibility thereof must be noted and commented in the explanatory notes;
- Periodicity of the information: the information must be prepared at least annually; if an entity changes the date of closure of its fiscal year, it must specify the reason for said change in date of closing of the fiscal year, and the fact that data are not comparable.

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

Statement of going concern

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

On this matter, as written in another section of the Report, on 20 March 2023 Bank of Italy transmitted the notification titled “Gruppo Bancario Cambiano. Decision on share capital. Notification of initiation of the procedure” that defines the setting of capital requirements applicable to the Group, resulting from the first prudential inspection process (Supervisory Review and Evaluation Process – SREP) in effect starting 30 June next.

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

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

Areas and methods of consolidation

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

Consolidation criteria

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

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

- The power to manage significant activities, that is, activities carried out by the investee that can affect its returns;
- Exposure to the variability of returns deriving from the activity of the investee;
- Using powers to affect returns.

Companies in which the Parent Company either directly or indirectly holds more than half the voting rights are considered controlled companies (subsidiaries). However, the concept of control is considered present when the Parent Company simultaneously has power over the investee company. There must necessarily be a correlation between powers and returns that is manifest when there are valid rights that grant the Parent Company the actual ability to managing relevant activities or affect the investee's returns in a significant manner.

Jointly controlled companies are companies in which the voting rights and control over economic activities of the investee are shared jointly by the Parent Company, directly and indirectly, and another undertaking. Moreover, an investee is considered subject to joint control when, without there being equal proportion of voting rights, control of the investee's commercial activity and strategic policies is shared with other undertakings, by virtue of contract agreements. As at 31 December 2022 there are no jointly controlled companies in Gruppo Bancario Cambiano.

Companies in which the Parent Company, either directly or indirectly, holds at least one fifth of the voting rights (including "potential" voting rights) and in which the Parent Company has the power to participate in defining financial and management policies, are considered associated companies. Companies in which - albeit with a lower percent of voting rights – the Parent Company has the power to participate in determining the financial and management policies of the investee company by virtue of specific legal connections, such as participation in union agreements are also considered associated companies.

Methods of consolidation

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

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

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

booked to the Income statement.

The equity method requires that:

- The book value of relevant equity investments, held by the Parent Company, or by other Group Companies, pertaining to companies consolidated using the net equity method, must be compared with the pertinent share of equity of the investees. Any excess for the book value – on first application of the consolidated financial statements – is included in the booking value of the investees. Variations to equity that occur in years subsequent to that of first application, are recognised at line item 250 of the consolidated income statements (“profits and losses of equity investments”), to the extent in which the variations in question are attributable to profits or losses of the investees, and directly to shareholders’ equity for the residual amount. As regards the consolidation of equity investments in associated companies, where available, the draft financial statements as at 31 December 2022 approved by the respective Boards of Directors, were used; these not being available, data from the last approved financial statements were used (generally those as at 30 September 2022);
- If there is evidence that the value of a relevant shareholding may have dropped, an estimation is made of the recoverable value of the shareholding in question, taking into account the current value of future cash flows that the shareholding may generate, including the ultimate disposal of the investment. If the recovery value is less than the book value, the relative difference is recognised in the Income Statement

Current regulations require that two perimeters of consolidation be managed:

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

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

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

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

As at 31 December 2022 all the companies in the Group are consolidated using the integral method.

The scope of consolidation has remained unvaried with respect to that at 31/12/2021.

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

Name of the company	Head offices	Type of relationship	Investor	Share percent	Percent of voting rights
Immobiliare 1884 S.p.A.	Florence	1	Banca Cambiano 1884 S.p.A.	100.00%	100.00%
Cabel Leasing S.p.A.	Empoli	1	Banca Cambiano 1884 S.p.A.	95.00%	95.00%
Invest Italy SIM S.p.A.	Empoli	1	Banca Cambiano 1884 S.p.A.	92.73%	92.73%
Cabel Holding S.p.A.	Empoli	2	Banca Cambiano 1884 S.p.A.	49.60%	29.60%
Cabel Industry S.p.A.	Empoli	2	Banca Cambiano 1884 S.p.A.	11.49%	11.49%
Gardena Capital LTD	London	2	Banca Cambiano 1884 S.p.A.	39.00%	39.00%
Cabel IP S.p.A.	Empoli	2	Banca Cambiano 1884 S.p.A.	25.48%	25.48%

Key

(1) Controlled

(2) Significant influence

Other information

As regards the shareholding in Cabel Holding S.p.A., please note that during the 3rd quarter of 2019 the “Trust Pro Bono” was established, to which the Bank transferred, for a period of 5 years, the usufruct of 20% of the shares held in Cabel Holding S.p.A.

The cost and the balance sheet value have remained unvaried, while the number of shares (for the purpose of the percent of right to vote in the shareholders’ meeting) decreased from 49.60% to 29.60%, with resulting effects on the potential and actual voting rights exercised in the shareholders’ meeting of the subsidiary.

As regards the consolidation of companies using the line-by-line method, the accounting situations prepared and approved by each individual company as at 31 December 2022 were used. Group companies, subject to the application of national accounting principles, were required to prepare accounting schedules and data conformant to the International accounting standards applied in preparing the consolidated accounts.

For the consolidation of subsidiaries, using the net equity method, data referred to were the financial statement data as at 30/09/2022 of the subsidiary.

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

Subsequent to the preparation of the financial statements closed on 31 December 2022, there were no particularly noteworthy events such as to require modifying any of the approved, adjusting any of the results or providing any additional information. For greater details on the events subsequent to 31 December 2022 please see the respective section in the Board of Directors' report on management. Among the noteworthy events occurring during the period included between the date of reference of the financial statements (31 December 2022) and the date of approval of the proposed financial statements by the Board of Directors, please take note of:

Assessment audit

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

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

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

SREP 2023

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

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

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

Section 4 – Other aspects

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

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

Preparation of the financial statements is also based on estimations and assumptions that may have significant effects on the values registered in the income statement, as well as on the information regarding potential assets and liabilities recorded in the financial statements.

Calculating these estimations implicates the use of the information available and the application of subjective evaluations also based on acquired experience, used for the purpose of formulating reasonable assumptions regarding the relevance of management events. By their very nature, the estimations and assumptions used may vary from one period to another; therefore, it is not inconceivable that in subsequent fiscal years the values registered in the financial statements may differ even significantly, following changes in the subjective evaluations applied.

The main items for which the use of subjective evaluations on the part of the Bank is mostly required are:

- The quantification of losses due to loss in value of receivables and, in general, of other financial assets;
- The determination of the fair value of financial instruments to be used for the purpose of information on the financial statements;

- The use of evaluation models to determine the fair value of financial instruments not traded on an active market;
- The evaluation of the congruity of the value of goodwill and of other intangible assets;
- The quantification of personnel funds and risk and expense funds;
- Estimations and assumptions regarding the recoverability of deferred tax assets.

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

In calculating the recoverable value of impaired receivables from customers measured at amortised cost, the Group, within the scope of its classification and measurement policies, has applied specific evaluation processes and methods, characterised by elements of subjectivity and estimation for some variables such as, mainly, expected cash flows, expected recovery times and the assumed realizable value of guarantees, where present, the modification of which could entail a variation in the final recoverable value; this calculation is based on the use of information available at the date of measurement, and is also affected by the uncertainty associated to the current macro-economic context, characterised by the instability generated by the conflict between Russia and the Ukraine, and by inflationary pressures.

Also within the scope of internal policies regarding the management of in bonis receivables from customers for loans, measured at amortised cost, the Group has adopted processes and methods to monitor the performance of such positions, which include, among other things, the detailed classification of credit positions into homogenous risk categories, based on the requirements of sector regulations and internal provisions that govern initial classification and transfers to different risk categories. In the classification process, also for the purpose of consequent measurement of in bonis receivables, the Bank has taken into consideration the unique context of macro-economic uncertainty, deriving from the residual effects of the COVID-19 pandemic, as well as the instability generated by the Russia-Ukraine conflict, and by inflationary pressure.

As regards the quantification of losses due to credit impairment, during the current fiscal year, the Covid add-ons introduced in the 2020 financial statements and maintained in the 2021 financial statements, both for the Bank and for the subsidiary Cabel Leasing, equal to 8.3 million euro (7.5 million euro for the parent company, and 0.8 million euro for Cabel Leasing), on stage 2 moratorium positions and on government-backed loans, were released, as the underlying conditions for said add-ons have ceased to exist.

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

- 1) a congruous time has lapsed since the introduction of the add-ons, almost 24 months, such as to have allowed ascertaining any financial difficulty and the consequent congruous classifications and evaluations of the positions;
- 2) during the first semester of 2021, the Bank concluded an analytical evaluation process on all loans with moratoria granted to customers based on art. 56, comma 2, lett. c) of Italian Law Decree n. 18/2020 (approx. 2,500 customer codes with a residual principal subject to moratorium of over € 370 million), based on the outcome of which the Board of Directors, during the meetings held on 09/06/2021 and 24/06/2021 deliberated a census as a forbearance measure for n. 466 positions, for an overall amount equal to € 51.86 million;
- 3) between the first and second quarters of 2022, a new survey was conducted; the scope of this analysis included positions that between March and December 2021 (considered the only in bonis positions at 31.12.2021) did not reduce their exposure, and that at 31.3.2021 showed a moratoria debit exposure greater than € 200 thousand, and positions that at June 2021 requested that the Bank extend their respective suspensions up to December 2021, as provided for by art. 16 of Italian Law Decree n. 73 of 25 May 2021. This analysis, submitted to the Board of Directors in the meeting held on 27/05/2022, regarded a total of 276 IDN for an overall exposure at 9/3/2022 of over € 255 million in terms of lending;
- 4) on loans activated within the scope of public guarantees issued with emergency legislation, starting from the 2021 fiscal year, based on a combined study conducted by the IT outsourcer and the aid of the company KPMG, a new method of calculation of the value write-down was approved, that takes into consideration the presence of the government guaranty, also in light of the relevance that said loans have acquired during the 2020-2021 financial reporting periods. In particular, for the government-backed portion, the customer's PD and LGD parameters are replaced by those of the guarantor, that is the Italian government, while for the non-guaranteed portion, the customer's parameters continue to be used. Calculating the government-backed portion further factors the so-called residual risk, that was prudentially considered equal to 20%; therefore, in calculating the impairment loss, the guaranty-backed portion is reduced by said percent.

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

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

As was done in 2020 and 2021, the determination of the management overlay was based on a simulation of loans to “energy-intensive” businesses operating in the aforementioned business sectors and classified in Stage 2, “slipping” into Stage 3 at 12 months (on impaired overdue); the add-ons, calculated in this manner, amounted to € 5.7 million for the Parent Company Bank, and € 540 thousand for the subsidiary Cabel Leasing, at 31/12/2022.

Option for the consolidated financial statements

Starting from the 2017 fiscal year, Ente Cambiano exercised the option for the “national consolidated tax return”, disciplined by articles 117-129 of the TUIR (Italian Tax Consolidation Act) and introduced by Legislative Decree n. 344/2003 and subsequent amendments. This is an optional taxation system, which is binding for three years, by virtue of which the subordinate member companies transfer their economic results to the controlling company, only for tax purposes, which then registers a sole taxable income or taxable loss.

The effects of the consolidated tax return are booked in the line item “Other assets - receivables from Group companies due to tax consolidation” as accounting contra-entry for line item “Current tax liabilities” for IRES (income tax) allocations made by the consolidated companies gross of withholdings and pre-paid amounts.

The line item “Other liabilities – payables to Group companies for tax consolidation” represents the accounting contra-entry of line item “Current tax receivables” for pre-paid IRES (income tax) amounts and withholdings paid by companies included in the tax consolidation, who transferred said amounts to the consolidating company.

IFRS3 Accounting principles – Company mergers – Retroactive adjustments

As illustrated in the 2022 financial statements of the Parent Company, during the course of the financial year, the transaction for the merger by incorporation of Invest Banca S.p.A. under extraordinary administration into Banca Cambiano 1884 S.p.A. was perfected, and booked according to the acquisition method provided for by IFRS 3, that allows for the faculty to book a temporary allocation for 12 months from the acquisition, of which the Bank took advantage.

On 8 July 2022, the Bank received the response from the Revenue Office, regarding the request for ruling submitted on 15 October 2021 in accordance with art. 11, comma 2, of Italian Law n. 212/2000 aimed at obtaining dis-application of recognition of pre-paid taxes and tax credits deriving from the merger by incorporation of Invest Banca.

Said items, booked in the Assets of the 2021 balance sheet, for an overall amount of 9,468,562.68 euro, were recognized for only 546,996.45 euro, with a difference of 8,921,566.23 euro.

During the current fiscal year, the Bank, in application of the IFRS accounting principle, paragraph n. 45, has retroactively adjusted the temporary amounts booked at the date of acquisition. The book entries made after the results of the appeal determined an overall reduction of Assets and of the net result – with the consequent decrease of equity – at 31 December 2021 equal to 8,921,566.23 euro.

The detail of the retrospective effects deriving from the outcome of the appeal is reported in section G of the Explanatory Notes.

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

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

Classification criteria

This line item includes all financial assets other than those classified in the portfolio of financial assets measured at fair value with impact on total profits and in the portfolio of financial assets measured at amortised cost. Specifically, this line item includes:

- financial assets held for trading, represented by debt securities, capital Securities, lending, shares of CIUs and the positive fair value of derivative contracts, purchased and held for sale in the short-term to generate revenue from trading. This category also includes capital instruments, not qualified as control, joint-control or connection and for which were not designated at fair value with impact on total profits on initial measurement;
- assets measured at fair value, such as debt securities or lending, as defined at the moment of initial measurement, where the prerequisites required by IFRS 9 do not exist;
- other financial assets obligatorily measured at fair value, represented by debt securities, lending and shares of CIUs, that do not meet the requirements for measurement at amortised cost or at fair value with impact on total profits. These are, substantially, financial assets with contract terms that do not allow passing the so-called “SPPI test” or that are not held within the framework of a “Held to Collect” or “Held to Collect and Sell” business model.

The general rules regarding the reclassification of financial assets outlined by IFRS 9 do not allow reclassification of financial assets in other categories unless the entity modifies its business model for the management of financial assets. In such cases, not frequent however, the financial assets may be reclassified from the current category in one of the other two categories provided for by the principle (financial assets measured at amortised cost or financial assets measured at fair value with impact on total profits) and the carrying amount will be represented by the fair value at the moment of reclassification. The effects of the reclassification will be prospective starting from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the date of reclassification and this date is considered the date of initial measurement for allocation to the various credit risk stages for the purpose of impairment.

For more information regarding financial asset classification criteria, please consult the next section, “Financial asset classification criteria”.

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Criteria for recognition of income components

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

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

Classification criteria

This line item includes all financial assets that meet two requirements: they are held based on a “Held to Collect and Sell” business model and the contract terms provide for cash flows represented solely by repayment of principal and interest, so the so-called “SPPI test” is passed. In order for a financial asset to be classified in this category or in the category of financial assets at amortised cost (see the next point), in addition to satisfying the business model requirement for which it was purchased, the contract terms of the asset itself must provide for cash flows represented solely by repayment of principal and interest on principal amount to be repaid at fixed dates (“Solely Payment of Principal and Interest” - SPPI). The SPPI test must be performed on recognition of the asset in the balance sheet while, subsequently to initial recognition and as long as the asset is booked in the balance sheet, it is no longer subject to new

measurement for the purpose of the SPPI test. This line item also includes capital instruments not held for trading for which, on initial recognition, the option to recognise at fair value with impact on total profits was exercised.

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Criteria for recognition of income components

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

3. Financial assets measured at amortised cost

Classification criteria

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

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

More specifically, this line item includes:

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

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

Recognition criteria

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

Measurement criteria

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method. Thus, the asset is recognised in the balance sheet for an amount equal to the initial value of recognition less repayment of principal, plus or minus cumulative amortisation (calculated using the above-mentioned effective interest rate method) of any difference between the amount disbursed and the amount payable on maturity (typically comprising costs/revenues attributable directly to the asset) and adjusted based on any hedging for losses. The effective interest

rate is determined by calculating the rate equal to the current value of future cash flows for the asset, both principal and interest, on the sum disbursed, comprehensive of costs/revenues attributable to the asset itself. This accounting method, based on financial logic, allows distributing the economic effect of costs/revenues directly attributable to a financial asset along its entire expected residual life. The amortised cost method is not used for short-term assets measured at historic cost where discounting is deemed to have a negligible effect, for those with a fixed payment date and for those that are repayable on demand. Measurement criteria are closely connected to the inclusion of the instruments in question in one of the three credit risk stages provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets, while the first two (stages 1 and 2) comprise performing financial assets. As regards the booking of the aforementioned measurement effects, the value adjustments related to this type of asset are booked to the income statement:

- on initial recognition, for an amount equal to the expected loss at twelve months;
- on the next valuation of the asset, where the credit risk has not increased significantly with respect to initial recognition, in relation to the amount of value adjustments for expected losses over the next twelve months;
- on the next valuation of the asset, where the credit risk has increased significantly with respect to initial recognition, in relation to the amount of value adjustments for expected losses over the asset's entire residual contractual life;
- on the next valuation of the asset, where the credit risk has increased significantly with respect to initial recognition, where the "significance" of the increase has subsequently ceased to exist, in relation to the correction of cumulative value adjustments to take into account passing from expected loss over the entire residual life-time of the instrument to expected losses over a period of twelve months. If the financial assets in question are performing assets, they are subject to valuation, aimed at defining the value adjustments to be recognised in the balance sheet, as individual receivables or securities, based on parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD) specifically provided for by the IFRS 9 accounting principle. If, in addition to a significant increase of the credit risk, there is also objective evidence of a loss of value, the amount of the write-down is measured as the difference between the balance sheet value of the asset, classified as "impaired", as for all other positions with the same counterparty, and the current value of expected future cash flows, discounted by the original effective interest rate. The amount of the write-down, to be recognised in the income statement, is defined based on an analytical measurement process or determined by category and, therefore, analytically attributed to each position and takes into account forward looking information and possible alternative recovery scenarios.

Impaired receivables include financial instruments those that are considered non-performing, probably non-performing or overdue/past-due for more than ninety days, as per Bank of Italy regulations, in compliance with IAS/IFRS and European regulatory regulations. Expected cash flows take into account forecast recovery times and the estimated realizable value of any collateral. If the reasons for write-down are removed following an event occurring subsequent to recognition of the write-down, write-backs are entered in the income statement. Value recovery cannot exceed the amortised cost that the financial instrument would have had without the previous adjustments. Reversal of impairment loss due to value recoveries connected to the passage of time are booked to the income statement. In some cases, during the life of the financial assets in question and, specifically, of receivables, the original contractual conditions are modified by the contract parties. If the contractual clauses are modified during the life-span of a financial instrument, it must be ascertained whether the original asset must continue to be recognised in the balance sheet or if, to the contrary, the original asset should be derecognised, with recognition of a new financial instrument. In general, changes to a financial asset lead to derecognition of the asset and recognition of a new asset when the changes in question are "substantial". The analyses (qualitative and quantitative) aimed at defining the "substantiality" of contract modifications made to a given financial asset must, therefore, take into account the reason for the changes in question, for example, renegotiation for commercial reasons and renegotiation for financial difficulty of the counterparty. The first type of renegotiation, aimed at "holding onto" the customer, involve a borrower who is not in financial difficulty. These situations include all renegotiations aimed at adjusting the burden of the debt to market conditions. These operations entail a variation of the original contract conditions, usually by requested by the borrower, regarding aspects related to the cost of the debt, with a consequent economic benefit for the same borrower. Generally speaking, it is our opinion that every time the bank renegotiates in order to avoid losing a customer, the renegotiation should be considered substantial in that, were it not carried out, the customer could seek financing from another broker and the bank would suffer a loss of expected future revenue. The second kind, carried out for "credit risk reasons" (forbearance measures), are the bank's attempt to maximize recovery of the cash flow of the original receivable. The underlying risks and benefits, subsequent to the changes, are generally not transferred and, consequently, the accounting representation that provides the most relevant information for balance sheet interpretation is through "modification accounting", that entails recognition in the income statement of the difference between booking value and current value of the modified cash flow discounted by the original interest rate and not through derecognition.

Derecognition criteria

Financial assets are derecognised only if the sale of the assets has substantially transferred all the related risks and benefits. Contrarily, if a significant amount of risks and benefits related to sold financial assets is retained by the transferor, the assets in question will continue to be recognised on the balance sheet, even though the official title has been transferred. If

ascertaining the substantial transfer of risks and benefits is not possible, the financial assets are derecognised from the financial statements if no control whatsoever is retained over the assets in question. Contrarily, retention, even in part, of control entails recognition of the assets in the balance sheet for the amount equal to the residual participation, measured by exposure to changes in value of the transferred assets and to the variations of asset cash flows.

Recognition of income components

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

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

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

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

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

4. Hedges

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

Classification criteria

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

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

Recognition criteria

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

Measurement criteria

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

5. Equity investments

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Criteria for recognition of income components

Dividends paid by the subsidiary and generated subsequent to the purchase date are allocated to line item 220 of the income statement, "Profit/loss from equity investments". The result of the measurement of "shareholders' equity" are recognised in line item 220 of the income statement, "Profit/loss from equity investments" when they were included in the income statement of the subsidiary; when, instead, they were not included in the income statement of the subsidiary, they are allocated to Liability line item 110 "Valuation reserves". Profit or loss deriving from the sale of equity investments are recognised in line item 220 of the income statement, "Profit/loss from equity investments".

6. Property, plant and equipment**Recognition criteria**

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

Measurement criteria

After initial recognition, property, plant and equipment are recognised in the financial statements at cost net of accumulated depreciation and losses of value. Property, plants and equipment are systematically depreciated in every fiscal year based on their useful life, using the straight-line method. The following categories are not subject to depreciation:

- Land, be it purchased separately or incorporated in the value of buildings, in that considered assets with an indefinite useful life. If the value of the land is incorporated in the value of the buildings, it is considered an asset separable from the real property; the value of the land is separated from the value of the buildings, determined on the basis of specific independent expert appraisals only for "from the earth to the sky" buildings";
- Art work, which has an indefinite useful life and a value that is generally destined to increase over time.

The depreciation process begins when the asset becomes available for use.

Property, plant and equipment purchased by financial lease

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

- A right of use in the assets of the balance sheet (Right of Use, RoU);
- A lease liability in the liabilities of the balance sheet (Lease Liability, LL);

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

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

Derecognition criteria

Property plants and equipment are derecognised when sole or retired from use or when subsequent to sale it is not expected to generate future economic benefits.

Criteria for recognition of income components

Systematic depreciation is allocated to the income statement at the line item "Net adjustments/write-backs of value to property, plants and equipment". In the fiscal period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is available for use. Gains and losses deriving from disposal of property, plant and equipment are calculated as the difference between the net sale price and the asset's carrying amount, and are recognised in the income statement at the same date as the write-off from accounts. The line item "Gains/losses on disposal of investments" is the balance, positive or negative, between gains and losses from the disposal of property, plant and equipment.

7. Intangible assets

Classification criteria

Intangible assets include non-monetary assets without physical substances held to be used for a multi-year or indefinite amount of time, which meet the following characteristics:

- identifiable;
- under control of the company;
- capable of generating probable future economic benefits for the company;
- the cost of the asset may be measured reliably.

Lacking one of the aforementioned characteristics, the cost to purchase or generate the same internally is registered as a cost in the fiscal year in which it was sustained. Intangible assets include, in particular, application software for multi-year use and other identifiable assets that arise from legal or contractual rights. Expenses for improvements to third party assets (branch offices being rented) were recognised in Asset line item 120 "Other assets"; the relative amortisation was proportional to the duration of the leases. Within the scope of a company merger, the IFRS3 principle establishes that at the date of purchase of the control, the purchaser must classify or designate the purchased intangible assets. As regards the definition of intangible elements, the principle identifies intangible elements purchased in company merger as identifiable non-monetary assets with no physical substance. Goodwill is represented by the positive difference between the purchase cost and the fair value of assets and liabilities acquired within the scope of the company merger.

Recognition criteria

Intangible assets are recognised at cost, adjusted for accessory costs sustained to prepare for use of the asset. Within the scope of a company merger, the purchaser must classify or designate the intangible assets acquired, and recognise them at fair value. Goodwill, recognised in the assets at the date of purchase, is initially valued at cost. On a yearly basis, or any time there is evidence of impairment, an impairment test will be carried out on the adequacy of goodwill, in conformity with the provisions of IAS n. 36. The amount of the impairment loss is calculated as the negative difference, if any, between the goodwill value recorded and its recoverable amount. This recoverable amount is equal to the greater between the fair value of the cash-generating unit, net sale price of the asset, and its usage value. The resulting value adjustment are recognised in the income statement at item "Adjustments to value of goodwill". Any impairment loss recognised for goodwill cannot be derecognised in the subsequent fiscal year.

Measurement criteria

Subsequent to initial recognition, intangible assets of limited duration are recognised at cost, net of accumulated amortisation and of accumulated impairment loss. Amortisation begins when the asset becomes available for use, that is to say, when it is in the appropriate place and in suitable conditions to operate in the expected manner, and ceases when the asset derecognised. Amortisation is calculated using the straight-line method, so as to reflect the multi-year use of the asset based on the estimate made of the residual useful life. At the end of each fiscal year, if there is evidence of impairment, the recoverable value of the asset is estimated. The write-down, recognised in the income statement, is equal to the difference between the asset's carrying amount and its recoverable value.

Derecognition criteria

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

Criteria for recognition of income components

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

8. Other assets

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

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

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

10. Current and deferred taxes

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

11. Risk and expense funds

Risk and expense funds for commitments and issued guarantees

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

Other risk and expense funds

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

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

The amount registered as provision represents the best possible estimate of the resources required to settle the existing obligation as at the date of reference of the financial statements and reflects the risks and uncertainties that inevitably characterize a plurality of facts and circumstances. The provision is reversed when the use of resources to produce

economic benefits required to fulfil the obligation becomes improbable or when the obligation is extinguished. The line item also comprises long-term benefits to employees, that are determined using the same actuarial criteria as those used for severance funds. Actuarial gains and losses are all immediately recognised in the income statement.

12. Financial liabilities measured at amortised cost

Classification criteria

Payable to banks, payable to customers, outstanding securities and other financial liabilities include the various forms of interbank and customer funding, as well as payables relating to financial leases. Specifically, the sub-line item "Outstanding securities" includes issued securities (including subordinate loans, interest-bearing notes, and deposit certificates), net of repurchased securities.

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Criteria for recognition of income components

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

13. Financial liabilities from trading

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

14. Financial liabilities measured at fair value

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

15. Transactions in foreign currency

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

Criteria for recognition of income components

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

Other information**Treasury shares**

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

Accruals and deferrals

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

Costs for lease improvements

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

Employee severance pay

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

Issue of Additional Tier 1

As indicated in the section regarding "capital adequacy and regulatory ratios" of the Report on Management, the amount of issued AT1 instruments increased by 3,000,000.00, increasing from 27,000,000.00 at 31/12/2021 to 30,000,000.00 at 31/12/2022. The Bank issued Additional Tier 1 instruments in the month of March 2022 for 3,000,000.00. Specifically, these were subordinate instruments classified in Additional Tier 1 capital, pursuant to Regulation n. 575 of 2013 (CRR). For details regarding this type of transaction, please refer to Part A of the explanatory notes of the Parent Company.

Income Statement

Revenues are measured at fair value of the amount received or due and are recognised when future benefits are likely to be received and such benefits may be reliably measured. Expenses are recognised when incurred. Expenses that cannot be associated with revenue are immediately recognised in the income statement. Specifically:

- Revenues and expenses directly related to financial instruments measured at amortised cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate;
- Dividends are recognised in the income statement when they are received;
- Revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recorded if fair value can be determined with reference to parameters or recent transactions observed on the same market on which the instrument is traded;
- Other fees are recognised on an accruals basis.

Expenses directly related to financial instruments measured at amortised cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate, for which definition please refer to the paragraph "Loans and Financing". Impairment losses are immediately recognised in the

income statement. Default interest, where provided for by contract, is entered in the income statement only when paid. Losses in value are recognised in the income statement immediately.

Classification criteria for financial assets

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

- Financial assets measured at amortised cost: assets that pass the SPPI test and are managed based on an HTC business model;
- Financial assets measured at fair value with impact on total profits (FVOCI): assets that pass the SPPI test and are managed based on an HTCS business model;
- Financial assets measured at fair value with recognition of income effects through profit and loss (FVTPL): this is a residual category, that includes financial instruments that cannot be classified in the above categories based on the outcome of the business model test or of the test on contractual cash flow characteristics (SPPI test failed). In order to be able to classify a financial asset at amortised cost or at FVOCI, in addition to the business model analysis, the contractual terms of the asset in question must provide for payment of principal and interest only, at fixed dates, (“solely payment of principal and interest” - SPPI). This analysis must especially be carried out for loans and debt securities. The SPPI test must be carried out on each and every financial instrument, at the moment of registration in the balance sheet. Subsequent to initial recognition, and for as long as the asset is recorded in the balance sheet, it will no longer be subject to further analysis for the purpose of the SPPI test. If a financial instrument is derecognised and a new financial instrument is recognised, the SPPI test must be carried out on the new asset. For the purpose of application of the SPPI test, the IFRS 9 accounting principles provides the following definitions:
 - Principal: is the fair value of the financial asset at initial recognition. This value may change during the life of the financial instrument, for example, due to reimbursement of part of the principal;
 - Interest: is the consideration for the time value of money and for the credit risk associated to the existing principal in a given period of time. This may also include remuneration for other basic risks and expenses associated to the asset and with a profit margin.

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

Business model

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

- Hold to Collect (HTC): This is a business model whose objective is to hold assets in the related asset portfolios in order to collect contractual cash flows. Including an asset portfolio in this business model does not necessarily mean it is impossible to sell the instruments, although it is necessary to take into consideration the frequency, entity of value, reasons for the sale and expectations regarding future sales;

- Hold to Collect and Sell (HTCS): this is a mixed business model, whose objective is to both collect the contractual cash flows and sell the financial asset, where the sale of the asset is an integral part of the strategy. Both activities (collection of cash flows and sale of the asset) are indispensable for the purpose of reaching the objective of the business model. Therefore, sales are more frequent and volumes more significant with respect to the HTC business model and are an integral part of the business strategies;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed through a business model that does not meet the qualifying criteria for the aforementioned models (HTC and HTCS). Generally speaking, this classification applies to financial asset portfolios that are managed and performance evaluated on a fair value basis. The business model reflects the way in which the financial assets are managed to generate cash flows for the entity and is defined by the bank's corporate bodies with the appropriate input from business functions. Fundamentally, the business model:
 - reflects the way in which financial assets are managed to generate cash flows;
 - is defined by the bank's corporate bodies, with appropriate input from the business functions;
 - must be observable, considering the methods for management of financial assets. In operational terms, the evaluation and composition of the business model is made consistently with the corporate organisation mode, the specialization of the business functions, the expected risk model and the assignment of delegated powers.

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

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

Method of calculation of amortised cost

The amortised cost of a financial asset or liability is the value measured for initial recognition, net of principal repayments, plus or minus overall amortisation, determined by applying the effective interest method, the difference between the initial value and the value at maturity and net of any impairment losses. The effective interest rate is the rate that equalizes the current value of the financial asset or liability to the contractual cash flow of future payments or payments received up to the date of maturity or up to the next repricing date. For instruments with a fixed rate or a rate that is fixed for specific time periods, future cash flows are determined based on the known interest rate during the life of the instrument. For financial assets and liabilities with a floating interest rate, the future cash flows are determined based on the last known rate. At each repricing date, the amortisation schedule and the effective rate of return over the entire useful life of the financial instrument, that is up to maturity, are recalculated. Amortised cost is applied to receivables, financial assets held to maturity, those available for sale, liabilities and outstanding securities. Financial assets and liabilities traded at market conditions are initially recognised at fair value, which usually corresponds to the amount paid or disbursed, comprehensive of transactions costs and commissions directly attributable to the asset or liability. Transactions costs include internal marginal costs and revenues attributed at the moment of initial recognition of the instrument and recoverable from customers. These accessory components, which must be attributed to an individual asset or liability, impact the effective performance and modify the effective interest rate with respect to the contractual interest rate. Therefore, costs and revenues indistinctly referable to multiple transactions, and the correlated components that may be measured during the life of the financial instruments, are excluded. Furthermore, any costs that the Bank would incur, regardless of the transactions, such as administrative costs, office supply costs, etc., are not included in the calculation of amortised cost.

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

In order to establish an accounting policy in accordance with IAS 8, it is appropriate to analyse the issue from the point of view of initial recognition, measurement and consequent classification, taking into account the cost sustained by the

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

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

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

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

A.3 – Information on financial asset transfers between portfolios

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

As at 31/12/2022, there were no reclassified financial assets.

A.3.2. Reclassified financial assets: change of business model, fair value and effects on overall profitability

As at 31/12/2022, there were no reclassified financial assets.

A.3.3. Reclassified financial assets: change of business model and effective interest

As at 31/12/2022, there were no reclassified financial assets.

A.4 – Information on fair value

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

A.4.1 Fair value levels 2 and 3: measurement and input techniques used

In December 2012, through Commission Regulation (EU) n. 1255/2012, the European Commission approved the new IFRS 13 “Fair Value Measurement” principle, effective as of 1 January 2013. IFRS 13 defines fair value as: “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. As far as financial instruments are concerned, this definition of fair value replaces the previous version contained in IAS 39. As regards financial liabilities, the new definition of fair value provided for by IFRS 13 therefore requires identifying as such the value that would be paid to transfer the liability in question (exit price), as opposed to the value required to settle the same liability (definition contained in IAS 39). This serves to reinforce the theme of the recognition of fair value adjustments of financial liabilities – different from derivatives – attributable to the credit rating of the issuer (Own Credit Adjustment - OCA), with respect to the provisions already set forth on the matter in IAS 39. In particular, as regards calculating the fair value of OTC derivatives under assets in the Balance Sheet, IFRS 13 has confirmed the application of the adjustment relative to counterparty risk (Credit Valuation Adjustment - CVA). As regards financial liabilities represented by OTC derivatives, IFRS 13 introduces the so-called Debit Valuation Adjustment (DVA), which is a fair value adjustment aimed at reflecting own credit risk on such instruments, an issue not explicitly dealt with in IAS 39. The fair value of investments listed in active markets is calculated with reference to market listings on the last day of reference for the financial period. For financial instruments listed on active markets, the fair value assessment is based on the listings on the active market of reference even obtained from international providers and registered on the last day of the financial period. A market is defined as active when the listings reflect standard market transactions, are readily and regularly available and express the price of actual and regular market transactions. If the same financial instrument is listed on more than one market, the listing to be taken into consideration is that on the most advantageous market to which the company has access. The fair value of unlisted financial instruments is calculated by applying valuation methods that aim to determine the price that the instrument would have had on the market at the measurement date in a free exchange motivated by normal commercial considerations. Fair value is obtained using the following methods: use of recent market transactions, reference to the price of financial instruments with the same characteristics as that being measured, and quantitative methods. Specifically, unlisted securities are evaluated by applying models that discount expected future cash flow, using interest rate structures that take into proper consideration the issuer’s business sector and, where available, rating class. The fair value of mutual funds that are not traded on active markets is calculated based on the Net Asset Value as published, and adjusted if necessary to take into account possible changes in value occurring between the date of request of redemption and the effective redemption date. Capital securities not traded on an active market, for which the fair value cannot be calculated reliably using the most common methods, are valued at cost, adjusted to take into account possible significant impairment of value. As regards loans and deposits, at sight/revocable, immediate expiry of contract obligations, coinciding with the date of the financial statements, is considered and therefore their fair value is approximated at booking value. Similarly, booking value is considered for short-term loans as well. The fair value of medium to long-term loans to customers is measured by discounting residual contractual cash flows at the effective interest rate, appropriately adjusted to take into account the credit rating of individual borrowers (represented by the probability of default and by the estimated loss in the event of default). The booking value of impaired assets is an approximation of the fair value. For medium to long-term debt positions, represented by securities valued at amortised cost and hedged for interest rate risk, the booking value is adjusted, due to hedging, to fair value attributable to the hedged risk, discounting the respective flows. The fair value of derivative contracts traded on regulated markets is considered the market price of the last listing day of the fiscal period. Over the counter derivative contracts are measured on the basis of a variety of models, based on input factors that affect the relative valuation and taking into account adjustments for counterparty risk. The Group does not calculate and

recognise corrections in fair value of derivatives for CVA and DVA if there are formalized and operative agreements for collateralisation of the positions in derivatives with the following characteristics:

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

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

A.4.2 Measurement process and sensitivity

At 31 December 2022 there were no assets classified in level 2 of the hierarchy of Fair Value. Financial assets that refer to capital securities “valued at cost” relative to instrumental capital holdings, and for which the fair value cannot be calculated in a reliable or verifiable manner, are conventionally classified at level 3 in the hierarchy of fair value.

A.4.3 Hierarchy of fair value

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

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

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

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

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

A.4.4 Other information

There is no other information.

A.4.5 Hierarchy of fair value

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

Financial assets/liabilities measured at fair value	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value with impact on profit and loss account	109,932	0	102,140	56,554	0	109,933
a) financial assets held for trading	66,873	0	683	56,554	0	14,880
b) financial assets measured at fair value	0	0	0	0	0	0
c) financial assets obligatorily measured at fair value	43,060	0	101,457	0	0	95,053
2. Financial assets measured at fair value with impact on total profits	594,184	0	18,186	507,509	0	19,060
3. Hedges	0	0	0	0	0	0
4. Property, plant and equipment	0	0	2,715	0	0	3,227
5. Intangible assets	0	0	0	0	0	0
Total	704,117	0	123,041	564,063	0	132,219
1. Financial liabilities held for trading	0	0	98	0	0	694
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	0	0	0	141
Total	0	0	98	0	0	835

Key:

Level 1 = Fair value of a financial instrument listed in an active market;

Level 2 = Fair value measured on the basis of measurement techniques that use parameters that can be observed on the market, other than the listings of the financial instrument;

Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be observed on the market.

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

	Financial assets measured at fair value with impact on profit and loss account				Financial assets measured at fair value with impact on total profits	Hedges	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) financial assets obligatorily measured at fair value				
1. Initial value	109,933	14,880	0	95,053	19,060	0	3,227	0
2. Additions								
2.1. Purchases	29,058	683	0	28,375	0	0	0	0
2.2. Revenues allocated to a:				0			0	0
2.2.1. Profit and loss account	59	59	0	0	0	0	0	0
- of which gains	0	0	0	0	0	0	0	0
2.2.2. Shareholders' equity	X	X	X	X	0	0	0	0
2.3. Transfers from other levels	0	0	0	0	0	0	0	0
2.4. Other additions	-7	0	0	-7	0	0	0	0
3. Reductions				0			0	0
3.1. Sales	34,419	14,938	0	19,481	500	0	511	0
3.2. Redemptions	0	0	0	0	0	0	0	0
3.3. Losses allocated to:				0			0	0
3.3.1. Profit and loss account	2,483	0	0	2,483	0	0	0	0
- of which losses	2,422	0	0	2,422	0	0	0	0
3.3.2. Shareholders' equity	X	X	X	X	374	0	0	0
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other reductions	0	0	0	0	0	0	0	0
4. Final values	102,140	683	0	101,457	18,186	0	2,715	0

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

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

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

Line items	31/12/2022				31/12/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	3,798,880	360,590	0	3,438,290	3,900,445	366,603	0	3,533,842
2. Property, plant and equipment held as investments	0	0	0	0	3,900,445	366,603	0	3,533,842
3. Noncurrent assets and groups of assets in the course of divestment	0	0	0	0	0	0	0	0
Total	3,798,880	360,590	0	3,438,290	3,900,445	366,603	0	3,533,842
1. Financial liabilities measured at amortised cost	4,643,282	0	0	4,643,282	4,597,408	0	0	4,597,408

2. Liabilities associated to assets in the course of divestment	0	0	0	0	0	0	0	0
Total	4,643,282	0	0	4,643,282	4,597,408	0	0	4,597,408

Key:

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

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

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

PART B – Information on the balance sheet

ASSETS

Section 1 - Cash and cash equivalents - Line item 10

1.1. Cash and cash equivalents: breakdown

Line items	31/12/2022	31/12/2021	Var.	% var.
a) Cash and cash equivalents	12,826	13,753	-927	-6.74%
b) Demand deposits with Central Banks	0	0	0	0.00%
c) Bank accounts and demand deposits with banks	37,093	91,254	-54,161	-59.35%
Total	49,919	105,007	-55,088	-52.46%

Notes

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

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

2.1 Financial assets held for trading: breakdown by type

Line items/values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	66,519	0	0	8,082	0	0
1.1 Securities structured	0	0	0	0	0	0
1.2 Other debt securities	66,519	0	0	8,082	0	0
2 Capital securities	354	0	0	912	0	0
3 Shares in mutual funds	0	0	0	47,561	0	14,782
4 Loans	0	0	0	0	0	0
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	0	0	0	0
Total A	66,873	0	0	56,554	0	14,782
B. Derivative instruments						
1 Financial derivatives:	0	0	683	0	0	98
1.1 from trading	0	0	683	0	0	98
1.2 connected to the fair value option	0	0	0	0	0	0
1.3 other	0	0	0	0	0	0
2 Credit derivatives	0	0	0	0	0	0
2.1 from trading	0	0	0	0	0	0
2.2 connected to the fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	0	0	683	0	0	98
Total (A+B)	66,873	0	683	56,554	0	14,880

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

Line items/values	31/12/2022	31/12/2021	Var.	% var.
A. CASH ASSETS				
1. Debt securities	66,519	8,082	58,437	0.00%
a) Central banks	0	0	0	0.00%
b) Public administrations	60,149	2,239	57,911	0
c) Banks	2,524	1,801	723	0
d) Other financial companies	780	560	221	0
of which: insurance companies	0	0	0	0
e) Non finance companies	3,066	3,482	-416	0
2 Capital securities	354	912	-558	0.00%
a) Banks	0	0	0	0.00%
b) Other financial companies	354	912	-558	0.00%
of which: insurance companies	0	0	0	0.00%
c) Non finance companies	0	0	0	0.00%
d) Other issuers	0	0	0	0.00%
3 Shares in mutual funds	0	62,343	-62,343	-100.00%
4 Loans	0	0	0	0.00%
a) Central banks	0	0	0	0.00%
b) Public administrations	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
f) Families	0	0	0	0.00%
Total (A)	66,873	71,336	-4,463	-6.26%
B DERIVATIVE INSTRUMENTS				

Line items/values	31/12/2022	31/12/2021	Var.	% var.
a) Central counterparties	0	0	0	0.00%
b) Other	683	98	585	599.35%
Total (B)	683	98	585	599.35%
Total (A+B)	67,555	71,433	-3,878	-5.43%

2.3 Financial assets measured at fair value: breakdown by type

Line items/values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	0	0	0	0	0	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	0	0	0
2 Loans	0	0	0	0	0	0
2.1 Structured	0	0	0	0	0	0
2.2 Other	0	0	0	0	0	0
Total	0	0	0	0	0	0

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

Line items/values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	0	0	3,874	0	0	4,597
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	3,874	0	0	4,597
2 Capital securities	0	0	0	0	0	0
3 Shares in mutual funds	43,060	0	24,541	0	0	16,899
4 Loans	0	0	73,042	0	0	73,558
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	73,042	0	0	73,558
Total	43,060	0	101,457	0	0	95,053

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

Line items/values	31/12/2022	31/12/2021
1 Capital securities	0	0
of which: Banks	0	0
of which: Other financial companies	0	0
of which: Other non-finance companies	0	0
2. Debt securities	3,874	4,597
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	937	1,042
d) Other financial companies	0	1,003
of which: insurance companies	0	0
e) Non finance companies	2,937	2,552
3 Shares in mutual funds	67,601	16,899
2 Loans	73,042	73,558
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	0	25
d) Other financial companies	3,544	7,183
of which: insurance companies	0	3,733
e) Non finance companies	68,896	65,780
f) Families	602	570
Total	144,517	95,053

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

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

Line items/values	Total at 31/12/2022			Total at 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	594,184	0	0	507,509	0	0

Line items/values	Total at 31/12/2022			Total at 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1.1 Structured securities	0	0	0	4,404	0	0
1.2 Other debt securities	594,184	0	0	503,105	0	0
2. Capital securities	0	0	18,186	0	0	19,060
3. Loans	0	0	0	0	0	0
Total	594,184	0	18,186	507,509	0	19,060

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

Line items/values	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
1. Debt securities	594,184	507,509	86,675	17.08%
a) Central banks	0	0	0	0.00%
b) Public administrations	588,811	490,601	98,210	20.02%
c) Banks	5,373	16,908	-11,535	-68.22%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non-finance companies	0	0	0	0.00%
2. Capital securities	18,186	19,060	-874	-4.58%
a) Banks	7,511	7,511	0	0.00%
b) Other issuers:	10,675	11,549	-874	-7.57%
- other financial companies	427	445	-18	-4.11%
of which: insurance companies	0	0	0	0.00%
- non-finance companies	10,248	11,104	-856	-7.71%
- other	0	0	0	0.00%
3. Loans	0	0	0	0.00%
a) Central banks	0	0	0	0.00%
b) Public administrations	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non-finance companies	0	0	0	0.00%
f) Families	0	0	0	0.00%
Total	612,370	526,569	85,801	16.29%

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

	Gross value				Overall value adjustments			Overall partial write-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	592,420	592,420	2,256	0	470	22	0	0
Loans	0	0	0	0	0	0	0	0
Total at 31/12/2022	592,420	592,420	2,256	0	470	22	0	0
Total at 31/12/2021	492,683	492,683	14,956	0	68	62	0	0
of which: Impaired financial assets purchased or originated	X	X	0	0	X	0	0	0

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

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

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

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

Type of transaction / Values	Total at 31/12/2022						Total at 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3
A. Receivable from Central banks	84.303	0	0	0	0	84.303	137.936					137.936
1. Term deposits	0	0	0	0	0	0	0				0	0

Type of transaction / Values	Total at 31/12/2022						Total at 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3
2. Regulatory reserve	84,303	0	0	0	0	84,303	137,936			0	0	137,936
3. Repurchase agreements	0	0	0	0	0	0	0			0	0	0
4. Other	0	0	0	0	0	0	0			0	0	0
B. Receivables from banks	56,757	0	0	6,720	0	50,037	85,508			11,509	0	73,999
1. Loans	50,037	0	0	0	0	50,037	73,999			0	0	73,999
1.1. Bank accounts and demand deposits	0	0	0	0	0	0	73,999			0	0	73,999
1.2. Term deposits	50,037	0	0	0	0	50,037	0			0	0	0
1.3. Other funding:	0	0	0	0	0	0	0			0	0	0
- Repurchase agreements receivables	0	0	0	0	0	0	0			0	0	0
- Financial leases	0	0	0	0	0	0	0			0	0	0
- Other	0	0	0	0	0	0	0			0	0	0
2. Debt securities	6,720	0	0	6,720	0	0	11,509			11,509	0	0
2.1 Structured securities	0	0	0	0	0	0	0			0	0	0
2.2 Other debt securities	6,720	0	0	6,720	0	0	11,509			11,509	0	0
Total	141,061	0	0	6,720	0	134,340	223,443	0	0	11,509	0	211,935

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

Type of transaction/values	Total at 31/12/2022						
	Book value				Fair value		
	First and second stage	Third stage	impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans	3,116,865	186,350	734	3,303,949	X	X	X
1.1. Bank accounts	319,011	17,322	0	336,333	X	X	X
1.2. Repurchase agreements receivables	0	0	0	0	X	X	X
1.3. Mortgages	1,498,149	97,786	622	1,596,557	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	18,782	510	32	19,324	X	X	X
1.5. Financial leases	268,769	18,021	0	286,791	X	X	X
1.6. Factoring	0	0	0	0	X	X	X
1.7. Other funding	1,012,154	52,711	80	1,064,945	X	X	X
2. Debt securities	353,870	0	0	353,870	280,384	0	0
2.1 Structured securities	0	0	0	0	0	0	0
2.2 Other debt securities	353,870	0	0	353,870	280,384	0	0
Total (book value)	3,470,735	186,350	734	3,657,819	280,384	0	0

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

Type of transaction/values	Total at 31/12/2021						
	Balance sheet value				Fair value		
	First and second stage	Third stage	impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans							
1.1. Bank accounts	339,324	19,188	0	358,513	X	X	X
1.2. Repurchase agreements receivables	67,756	0	0	67,756	X	X	X
1.3. Mortgages	1,451,383	88,031	711	1,540,125	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	19,824	720	36	20,580	X	X	X
1.5. Financial leases	231,659	16,783	0	248,442	X	X	X
1.6. Factoring	0	0	0	0	X	X	X
1.7. Other funding	1,065,408	20,973	112	1,086,493	X	X	X

Type of transaction/values	Total at 31/12/2021						
	Balance sheet value				Fair value		
	First and second stage	Third stage	impaired purchased or originated	Total	Level 1	Level 2	Level 3
2. Debt securities	355,094	0	0	355,094	280,384	0	0
2.1 Structured securities	0	0	0	0	0	0	0
2.2 Other debt securities	355,094	0	0	355,094	280,384	0	0
Total (book value)	3,530,449	145,695	859	3,677,002	280,384	0	0

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

Type of transaction/Values	Total at 31/12/2022			Total at 31/12/2021		
	First and second stage	Third stage	impaired purchased or originated	First and second stage	Third stage	impaired purchased or originated
1. Debt securities	353,870	0	0	355,094	0	0
a) Public administrations	353,870	0	0	355,094	0	0
b) Other financial companies	0	0	0	0	0	0
<i>of which: insurance companies</i>	0	0	0	0	0	0
c) Non finance companies	0	0	0	0	0	0
2. Loans to:	3,116,865	186,350	734	3,175,354	145,695	859
a) Public administrations	813	0	0	1,105	0	0
b) Other financial companies	104,472	2,552	0	199,150	1,490	0
<i>of which: insurance companies</i>	0	0	0	0	0	0
c) Non finance companies	1,656,041	126,564	146	1,673,736	81,386	172
d) Families	1,355,539	57,234	588	1,301,364	62,818	687
Total	3,470,735	186,350	734	3,530,449	145,695	859

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

Type of transaction/Values	Gross value					Overall value adjustments				Overall partial write-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	
Debt securities	354,077	360,965	6,888	0		208	168	0	0.00	0
Loans	2,933,135	2,913,911	339,041	302,251	920	6,840	14,131	115,900	186	0
Total at 31/12/2022	3,287,212	3,274,877	345,929	302,251	920	7,048	14,298	115,900	186	0
Total at 31/12/2021	3,484,848	3,447,815	296,023	252,057	1,092	8,187	18,792	105,504	233	0

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

Type of transaction/Values	Gross value					Overall value adjustments				Overall partial write-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	
1. Loans subject to forbearance conformant to GL	0	0	0	0	0	0	0	0	0	0
2. Loans subject to other forbearance measures	0	0	0	0	0	0	0	0	0	0
3. Other funding	0	0	0	0	0	0	0	0	0	0
4. New loans	429,492	429,492	73,886	26,024	0	570	769	4,558	0	143
Total at 31/12/2022	429,492	429,492	73,886	26,024	0	570	769	4,558	0	143
Total at 31/12/2021	476,094	476,094	51,088	3,273	60	2,826	5,219	1,073	5	0

Section 5 - Hedges - Line item 50

As at 31 December 2022 this line item was not measured.

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

As at 31 December 2022 this line item was not measured.

Section 7 - Equity investments - Line item 70

7.1 Equity investments: information on equity investments

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

Notes

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

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

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

Name	Book value	Fair value	Dividends received
A. Jointly held companies	0	0	0
A. Companies subject to significant influence	16,479	16,479	0
1. Cabel Holding s.p.a.	14,965	14,965	0
2. Cabel Industry s.p.a.	1,222	1,222	0
3. Gardena Capital LTD	247	247	0
4. Cabel IP s.p.a.	45	45	0
Totals	16,479	16,479	0

Notes

The fair value of equity investments in companies solely controlled and subject to significant influence corresponds to the book value in that none of the companies in question is listed on a trade market.

As regards the equity investment held in Cabel Holding s.p.a., the impairment test was conducted by means of calculation of adjusted shareholders' equity, performed by an expert appointed by the Bank. The results of the test showed no impairment.

7.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Interest income
A. Jointly held companies	0	0	0	0	0	0	0
B. Companies subject to significant influence	x	21,882	78,929	2,222	36,172	32,137	4
1. Cabel Holding s.p.a.	x	18,217	27,856	0	1,223	1,977	x
2. Cabel Industry s.p.a.	x	210	50,011	0	33,877	28,418	x
3. Gardena Capital LTD	x	891	606	0	468	1,277	x
4. Cabel IP s.p.a.	x	2,563	456	2,222	604	464	4
Totals		21,882	78,929	2,222	36,172	32,137	4

Name	Value adjustments and write-backs on property, plants and equipment and intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) from groups of assets in course of divestment net of taxes	Profit (loss) for the fiscal year (1)	Other income components net of tax (2)	Overall profitability (3) = (1) + (2)
A. Jointly held companies	0	0	0	0	0	0	0
B. Companies subject to significant influence	23	324	223	0	223	0	223
1. Cabel Holding s.p.a.	x	62	89	0	89	0	89
2. Cabel Industry s.p.a.	x	260	167	0	167	0	167
3. Gardena Capital LTD	13	37	37	0	37	0	37
4. Cabel IP s.p.a.	10	-36	-69	0	-69	0	-69
Totals	23	324	223	0	223	0	223

Notes

The above companies carry out activities that are instrumental to Group activities and perform services that are auxiliary to Group activities.

The values shown in the above table refer to 30 September 2022.

The book value was calculated according to the table below:

Name	Shareholders' equity	% of shareholding	Purchases/Sales	Dividends received	Book value at PN
1. Cabel Holding S.p.A.	30,171	49.60%	0	0	14,965
2. Cabel Industry S.p.A.	10,633	11.49%	0	0	1,222
3 Gardena Capital LTD	634	39.00%	0	0	247
4 Cabel IP s.p.a.	178	25.48%	0	0	45
Totals	41,616		0	0	16,479

7.5 Equity investments: annual variations

Line items	Total at 31/12/2022	Total at 31/12/2021
A. Initial value	16,400	23,993
B. Additions	1,324	397
B.1 Purchases	0	278
B.2 Write-backs of value	0	0
B.3 Revaluations	1,324	77
B.4 Other variations	0	42
C. Reductions	1,246	7,989
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Write-downs	1,246	7,989
C.4 Other variations	0	0
D. Final values	16,479	16,400
E. Total revaluations	14,658	13,334
F. Total adjustments	0	0

Notes

Line item B.3 "Revaluations" includes the revaluation of the company Cabel Holding s.p.a. for overall € 1,325 thousand.

Line item C.3 "Write-downs" includes the write-down of the company Cabel Holding s.p.a. for € 862 thousand, and the write-down of the company Cabel Industry s.p.a. for € 369 thousand.

Specifically, as regards the subsidiaries Cabel Holding and Cabel Industry, the variation recorded during the fiscal period, equal to 1,232 thousand euro overall, was allocated for 1,114 thousand euro to a valuation reserve, and for 118 thousand euro to line item 220 of the profit and loss account "Profit (Loss) from equity investments". The amount allocated to reserve is due to the write-back of the subsidiary deriving from the assessment of intangible fixed assets by Cabel Industry, which entailed the correction of an error in the datum for the previous fiscal period.

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

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

7.8 Equity investments: restrictions

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

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

There are no technical reserves.

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

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

Assets/values	Total at 31/12/2022	Total at 31/12/2021
1. Owned assets	62,137	62,254
a) land	10,466	10,466
b) buildings	38,208	37,888
c) furniture	9,727	9,757
d) electronic equipment	996	1,074
e) other	2,740	3,068
2. Rights of use acquired through leases	12,351	15,043
a) land	0	0
b) buildings	12,325	14,978
c) furniture	0	0
d) electronic equipment	0	0
e) other	26	64
Total	74,489	77,297
<i>of which: obtained by enforcing guarantees received</i>	<i>0</i>	<i>0</i>

Notes

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

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

Assets/values	Total at 31/12/2022			Total at 31/12/2021				
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3

1. Owned assets	12,223	0	0	12,223	7,071	0	0	7,071
a) land	1,084	0	0	1,084	1,049	0	0	1,049
b) buildings	11,139	0	0	11,139	6,022	0	0	6,022
2. Rights of use purchased through leases	0	0	0	0	0	0	0	0
a) land	0	0	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0	0	0
Total	12,223	0	0	12,223	7,071	0	0	7,071

Key:

L1= Level 1

L2= Level 2

L3= Level 3

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

Assets/values	Total at 31/12/2022			Total at 31/12/2021		
	Fair value			Fair value		
	L1	L2	L3	L1	L2	L3
1. Owned assets	0	0	2,715	0	0	3,227
a) land	0	0	0	0	0	0
b) buildings	0	0	2,715	0	0	3,227
2. Rights of use purchased through leases	0	0	0	0	0	0
a) land	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0
Total	0	0	2,715	0	0	3,227

Key:

L1= Level 1

L2= Level 2

L3= Level 3

Notes

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

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

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total at 31/12/2022
A. Gross initial value	10,466	77,193	14,909	2,181	14,044	118,794
A.1 Net total reductions of value	0	24,326	5,152	1,107	10,911	41,497
A.2 Net initial value	10,466	52,866	9,757	1,074	3,133	77,297
A.3 Changes to opening balance (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	10,466	52,866	9,757	1,074	3,133	77,297
B. Additions:	0	11,594	465	327	867	13,253
B.1 Purchases	0	10,064	465	327	755	11,610
B.2 Expenses for capitalised improvements	0	1,530	0	0	0	1,530
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held as investments	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	112	112
C. Reductions:	0	13,928	496	405	1,234	16,061
C.1 Sales	0	0	0	0	120	120
C.2 Depreciation	0	3,424	496	393	1,112	5,425
C.3 Value adjustments due to impairment allocated to:	0	0	0	4	0	4
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	4	0	4
C.4 Decreases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) property, plants and equipment held as investments	0	0	0	0	0	0
b) noncurrent assets and groups of assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	10,504	0	8	2	10,514
D. Final net values	10,466	50,533	9,727	996	2,766	74,489
D.1 Total net reductions of value	0	27,750	5,648	1,500	11,912	46,809
D.2 Final gross values	10,466	78,283	15,375	2,496	14,678	121,298
E. Measurement at cost	0	0	0	0	0	0

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

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

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

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total at 31/12/2022
A. Gross initial value	0	20,588	0	0	135	20,723
A.1 Net total reductions of value	0	5,610	0	0	70	5,680
A.2 Net initial value	0	14,978	0	0	64	15,043
A.3 Changes to opening balance (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	0	14,978	0	0	64	15,043
B. Additions:	0	10,064	0	0	0	10,064
B.1 Purchases	0	10,064	0	0	0	10,064
B.2 Expenses for capitalised improvements	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held as investments	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	0	0
C. Reductions:	0	12,717	0	0	38	12,755
C.1 Sales	0	0	0	0	0	0
C.2 Amortisation	0	2,213	0	0	38	2,252
C.3 Value adjustments from impairment allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
C.4 Decreases of fair value allocated to :	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) property, plant and equipment held as investments	0	0	0	0	0	0
b) noncurrent assets and groups of assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	10,504	0	0	0	10,504
D. Final net values	0	12,325	0	0	26	12,351
D.1 Net total reductions of value	0	7,823	0	0	109	7,932
D.2 Final gross values	0	20,148	0	0	135	20,283
E. Measurement at cost	0	0	0	0	0	0

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

Line items	Land	Buildings	Furniture	Electronic devices	Other	Total at 31/12/2022
A. Gross initial value	1,049	9,356	0	0	0	10,405
A.1 Net total reductions of value	0	107	0	0	0	107
A.2 Net initial value	1,049	9,249	0	0	0	10,298
B. Additions:	35	5,131	0	0	0	5,166
B.1 Purchases	35	4,723	0	0	0	4,758
B.2 Expenses for capitalised improvements	0	408	0	0	0	408
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held as investments	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	0	0
C. Reductions:	0	526	0	0	0	526
C.1 Sales	0	511	0	0	0	511
of which: company merger transactions	0	0	0	0	0	0
C.2 Depreciation	0	0	0	0	0	0
C.3 Value adjustments from impairment allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	0	0	0	0	0

C.4 Decreases of fair value allocated to :	0	14	0	0	0	14
a) shareholders' equity	0	0	0	0	0	0
b) profit and loss account	0	14	0	0	0	14
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) property, plant and equipment held as investments	0	0	0	0	0	0
b) assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	0	0	0	0	0
D. Final net values	1,084	13,854	0	0	0	14,938
D.1 Net total reductions of value	0	107	0	0	0	107
D.2 Final gross values	1,084	13,962	0	0	0	15,046
E. Measurement at cost	0	0	0	0	0	0

Section 10 - Intangible assets - Line item 100

10.1 Intangible assets: breakdown by type of asset

Assets/values	Total at 31/12/2022		Total at 31/12/2021	
	Limited duration	Indefinite duration	Limited duration	Indefinite duration
A.1 Goodwill	0	0	0	0
A.2 Other intangible assets	4,235	0	3,782	0
<i>Of which: software</i>	4,235		3,774	
A.2.1 Assets measured at cost:	4,235	0	3,782	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	4,235	0	3,782	0
A.2.2 Assets measured at fair value:	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	4,235	0	3,782	0

Note

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

10.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total at 31/12/2022
		Limited duration	Indefinite duration	Limited duration	Indefinite duration	
A. Gross initial value	0	0	0	9,701	0	9,701
A.1 Net total reductions of value	0	0	0	5,919	0	5,919
A.2 Net initial value	0	0	0	3,782	0	3,782
B. Additions	0	0	0	2,135	0	2,135
B.1 Purchases	0	0	0	2,135	0	2,135
B.2 Increases of internal intangible assets	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value	0	0	0	0	0	0
- a shareholders' equity	0	0	0	0	0	0
- a profit and loss account	0	0	0	0	0	0
B.5 Exchange rate differences positive	0	0	0	0	0	0
B.6 Other variations	0	0	0	0	0	0
C. Reductions	0	0	0	1,681	0	1,681
C.1 Sales	0	0	0	0	0	0
C.2 Value adjustments	0	0	0	1,656	0	1,656
- Depreciation	0	0	0	1,656	0	1,656
- Write-downs	0	0	0	0	0	0
+ shareholders' equity	0	0	0	0	0	0
+ profit and loss account	0	0	0	0	0	0
C.3 Decreases of fair value	0	0	0	0	0	0
- a shareholders' equity	0	0	0	0	0	0
- a profit and loss account	0	0	0	0	0	0
C.4 Transfers to noncurrent assets in the course of divestment	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Other variations	0	0	0	25	0	25
D. Final net values	0	0	0	4,235	0	4,235
D.1 Total net value adjustments	0	0	0	7,575	0	7,575
E. Final gross values	0	0	0	11,811	0	11,811
F. Measurement at cost	0	0	0	0	0	0

Notes

At 31 December 2022, the line item "Other intangible assets" consists fully in expenses for company software.

Section 11 - Tax assets and liabilities – Assets line item 110 and Liabilities line item 60**11.1 Assets from pre-paid taxes: breakdown**

Line items/Values	Total at 31/12/2022	Total at 31/12/2021*
1. Multi-year costs	0	0
2. Personnel costs	261	393
3. Receivables	15,296	16,475
4. Entertainment expenses	0	0
5. Financial instruments (HTCS securities)	10,503	1,131
6. Tax losses	1,237	1,095
7. Goodwill	1,461	1,589
8. Other	24	243
Total	28,782	20,925

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

Notes

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

The line item "Tax losses" is composed of the following entries:

- 690 thousand euro: tax receivables calculated on tax losses recognised in the Bank's previous fiscal year;

- 547 thousand euro: tax receivables calculated on tax losses accrued as at 31.12.2019 by Invest Banca, acquired through the merger transaction.

The amount booked at 31 December 2021, equal to 8,348 euro, was adjusted pursuant to accounting principle IFRS3 – paragraph 45 as detailed in Part G of these Explanatory Notes.

Said amount was composed of:

- 1,700 thousand euro: tax receivables calculated on tax losses shown for the Bank's fiscal period;

- 1,643 thousand euro: tax receivables calculated on tax losses accrued as at 31.12.2019 by Invest Banca, acquired through the merger transaction;

- 5,005 thousand euro for DTA connected to the merger transaction, booked in accordance with comma 233 of article 1 of Italian law n. 178/2020 (6,673 gross tax – 1,668 25% transformed into a tax credit)

In accordance with accounting principle IFRS paragraph 45, the value previously attributed to the accounting entries included in the request submitted to the Revenue Office on 15.10.2021 for disapplication, aimed at recognising the pre-paid taxes and tax credits relating to Invest Bank tax losses, and subsequent negative response, received on 08/07/2022, were adjusted retroactively.

Said adjustment resulted in a 7,253 thousand euro reduction of pre-paid taxes, and a 1,668 thousand euro reduction of current taxes, with an overall impact of 8,922 thousand euro, as shown in the table that follows below.

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

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

N.	Line items/Values	Total 31/12/2022	Total 31/12/2021
01.	IRAP (tax on productive activities) scheduled for 2018 - deferred to 2026	0	0
02.	IRES (corporate income tax) scheduled for 2018 - deferred to 2026	0	0
03.	IRAP (tax on productive activities) scheduled for 2019 - deferred to 2025	0	0
04.	IRES (corporate income tax) scheduled for 2019 - deferred to 2025	0	0
05.	IRAP (tax on productive activities) scheduled for 2020	0	0
06.	IRES (corporate income tax) scheduled for 2020	0	0
07.	IRAP (tax on productive activities) scheduled for 2021	0	0
08.	IRES (corporate income tax) scheduled for 2021	0	0
09.	IRAP (tax on productive activities) scheduled for 2022	0	441
10.	IRES (corporate income tax) scheduled for 2022	0	2,894
11.	IRAP (tax on productive activities) scheduled for 2023	552	441
12.	IRES (corporate income tax) scheduled for 2023	3,617	2,894
13.	IRAP (tax on productive activities) scheduled for 2024	552	441
14.	IRES (corporate income tax) scheduled for 2024	3,617	2,894
15.	IRAP (tax on productive activities) scheduled for 2025	346	235
16.	IRES (corporate income tax) scheduled for 2025	2,267	1,543
17.	IRAP (tax on productive activities) scheduled for 2026	249	294
18.	IRES (corporate income tax) scheduled for 2026	1,630	1,929
19.	IRAP (tax on productive activities) on FTA IFRS9 adjustments scheduled for 2028	416	416

20.	IRES (corporate income tax) on FTA IFRS9 adjustments scheduled for 2028	2,052	2,052
	Total	15,296	16,475

11.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total at 31/12/2022	Total at 31/12/2021
1. Property, plants and equipment	106	114
2. Personnel costs	0	0
3. Former credit risk fund	0	0
4. Equity investments	13	28
5. Financial instruments (HTC securities)	0	0
6. Goodwill	0	0
7. Other	394	446
Total	513	589

Notes

The line item "Equity investments" shows tax liabilities referred to equity investments calculated at the IRES rate (27.50%) on 5.00% of overall capital gain (949 thousand euro).

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

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

Line items	Total at 31/12/2022	Total at 31/12/2021*
1. Initial value	19,401	22,852
2. Additions	154	1,351
2.1 Pre-paid taxes recognised during the fiscal year	154	1,351
<i>a) related to previous fiscal years</i>	0	0
<i>b) due to changes in accounting criteria</i>	0	0
<i>c) write-backs of value</i>	0	0
<i>d) other</i>	154	1,351
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	1,537	4,802
3.1 Pre-paid taxes derecognised during the fiscal year	1,330	2,948
<i>a) reversals</i>	1,330	2,948
<i>b) write-downs for receivables written off as unrecoverable</i>	0	0
<i>c) changes to accounting policies</i>	0	0
<i>d) other</i>	0	0
3.2 Reductions in tax rates	0	0
3.3 Other reductions	206	1,854
<i>a) transformation into tax credits pursuant to Law n. 214/2011</i>	0	1,854
<i>b) other</i>	206	0
4. Final value	18,018	19,401

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

The table summarises all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement.

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

Line items	Total at 31/12/2022	Total at 31/12/2021
1. Initial value	14,007	16,675
2. Additions	0	0
3. Reductions	1,178	2,668
3.1 reversals	1,178	2,668
3.2 transformation into tax credits	0	0
<i>a) deriving from operating losses</i>	0	0
<i>b) deriving from tax losses</i>	0	0
3.3 other reductions	0	0
4. Final value	12,829	14,007

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

Line items	Total at 31/12/2022	Total at 31/12/2021
1. Initial value	560	463
2. Additions	136	114
2.1 Deferred taxes recognised during the fiscal year	136	114
<i>a) related to previous fiscal years</i>	0	0
<i>b) due to changes in accounting policies</i>	0	0
<i>c) other</i>	136	114
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	197	17
3.1 Deferred taxes derecognised during the fiscal year	197	17

<i>a) reversals</i>	197	17
<i>b) due to changes in accounting policies</i>	0	0
<i>c) other</i>	0	0
3.2 Reductions in tax rates	0	0
3.3 Other reductions	0	0
4. Final value	500	560

Notes

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

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

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

Notes

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

11.7 Variations to deferred taxes (as on offset to shareholders' equity)

Line items	Total at 31/12/2022	Total at 31/12/2021
1. Initial value	28	157
2. Additions	0	0
2.1 Deferred taxes recognised during the fiscal year	0	0
<i>a) related to previous fiscal years</i>	0	0
<i>b) due to changes to accounting policies</i>	0	0
<i>c) other</i>	0	0
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	15	129
3.1 Deferred taxes derecognised during the fiscal year	15	129
<i>a) reversals</i>	15	129
<i>b) due to changes to accounting policies</i>	0	0
<i>c) other</i>	0	0
3.2 Reductions in tax rates	0	0
3.3 Other reductions	0	0
4. Final value	13	28

11.8 Other information – Assets due to current taxes – Breakdown

Line items	Total at 31/12/2022	Total at 31/12/2021*
1. Advances paid to the tax authority	2,600	376
2. Tax receivables – principal	8,679	13,123
3. Tax receivables - interest	35	0
4. Other withholdings	127	189
Total	11,442	13,688

(* The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

Notes

Assets due to current taxes in 2022 are shown on a "closed account" basis in the balance sheet and on an "open account" basis in the table above. Sub-line item "Tax receivables - principal" relating to the previous fiscal year was adjusted retroactively, pursuant to accounting principle IFRS3 – paragraph 45 as illustrated at the foot of table 10.1 in these Explanatory Notes.

11.8 Other information – Liabilities for current taxes – Breakdown

Line items	Total at 31/12/2022	Total at 31/12/2021
1. Fund for IRES tax	3,163	535
2. Fund for IRAP tax	1,138	236
3. Fund for stamp duties	0	0

4. Tax fund – substitute tax Law n.244/2007	0	0
5. Tax fund – Other	26	52
Total	4,326	823

Notes

Liabilities due to current taxes in 2022 are shown on a “closed account” basis in the balance sheet and on an “open account” basis in the table above.

Section 13 - Other assets - Line item 130**13.1 Other assets: breakdown**

Line items	Total at 31/12/2022	Total at 31/12/2021
01. Other debtors	4,740	13,501
02. Entries in transit	0	2,188
03. Entries being processed	20,931	18,616
04. Various entries to be settled	219	212
05. Stipulated loans to be disbursed	1,250	4,705
06. Checks, bills returned unpaid and protested	10	33
07. Assets sold and not derecognised	0	0
08. Assets for expenses on third party goods	1,014	1,059
09. Expenses not yet invoiced	234	125
10. Costs to be allocated	242	0
11. Advance operations on securities	456	591
12. Various open entries	15,054	7,841
13. Accrued income and prepayments	1,571	1,841
14. Securities to be settled (Sales)	0	0
15. Loans for tax bonuses	58,989	21,885
16. Various tax entries	25	7,706
17. Other assets	201	0
Total	104,936	80,302

LIABILITIES

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

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

Type of transaction/Values	Total at 31/12/2022				Total at 31/12/2021				Var.	% var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
1. Payable to central banks	954,301	0	0	954,301	1,066,717	0	0	1,066,717	-112,416	-10.54%
2. Payable to banks	135,087	0	0	135,087	133,339	0	0	133,339	1,748	1.31%
2.1 Bank accounts and demand deposits	114,653	0	0	114,653	113,206	0	0	113,206	1,447	1.28%
2.2 Term deposits	15,018	0	0	15,018	15,003	0	0	15,003	15	0.10%
2.3 Loans	5,091	0	0	5,091	4,799	0	0	4,799	291	6.07%
2.3.1 Repurchase agreements payable	0	0	0	0	0	0	0	0	0	-
2.3.2 Other	5,091	0	0	5,091	4,799	0	0	4,799	291	6.07%
2.4 Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	-
2.5 Liabilities for leases	0	0	0	0	0	0	0	0	0	-
2.6 Other liabilities	325	0	0	325	331	0	0	331	-6	-1.89%
Total	1,089,388	0	0	1,089,388	1,200,057	0	0	1,200,057	1,748	1.31%

Key:

Level 1 = Fair value of a financial instrument listed on a regulated market;

Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;

Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes

Payables to banks are all measured at cost or at amortised cost.

The line item "Payable to central banks" includes the TLTROIII opened by the bank in the 2020 and 2021 fiscal years – and still existing as at the date of these financial statements – for a total of € 954,301 thousand.

Specifically, the amount at 31/12/2022 is equal to the original deposit (1,075 million euro) less the deposits closed in December 2022 for 110 million euro, and net interest expenses, calculated at the rates applied in the various periods (rate of -1.00% from the date of initiation to 26/06/2022 and the rates defined periodically up to 31/12/2022), for € 10,699 thousand euro.

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

Type of transaction/Values	Total at 31/12/2022				Total at 31/12/2021				Var.	% var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
1. Bank accounts and demand deposits	2,634,970	0	0	2,634,970	2,578,736	0	0	2,578,736	56,234	2.18%
2. Term deposits	540,004	0	0	540,004	576,660	0	0	576,660	-36,655	-6.36%
3. Loans	205,351	0	0	205,351	80,763	0	0	80,763	124,588	154.26%
3.1 Repurchase agreement liabilities	205,351	0	0	205,351	80,763	0	0	80,763	124,588	154.26%
3.2 Other	0	0	0	0	0	0	0	0	0	-
4. Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	-
5. Liabilities for leases	12,832	0	0	12,832	15,479	0	0	15,479	-2,647	-17.10%
6. Other liabilities	2,163	0	0	2,163	4,252	0	0	4,252	-2,089	-49.12%
Total	3,395,321	0	0	3,395,321	3,255,890	0	0	3,255,890	139,431	4.28%

Key:

Level 1 = Fair value of a financial instrument listed on a regulated market;

Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;

Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes

Payables to customers are all measured at cost or at amortised cost.

Line item 5 "Liabilities for leases" includes liabilities for leases booked in accordance with the new IFRS16 accounting standard.

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

Type of security/Values	Total at 31/12/2022				Total at 31/12/2021			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	158,494	0	0	158,494	141,372	0	0	141,372
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	158,494	0	0	158,494	141,372	0	0	141,372
2. Other securities	79	0	0	79	89	0	0	89
2.1 structured	0	0	0	0	0	0	0	0

Type of security/Values	Total at 31/12/2022				Total at 31/12/2021			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
2.2 other	79	0	0	79	89	0	0	89
Total	158,574	0	0	158,574	141,462	0	0	141,462

Level 1 = Fair value of a financial instrument listed on a regulated market;

Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;

Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes

The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.

Liabilities are indicated net of repurchased bonds.

All of the liabilities are measured at cost or at amortised cost, with the exception of entries that are the object of specific hedges of the interest rate risk on which the effect of the Swap was capitalised.

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

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

Note

Notes

The securities shown in the table are "T2" type subordinate debenture loans issued by Banca Cambiano 1884 S.p.A. for an overall nominal value of 88,800 thousand euro. At 31 December 2022, the loans in question are eligible for allocation to own funds in the amount of 61,041 thousand euro pursuant to regulatory legislation.

1.6 Financial liabilities measured at amortised cost: liabilities for leases

TIME BRACKETS	31/12/2022		31/12/2021	
	Payments due		Payment due	
	Financial leases	Operating leases	Financial leases	Operating leases
Up to 1 year	0	82	0	21
From over 1 year to 2 years	0	170	0	192
From over 2 years to 3 years	0	457	0	342
From over 3 years to 4 years	0	1,445	0	1,310
From over 4 years to 5 years	0	1,026	0	1,744
Over 5 years	0	9,590	0	11,844
All payments due for the lease	0	12,770	0	15,453
RECONCILIATION WITH LIABILITIES:				
Financial profits not accrued (-) (discount effect)	0	62	0	26
Liabilities for leases	0	12,832	0	15,479

Notes

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

Section 2 - Financial liabilities from trading - Line item 20

2.1 Financial liabilities from trading: breakdown by type

Type of transaction/Values	Total at 31/12/2022					Total at 31/12/2021				
	Notional value	Fair value			Fair Value (*)	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities	0	0	0	0	0	0	0	0	0	0

Type of transaction/Values	Total at 31/12/2022					Total at 31/12/2021				
	Notional value	Fair value			Fair Value (*)	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Payable to banks	0	0	0	0	0	0	0	0	0	0
2. Payable to customers	0	0	0	0	0	0	0	0	0	0
3. Debt securities	0	0	0	0	0	0	0	0	0	0
3.1 Bonds	0	0	0	0	0	0	0	0	0	0
3.1.1 Structured	0	0	0	0	0	0	0	0	0	0
3.1.2 Other bonds	0	0	0	0	0	0	0	0	0	0
3.2 Other securities	0	0	0	0	0	0	0	0	0	0
3.2.1 Structured	0	0	0	0	0	0	0	0	0	0
3.2.2 Other	0	0	0	0	0	0	0	0	0	0
Total A	0	0	0	0	0	0	0	0	0	0
B. Derivative instruments	0	0	0	98	0	0	0	0	694	0
1. Financial derivatives	0	0	0	98	0	0	0	0	694	0
1.1 From trading	0	0	0	98	0	0	0	0	694	0
1.2 Connected to the fair value option	0	0	0	0	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0	0	0	0	0
2. Credit derivatives	0	0	0	0	0	0	0	0	0	0
2.1 From trading	0	0	0	0	0	0	0	0	0	0
2.2 Connected to the fair value option	0	0	0	0	0	0	0	0	0	0
2.3 Other	0	0	0	0	0	0	0	0	0	0
Total B	0	0	0	98	0	0	0	0	694	0
Total A + B	0	0	0	98	0	0	0	0	694	0

Key:

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

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

There are no financial liabilities measured at fair value.

Section 4 - Hedges - Line item 40**4.1 Hedges: breakdown per type of hedge and by hierarchical level**

Line items	Fair value 31/12/2022			Notional value 31/12/2022	Fair value 31/12/2021			Notional value 31/12/2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	0	0	0	0	0	0	141	20,000
1) Fair value	0	0	0	0	0	0	141	20,000
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	0	0	0	0	0	0	0	0
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	141	20,000

Notes

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

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

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

Transactions/type of hedge	Fair Value						Cash flows			Foreign investments
	Specification						Generic	Specific	Generic	
	Debt securities and interest rates	Capital securities and equity indexes	Currencies and gold	Credit	Goods	Other				
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0	

Section 8 - Other liabilities - Line item 80

8.1 Other liabilities: breakdown

Line items	Total at 31/12/2022	Total at 31/12/2021
01. Various tax entries	6,875	9,514
02. Entries in transit	13,821	12,150
03. Differences receivable on offsets of third party portfolios	15,013	48,903
04. Suppliers	3,240	6,445
05. Entries being processed and other creditors	12,330	11,271
06. Accrued liabilities and deferred income	3,784	4,558
07. Borrower accounts for stipulated loans to be disbursed	1,250	4,705
08. Securities to be settled (purchases)	0	1
09. Difference of amortised cost on capital instruments	220	182
10. Other liabilities entries	874	0
Total	57,407	97,730

Section 9 - Employee severance pay - Line item 90

9.1 Employee severance pay: annual variations

Line items	Total at 31/12/2022	Total at 31/12/2021
A. Initial value	3,903	4,243
B. Additions	1,380	1,414
B.1 Allocations during the fiscal year	1,326	1,245
B.2 Other variations	54	169
C. Reductions	1,893	1,753
C.1 Payments made	117	340
C.2 Other variations	1,776	1,413
D. Final values	3,391	3,903
Total	3,391	3,903

Notes

Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1,326 thousand euro.

Line item B.2 "Other variations" includes the "Service Cost" in the amount of 40 thousand euro and "interest expenses" for 14 thousand euro

Line item C.1 "Payment made" includes the "Benefit Paid" for the IAS purposes of employee severance pay, for 62 thousand euro.

Line item C.2 "Other variations" includes Actuarial Gains/Losses for 481 thousand euro and severance pay reversed into the Integrative Pension Fund for employees (external) or INPS Treasury, in the amount of 1,267 thousand euro

9.1 Other information

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

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

Section 10 - Risk and expense funds - Line item 100

10.1 Risk and expense funds: breakdown

Line items/Values	Total at 31/12/2022	Total at 31/12/2021
1. Funds for credit risk related to commitments and guarantees issued	2,048	1,896
2. Funds for other commitments and other guarantees issued	0	0
3. Funds for company pensions	0	0
4. Other risk and expense funds	6,325	6,063
4.1 lawsuits	6,226	5,308
4.2 personnel costs	0	0
4.3 other	99	755
Total	8,372	7,959

10.2 Risk and expense funds: annual variations

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total at 31/12/2022
A. Initial value	1,909	0	6,049	7,959

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total at 31/12/2022
B. Additions	1030	0	3,323	4,353
B.1 Allocations during the fiscal year	1,030	0	3,294	4,324
B.2 Variations due to the passage of time	0	0	0	0
B.3 Variations due to changes to the discount rate	0	0	0	0
B.4 Other variations	0	0	29	29
C. Reductions	891	0	3,048	3,939
C.1 Use during the fiscal year	891	0	2,772	3,664
C.2 Variations due to changes to the discount rate	0	0	0	0
C.3 Other variations	0	0	275	275
D. Final values	2,048	0	6,325	8,372

Notes

The increases in "Other funds" is due, in the amount of 1,300 thousand euro, to the allocation relating to disputes acquired with the merger transactions, and in the amount of 1,050 thousand euro, to the allocation made during the fiscal year for the dispute pending with the Temporary Cooperative Credit Fund.

The reductions "Other funds" are due specifically to the definition of the actual losses connected to the "information technology incident" and the conclusion of a series of disputes acquired with the merger transaction.

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

	Funds for credit risk related to issued commitments and financial guarantees			
	First stage	Second stage	Third stage	Total at 31/12/2022
1. Commitments to disburse funds	71	0	0	71
2. Financial guarantees issued	329	198	1,449	1,977
Total	400	198	1,449	2,048

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

	Funds for credit risk related to other issued commitments and guarantees			
	First stage	Second stage	Third stage	Total at 31/12/2022
1. Other commitments	0	0	0	0
2. Other issued guarantees	0	0	0	0
Total	0	0	0	0

Section 13 - Shareholders' equity - Line items 120, 130, 140, 150, 160, 170, e 180**13.2 Share capital – Number of Parent Company shares: annual variations**

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

Line items/Types	Ordinary	Other
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	232,800	0
- entirely unrestricted	232,800	0
- with restrictions	0	0

13.3 Share capital: other information - annual variations

Line items	Amounts	Number of shares	Number of shareholders
A. Initial value	232,800	232,800	272
B. Additions	215	215	8
B.1 Purchase of shares – New shareholders	215	215	8
B.2 From other additions	0	0	0
C. Reductions	215	215	7
C.1 Redemptions – extinct shareholders	199	199	7
C.2 From other reductions	16	16	0
D. Final values	232,800	232,800	273

13.4 Reserves from gains: other information

Line items	Total at 31/12/2022	Total at 31/12/2021*
1. Share capital	232,800	232,800
2. Premiums on issue of shares	803	803
3. Reserves	-52,259	-49,106
3.1 Ordinary/extraordinary reserve	28,775	30,505
3.2 Regulatory reserve	0	0
3.3 Reserves - First Time Adoption IAS/IFRS	-78,146	-78,146
3.4 Reserves - Way Out	3,425	3,425
3.5 Reserve for sale/redemptions of FOE securities	-4,268	-4,268
3.6 Reserve for payment coupons on capital instruments	-2,045	
4. (Treasury shares)	0	0
5. Valuation reserves	-20,516	-1,161
5.1 Financial assets from trading	0	0
5.2 Financial assets measured at fair value with impact on total profits	-20,765	-2,159
5.3 Financial assets measured at amortised cost	0	0
5.4 Property, plant and equipment	0	0
5.5 Intangible assets	0	0
5.6 Hedging of foreign investments	0	0
5.7 Hedging of cash flows	0	0
5.8 Exchange rate differences	0	0
5.9 Noncurrent assets in the course of divestment	0	0
5.10 Actuarial profit (loss) on defined benefit assets	-687	-1,036
5.11 Share of valuation reserves of equity investments measured on the basis of shareholders' equity	936	2,035
5.12 Special revaluation laws	0	0
6. Capital instruments	30,000	27,000
7. Profit (loss) for the fiscal year	19,136	-738
Total	209,965	209,599

(*) The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

Note

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

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

Line item 3.1 "Ordinary/extraordinary reserve" decreased overall by 1,922 thousand euro, due to the posting of the loss from the previous fiscal year, of € 822 thousand (subsequent to the retroactive adjustment already amply described in part G) and the distribution of dividends, previously calculated on the temporary profits, for 1,100 thousand euro.

Line item 3.3 "Reserves - First Time adoption IAS/IFRS" includes the FTA adjustment deriving from the application of accounting principle IFRS9, that came into effect on 01/01/2018. The detail of the line item in question is shown at the foot of the table relative to Variations to Shareholders' equity.

13.5 Capital instruments: breakdown and annual variations

ISIN	Date of issue	Date of redemption	Value at issue	Amount booked in own funds
- IT0005427023	23/11/2020	perpetual	1,500	1,500
- IT0005429375	15/12/2020	perpetual	3,500	3,500
- IT0005429755	21/12/2020	perpetual	1,000	1,000
- IT0005431777	21/12/2020	perpetual	500	500
- IT0005432130	28/12/2020	perpetual	3,500	3,500

- IT0005439846	30/03/2021	perpetual	5,000	5,000
- IT0005454076	11/08/2021	perpetual	5,000	5,000
- IT0005475055	28/12/2021	perpetual	7,000	7,000
- IT0005489601	30/03/2022	perpetual	3,000	3,000
Total			30,000	30,000

Notes

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

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

Section 14 - Equity pertaining to minority interest - Line item 190**14.1 Detail of line item 190 "Equity pertaining to minority interest"**

Company name	Total at 31/12/2022	Total at 31/12/2021
Equity investments in consolidated companies with significant third-party shareholdings	1,188	2,355
1. Immobiliare 1884 s.r.l.	0	0
2. Cabel Leasing S.p.A.	1,110	2,090
3. Invest Italy SIM S.p.A.	78	
Other equity investments	0	0
Total	1,188	2,355

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

	Nominal value on issued commitments and financial guarantees				Total at 31/12/2022	Total at 31/12/2021
	First stage	Second stage	Third stage	Impaired purchased and/or originated		
1) Commitments to disburse funds	903,089	66,274	19,210		988,573	980,399
a) Central banks	0	0	0		0	0
b) Public administrations	1,089	0	0		1,089	1,089
c) Banks	2,500	0	0		2,500	2,500
d) Other financial companies	71,707	36	700		72,443	25,684
e) Non finance companies	750,907	59,191	18,026		828,124	861,573
f) Families	76,886	7,047	484		84,417	89,553
2) Issued financial guarantees	90,164	0	5,858		96,022	101,550
a) Central banks	0	0	0		0	0
b) Public administrations	3	0	0		3	3
c) Banks	0	0	0		0	0
d) Other financial companies	1,955	0	5,258		7,213	2,410
e) Non finance companies	76,267	0	599		76,867	87,951
f) Families	11,939	0	0		11,939	11,187
Total	993,254	66,274	25,068		1,084,595	1,081,950

2. Other commitments and other issued guarantees

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

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount at 31/12/2022	Amount at 31/12/2021
1. Financial assets measured at fair value with impact on profit and loss account	18,511	0

2. Financial assets measured at fair value with impact on total profits	205,819	22,685
3. Financial assets measured at amortised cost	1,048,223	953,814
4. Property, plant and equipment	0	0
of which property, plant and equipment that constitute inventories	0	0

5. Management and trading on behalf of others

Type of service	Amount
1. Execution of trading on behalf of customers	12,828,368
a) purchases	5,807,911
settled	5,807,902
not settled	9
b) sales	7,020,457
settled	7,020,457
not settled	0
2. Asset management	64,145
3. Custody and management of securities	3,908,335
a) third party securities in deposit: related to bank performance as depository bank (excluding asset management)	0
1. securities issued by the bank that prepares the balance sheet	0
2. other securities	0
b) third party securities on deposit (excluding asset management): other	1,216,600
1. securities issued by the bank that prepares the balance sheet	378,842
2. other securities	837,759
c) third party securities deposited with third parties	1,226,747
d) treasury securities deposited with third parties	1,464,988
4. Other transactions	0

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

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities netted on-balance sheet (b)	Amount of financial assets booked in the balance sheet (c = a - b)	Correlated amounts not subject to on-balance sheet netting		Net amount at 31/12/2021 (f = c - d - e)	Net amount at 31/12/2020
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	0	0	0	0	0	0	67
2. Repurchase agreements	0	0	0	0	0	0	0
3. Loan securities	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0
Total al 31/12/2022	0	0	0	0	0	0	0
Total al 31/12/2021	67	0	67	0	0	0	67

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

Technical forms	Gross amount of financial liabilities (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets booked in the balance sheet (c = a - b)	Correlated amounts not subject to on-balance sheet netting		Net amount at 31/12/2021 (f = c - d - e)	Net amount at al 31/12/2020
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	0	0	0	0	0	0	141
2. Repurchase agreements	0	0	0	0	0	0	0
3. Loan securities	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0
Total al 31/12/2022	0	0	0	0	0	0	0
Total al 31/12/2021	141	0	141	0	0	0	141

PART C – Information on the consolidated income statement

Section 1 - Interest- Line items 10 and 20

1.1 Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other transactions	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
1. Financial assets measured at fair value with impact on profit and loss account:	398	0	0	398	394	4	1.00%
1.1 Assets held for trading	197	0	0	197	39	157	401.60%
1.2 Financial assets measured at fair value	0	0	0	0	0	0	-
1.3 Other financial assets obligatorily measured at fair value	201	0	0	201	355	-153	-43.23%
2. Financial assets measured at fair value with impact on total profits	861	0	X	861	0	861	-
3. Financial assets measured at amortised cost:	1,344	86,149	X	87,493	72,514	14,979	20.66%
3.1 Receivables from banks	0	999	X	999	69	930	1350.11%
3.2 Receivables from customers	1,344	85,150	X	86,493	72,445	14,049	19.39%
4. Hedges	X	X	0	0	0	0	-
5. Other assets	X	X	63	63	301	-237	-78.89%
6. Financial liabilities	X	X	X	5,012	8,900	-3,888	-43.69%
Total	2,603	86,149	63	93,827	82,108	11,718	14.27%
<i>of which: earned interest on impaired financial assets</i>	<i>0</i>	<i>5,153</i>	<i>0</i>	<i>5,153</i>	<i>4,480</i>	<i>673</i>	<i>15.02%</i>
<i>of which: earned interest on financial leases</i>	<i>0</i>	<i>768</i>	<i>0</i>	<i>768</i>	<i>548</i>	<i>220,34</i>	<i>40.23%</i>

Notes

The line item "Earned interest on financial liabilities" includes interest on the TLTRO III transaction accrued during the fiscal year, for 4,793 thousand euro.

The line item "Earned interest on impaired financial assets" includes both interest on non-performing loans, for 2,486 thousand euro, and interest on other impaired exposures, for 2,666 thousand euro. Interest on non-performing loans includes collected interest, for 538 thousand euro and interest due to the passing of time, booked to this line item in accordance with accounting principle IFRS9, for 1,949 thousand euro.

The increase of this component, as compared to the previous year, is due to both the increase of impaired financial assets, and the increase in interest rates.

1.2 Earned interest and similar income: other information

There are no additions or reductions from hedging transactions.

1.2.1 Earned interest on financial assets in foreign currency

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

1.3 Interest expenses and similar expenses: breakdown

Line items/Technical forms	Debts	Securities	Other transactions	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
1. Financial liabilities measured at amortised cost	-6,922	-4,773	-1	-11,696	-11,547	-148	1.28%
1.1 Payable to central banks	0	X	X	0	0	0	-
1.2 Payable to banks	-1,239	X	X	-1,239	-1,130	-109	9.69%
1.3 Payable to customers	-5,683	X	X	-5,683	-5,754	70	-1.22%
1.4 Issued securities	X	-4,773	X	-4,773	-4,664	-109	2.34%
2. Financial liabilities from trading	0	0	0	0	0	0	-
3. Financial liabilities measured at fair value	0	0	0	0	0	0	-
4. Other liabilities and funds	X	X	-197	-197	-140	-57	41.08%
5. Hedges	X	X	-87	-87	-273	186	-68.27%
6. Financial assets	X	X	X	-260	-741	0	0.00%
Total	-6,922	-4,773	-284	-12,240	-12,702	462	-3.64%
<i>of which: interest expenses related to lease liabilities</i>	<i>0</i>	<i>0</i>	<i>-196</i>	<i>-196</i>	<i>159</i>	<i>-355</i>	<i>-223.75%</i>

1.4 Interest expenses and similar expenses: other information

1.4.1. Interest expenses on liabilities in foreign currency

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

1.5 Interest expenses and similar expenses: differences related to hedges

Line items	Total at 31/12/2022	Total at 31/12/2021
A. Increases related to hedges:	0	0
B. Decreases related to hedges:	-87	273
C. Balance (A-B)	87	-273

Section 2 - Commission - Line items 40 e 50

2.1 Commission income: breakdown

Type of service/Values	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
a) Financial instruments	5,202	1,989	3,213	161.51%
1. Trading of financial instruments	1,809	899	910	101.23%
1.1 with underwriting and/or on the basis of an irrevocable commitment	0	0	0	
1.2 without an irrevocable commitment	1,809	899	910	101.23%
2. Receipt and transmission of orders and execution of order on behalf of customers	1,150	198	952	480.54%
2.1 Receipt and transmission of orders on one or more financial instruments	259	0	259	-
2.2 Execution of orders on behalf of customers	891	198	693	349.63%
3. Other commissions connected to activities related to financial instruments	2,244	892	1,351	151.41%
of which: own trading	1,381	169	1,212	717.66%
of which: asset management	863	724	139	19.23%
b) Corporate Finance	0	0	0	-
1. Consultancy regarding mergers and acquisitions	0	0	0	-
2. Treasury services	0	0	0	-
3. Other commissions connected to corporate finance services	0	0	0	-
c) Investment consultancy services	9	3	6	211.23%
d) Compensation and regulation	0	0	0	-
e) Custody and management of securities	206	127	79	62.51%
1. Depository bank	0	0	0	-
2. Other commissions connected to custody and management of securities	206	127	79	62.51%
f) Central administrative services for collective asset management	0	0	0	-
g) Fiduciary services	0	0	0	-
h) Payment services	20,589	19,927	662	3.32%
1. Current accounts	15,409	15,217	191	1.26%
2. Credit cards	1,165	929	236	25.46%
3. Debit cards and other payment cards	2,162	1,940	222	11.45%
4. Bank transfers and other payment orders	1,813	1,568	245	15.60%
5. Other commissions connected to payment services	40	273	-233	-85.35%
i) Distribution of third party services	4,917	3,917	1,000	25.53%
1. collective asset management	0	0	0	-
2 insurance products	3,669	3,234	435	13.44%
3 other products	1,248	682	566	82.88%
of which: individual asset management	0	0	0	-
j) Structured finance transactions	0	0	0	-
k) Servicing for securitisation transactions	172	175	-4	-2.23%
l) Commitments to disburse funds	0	0	0	-
m) Issued financial guarantees	553	565	-12	-2.09%
of which: credit derivatives	0	0	0	-
n) Funding transactions	1,103	1,106	-2	-0.20%
of which: factoring transactions	0	0	0	-
o) Trading in foreign currency	993	839	154	18.32%
p) Goods	0	0	0	-
q) Other commission income	2,866	2,419	447	18.49%
of which: for asset management of multilateral exchange systems	0	0	0	-
of which: for asset management of organised trading systems	0	0	0	-
Total	36,611	31,068	5,543	17.84%

2.2 Commission expenses: breakdown

Services/Values	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
a) Financial instruments	-337	-153	-184,12	120.68%
of which: Trading of financial instruments	-110	-59	-51,56	87.65%
of which: placement of financial instruments	-18	-18	-0,36	2.02%
of which: asset management	-208	-76	-132,19	174.77%
- own portfolio	-208	-76	-132,19	174.77%
- delegated by third parties	0	0	0,00	-
b) Compensation and settlement	-1,058	-198	-859,74	434.17%
c) Custody and management of Securities	-101	-82	-19,64	24.03%
d) Collection and payment services	-1,765	-1,519	-246,32	16.22%
of which: credit cards, debit cards and other payment cards	-1,406	-1,059	-347,28	32.79%
e) Servicing activities for securitisation transactions	0	0	0,00	-
f) Commitments to receive funds	0	0	0,00	-
g) Received financial guarantees	-957	-603	-354,63	58.83%
of which: derivatives on receivables	0	0	0,00	-
h) off-site offer of financial instruments, products and services	-157	0	-156,62	-
i) Trading in foreign currency	-349	-312	-36,72	11.76%

Services/Values	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
j) Other commission expenses	-408	-17	-391,32	2361,29%
Total	-5,132	-2,882	-2,249,11	78,03%

Section 3 - Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total at 31/12/2022		Total at 31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	19	0	1.122	0
B. Other financial assets obligatorily measured at fair value	24	0	28	0
C. Financial assets measured at fair value with impact on total profits	560	0	352	0
D. Equity investments	0	0	0	0
Total	603	0	1.502	0

Section 4 - Net trading result - Line item 80

4.1 Net trading result: breakdown

Transactions/Income components	Gains (A)	Trading profit (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	0	17,834	0	2,721	15,112
1.1 Debt securities	0	1,013	0	2,721	-1,708
1.2 Capital securities	0	0	0	0	0
1.3 Shares in mutual funds	0	0	0	0	0
1.4 Loans	0	0	0	0	0
1.5 Other	0	16,820	0	0	16,820
2. Financial liabilities from trading	0	0	0	0	0
2.1 Debt securities	0	0	0	0	0
2.2 Liabilities	0	0	0	0	0
2.3 Other	0	0	0	0	0
3. Financial assets and liabilities: exchange rate differences	0	0	0	0	0
4. Derivative instruments	146	0	0	99	48
4.1 Financial derivatives	146	0	0	99	48
- On debt securities and interest rates	146	0	0	99	48
- On capital securities and equity indexes	0	0	0	0	0
- On currencies and gold	0	0	0	0	0
- Other	0	0	0	0	0
4.2 Derivatives on receivables	0	0	0	0	0
of which: natural hedges connected to the fair value option	X	X	X	X	0,00
Total	146	17,834	0	2,820	15,160

Notes

The table shows the economic result from the portfolio of financial assets held for trading. Specifically, sub-line item 1.5 "Other" includes profit deriving from the disposal of credits for tax bonuses acquired from customers and transactions in foreign currency

Section 5 - Net hedging result - Line item 90

5.1 Net hedging result: breakdown

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

Notes

The table shows the net income deriving from assets used for hedging.

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

Section 6 Gains (Losses) from disposals/repurchases - Line item 100**6.1 Gains (Losses) from disposals/repurchases: breakdown**

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

Notes

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

Section 7 – Net result from financial assets and liabilities measured at fair value**7.1 Net value variation of other financial assets and liabilities measured at fair value with recognition of income through profit and loss: breakdown of other financial assets and liabilities measured at fair value**

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

7.2 Net value variation of other financial assets and liabilities measured at fair value with impact on profit and loss account: breakdown of other financial assets and liabilities obligatorily measured at fair value

Transactions/Income components	Gains (A)	Gains from disposal (B)	Losses (C)	Losses from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	111	413	5,114	0	-4,590
1.1 Debt securities	0	0	340	0	-340
1.2 Capital securities	0	0	25	0	-25
1.3 Shares in mutual funds	0	0	4,640	0	-4,640
1.4 Loans	111	413	108	0	416
2. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	0
Total	111	413	5,114	0	-4,590

Section 8 - Net adjustments/write-backs due to impairment- Line item 130**8.1 Net value adjustments due to impairment relative to financial assets measured at amortised cost: breakdown -****Part 1**

Transactions/Income components	Value adjustments (1)					
	First stage	Second stage	Third stage		Impaired purchased or originated	
			Write-off	Other	Write-off	Other
A. Receivables from banks						
- Loans	-33	-11	-	0	0	0
- Debt securities	-	23,80	-	0	0	0
B. Receivables from customers						
- Loans	-3,538	-7,273	-	-51,073	0	0
- Debt securities	-156	0	-	0	0	0
Total	-3,727	-7,308	-	-51,073	0	0

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

Transactions/Income components	Write-backs of value (2)				Total at 31/12/2022	Total at 31/12/2021
	First stage	Second stage	Third stage	Impaired purchased or originated		
A. Receivables from banks						
- Loans	45	0	0	0	1	92
- Debt securities	0	24	0	0	0	167
B. Receivables from customers	0	0	0	0	0	0
- Loans	4,819	11,641	23,064	0	-22,359	-19,362
- Debt securities	0	0	0	0	-156	13
Total	4,864	11,665	23,064	0	-22,514	-19,091

Notes

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

8.1a Net value adjustments due to impairment relating to loans measured at amortised cost, subject to Covid-19 aid measures

Transactions/Income components	Net value adjustments						Total at 31/12/2022	Total at 31/12/2021
	First stage	Second stage	Third stage		Impaired purchased or originated			
			Write-off	Other	Write-off	Other		
1. Loans subject to forbearance conformant to GL	0	0	0	0	0	0	0	1,265
2. Existing loans subject to moratoria measures no longer conformant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0
3. Loans subject to other forbearance measures	0	0	0	0	0	0	0	0
4. New loans	2,350	3,012	0	-3,386	0	0	1,976	-2,645
Total at 31/12/2022	2,350	3,012	0	-3,386	0	0	1,976	0
Total at 31/12/2021	2,979	-3,423	0	-936	0	0	0	-1,380

Notes:

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

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

Transactions/Income components	Value adjustments (1)						Write-backs of value (2)				Total at 31/12/2022	Total at 31/12/2021
	First stage	Second stage	Third stage		Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated			
			Write-off	Other						Write-off		
A. Debt securities	-435	-1	0	0	0	0	33	41	0	0	-362	-17
B. Loans												
- to customers	0	0	0	0	0	0	0	0	0	0	0	0
- to banks	0	0	0	0	0	0	0	0	0	0	0	0
of which: impaired receivables purchased or originated	0	0	0	0	0	0	0	0	0	0	0	0
Total	-435	-1	0	0	0	0	33	41	0	0	-362	-17

Notes

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

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

Transactions/Income components	Value adjustments (1)						Write-backs of value (2)				0	0
	First stage	Second stage	Third stage		Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated			
			Write-off	Other						Write-off		
A. Debt securities	0	0	0	0	0	0	0	0	0	0	0	0

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

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

9.1 Profit (Loss) from contract modifications: breakdown

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

Notes

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

Section 12 - Administrative costs - Line item 190

12.1 Personnel costs: breakdown

Type of expense/Values	Total at 31/12/2022	Total at 31/12/2021
1) Employees	-31,769	-30,238
a) salaries and wages	-21,631	-20,908
b) social security expenses	-5,944	-5,469
c) severance pay	0	0
d) pension costs	-1	-1
e) allocation to employee severance pay	-1,421	-1,282
f) allocation to pension funds and similar commitments:	0	-11
- defined contribution plans	0	0
- defined benefit plans	0	-11
g) payments to external complementary pension funds	-911	-849
- defined contribution plans	-911	-849
- defined benefit plans	0	0
h) costs deriving from payment agreements based on own equity instruments	0	0
i) other employee benefits	-1,862	-1,718
2) Other personnel	-23	-54
3) Directors and Statutory Auditors	-923	-766
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	0	0
6) Recovery of expenses for third party personnel temporarily transferred to the company	0	0
Total	-32,714	-31,058

12.2 Average number of employees by category

Description	Values 31/12/2022	Values 31/12/2021
Employees	426	400
a) Managers	5	5
b) Middle management	110	105
c) Remaining employees	311	290
Other personnel	2	3
Total	428	403

Precise number of employees per category

Description	Values 31/12/2022	Values 31/12/2021
Employees	435	438
a) Managers	5	6
b) Middle management	110	111
c) Remaining employees	320	321
Other personnel	1	4

Description	Values 31/12/2022	Values 31/12/2021
Total	436	442

12.4 Personnel costs: other employee benefits

Type of expense/Values	Total at 31/12/2022	Total at 31/12/2021
1) Meal vouchers for employees	-601	-609
2) Loyalty bonus for employees	0	0
3) Other employee costs	-1,260	-1,109
Total	-1,862	-1,718

12.5 Other administrative costs: breakdown

Line items/Values	Total at 31/12/2022	Total at 31/12/2021	Var.	% var.
1. Insurance and security	-664	-570	-93	16.39%
2. Advertising and entertainment	-1,247	-1,251	4	-0.29%
3. Rent for real property	-331	-179	-153	85.43%
4. Maintenance, repairs, transformation of real and personal property	-1,315	-1,405	90	-6.42%
5. Electricity, heating and cleaning services	-1,215	-912	-303	33.26%
6. Telex, telephone and postage	-1,051	-1,041	-10	0.95%
7. Costs for data processing	-5,574	-5,308	-265	5.00%
8. Stamped paper and stationary	-335	-324	-11	3.39%
9. Fees to outside professionals	-5,502	-5,547	44	-0.80%
10. Costs for credit recovery	0	0	0	0.00%
11. Technical assistance and maintenance of software products	-8,164	-7,166	-999	13.94%
12. Information and registry searches	-1,632	-1,821	188	-10.34%
13. Charitable contributions allocated to the income statement	-30	-146	116	-79.49%
14. Expenses for treasury assets	-1	-7	6	-85.71%
15. Travel and transportation expenses	-400	-316	-83	26.39%
16. Indirect duties and taxes	-5,540	-6,886	1,346	-19.55%
17. Other costs	-6,369	-5,461	-908	16.62%
- Contribution in favour of the Resolution Fund – Ordinary	-1,967	-1,757	-210	11.95%
- Contribution in favour of the Resolution Fund - Additional	0	-572	572	-100.00%
- Contribution to the Interbank Deposit Protection Fund	-4,402	-3,132	-1,270	40.55%
18. Other different costs	-1,838	-1,880	41	-2.20%
Total	-41,209	-40,220	-989	2.46%

Notes

This line item registered an increase of 989 thousand euro (2.46%) for the fiscal year.

The negative part of the variation is due to annual costs connected to operations acquired with the merger transaction – for an estimated 3,216 thousand euro – and the increase of ordinary and additional contributions required by the Fund for resolution of banking crises and the Interbank deposit guaranty fund, equal to 908 thousand euro overall.

The line item in question also decreased, over the period in review, due to the elimination of expenses connected to the merger transaction, sustained during the previous fiscal year, equal to 3,429 thousand euro overall.

Section 13 - Net allocations to risk and expense funds - Line item 200**13.1 Net allocations for credit risk relative to commitments to disburse funds and issued financial guarantees: breakdown**

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total at 31/12/2022	Total at 31/12/2021
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Commitments to disburse funds	0	0	0	0	0	0	0
B. Issued financial guarantees	-298	0	-683	131	755	-95	563
Total	-298	0	-683	131	755	-95	563

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

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

13.3 Net allocations to risk and expense funds: breakdown

Line items/Values	Total at 31/12/2022	Total at 31/12/2021
1. Allocations to pending litigation	-3,268	-791
2. Allocations to interest expenses on IRES for taxation year 2009	0	0
3. Other allocations	-44	-9
4. Write-backs of provisions for pending disputes	3,152	153
Total	-159	-647

Section 14 - Net adjustments/write-backs to property, plant and equipment - Line item 210**14.1 Net value adjustments to property, plants and equipment: breakdown**

Assets/Income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net result (a+b-c)
A. Property, plant and equipment	-5,429	0	0	-5,429
1. With a functional use	-5,429	0	0	-5,429
- Owned	-3,177	0	0	-3,177
- Right of use purchased through leasing	-2,252	0	0	-2,252
2. Held as investments	0	0	0	0
- Owned	0	0	0	0
- Right of use purchased through leasing	0	0	0	0
3. Inventories	X	0	0	0
Total	-5,429	0	0	-5,429

Section 15 - Net adjustments/write-backs to intangible assets - Line item 220**15.1 Net value adjustments to intangible assets: breakdown**

Assets/Income component	Amortisation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net result (a+b-c)
A. Intangible assets	-1,656	0	0	-1,656
of which: software	-1,652			-1,652
A.1 Owned	-1,656	0	0	-1,656
- Generated internally by the company	0	0	0	0
- Other	-1,656	0	0	-1,656
A.2 Rights of use acquired through leases	0	0	0	0
Total	-1,656	0	0	-1,656

Section 16 - Other management income and expenses - Line item 230**16.1 Other management expenses: breakdown**

Line items/Values	Total at 31/12/2022	Total at 31/12/2021
1. Contingent liabilities and non-existent assets	-4,602	-921
2. Use of guarantee funds	0	0
3. Depreciation of third party assets	-250	-216
Total	-4,852	-1,138

16.2 Other management income: breakdown

Line items/Values	Total at 31/12/2022	Total at 31/12/2021
1. Recovery of expenses	5,927	4,997
2. Contingent assets and non-existent liabilities	301	160
3. Other income	1,242	1,112
Total	7,470	6,269

Section 17 - Profit (Loss) from equity investments - Line item 250**17.1 Profit (loss) from equity investments: breakdown**

Income component/Values	Total at 31/12/2022	Total at 31/12/2021
A. Income	0	0
1. Revaluations	1,324	77
2. Gains from disposal	0	0
3. Write-backs of value	0	0
4. Other income	0	0
B. Expenses	0	0
1. Write-downs	132	6,708
2. Value adjustments from impairment	0	0
3. Losses from disposals	0	0
4. Other expenses	0	0
Net income	1,192	-6,631

Notes:

Line items A.1 "Revaluations" and B.1 "Write-downs" include the variations to shareholders' equity of subsidiaries – relating to the shares held by the Bank - due to both the effect of the capitalisation of the results for the 2021 fiscal year approved by the respective Shareholders' Meetings, and the results recorded during the first 9 months of 2022 approved by the Boards of Directors of the companies.

. In particular, the overall amount is due to the following components:

- Revaluation of the shareholding in the company Cabel Holding s.p.a. for 1,324 thousand euro, due to income gained by the subsidiary;
- Write-down of the shareholding in the company Cabel Industry s.p.a. for 118 thousand euro, due to losses incurred by the subsidiary;
- Write-down of the shareholding in the company Gardena Capital LTD for 14 thousand euro, due to value adjustments to the shareholding at every month's end.

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

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

Assets / Income component	Revaluations (a)	Write-downs (b)	Exchange rate differences		Net income (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment	0	14	0	0	-14
A.1 With a functional use	0	0	0	0	0
- Owned	0	0	0	0	0
- Rights of use acquired through leases	0	0	0	0	0
A.2 Held as investments	0	14	0	0	-14
- Owned	0	14	0	0	-14
- Rights of use acquired through leases	0	0	0	0	0
A.3 Inventories	0	0	0	0	0
B. Intangible assets	0	0	0	0	0
B.1 Owned	0	0	0	0	0
B.1.1- Generated internally by the company	0	0	0	0	0
B.1.2- Other	0	0	0	0	0
Total	0	14	0	0	-14

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

19.1 Adjustments to value of goodwill: breakdown

Income component/Values	Total at 31/12/2022	Total at 31/12/2021
Acquisition of Invest Banca	0	-5,516
Total	0	-5,516

The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

Note: The detail of the amount booked at this line item is reported in part G of these Explanatory Notes.

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

20.1 Gains (losses) from disposal of investments: breakdown

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

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

21.1 Fiscal year income tax on current operations: breakdown

Income components/Values	Total at 31/12/2022	Total at 31/12/2021
1. Current income tax (-)	-4,097	-364
2. Variation of current income tax for previous fiscal years (+/-)	-1	0
3. Reduction of current income tax for this fiscal year (+)	0	0
3 bis. Reduction of current income tax for the fiscal year for tax credits as per Law L. n. 214/2011 (+)	0	0
4. Variation of pre-paid taxes (+/-)	-1,180	-2,205
5. Variation of deferred taxes (+/-)	60	-97
6. Fiscal year income tax (-) (-1+/-2+3+3 bis+/-4+/-5)	-5,218	-2,666

The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

Notes:

As regards the data relating to the previous fiscal year, as specified in Part G of the Explanatory Notes, pre-paid taxes recorded by Banca Cambiano at 31/12/2021 were reduced to 1,152 thousand euro, due to the effect of the failed recognition – deriving from the negative outcome of the request for disapplication – of DTA accrued on fiscal losses of former Invest Banca between 30 June 2021 and 31 October 2021.

Current taxes were measured based on current tax laws.

Summary of fiscal year income taxes by type of tax

Income components/Values	Total at 31/12/2022
- IRES (corporate income tax)	-3,912
- IRAP (tax on productive activities)	-1,306
- Other taxes	0
Total	-5,218

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

Line items/Values	Ires	Tax rate	Irap	Tax rate
(A) Gain (Loss) from current operations before taxes	24,392		24,392	
(B) Income taxes – Theoretical burden	6,708	27.50%	1,359	5.57%
Reductions of tax base	19,659	27.50%	13,703	5.57%
Additions to tax base	6,042	27.50%	9,734	5.57%
Tax base	10,775		20,423	
Income taxes – effective tax burden	-2,963	27.50%	-1,138	5.57%
Other pre-paid/deferred taxes	-950	27.50%	-167	5.57%
Total taxes	-3,913		-1,305	
Overall tax	-5,218			
Effective tax rate	-21.39%			

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

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

Names of the companies	Total at 31/12/2022	Total at 31/12/2021
Consolidated equity investments with significant third party shareholdings	38	-92
1. Immobiliare 1884 s.r.l.	0	0
2. Cabel Leasing S.p.A.	65	57
3. Invest Italy SIM S.p.A.	-28	-149
Other equity investments	0	0
Total	38	-92

PART D – Overall consolidated profitability

Analytical schedule of overall profitability

	Line items	31/12/2022	31/12/2021 *
10	Profit (loss) for the fiscal year	19,174	-830
	Other income components without reversal to the income statement		
20	Capital securities measured at fair value with impact on total profits:	-374	1,553
	a) variations of fair value	-374	1,553
	b) Transfer to other components of shareholders' equity	0	0
30	Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	0	0
	a) variations of fair value	0	0
	b) transfer to other components of shareholders' equity	0	0
40	Hedges on capital securities measured at fair value with impact on total profits	0	0
	a) variations of fair value (hedged instrument)	0	0
	b) variations of fair value (hedging instrument)	0	0
50	Property, plant and equipment	0	0
60	Intangible assets	0	0
70	Defined benefit plans	481	135
80	Noncurrent assets and groups of assets in the course of divestment	0	0
90	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0	0
100	Income taxes related to other income components without reversal to the income statement	-9	0
	Other income components with reversal to the income statement		
110	Hedging of foreign investments:	0	0
	a) variations of fair value	0	0
	b) reversal to the income statement	0	0
	c) other variations	0	0
120	Exchange rate differences:	0	0
	a) variations of value	0	0
	b) reversal to the income statement	0	0
	c) other variations	0	0
130	Hedging of cash flows:	0	0
	a) variations of fair value	0	0
	b) reversal to the income statement	0	0
	c) other variations	0	0
	of which: result of net positions	0	0
140	Hedging instruments (unmeasured instruments)	0	0
	a) variations of fair value	0	0
	b) reversal to the income statement:	0	0
	c) other variations	0	0
150	Financial assets (other than capital securities) measured at fair value with impact on total profits:	-27,603	-2,169
	a) variations of fair value	-29,349	-2,169
	b) reversal to the income statement:	1,385	0
	- adjustments due to impairment	0	0
	- profits/losses from disposal	1,385	0
	c) other variations	362	0
160	Noncurrent assets and groups of assets in the course of divestment:	0	0
	a) variations of fair value	0	0
	b) reversal to the income statement	0	0
	c) other variations	0	0
170	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0	-1,264
	a) variations of fair value	0	0
	b) reversal to the income statement:	0	0
	- adjustments due to impairment	0	0
	- gains/losses from disposal	0	0
	c) other variations	0	-1,264
180	Income tax related to other income components with reversal to the income statement	9,248	0
190	Total other income components	-18,257	-1,744

200	Overall profitability (Line item 10 + 190)	917	-2,574
210	Overall consolidated profitability attributable to minority interest	38	-92
220	Overall consolidated profitability attributable to the parent company	880	-2,482

The column relating to 31 December 2021 has been adjusted retroactively, pursuant to accounting principle "IFRS 3 – Accounting principles – Corporate mergers".

Notes

IAS/IFRS international accounting standards allow allocating financial instruments to different portfolios to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement.

The schedule, therefore, allows showing the overall result, considering income components accrued and realised in the fiscal year, that were recognised directly in shareholders' equity, sterilising components that were already accrued and thus booked to shareholders' equity in previous fiscal years, but which are subject to a second and definitive allocation to the income statement (so-called reversal) at the time effectively realised.

PART E – Information on risks and the relative hedging policies

Introduction

The Group out its activities according to sound and prudent management principles, with a moderate risk propensity, in respect of stability requirements connected to the banking and financial business.

Overall risk propensity is measured synthetically by identifying, within the scope of the Bank's asset resources ("own funds"), a capital component that is not eligible for risk assumption (unexpected losses), held for medium-long term to cover capital against impact in the event of unexpected stress events.

The Group's internal control system ensures implementation of corporate strategies and policies and is composed of all the regulations, procedures and organisational structures aimed at compliance with sound and prudent management principles.

Corporate Bodies have the primary responsibility for ensuring, in line with their respective specific competencies, the completeness, adequacy, efficiency and reliability of the internal control system.

The Group has implemented a traditional type of governance model that entails a Board of Directors, a Board of Statutory Auditors and General Management.

The Board of Directors, within the scope of the guidelines set out by the Parent Company, defines the business model by approving an annual strategic business plan and budget, aware of the risks to which this model exposes the Bank and comprehending the processes by means of which such risks are identified and measured. The Board of Directors, again, following the guidelines decided at Group level, defines and approves strategic policies and periodically reviews them, decides on risk propensity and the relative tolerance levels as well as the risk management policies, ensuring that the Bank's structure is consistent with the business carried out and with the business model adopted.

Risk government policies are set forth in specific regulations/policies that are subject to approval by the Board of Directors.

Uptake of new products and services, launching of new activities, introduction into new markets and, in general, all more significant activities are always subject to approval by the Board of Directors.

Periodically, the Board of Directors verifies that the risks assumed by the Bank in terms of capital adequacy, liquidity and risk-return ratio for management activities are consistent with the risk propensity defined in strategic planning and with regulatory levels.

Furthermore, the Board of Directors verifies compliance with operating limits defined for the assumption of the various types of risk. The Board of Directors ensures consistency between the strategic plan, the business model, the Risk Appetite Framework, the ICAAP-ILAAP process, the budget and the corporate organisation and the internal control system, taking in consideration the evolution of the internal and external conditions within which the Group operates.

The Board of Directors is aided by the Risk Committee, a committee within the Board itself that provides the Board with advisory support and proposal regarding risks and the internal control system.

General Management fully comprehends corporate risks and is responsible for implementing the strategic policies and risk management policies defined by the Board of Directors. In particular, General Management proposes the operating limits with respect to the assumption of the various types of risk, taking into account the stress tests carried out by the various designated function, in accordance with internal policies.

For the purpose of facilitating the development and awareness at all company levels, of a risk control culture, General Management plans training programs for Group personnel, based on the proposals made.

The Board of Statutory Auditors carries out periodical inspections to ascertain the completeness, adequacy, efficiency and reliability of the internal control system.

In carrying out its tasks, the Board of Statutory Auditors is provided with appropriate information from the other Corporate Bodies and control functions. The regular presence of the Board of Statutory Auditors at BoD meetings, which are held twice weekly, represents a guarantee with respect to timely information of the Control Body regarding management issues.

Sound and prudent bank management is ensured by an appropriate corporate organisation that provides for a complete and functional internal control system.

In particular, the Group's internal control system is composed of three different levels:

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

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

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

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

This activity is carried out by the Internal Audit Service based on the yearly auditing plan approved by the Board of Directors or through spot checks on the operations of the functions involved, requested during the year. Subsequent to the restructuring of the Bank Group, the Internal Audit office has been brought back within the structure of the Bank parent company. Given the size and in accordance with the “proportionality principle”, the internal audit function is carried out in co-sourcing with META S.r.l., a company that meets all the prerequisites in terms of professional qualification and independence.

Corporate control functions in charge of second and third level controls have the authority, resources and competencies required to carry out their tasks.

In conformity with Vigilance provisions, the company organisational structure requires that company control functions report back to the Board of Directors in terms of both hierarchy and functions.

Control functions have access to all the activities carried out by the Bank, both in the central offices and in peripheral offices, as well as to any information relevant to carry out controls.

In accordance with Law 231/01, there is a Vigilance Committee, which is a collective body in charge of assessing the efficiency of organisational measures adopted by the Group to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.

As set forth in the Organisational Model, the committee periodically reports to the Board of Directors.

The risks to which the Group is, or could be exposed, are:

- Credit/counterparty risks
- Market risks
- Operational risks
- Concentration risk
- Interest rate risk on bank portfolio
- Liquidity risk
- Residual risk from CRM
- Climate and environmental risks
- Strategic risk
- Reputational risk
- Risk from securitisation
- Risk of excessive financial leverage
- Risk of assumption of equity investments
- Risks and conflicts of interests vis-à-vis related parties
- Country risk
- Risk of transfer
- Basis risk
- Compliance risk
- Money-laundering risk
- ITC risk
- Risk connected to the management of foreclosed assets.

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

The ESG project is co-ordinated by an inter-functional work team, that includes the participation of the Compliance, Risk Management, Finance Department, Credit Department and Organisation Function managers. During the month of December 2022, the Board of Directors approved the Bank's ESG Initiatives Plan to favour a progressive compliance with expectations, specifically as regards the credit risk and investment services areas. During the same meeting of the Board, the creation of the «Sustainability Committee» was approved, which is a management committee composed of top company management, tasked with co-ordinating climate and environmental issues, and supporting the Board of Directors in the assessment and analysis of sustainability strategies connected to the execution of the Bank's business activities. During the next months, the various Bank functions will be assigned tasks and attributions, in accordance with the outlay of the ESG strategies within the Credit, Finance, Planning and Marketing processes.

As Parent Company of the Gruppo Bancario Cambiano, the Bank intends to elaborate a Group ESG strategy, defining the guidelines for sustainability, and identifying initiative for compliance of the subsidiary Cabel Leasing, which will be centred on the credit process. The interventions aimed at the compliance of the subsidiary Cabel Leasing will be defined by the Parent Company and transferred to and implemented within the intermediary by the appointed «ESG» reference person.

The Bank, which belongs to a banking group that is classified among Class 2 intermediaries, in accordance with Bank of Italy Circular 285/2013, adopts the following methods to measure capital adequacy with respect to quantitative risks:

- for credit/counterparty risks and for market risks, the standardised method (TSA),
- for operational risks, the basic method (BIA),
- for concentration risk and for interest rate risk, the simplified methods proposed respectively in annexes B and C/C bis of Bank of Italy Circular 285/2013 and subsequent updates.

In compliance with Tier III requirements, the Gruppo Bancario Cambiano has prepared information for the public relating to the Consolidated Financial Statements for the 2022 reporting year, available on the web site www.bancacambiano.it.

Section 1 – Risks of accounting consolidation

Quantitative information

Group impaired receivables from customers measured at amortised cost amount to a gross value of 302.7 million euro, to which specific value adjustments are connected, in the amount of 116.1 million euro, with a resulting net value of 186.6 million euro.

Banca Cambiano 1884 S.p.A. in bonis receivables from customers measured at amortised cost amount to a gross value of 3,138.3 million euro, to which portfolio adjustments are connected, in the amount of 20.9 million euro, with a resulting net value of 3,117.4 million euro, showing a degree of coverage equal to 0.67%. Of these, receivables from customers for performing loans at greater risk are essentially classified in the so-called "second stage", and are equal to a gross amount of 339.3 million euro, with a 4.17% degree of coverage.

A. Credit quality

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

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

Portfolios/quality	Non-performing loans	Probable defaults	Impaired overdue positions	In bonis overdue positions	Other in bonis positions	Total at 31/12/2022
1. Financial assets measured at amortised cost	62,855	112,283	11,433	38,177	3,574,133	3,798,880
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	594,184	594,184
3. Financial assets measured at fair value	0	0	0	0	0	0
4. Financial assets obligatorily measured at fair value	0	0	0	0	76,916	76,916
5. Financial assets in the course of divestment	0	0	0	0	0	0
Total at 31/12/2022	62,855	112,283	11,433	38,177	4,245,233	4,469,980
Total at 31/12/2021	73,657	69,608	3,287	36,614	4,394,196	4,577,363

Notes

The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 85,767 thousand euro. The values shown are the balance sheet values, net of the relative write-downs.

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

Portfolios/quality	Impaired				In bonis			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	302,933	116,363	186,570	0	3,633,658	21,349	3,612,310	3,798,880
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	594,676	492	594,184	594,184
3. Financial assets measured at fair value	0	0	0	0	0	0	0	0
4. Financial assets obligatorily measured at fair value	0	0	0	0	0	0	76,916	76,916
5. Financial assets in the course of divestment	0	0	0	0	0	0	0	0
Total at 31/12/2022	302,933	116,363	186,570		4,228,334	21,840	4,283,410	4,469,980
Total at 31/12/2021	251,773	105,219	146,553		4,379,764	27,108	4,430,810	4,577,363

Notes

The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 85,767 thousand euro.

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

Portfolio quality	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	0	0	67,202
2. Hedges	0	0	0
Total	0	0	67,202

Section 2 - Risks of prudential consolidation**Qualitative information****1. General information**

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

- meeting the objective of increasing sustainable credit activities, consistently with risk propensity and creation of value;
- portfolio diversification, limiting the concentration of exposures on single counterparties/groups, on single sectors of economic activity;
- an efficient selection of economic groups and individuals borrowers, through an accurate analysis of creditworthiness aimed and limiting the risk of insolvency;
- favouring credit interventions aimed at supporting the real economy and the production system;
- constantly monitoring loan relations, both through IT procedures and by means of the systemic monitoring positions, in order to be able to immediately grasp any symptoms of imbalance and promote corrective actions aimed at preventing possible impairment.

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

2. Credit risk management policies**2.1 Organisational aspects**

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

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

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

measures, by adopting the new Policy regarding forbearance, and iv) updating of the Policy for the classification and evaluation of the credit portfolio.

The Non-Performing Loans office, reporting to Credit management, is composed of the Legal and Litigation Services Offices and the Problem Debts Management offices and Credits under Special Administration office. The Problem Debts Management Office manages, at a corporate level and according to methods defined by internal regulations, every single problem debt and loans that present anomalous situations, regardless of their classification as performing or non-performing, with the exception of non-performing loans that are managed by the Legal and Litigation Services Office. Problem Debts Management also Supports the Network in carrying out peripheral monitoring activities on single anomalies and problem loans, as well as in defining and implementing corrective actions aimed at ensuring sound administration of the credit process. This activity is aimed at favouring an anticipatory management of credit risk and implementing management strategies aimed at improving the Bank's credit quality. The corporate organisation system assigns management of relationships classified as Probable Default and Non-Performing respectively to the Problem Debt Monitoring Office and the Legal and Litigation Services Office. Impaired loans are managed based on Service regulations and in accordance with the specific impaired loan assessment policy (updated during the meeting of the Board of Directors held on 26/03/2021).

An office to manage credits in special administration has been created within the Problem Debt area, tasked with managing, based on methods set forth by internal regulations and corporate bodies, those exposures with peculiar characteristics that qualify them for management by this specific function. Exposures are assigned to this office regardless of the specific classification, but taking into account the significance that they have within bank exposures, in terms of risk profile and of the actions to be taken.

The Credit Control Office, reporting to Credit Management, oversees the credit risk monitoring process, in order to detect, even in advance, possible critical evolutions; this activity is carried out within the scope of second instance first level controls and with the aim of providing credit manager and the Problem Debt Management function with all the information required to take necessary measures, and the Risk Management function with all the information required to carry out second level control on credit risks.

During the 2020 fiscal, the Early Management Office was created, reporting to Credit Management, with the aim of controlling the process for concession of forbearance measures, in order to allow identifying forbearance measures that are "economically sustainable", as well as ensuring the pro-active management of the first signs of default and weakness of the borrowing counterparty. This function is also tasked with verifying the existence of requirements confirming "financial difficulty" and the economic sustainability of the exposures in moratorium subsequent to the Covid-19 pandemic for all companies in the Group.

Within the scope of the risk taking and management procedures adopted, the first safeguard filter takes place in the Branch office, through constant and ongoing dialogue with the customers, by means of both internal and external information sources and with the aid of information technology procedures.

During the credit preliminary assessment and review processes, the Bank analyses the customer's financial needs and the documents required to carry out an adequate assessment of the creditworthiness. The decision to grant a loan is therefore based both on the analysis of all the information regarding the economic entity, and on the basis of direct knowledge of the customer and of the economic operating context. All preliminary activities regarding the operational process that lead up to disbursement and periodic review of the loan, are developed with the aim of granting a congruous loan to each individual applicant (and/or group), providing for the most appropriate types of loan and an adequate remuneration for the risk taken.

Within the scope of the "Credit Risk Regulations", the Board of Directors has defined the decision-making autonomy of each body delegated to granting loans within the Group. Observance of the powers authorised by the Board of Directors is guaranteed by automatic controls provided for in the IT procedure recently implemented with the new "Easy Loans" application used to manage the preliminary process for loan disbursement.

The loan process will be further revised during the 2023 fiscal year, following the update to the 2023-2025 Strategic Plan, that will reposition it so as to: i) increase efficiency by perfecting loan pricing based on the risk level of the counterparties, on the cost of funding and of that of own funds; ii) requalify the credit portfolio, through a better selection of LOM indicators, with the final objective of containing overall cost of management; iii) increase the efficacy of the problem loan management process, by intervening on problem identification triggers, on early warning activities, and on credit recovery schedules agreed upon with customers.

Post-Covid Information

Support to families and businesses, consisting in the granting of moratoria, the use of which was promoted by the Group during 2020 and 2021, came to an end in 2022.

Instead, funding activities continued during 2022, relying on the measures adopted through Legislative Decrees aimed at supporting and relaunching the economy, already initiated during 2020 and 2021, a period in which the macro-economic context was forced to face first the Covid-19 pandemic, and then the Russia-Ukraine war.

Since 2019, albeit with all due variations and clarifications, government initiatives established in support of families and SMEs, including the use of government security (MCC, Sace, Fei), have been operational.

Effects deriving from the Russia-Ukraine conflict

The elements of uncertainty generated by the Russia-Ukraine conflict have determined a decided worsening of macro-economic forecasts, the consequences of which could reverberate negatively over the medium term on the quality of credit of counterparties: the slowdown in turnover, coupled with the increase of the cost of debt, could affect the capacity of businesses to honour loan services, especially for those counterparties already heavily impacted by the health emergency. As regards credit risk, although the Group is not exposed to the direct effects of the conflict, there are possible rebound or indirect effects (so-called second/third round effects) on the business sector and, subsequently on the retail and private consumer sectors, already burdened by two years of restrictions and Covid-19 containment measures. As regards businesses, in particular, the conflict has already in part produced significant economic repercussions, added to a context that is still struggling with the difficulties tied to the pandemic: some sectors are more highly affected by the negative consequences of the current conflict than others.

As regards this matter, the portfolio of loans exposed to the so-called «energy risk» has been re-evaluated, with the aim of assessing the vulnerability of counterparties belonging to merchandise sectors identified as «energy-intensive».

Specifically, in conformity with the provisions issued by the IASB in the document dated 27 March 2020, given the uncertainty of the economic context, and the progressive deterioration in progress, the Board of Directors, in the meeting held on 27/12/2022, based on a proposal by the Risk Management office, has decided, for the year 2022, to continue to keep an alternative approach to the mechanical application of models (so-called overlay approach) used to calculate the ECL, in line with the approach taken in 2020 and 2021, providing for the inclusion of specific add-ons on the evaluations of positions relating to sectors that are greatly impacted by the trends of energy prices and raw materials. In order to identify the businesses, within the Group's loan portfolio, potentially most affected by the energy crisis caused by the Russia-Ukraine war that broke out in February 2022, the Risk Management office has extracted a list of position that fall within those defined as "energy-intensive". This list has been obtained by referring to the contents of the document published by the European Commission in the Official Gazette of the European Union on 24.3.2022 regarding the "Temporary crisis framework for government aid measures in support of the economy following the aggression of Russia against Ukraine". Hence, this activity pulled up all those positions classified in stage 2 and with the following ATECO codes (classification of economic activity): B07 (mineral and metal extraction); C13 (manufacturing activities); C14 (manufacture of clothing excluding fur clothing items); C16 (wood cutting and planing); C17 (production of paper-pulp, paper and cardboard); C19 (production of coke oven products); C20 (production of base chemical products, fertilizers and nitrogen compounds, plastic materials and synthetic rubber in primary form); C23 (production of glass and glass products); C24 (steel making). Additional sectors were added to this list, in order to identify a more significant sample of position: C32 (production of jewellery, costume jewellery and related items; working of precious gemstones); H49 (railway transport of passengers) and I55 (hotels and assimilated structures).

As was done in 2020 and 2021, the determination of management overlays is based on the simulation of loans to "energy-intensive" businesses operating in the aforementioned business sectors and classified in Stage 2, "slipping" into Stage 3 at 12 months (impaired overdue); at 31/12/2022, the add-ons, calculated in this manner, amounted to , € 5.7 million for the Parent Company Bank, and € 540 thousand for the subsidiary Cabel Leasing.

2.2 Management, measurement and control systems

Risk management, measurement and control systems are formalized within an organisational structure that involves the entire credit process, from the initial preparatory stage to the periodical re-examination, and up to the revocation and recovery.

The Group carries out quantitative and qualitative analyses to periodically measure and control Credit Risk. Specifically, quantitative assessments use various instruments that provide customer economic, financial and equity information.

The Credit Area, reporting to Credit Management, ensures supervision and coordination of the operational stages of the performing loan process, carries out the credit application and, within the scope of its competencies, disbursement process and performs first level controls, again within the scope of its competencies. The Non-Performing Loans office, also reporting to Credit Management, monitors and coordinates all the operational stages of the non-performing loans process.

To support this activity, the Bank adopts specific procedures for the preliminary application/deliberation, credit line renewal and credit risk monitoring stages at a Group level.

In these stages, the Bank uses qualitative and quantitative methods to measure creditworthiness, supported by information technology procedures subject to periodic verification and maintenance.

The preliminary application, deliberation and review of credit lines are governed by a decision-making procedure supported by the PEF "Easy Loans" information technology procedure, that allows verifying (on behalf of all the departments involved in credit management) the status of each borrower or potential borrower. This procedure also

allows reconstructing the credit deliberation process by tracking the various steps of the process and the types of analyses carried out.

Two review levels are provided for, in order to keep the procedures slim: one is a simplified review, with limited formalities, which is reserved to the renewal of small credit lines with a regular performance; the other is an ordinary review applied to all other situations.

The objective of defining the classification, evaluation and management criteria for impaired positions, and the methods to control the credit risk trend is also the implementation of a systemic control activity on credit exposures, by the Credit Control Office, in close collaboration with the companies in the Group.

This activity is supported by an electronic procedure that allows for periodic extrapolation of all relations that may show signs of anomalous performance, both internally and externally.

Hence, constant monitoring of the reports provided by the procedure, along with the measurement of other types of events allows for rapid intervention as soon as irregular positions arise, in order to take the necessary measures for problem loans.

All loan positions are also subject to periodical review, carried out individually of each counterparty or group of connected customers.

The entire credit and counterparty risk management process (risk measurement, application and appraisal, disbursement, performance control and monitoring of exposure, review of credit lines, classification of risk positions, intervention in case of anomalies, classification criteria, evaluation and management of impaired exposures), is formalised in the internal regulations of both Banca Cambiano 1884 S.p.a. and Cabel Leasing S.p.a. Second level controls are ensured by the Risk Management office of Banca Cambiano 1884 S.p.a., to which risk management for Cabel Leasing has also been outsourced, as of November 2018; is responsible for second level controls; this function carries out controls aimed at periodically ascertaining that credit granting, monitoring and classification of credit exposures, the process for recovery and calculation of provisions for impaired loans, are all carried out in compliance with internal and supervisory regulations, and that they are efficacious and reliable as regards the capacity for timely detection and notification of problem loans, and for ensuring the adequacy of value adjustments and the relative writing-off.

Credit risk, like other risks, is mapped in the RAF process, defined by specific objectives and tolerance thresholds. Hence, the Risk Management function monitors credit risk management processes, periodically checking and verifying compliance to risk objectives, operating limits and the risk indicators defined by the Board of Directors, according to the methods and schedules defined in the RAF Regulations and in the risk management processes.

For detailed information regarding the individual management, measurement and control systems, please refer to the contents of Section 1.4 of Part E of the explanatory notes of the Banca Cambiano 1884 S.p.a. financial statements and in Section 3.2.2 of Part D of the explanatory notes of the Cabel Leasing S.p.a. financial statements.

The Bank Group adopts standard methods to determine the minimum capital requirement for credit risk.

As regards the internal capital adequacy evaluation process (ICAAP), the Group uses the so-called Granularity Adjustment simplified algorithm (ref. Annex B, Title III, Chapter 1 Circ. 285/2013) to quantify internal capital vis-à-vis concentration risk for exposure to single counterparties or groups of connected customers.

As regards operations on Securities markets, the Financial Area of the Parent Company conducts evaluations and controls both during the financial instruments acquisition stage, and at subsequent times, during which the breakdown of the area by IAS/IFRS asset class/portfolio is analysed, the counterparty or specific risk level is identified and determined, and compliance with limits and assigned proxies is verified. The outcomes of said analyses are discussed periodically by the Finance Committee, during which time Risk Management submits its own evaluations, consistent with the Risk Appetite Framework.

Effects deriving from the Covid-19 pandemic

At 31.12.2022, there are no effects deriving from the Covid-19 pandemic on credit risk measurement and control systems.

2.3 Methods for the measurement of expected losses

Expected loss is the product of exposure, probability of default and Loss Given Default.

IFRS 9 provides for a single impairment model, to be applied to financial assets measured at amortised cost and those measured at fair value with contra-entry in OCI (Other Comprehensive Income 16, which is shareholders' equity) as well as to financial guarantees and other commitments to disburse loans, characterized by a prospective view, which requires immediate recognition of losses on receivables even if they are only expected losses.

The Parent Company Bank's stage allocation model, based on individual exposures or tranches of exposures in case of debt securities, applies both qualitative and quantitative criteria to measure significant increase of credit risk from the date of initial recognitions of the financial instrument to the evaluation date.

More specifically, a financial instrument may be moved from stage 1 to stage 2 if one of the following variables occurs:

- Variation of the probability of default used for internal management purposes. Therefore, this assessment is made adopting a “relative” criterion. This criterion was revised in July 2022, during the inspection and, in conformity with the current Bank internal rating system, classifies in Stage 2:
 - in bonis exposures with risk of insolvency at the date of initial recognition equal to 1, 2, 3 or 4 that have a final classification that is equal to at least 10;
 - in bonis exposures with risk of insolvency at the date of initial recognition equal to 5 or 6 that have “jumped” 6 classes in the internal PD classification system;
 - in bonis exposures with risk of insolvency at the date of initial recognition equal to 7, 8, 9 or 10 that have “jumped” 5 classes in the internal PD classification system;
 - in bonis exposures with risk of insolvency at the date of initial recognition equal to 11 that have “jumped” 4 classes in the internal PD classification system.

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

- The presence of a position that is overdue/overdrawn– without varying the thresholds of significance provided for by regulations – and has been so for at least 30 days. In this case, in other terms, the credit risk of the exposure is presumed to be “significantly increased” and, therefore it is moved to stage 2 (if the previous exposure was classified in stage 1);
- The presence of forbearance measures, which – again, presumably – entail classification of the exposures among those for which credit risk is “significantly increased” with respect to initial recognition;
- Finally, specific indicators of the credit monitoring system are taken into consideration for the purpose of assessing the movement of exposures from one stage to another. Specifically, this refers to so-called “watch-list” positions, that is, positions subject to monitoring regimes due to individual evidence of criticality.

The Stage Allocation model is a symmetric model, in that it provides for exposures passing from Stage 1 to Stage 2 and vice versa. Specifically, if at the previous balance sheet date a financial instrument was classified in Stage 2, but at the current balance sheet date it no longer meets the requirements for recognition of a fund equal to expected losses for the duration of the instrument, the position is reclassified in Stage 1. Therefore, no specific permanence criteria are applied in Stage 2, other than those inherent to the quantitative and qualitative parameters that determine the staging (for example, as regards forborne exposures). Consequently, if the parameters in question change and the instrument may be reallocated to stage 1, further permanence in stage 2 is not considered necessary, as the sustainability of the improvement if the customer’s creditworthiness is already evaluated during the processes required by the reference regulations of each staging parameter.

For the purpose of allocating exposures to the various stages on the date of first application of the principle, performing exposures were classified in stages 1 and 2, unlike non performing exposures that were allocated in stage 3.

As regards these latter exposures, please note that the Bank complies with the definition contained in Bank of Italy Circular n. 262/2005, meaning that they correspond to the total amount of impaired overdue/overdrawn exposures, Probable defaults and non-performing loans, such as defined by current supervisory regulations.

The Group’s overall approach to the quantification of expected credit losses is to ensure alignment with regulatory risk parameters.

Once the exposures have been allocated in the various credit risk stages, expected loss, which is the estimated losses on receivables, weighted for the relative probability of occurrence, is calculated along a 12 month period for Stage 1 financial instruments or for the entire residual life of the financial instrument for those classified in Stage 2.

Therefore, as similar evaluation model is applied to all Stage 1 and Stage 2 exposures, the only distinguishing element being the time frame for estimation of expected loss. The evaluation model takes into consideration the following risk factors:

- PD (Probability of Default) – probability of insolvency, a parameter that represents the probability that a counterparty will pass from a “bonis” condition to an “insolvency” condition within the time frame of 1 year (Stage 1) or during the expected life of the financial instrument (Stage 2). The probability of insolvency is calculated based on parameters decided internally by Group companies, and then subsequently including appropriate corrective factors that allow taking into consideration the effects of so-called forward looking information regarding the macro-economic reference scenarios;
- LGD (Loss Given Default) – rate of loss in case of insolvency, a parameter that expresses the incidence of the loss, net of recovery, as a percent value, with respect to the amount of the exposure that has become insolvent, measured based on specific internal Group models. This parameter also includes the expected direct costs of recovery;
- EAD (Exposure at Default) - EAD is treated differently based on the type of exposure and maturity: exposures with a “deterministic” repayment schedule with a known cash flow and maturity and “stochastic” exposures with an unknown cash flow and/or unknown maturity. For exposures with a deterministic repayment schedule EAD is defined by using the repayment schedule based on the evolution of contractual cash flows. For exposures

with an unknown repayment plan (for example, not based on instalments, such as bank accounts) EAD is calculated based on special models that take into account both the so-called “on balance” value of the exposure and the “off balance” component considered potentially risky due to the possibility of the counterparty of increasing its borrowing position.

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

Modifications due to COVID-19

Assessment of significant increase of credit risk (SICR)

As regards the impact of Covid-19 on the economy, including aid measures implemented by governments and central banks, the regulations that determine Significant Increase of Credit Risk (staging allocation criteria) have not been affected, but one-to-one trend monitoring of moratoria positions, granted extensions or transactions signalled out as anomalous by the trend monitoring procedures, has been greatly reinforced.

Specifically:

- during the first semester of 2021, the Group concluded an analytical assessment process on all loans with moratoria granted to customers based on article 56, comma 2, letter c) of Legislative Decree n. 18/2020 (approximately 2,500 customer codes with a residual principal subject to moratoria of over € 370 million), based on the outcomes of which, in the meetings held on 09/06/2021 and 24/06/2021, the Board of Directors resolved a census as a forbearance measure for n. 466 of the positions, for an overall amount of 51.86 million euro;
- between the first and second quarters of 2022, a new survey was conducted; the scope of this analysis included those positions that between March and December 2021 (considering only in bonis positions at 31.12.2021) had not decreased their exposure, and that at 31.3.2021 still presented a moratoria debit exposure greater than 200 thousand euro, and those positions that as at June 2021 had requested the Bank to grant extensions on their respective suspensions up to December 2021, as provided for by article 16 of Legislative Decree n. 73 of 25 May 2021. This analysis, submitted to the Board of Directors on 27/05/2022, involved a total of 276 customer codes, for an overall exposure of more than 255 million euro in lending, at 9/3/2022.

The economic measures implemented to face the Covid emergency in 2020, especially moratoria measures, reached expiry in 2022. Instead, various loans granted by Medio Credito Centrale are still active.

Measurement of expected losses

During the 2022 fiscal year, as the Country exited the health emergency stage, and with the slackening of health restrictions, uncertainties specifically connected to the pandemic improved, and no particular phenomena related to increased credit risk on exposure for which moratoria had been granted were observed. The latter have by now almost all restarted payments, and continue to register payments on exposures and extinctions.

Impact of the Russia-Ukraine conflict

Starting with the geo-political crisis between Russia and the Ukraine, uncertainties regarding economic forecasts have progressively increased and, starting from the second semester of 2022, a specific risk factor has emerged (the energy crisis that has arisen within the context of the geo-political crisis underway), along with the resulting effects, from the rise of inflation, to the rise of costs for businesses and the rise of interest rates.

Therefore, during this fiscal period, the Covid add-ons inserted in the 2020 Financial Statements, and maintained in the 2021 Financial Statement on stage 2 moratoria positions and government-backed loans, were released, as the conditions for their recognition no longer exist.

However, in compliance with IASB document issued 27 March 2020, given the uncertainty of the economic context, and the progressive deterioration underway, during the same meeting held on 27/12/2022, based on a proposal submitted by the Risk Management function, the Board of Directors resolved to continue keeping an alternative approach with respect to the mechanical application of models (so-called overlay approach) used to calculate ECL for 2022 as well, just like for 2020 and 2021, thereby inserting specific add-ons on the assessments of positions in sectors that are highly affected by the cost trends of energy products and raw materials.

In order to identify those businesses potentially affected by the energy crises deriving from the Russia-Ukraine war, that began in February 2022, within the Bank's credit portfolio, the Risk Management function has extracted a list of positions that fall within those defined as “energy intensive”. This list was obtained by referencing the contents of the document published by the European Commission in the Official Gazette of the European Commission on 24/3/2022 relative to the “Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia”. Hence, all the positions classified in stage 2 and with the following ATECO (business sector) codes, were extracted: B07 (extraction of metal minerals); C13 (manufacturing activities); C14 (articles of clothing, with the exception of furs); C16 (wood cutting and planing); C17 (production of paper-paste, paper and cardboard); C19 (production of coke

oven products); C20 (production of base chemical products, fertilisers and nitrogen compounds, plastic and rubber materials in primary forms); C23 (production of glass and glass products); C24 (metal working). In order to identify a more significant sample of positions, further positions were added to those listed above, to include: C32 (production of jewellery, costume jewellery and related items; working of precious stones); H49 (railway transport of passengers) and I55 (Hotels and similar structures).

As was done in 2020 and 2021, management overlay was calculated based on the simulation of a "slide" into Stage 3 (impaired past due) at 12 of loans to "energy intensive" businesses in Stage 2 operating in the aforementioned business sectors; as at 31/12/2022, the add-ons calculated in this way amounted to € 5.7 million for the Parent Company Bank, and € 540 thousand for the subsidiary Cabel Leasing.

As regards the subsidiaries Invest Italy SIM S.p.A and Immobiliare 1884 S.r.l., please note that these companies are not affected by the phenomenon described above, due to both the corporate situation and the type of activities carried out.

2.4 Techniques for mitigating credit risk

The main levers for mitigating credit risk are represented by the system of guarantees that accompany loan exposure, by a limited degree of concentration on specific borrowers, as well as an adequate level of diversification of loans by type and by industry.

In particular, with reference to concentration risk, please note that within the scope of its "credit policies", the Group has set forth a series of limits regarding credit exposure towards single counterparties or groups of connected customers and towards counterparties belonging to the same economic sector. These limits are constantly monitored by the Risk Management Services.

The methods used to manage guarantees and the relative operating processes are set forth in the Bank's internal regulations.

The guaranty management process is incorporated in the IT system, which may be accessed to obtain all related information.

In order to mitigate credit risk, the Group uses collateral security and personal guarantees. In particular, the main types of real guarantees used are mortgages on property and financial pledges.

The IT management application allows monitoring the entire mortgage guarantee acquisition, assessment, verification and realization efficaciously, identifying all inherent information. The procedure also allows periodically "updating" the current value of the guarantee itself and monitoring the consistency of the value of the guaranty with respect to the risk. The ratio between the loan and the value of the collateral property is monitored constantly in order to intervene appropriately in the event of drops in the real estate market.

The organisational processes and operating guidelines applied to monitoring financial instruments safeguard loans against fluctuations in securities market trends.

Personal guarantees consist mainly of sureties given by individuals or companies. Guarantees issued by specialized bodies (for example: Confidi) and by Financial institutions (for example: government guarantee through Mediocredito Centrale pursuant to law 662/1996) are also used and, lastly, so are the government guarantees issued following the crisis engendered by the Covid-19 pandemic.

To date, the Group does not use credit derivatives to cover or transfer the risk for credits in portfolio.

The above controls are performed by centralized structures that are separate from those that disburse and review the loan; the Internal Auditing Office ensures that assets are managed properly and prudently by means of periodic controls. No significant changes were registered with respect to the information provided above during the course of the fiscal year.

3. Impaired receivables

3.1 management strategies and policies

On 30 March 2022 the Board of Directors approved the update to the Bank's NPL Business Plan (2022-2024) based on the Bank of Italy Guidelines for impaired receivables and the Strategic Plan for 2022-2024 approved on 25/02/2022, which was sent to Bank of Italy on 31 March 2022.

Hence, on 27/03/2023 The Group's NPL Business Plan (2023-2025) was updated once again.

In the Business Plan for 2023-2025 consolidation of the de-risking policy represents the First Pillar, by means of which the Bank intends to limit the burden of impaired receivables on overall receivables. The aim of the Plan is for the Bank to reduce the gross incidence of impaired receivables on total receivables from 8.60% to 5.92%, also through a disposal plan cadenced over the three fiscal periods covered by the Plan itself.

During the 2022 fiscal year, the incidence of impaired receivables on total receivables rose from 7.31% to 8.60% (also including receivables measured at fair value) due to the effect of classifications decided by the Board of Directors, that fully applied the proposals of the assessment, and due to the postponement to the 2023 fiscal year of the planned transaction for the disposal of € 20 million in non-performing loans and € 10 million in probable defaults.

Impaired receivables include receivables classified as non-performing, probable defaults and overdue and/or overdrawn for more than ninety days, in accordance with Bank of Italy regulations and in accordance with IAS/IFRS and European

Vigilance provisions. The definition of impaired receivables, as set forth by Bank of Italy in Circular 272/2008 (and subsequent updates) is also consistent with the definition of impaired financial assets contained in the IFRS9 accounting principle, with consequent classification of all impaired receivables within Stage 3.

During 2015, Bank of Italy issued the 7th Update of Circular n. 272/2008, which revised previous classifications for impaired credits and introduced the so-called forbearance concept, transposing the definitions introduced by the Implementing Technical Standards (abbreviated to ITS) issued by the European Banking Authority (EBA). The update aims to reduce the existing discretionary margins in accounting and prudential definitions applied in the various member countries, and facilitate data comparability at an EU level.

In particular, the regulations requires the identification, as regards both performing and non-performing loans, call for identification of loan disbursement relations respectively defining the categories of “Forborne performing exposures” (performing loans granted) and “Non-performing exposures with forbearance measures” (impaired loans subject to forbearance).

The regulations define as “forbearance measures” changes to the original contract terms and conditions or total or partial loan refinancing, granted to a debtor who is or is about to enter into difficulty in terms of respecting financial obligations.

In terms of classification of impaired loans, the Group has also transposed the changes made to definitions introduced by the 7th Update of Bank of Italy Circular n. 272/2008. Specifically, impaired financial assets are divided into the categories “non-performing”, “probable default” and “overdue/overdrawn exposures”, based on the following criteria:

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

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

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

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

- new definition of past due:
 - Lowering of the “relative” relevance threshold from 5% to 1% (threshold calculated as a ratio between the past due and/or overdue amount and the overall exposure of the customer, both determined at a Banking Group level, without offset of any margins available from other credit lines);
 - Introduction of an “absolute” relevance threshold, differentiated by type of exposure (100 euro for retail and 500 euro for non-retail, to be compared to the overall past due and/or overdue amount of the borrower);
 - Classification of a borrower as default (NPE) on exceeding both the relevance thresholds for 90 consecutive days;
- introduction of a period of observation of at least 3 months for reclassification as performing for borrowers previously classified as defaults (Non Performing Exposure) who settle their positions;
- classification of a borrower as default in a uniform manner at a Banking Group level, that is, for all active credit obligations vis-à-vis all the companies in the Group;
- classification of a borrower as default if the credit restructuring entails a reduced financial obligation, greater than 1% with respect to the previous one (i.e. $\Delta NPV > 1\%$);
- introduction of new rules for the propagation/evaluation of the propagation of the default condition of a position, based on the connection that exists with other positions that have become non-performing;
- impossibility on the Bank’s part to offset existing past due/overdue amounts on certain credit lines of the borrower, with other credit lines that have been opened and not used by the same borrower (so-called available margins).

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

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

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

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

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

With respect to *in bonis* loans, for management purposes, the Bank has defined the sub-class of credits called Bonis C (watch list), Bonis D (forborne performing under probation) and Bonis E (forborne performing under probation, ex cure period), in which exposures showing a not fully regular trend are classified.

The Problem Debts Management Office is responsible for managing positions classified as probable defaults, promoting initiatives aimed at safeguarding the Group’s credit claims.

Non-performing loans are managed by the Legal and Litigation Services office, which evaluate the actions to be taken to maximize credit recovery, also taking action vis-à-vis any guarantors and realizing any guarantees.

The assessment of the possibility of payment of impaired receivables is calculated based on criteria defined by the Board of Directors and contained in the specific evaluation policy, that is currently being updated.

Exposures classified in Stage 3 are classified in the various risk conditions and, consequently, subjected to an analytical or flat-rate analysis. The value adjustments on Stage 3 exposures reflect the expected loss calculated over a time frame equal to the entire life of the respective exposure. Within the framework of its evaluation policies, the Bank has used assessment processes and methods characterised by subjective and estimation elements for some variables such as, mainly, expected cash flows, expected recovery times and the likely realizable value of guarantees, where present, which, if modified, could vary the final recoverable value; this determination was based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crisis. Impaired receivables that are considered “in bonis” for an amount that is lower than a pre-set threshold, for which there is no objective evidence of expected loss, are not subjected to the flat-rate analysis, which entails the statistical calculation of expected loss and therefore of the respective value adjustments for homogenous categories of exposures (defined based on the counterparty segment and the technical type of the instrument).

Analytical impairment, however, must still be assessed whenever there is objective evidence of degradation which requires a precise analysis.

Specifically, with respect to the concept of significance expounded in the current accounting principles, impaired overdue exposures and probable default exposures for individual amounts lower than the threshold of significance set at € 300,000 were subjected to impairment using the flat-rate method.

The evaluation of non-performing exposures is updated periodically in order to allow for timely transposition of any events that may modify prospects for credit recovery.

Non-performing loans are evaluated analytically, that is, based on an accurate study of the recoverability of each position, taking into account all elements that may be useful in terms of defining the probability of repayment.

The evaluation of exposures classified as probable defaults is updated in order to allow for timely transposition of any events that may modify prospects for credit recovery, and ascertain whether they meet the requirements for transfer to impairment.

The following value adjustments are applied to this category:

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

The evaluation is aimed at calculating any expected losses, while taking into account that exposures are classified in this risk class based on the Bank’s assessment of the unlikelihood that, without recourse to measures such as the enforcement of guarantees, the borrower will meet payment obligations fully; evidently, this evaluation must be made regardless of any amounts (or instalments) overdue or not.

Therefore, as regards cases of positions classified as probable defaults, the presumed value of repayment of the receivable is estimated by evaluating the capacity of the borrower to meet all repayment obligations, measured on the basis of all the information available regarding the borrower’s financial and economic situation, and the value of any existing collateral underlying the receivable/s in question.

The salvage value is determined, based on the foreseen recovery strategy (distinguishing between management for "business continuity" and management "for disposal"), that reflects the overall degree of risk, by evaluating the capacity to generate cash flows sufficient for repayment and/or on the mere enforcement of collateral and guarantees.

For exposures less than or equal to the € 300,000 threshold, for which there is no objective evidence of loss, value write-downs are calculated using the flat-rate method for similar types of exposures.

Exposures classified as overdue/overdrawn, for which there is no objective evidence of loss, are evaluated using the flat-rate method for similar types of exposures.

The flat-rate method estimation entails a statistical calculation of expected loss and, therefore, of the respective write-downs in value.

As regards the company Cabel Leasing, Management quantifies adjustments/write-backs due to impairment on a quarterly basis. For stage 1 exposures, the overall value adjustments are equal to the expected losses calculated on a time horizon of up to 1 year, while for stage 2 or 3 exposures, overall value adjustments are equal to expected losses calculated on a time horizon equal to the entire duration of the respective exposure. Such calculations, and the respective hypotheses, are based on previous experience and other factors considered reasonable for the cases in question; they are nonetheless reviewed regularly, taking into consideration the macro-economic and context. The results of the above activities are submitted to Board of Directors by the General Manager, for approval of the proposals to write-down impaired receivables. Stage 3 impaired receivables, and more precisely, non-performing loans, probable defaults and impaired overdue positions, are subject to analytical evaluation.

For impaired receivables, when the sum of the estimated value of the asset to which the contract and the bank guaranty refer is lower than the receivable booked in the financial statements, the value adjustment/write-back due to impairment is calculated. Said adjustment/write-back is calculated as the difference between the book value and actual value of estimated future cash flows, discounted at the original effective interest rate of the loan; for loan at floating rates, discount rate will be the effective current rate as at the date the credit becomes impaired.

Also for probable defaults and impaired overdue receivables, a value adjustment is made when the booked receivable is greater than the sum of the estimated value of the asset and the guarantee.

For detailed information regarding the impaired financial assets of Group companies, please refer to the contents of Section 1, Part E of the Explanatory Notes of Banca Cambiano 1884 S.p.a., and Section 3, Part D of the Explanatory Notes of the Financial Statements of Cabel Leasing S.p.a.

3.2 Write-offs

As regards impaired receivables, the Group writes off/derecognises – in whole or in part - uncollectable accounting entries (so-called write-off) and consequently allocates the residual unadjusted amount to losses in the following cases:

- a) non-recoverability of the receivable, resulting from certain and specific elements (such as, for example, borrower is untraceable or destitute, failed recovery from enforcement action on movable and immovable property, negative foreclosures, insolvency procedures terminated with incomplete recovery for the Bank, if there are no additional guarantees that may be enforced, etc.);
- b) debt waiver, following unilateral remission of the loan or residual amount pursuant to agreements;
- c) transfer of receivables.

In some circumstances, it also becomes necessary to partially write off gross receivables in order to adjust them to the Group's effective interests. This is the case, for example, in the event of measures that are not under appeal, within the scope of insolvency procedures, based on which a receivable amount lower than the book amount is recognised as due. Furthermore, the Group has provided for the possibility, on an annual basis, of defining portfolios of impaired receivables to be written off, partially or totally, which collectively have the following macro-characteristics:

– hedging percent > 95%

– average seniority (intended as the period of time passed in a "non-performing" conditions) greater than 6 years.

The company Cabel Leasing write-offs receivables fully when they are considered non-recoverable or have been fully derecognised. Derecognitions are allocated directly to line item 130 a) "Net adjustments/write-backs due to the impairment of financial assets measured at amortised cost" in the income statement.

3.3 Impaired purchased or originated financial assets

Based on the IFRS9 accounting principle, receivables that are considered already impaired on initial recognition in the balance sheet, due to the respective high risk level, are defined as Purchased or Originated Credit Impaired Asset (POCI). These receivables, if they fall within the scope of application of impairment pursuant to IFRS9, are measured by allocating – starting from initial recognition – a provision to hedge losses for the entire residual life of the credit (so-called Expected Credit Loss Lifetime). As these are impaired receivables, they must be initially classified in Stage 3, although they may be moved, during their lifetime, to Stage 2 if they are considered no longer impaired based on the credit risk analysis.

The Group identifies as "Impaired purchased or originated financial assets":

- credit exposures already impaired at the moment of purchase, and;

- credit exposures originated in the event of restructuring transaction of impaired exposures that determined the disbursement of new funding, or introduced substantial changes to the original contract conditions.

4. Financial assets subject to commercial renegotiation and exposures covered by forbearance

The new policy for the management of exposures covered by forbearance (Forbearance Policy) was approved on 27/01/2020.

Regulations implemented by the Group provide for clear lines being drawn between commercial renegotiation measures and forbearance on existing loans (so-called forbearance measures).

Commercial renegotiations aim to consolidate the relation with the borrower counterparty who, on in-depth assessment, is nonetheless capable of timely fulfilment of all financial obligations originally taken on.

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

Financial difficulty is considered confirmed if the counterparty is classified as non-performing.

Approval of a forbearance measure:

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

When the forbearance measure is perfected, a monitoring period begins, which is called, based on the case, Probation Period (two years of forborne performing exposures) and Cure Period (one year for forborne non-performing exposures). At the end of these periods of time, the possibility of improving the classification of the status or, for performing exposures, the cancellation of the qualification as forborne, may be taken into consideration, but only if the borrower's conduct is compliant and all the conditions provided for by the reference regulations are met.

The above being given, please note that if the contract modifications granted to customers are considered "substantial", based on differentiation for commercial modifications and modifications resulting from forbearance measures, they may result in derecognition of the financial asset from the balance sheet and re-recognition of a new asset (so-called "derecognition accounting"). In this situation, and specifically as regards positions that pass the SPPI test, for the purpose of impairment, the Bank considers the date of initial recognition as the date on which the asset is modified. To the contrary, as regards contract modifications that are considered "not substantial", and therefore not subject to "derecognition accounting", for the purpose of impairment, the Group considers the date of initial recognition as the date on which the instrument is originated.

Cabel Leasing has analysed counterparties applying for moratoria measures or renewal of existing moratoria measures, with respect to the precise updates of EBA publications, in April, September and December 2020. Consequently, the processes required to identify forbearance measures case-by-case, that had been suspended only for moratoria covered by "legislation" and bank system moratoria, were re-implemented.

A. Credit quality

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

A.1.1 Prudential consolidation – Distribution of financial assets by time overdue (balance sheet values)

Portfolios/Risk stages	First stage			Second stage			Third stage			Impaired purchased or originated		
	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days	From 1 to 30 days	Over 30 and days up to 90 days	Over 90 days

1. Financial assets measured at amortised cost	12,246	372	419	5,343	14,732	3,184	2,459	12,212	104,406	0	0	159
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	0	0	0	0	0	0	0	0
3. Financial assets in the course of divestment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL AT 31/12/2022	12,246	372	419	5,343	14,732	3,184	2,459	12,212	104,406	0	0	159
TOTAL AT 31/12/2021	9,321	7	0	4,410	9,940	8,335	3,154	1,357	142,042	0	0	160

The values shown are the balance sheet values, net of probable default loans.

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and total provisions – part 1

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage 1					
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	0	8,187	68	0	120	8,135
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	0	-1,139	402	0	558	-1,295
Contract modifications without derecognitions	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	0	7,048	470	0	677	6,840
Recoveries from collection on written-off financial assets	0	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0	0

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions– part 2

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage 2					
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	0	18,792	62	0	62	18,792
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	0	-4,494	-40	0	128	-4,661
Contract modifications without derecognitions	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	0	14,298	22	0	190	14,131
Recoveries from collection on written-off financial assets	0	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0	0

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions – part 3

Causal factors/risk stages	Overall value adjustments					
	Asset classified in stage 3					
	Demand receivables from banks and central banks	FA measured at amortised cost	FA measured at fair value with impact on overall profitability	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	0	105,219	0	0	105,219	0
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	0	27,885	0	0	27,885	0
Contract modifications without derecognitions	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	-11,851	0	0	-11,851	0
Other variations	0	-5,353	0	0	-5,353	0
Overall final adjustments	0	115,900	0	0	115,900	0
Recoveries from collection on written-off financial assets	0	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0	0

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions– part 4

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

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: dynamics of overall value adjustments and overall provisions– part 5

Causes/risk stages	Overall value adjustments			Total
	Overall provisions on commitments to disburse funds and issued financial guarantees			
	First stage	Second stage	Third stage	
Initial overall adjustments	315	51	1,521	134,215
Value increases from financial assets purchased or originated	0	0	0	0
Derecognition other than write-offs	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	27	148	-72	22,903
Contract modifications without derecognitions	0	0	0	0
Changes in the method of estimation	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	-11,851
Other variations	0	0	0	-5,353
Final overall adjustments	342	199	1,449	139,914

Recoveries from collection on written-off financial assets	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and issued financial guarantees: transfers between the various risk stages (gross and nominal values)

Portfolios/risk stages	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
1. Financial assets measured at amortised cost	127,246	48,281	46,205	5,178	37,729	522
2. Financial assets measured at fair value with impact on total profits	0	2,234	0	0	0	0
3. Financial assets in the course of divestment	0	0	0	0	0	0
4. Commitments to disburse funds and issued financial guarantees	40,352	28,120	10,864	867	17,039	237
Total at 31/12/2022	167,599	78,636	57,069	6,046	54,768	759
Total at 31/12/2021	191,748	77,299	30,598	2,261	11,546	275

A.1.3a Prudential consolidation - Loans subject to Covid-19 aid measures: transfers between various credit risk stages (gross values)

Portfolios/risk stages	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
A. Loans measured at amortised cost						
A.1 Subject to forbearance conformant to GL	0	0	0	0	0	0
A.2 Subject to existing moratoria measures no longer conformant to GL and not measured as subject to forbearance	0	0	0	0	0	0
A.3 Subject to other forbearance measures	0	0	0	0	0	0
A.4 New loans	39,332	11,492	5,566	3	18,558	120
B. Loans measured at fair value with impact on total profits						
B.1 Subject to forbearance conformant to GL	0	0	0	0	0	0
B.2 Subject to existing moratoria measures no longer conformant to GL and not measured as subject to forbearance	0	0	0	0	0	0
B.3 Subject to other forbearance measures	0	0	0	0	0	0
B.4 New loans	0	0	0	0	0	0
Total at 31/12/2022	39,332	11,492	5,566	3	18,558	120
Total at 31/12/2021	13,154	14,298	1,157	0	1,602	23

A.1.4 Prudential consolidation - Cash and off-balance sheet exposures to banks: gross and net values – Part 1

Type of exposure/values	Gross exposure				
	First stage	Second stage	Third stage	Impaired purchased or originated	
A. Cash credit exposures					
A.1 Demand	37,093	37,093	0	0	0
a) Impaired	0	X	0	0	0
b) In bonis	37,093	37,093	0	X	0
A.2 Other	146,775	146,775	0	0	0
a) Non-performing loans	0	X	0	0	0
- of which: subject to forbearance	0	X	0	0	0
b) Probable defaults	0	X	0	0	0
- of which: subject to forbearance	0	X	0	0	0
c) Impaired overdue positions	0	X	0	0	0
- of which: subject to forbearance	0	X	0	0	0
d) In bonis overdue positions	0	0	0	X	0
- of which: subject to forbearance	0	0	0	X	0
e) Other in bonis positions	146,775	146,775	0	X	0
- of which: subject to forbearance	0	0	0	X	0
TOTAL A	183,868	183,868	0	0	0
B. Off-balance sheet exposures					

a) Impaired	0	X	0	0	0
b) In bonis	12,335	12,335	0	X	0
TOTAL B	12,335	12,335	0	0	0
TOTAL A + B	196,203	196,203	0	0	0

A.1.4 Prudential consolidation - Cash and off-balance sheet exposures to banks: gross and net values – Part 2

Type of exposure/values	Overall value adjustments and overall allocations					Net exposure	Overall partial write-offs (*)
	First stage	Second stage	Third stage	Impaired purchased or originated			
A. Cash credit exposures							
A.1 Demand	0	0	0	0	0	37,093	0
a) Impaired	0	X	0	0	0	0	0
b) In bonis	0	0	0	X	0	37,093	0
A.2 Other	267	341	0	0	0	146,508	0
a) Non-performing loans	0	X	0	0	0	0	0
- of which: subject to forbearance	0	X	0	0	0	0	0
b) Probable defaults	0	X	0	0	0	0	0
- of which: subject to forbearance	0	X	0	0	0	0	0
c) Impaired overdue positions	0	X	0	0	0	0	0
- of which: subject to forbearance	0	X	0	0	0	0	0
d) In bonis overdue positions	0	0	0	X	0	0	0
- of which: subject to forbearance	0	0	0	X	0	0	0
e) Other in bonis positions	267	341	0	X	0	146,508	0
- of which: subject to forbearance	0	0	0	X	0	0	0
TOTAL A	267	341	0	0	0	183,600	0
B. Off-balance sheet exposures							
a) Impaired	0	X	0	0	0	0	0
b) In bonis	0	0	0	X	0	12,335	0
TOTAL B	0	0	0	0	0	12,335	0
TOTAL A + B	267	341	0	0	0	195,935	0

Notes

The table shows the breakdown by credit quality of exposures to banks. Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets held for trading", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortised cost a) receivables from banks".

The table does not include capital securities and shares in mutual funds for 86,823 thousand euro, and securities issued by non-bank counterparties for 728,785 thousand euro.

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers – part 1

Type of exposure/values	Gross exposure				
	First stage	Second stage	Third stage	Impaired purchased or originated	
A. Cash credit exposures					
a) Non-performing loans	133,215	X	0	133,215	0
- of which: subject to forbearance	1,899	X	0	1,899	0
b) Probable defaults	156,977	X	0	156,574	403
- of which: subject to forbearance	91,299	X	0	91,009	291
c) Impaired overdue positions	12,741	X	0	12,741	0
- of which: subject to forbearance	0	X	0	0	0
d) In bonis overdue positions	39,351	14,615	24,735	X	0
- of which: subject to forbearance	3,220	0	3,220	X	0
e) Other in bonis positions	4,182,535	3,800,777	314,306	X	517
- of which: subject to forbearance	72,516	0	72,299	X	217
TOTAL A	4,524,819	3,815,393	339,041	302,530	920
B. Off-balance sheet exposures					
a) Impaired	25,398	X	0	25,398	
b) In bonis	1,061,778	900,453	66,410	X	
TOTAL B	1,087,176	900,453	66,410	25,398	
TOTAL A + B	5,611,995	4,715,845	405,452	327,928	920

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers: gross and net values – part 2

Type of exposure/values	Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs (*)
	First stage	Second stage	Third stage	Impaired purchased or originated			
A. Cash credit exposures							0
a) Non-performing loans	70,360	X	0	70,360	0	62,855	0

- of which: subject to forbearance	149	X	0	149	0	1,750	0
b) Probable defaults	44,694	X	0	44,514	183	112,283	0
- of which: subject to forbearance	30,297	X	0	30,149	147	61,003	0
c) Impaired overdue positions	1,309	X	0	1,029	0	11,433	0
- of which: subject to forbearance	0	X	0	0	0	0	0
d) In bonis overdue positions	1,174	56	1,118	X	0	38,177	0
- of which: subject to forbearance	105	0	105	X	0	3,115	0
e) Other in bonis positions	20,678	7,661	13,011	X	3	4,161,857	0
- of which: subject to forbearance	2,594	0	2,593	X	1	69,922	0
TOTAL A	138,215	7,717	14,129	115,904	186	4,386,604	0
B. Off-balance sheet exposures							
a) Impaired	1,449	X	0	1,449	0	23,949	0
b) In bonis	541	342	199	X	0	1,061,238	0
TOTAL B	1,990	342	199	1,449	0	1,085,186	0
TOTAL A + B	140,205	8,059	14,328	117,353	186	5,471,790	0

Notes

The table shows the breakdown by credit quality of exposures to customers. Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets measured at fair value with recognition of income effects through profit and loss", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortised cost b) receivables from customers". The table does not include capital securities and shares in mutual funds for 86,823 thousand euro, and securities issued banks for 8,834 thousand euro.

A.1.5a Prudential consolidation - Cash credit exposures towards customers, subject to Covid-19 aid measures: gross and net values

Type of exposure/values	Gross exposure					Overall value adjustments and total provisions					Net exposure	Overall partial write-offs (*)
	First stage	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated				
A. Non-performing loans	1,897	0	0	1,897	0	170	0	0	170	0	1,727	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	0	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
d) New loans	1,897	0	0	1,897	0	170	0	0	170	0	1,727	0
B. Loans to Probable defaults	19,747	0	0	19,747	0	4,229	0	0	4,229	0	15,518	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	0	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
d) New loans	19,747	0	0	19,747	0	4,229	0	0	4,229	0	15,518	0
C. Impaired overdue loans	4,380	0	0	4,380	0	159	0	0	159	0	4,221	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	0	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
d) New loans	4,380	0	0	4,380	0	159	0	0	159	0	4,221	0
D. Other in bonis overdue loans	5,875	1,346	4,529	0	0	54	3	51	0	0	5,821	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	0	0
b) Subject to existing moratoria no longer	0	0	0	0	0	0	0	0	0	0	0	0

Type of exposure/values	Gross exposure					Overall value adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		First stage	Second stage	Third stage	Impaired purchased or originated		First stage	Second stage	Third stage	Impaired purchased or originated		
compliant to GL and not measured as subject to forbearance												
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
d) New loans	5,875	1,346	4,529	0	0	54	3	51	0	0	5,821	0
E. Other in bonis loans	497,502	428,146	69,357	0	0	1,285	567	718	0	0	496,218	0
a) Subject to forbearance in compliance with GL	0	0	0	0	0	0	0	0	0	0	0	0
b) Subject to existing moratoria no longer compliant to GL and not measured as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
c) Subject to other forbearance measures as subject to forbearance	0	0	0	0	0	0	0	0	0	0	0	0
d) New loans	497,502	428,146	69,357	0	0	1,285	567	718	0	0	496,218	0
TOTAL A+B+C+D+E	529,401	429,492	73,886	26,024	0	5,897	570	769	4,558	0	523,504	0

A.1.7 Prudential consolidation - Cash exposures to customers: dynamics of gross impaired accounts

Causal factors/categories	Non-performing loans	Probable defaults	Impaired overdue positions
A. Initial gross exposure	144,383	103,701	3,580
- of which: accounts disposed of but not derecognised	0	0	0
B. Additions	17,435	0	0
B.1 entries from in bonis receivables	5,494	89,863	27,348
B.2 entries from impaired financial assets purchased or originated	0	0	0
B.3 transfers from other categories of impaired exposures	3,748	2,108	12
B.4 contract modifications without derecognition	0	0	0
B.5 other additions	8,194	1,424	643
C. Reductions	0	0	0
C.1 transfers to in bonis receivables	0	6,395	474
C.2 write-offs	11,804	0	0
C.3 collections	15,378	25,962	9,015
C.4 income from disposals	0	3,357	7,175
C.5 losses from disposals	0	606	1,260
C.6 transfers to other categories of impaired exposures	1,421	3,798	918
C.7 contract modifications without derecognition	0	0	0
C.8 other reductions	0	0	0
D. Final gross exposure	133,215	156,977	12,741
- of which: accounts disposed of but not derecognised	0	0	0

Line items C.4 and C.5 show transactions for disposal without recourse of impaired receivables perfected by the Bank during the fiscal year.

A.1.7 bis Prudential consolidation - Cash credit exposures to customers: dynamics of gross forbearance exposure subdivided by credit quality

Causal factors/categories	Forbearance: impaired	Forbearance: in bonis
A. Initial gross exposure	79,335	96,283
- of which: accounts disposed of but not derecognised	0	0
B. Additions	34,811	18,778
B.1 entries from in bonis receivables without forbearance	8,249	3,476
B.2 entries from in bonis receivables with forbearance	16,508	0
B.3 entries from impaired receivables with forbearance	0	4,224
B.4 other additions	0	0
C. Reductions	20,948	39,325
C.1 transfers to in bonis receivables without forbearance	0	3,555
C.2 transfers to in bonis receivables with forbearance	4,540	409
C.3 transfers to impaired receivables with forbearance	0	21,777
C.4 write-off	0	0
C.5 collections	437	0
C.6 income from disposals	0	716
C.7 losses from disposal	0	0
C.8 other reductions	15,971	12,869

D. Final gross exposure	93,199	75,736
- of which: accounts disposed of but not derecognised	0	0

A.1.9 Prudential consolidation – Impaired cash exposures to customers: dynamics of overall value adjustments

Casual factors/categories	Non-performing loans		Probable defaults		Impaired overdue positions	
	Total	of which: subject to forbearance	Total	of which: subject to forbearance	Total	of which: subject to forbearance
A. Initial overall adjustments	70,726	19	34,092	25,129	686	3
- of which: accounts disposed of but not derecognised	0	0	0	0	0	0
B. Additions	29,545	302	24,080	14,766	2,502	0
B.1 value adjustments from impaired financial assets purchased or originated	0	0	0	0	0	0
B.2 other value adjustments	28,599	212	23,861	14,687	468	0
B.3 losses from disposals	0	0	81	0	255	0
B.4 transfers from other categories of impaired accounts	946	90	138	79	4	0
B.5 contract modifications without derecognition	0	0	0	0	0	0
B.6 other additions	0	0	0	0	1,775	0
C. Reductions	29,910	172	13,475	9,787	1,879	3
C.1 write-backs of value from measurement	16,160	5	966	4	12	0
C.2 write-backs of value from collection	1,768	148	6,071	7,034	16	0
C.3 gains from disposals	0	0	393	0	465	0
C.4 write-offs	11,851	0	0	0	0	0
C.5 transfers to other categories of impaired accounts	77	0	920	90	91	0
C.6 contract modifications without derecognition	0	0	0	0	0	0
C.7 Other reductions	55	19	5,125	2,659	1,295	3
D. Final overall adjustments	70,360	149	44,697	30,107	1,309	0
- of which: accounts disposed of but not derecognised	0	0	0	0	0	0

A.2 Classification of financial assets, of commitments to disburse funds and of financial guarantees issued based on internal and external ratings

A.2.1 Distribution of financial assets, of commitments to disburse funds and of financial guarantees issued: by class of external ratings (gross values)

Exposures	Class of external rating						Without rating	Total at 31/12/2022
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost								
- First stage	0	0	354,077	0	0	0	2,933,414	3,287,491
- Second stage	0	0	0	3,845	3,043	0	339,041	345,929
- Third stage	0	0	0	0	0	0	302,251	302,251
- Impaired purchased or originated	0	0	0	0	0	0	920	920
B. Financial assets measured at fair value with impact on total profits								
- First stage	0	0	592,420	0	0	0	0	592,420
- Second stage	0	0	0	2,256	0	0	0	2,256
- Third stage	0	0	0	0	0	0	0	0
- Impaired purchased or originated	0	0	0	0	0	0	0	0
Total (A + B)	0	0	946,497	6,101	3,043	0	3,575,626	4,531,267
C. Commitments to disburse funds and issued financial guarantees								
- First stage	0	0	0	0	0	0	993,117	993,117
- Second stage	0	0	0	0	0	0	66,410	66,410
- Third stage	0	0	0	0	0	0	25,068	25,068
- Impaired financial assets purchased or originated	0	0	0	0	0	0	0	0
Total (C)	0	0	0	0	0	0	1,084,595	1,084,595
Total (A + B + C)	0	0	946,497	6,101	3,043	0	4,660,221	5,615,862

Ley:

Class 1 = AAA/AA-

Class 2 = A+/A-

Class 3 = BBB+/BBB-

Class 4 = BB+/BB-

Class 5 = B+/B-

Class 6 = Lower than B-

A.3 Distribution of secured exposures by type of guarantee

A.3.2 Prudential consolidation – Secured cash and off-balance sheet exposures to customers - part 1

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

A.3.2 Secured exposures to customers - part 2

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

B. Distribution and concentration of credit exposures

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

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures						
A.1 Non-performing loans	0	0	1,405	1,721	0	0
- of which: subject to forbearance	0	0	0	0	0	0
A.2 Probable defaults	0	0	1,146	173	0	0
- of which: subject to forbearance	0	0	0	0	0	0
A.3 Impaired overdue positions	0	0	0	0	0	0
- of which: subject to forbearance	0	0	0	0	0	0
A.4 In bonis exposures	1,003,643	551	108,358	163	0	0
- of which: subject to forbearance	0	0	255	4	0	0
TOTAL A	1,003,643	551	110,910	2,057	0	0
B. Off-balance sheet exposures						
B.1 Impaired positions	0	0	700	0	0	0
B.2 In bonis positions	1,092	0	78,956	1	0	0
TOTAL B	1,092	0	79,656	1	0	0
TOTAL (A+B) 31/12/2022	1,004,735	551	190,565	2,058	0	0
TOTAL (A+B) 31/12/2021	850,130	119	237,559	1,981	3,733	19

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

Exposures/Counterparties	Non-finance companies		Families		TOTAL	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure						
A.1 Non-performing loans	36,667	55,764	24,782	12,875	62,855	70,360
- of which: subject to forbearance	1,750	149	0	0	1,750	149
A.2 Probable defaults	82,751	35,406	28,575	9,153	112,473	44,732

- of which: subject to forbearance	37,844	22,421	23,318	7,905	61,162	30,326
A.3 Impaired overdue positions	8,037	939	3,395	370	11,433	1,309
- of which: subject to forbearance	0	0	0	0	0	0
A.4 In bonis exposures	1,688,581	13,625	1,334,545	7,513	4,135,127	21,852
- of which: subject to forbearance	44,426	2,192	28,271	587	72,953	2,783
TOTAL A	1,816,036	105,734	1,391,297	29,912	4,321,886	138,253
B. Off-balance sheet exposures						
B.1 Impaired positions	22,165	1,449	1,084	0	23,949	1,449
B.2 In bonis positions	725,189	585	94,759	13	899,995	599
TOTAL B	747,354	2,034	95,842	13	923,944	2,048
TOTAL (A+B) 31/12/2022	2,563,390	107,768	1,487,140	29,924	5,245,830	140,301
TOTAL (A+B) 31/12/2021	2,796,720	102,008	1,447,634	30,436	5,332,044	134,544

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

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures										
A.1 Non-performing loans	62,830	70,308	24	52	0	0	0	0	0	0
A.2 Probable defaults	112,473	44,732	0	0	0	0	0	0	0	0
A.3 Impaired overdue positions	11,432	1,308	0	0	0	0	0	0	0	0
A.4 In bonis exposures	4,118,228	21,822	13,542	23	1,288	0	731	1	1,337	6
TOTAL (A)	4,304,963	138,171	13,566	75	1,288	0	731	1	1,337	6
B. Off-balance sheet exposures										
B.1 Impaired positions	23,949	1,449	0	0	0	0	0	0	0	0
B.2 In bonis positions	1,060,892	599	288	0	0	0	0	0	0	0
TOTAL (B)	1,084,840	2,048	288	0	0	0	0	0	0	0
TOTAL (A + B) 31/12/2022	5,389,804	140,219	13,854	75	1,288	0	731	1	1,337	6
TOTAL (A + B) 31/12/2021	5,316,908	134,472	11,644	70	1,870	0	670	0	952	1

Exposure/Geographical area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	62,855	70,360
A.2 Probable defaults	112,473	44,732
A.3 Impaired overdue positions	11,433	1,309
A.4 In bonis exposures	4,135,127	21,852
TOTAL (A)	4,321,886	138,253
B. Off-balance sheet exposures		
B.1 Impaired positions	23,949	1,449
B.2 In bonis positions	1,061,180	599
TOTAL (B)	1,085,128	2,048
TOTAL (A + B) 31/12/2022	5,407,015	140,301
TOTAL (A + B) 31/12/2021	5,332,044	134,544

Notes

The cash exposures shown in the table (4,321,886 thousand euro) are those booked in the balance sheet, net of probable defaults and with evidence of overall value adjustments.

Specifically, the table includes financial assets to customers deriving measured in the financial statements at line items "20 - Financial assets measured at fair value with impact on profit and loss account", "30 - Financial assets measured at fair value with impact on total profits" e "40 Financial assets measured at amortised cost b) receivables from customers".

Capital securities and shares in mutual funds for 86,803 thousand euro, and bank securities, for a total of 8,834 thousand euro.

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

Exposures/Geographical areas	ITALY	OTHER EUROPEAN COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
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	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures										
A.1 Non-performing loans	0	0	0	0	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0	0	0	0	0
A.3 Impaired overdue positions	0	0	0	0	0	0	0	0	0	0
A.4 In bonis exposures	112,844	242	65,562	25	4,432	0	222	0	1,404	0
TOTAL (A)	112,844	242	65,562	25	4,432	0	222	0	1,404	0
B. Off-balance sheet exposures										
B.1 Impaired positions	0	0	0	0	0	0	0	0	0	0
B.2 In bonis positions	10,435	0	2,542	0	0	0	0	0	0	0
TOTAL (B)	10,435	0	2,542	0	0	0	0	0	0	0
TOTAL (A + B) 31/12/2022	123,279	242	68,104	25	4,432	0	222	0	1,404	0
TOTAL (A + B) 31/12/2021	284,028	240	58,944	28	0	0	0	0	1,160	0

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

Exposures/Geographical area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue positions	0	0
A.4 In bonis exposures	184,464	267
TOTAL (A)	184,464	267
B. Off-balance sheet exposures		
B.1 Impaired positions	0	0
B.2 In bonis positions	12,977	0
TOTAL (B)	12,977	0
TOTAL (A + B) 31/12/2022	197,441	267
TOTAL (A + B) 31/12/2021	344,132	267

Notes

The amounts of cash exposures to banks (184,464 thousand euro) are those booked in the financial statements, net of probable defaults. Specifically, the table includes financial assets to customers deriving measured in the financial statements at line items "20 - Financial assets measured at fair value with impact on profit and loss account", "30 - Financial assets measured at fair value with impact on total profits" e "40 Financial assets measured at amortised cost a) receivables from banks".

Capital securities and shares in mutual funds for 86,803 thousand euro, and financial assets issued by non-bank counterparties, for 725,241 thousand euro are not shown.

The data are distributed geographically based on the state of residence of the counterparty.

INFORMATION ON SELF-SECURITISATION TRANSACTIONS – PONTORMO RMBS 2017

Since end of November 2017, Banca Cambiano has been involved as Originator, Servicer and Noteholder in the "Pontormo RMBS 2017" self-securitization transaction (the "Transaction"), with the special purpose vehicle company Pontormo RMBS s.r.l. The exclusive corporate purpose of the latter, registered at n. 35038.9 in the list of securitization vehicles, is the realization of more various securitizations of receivables. During the second semester of 2019, the Transaction was subjected to a restructuring operation (the "Restructuring") that, in short, consisted in the transfer of a second portfolio of credits by Banca Cambiano and the simultaneous issue of two additional asset-backed securities, a senior Note and a junior Note, with the same characteristics as the previously issued securities. The objectives of the Pontormo RMBS 2017 transaction, the main characteristics of the issued Notes, a selection of quantitative information regarding the 2022 fiscal year and the description of the booking methods in the Bank balance sheet, are illustrated below.

Objectives and structure of the Pontormo RMBS 2017 transaction

The Bank's objective, in initiating the transaction, was to transform part of the assets used (mortgage loans) in an asset backed security type of note (Pontormo RMBS Class A) to be used in a series of activities aimed at further facilitating any needs for liquidity, and specifically:

- to collect short/medium term liquidity through transactions with the Eurosystem;
- to collect medium term liquidity through REPOs (at 2-3 years);
- to perfect refinancing transactions on the New Collateralised Interbank Market (New Mic);
- If the market opportunity arises, and consistently with the average weighted cost of the Bank's funding, the sale of the ABS on the market.

The transaction was concluded obtaining an ABS instrument (with underlying loans issued by the Bank) with a high credit rating: in fact, on issue, the Note had a rating of AA for S&P and AA- for FITCH, higher than the Italian sovereign debt rating (which was, at the same moment, Baa2 for Moody's, BBB for S&P and BBB for Fitch). On 23/10/2018, Fitch reviewed and raised the rating of the Class "A" securities, increasing it from AA- (rating at issue) to AA, the maximum rating obtainable for Italian structured finance transactions. At the moment of the Restructuring in 2019, both rating agencies confirmed the AA rating for the senior Note issued in 2017 and assigned the same rating to the new senior Note issued within the scope of the Restructuring. At the end of April 2020, following the downgrade by Fitch of the rating for Italy, the agency lowered the rating of senior notes to AA- (the agency policy requires a maximum rating on structured finance transactions 6 notches higher than the sovereign rating of reference, so the downgrading of the notes is due solely to the lowered sovereign rating). Finally, in December 2021, following the rating upgrade for Italy, Fitch revised the rating for the senior notes in question, raising it back to AA. Currently, therefore, the senior notes are rated AA by both S&P and Fitch. Thus, the transaction made it possible to transform part of the Bank's assets, which were otherwise not liquid (the real estate mortgage portfolio), into a financial instrument (the two senior notes) that is rated, transparent, held by the ECB, and, potentially tradable. This transaction stands out due to its "multi-originator" nature, in that it involves the participation of Banca di Pisa e Fornacette Credito Cooperativo ("Banca di Pisa e Fornacette") along with Banca Cambiano. Each Bank, by means of a sales contract stipulated on 14 November 2017, sold a portfolio of loans (each of which was separate and independent with respect to the other) consisting of receivables, in accordance with the Securitization Law, classified as "in bonis" in conformity with current supervisory regulations, and deriving from mortgage loans secured by voluntary mortgages on real property. Within the scope of the Restructuring, each Bank sold, in the same manner described above, a second portfolio of mortgages, again, each of which was separate and independent with respect to the other. Below are some of the principal general criteria for eligibility of the transferred loans, valid for both transfer agreements:

- loans must be in Euro;
- Loans issued to physical persons residing in Italy who, in conformity with the classification criteria adopted by Bank of Italy with Circular. n 140 dated 11 February 1991 (as subsequently amended), fall under one of the following categories for sector of economic activity: n. 600 ("consumer households"); n. 614 ("artisans") or n. 615 ("producer families");
- Mortgage loans secured by voluntary mortgage on one or more real properties located on the Italian territory and with respect to which the real property on which the mortgage is secured (or, in case of one or more mortgages on more than one real property as guarantee for the same loan, the principal real property) is a residential property used as a dwelling;
- None of the borrowers is an employee, manager, statutory auditor or director of the Bank;
- None of the borrowers is a public administration or similar entity, nor a company that is directly or indirectly controlled by a public administration, nor a religious or ecclesiastic entity.

The above-mentioned originator banks act as Servicers of their own portfolios transferred to the Vehicle Company.

The SPV paid the selling banks the price of 695,618,219.29 euro within the scope of the first transaction, and 447,699,408.76 euro within the scope of the second transactions, corresponding to the total of the individual purchase prices for the receivables sold each time, as specified below:

- First transaction - Banca di Pisa e Fornacette: 232,893,077.48 euro;
- First transaction - Banca Cambiano: 462,725,141.81 euro;
- Second transaction - Banca di Pisa e Fornacette: 160,485,163.54 euro;
- Second transaction - Banca Cambiano: 287.214.245.22 euro.

The purchase of the first portfolio was financed by the SPV, in accordance with articles 1 and 5 of the Securitisation Law, by issuing on 27 November 2017, the classes of Notes specified here following:

Senior – (Class A notes)

- Euro 181,656,000 Class A1-2017;
- Euro 360,925,000 Class A2-2017;

Junior – (Class B notes)

- Euro 54,137,000 Class B1-2017;
- Euro 107,562,000 Class B2-2017.

Similarly, the second portfolio of receivables sold within the scope of the Restructuring operation was financed on 6 December 2019 by issuing the following securities:

Senior – (Class A notes)

- Euro 157,866,000 Class A1-2019;
- Euro 285,773,000 Class A2-2019;

Junior – (Class B notes)

- Euro 3,380,000 Class B1-2019;
- Euro 1,330,000 Class B2-2019.

Subscriber	Isin	Class	Senior Tranching	Rating at issue	Rating at 31.12.2022	Nominal	Amount outstanding at 31.12.2022	Amount outstanding after repayment 25.01.2023
Banca di Pisa e Fornacette	IT0005315210	Class A1 - 2017	84.00%	AA / AA-	AA / AA	181,656,000	61,725,461	60,401,439
Banca di Pisa e Fornacette	IT0005391237	Class A1 - 2019	84.00%	AA / AA	AA / AA	157,866,000	85,257,612	83,428,452
Banca Cambiano	IT0005315228	Class A2 - 2017	84.00%	AA / AA-	AA / AA	360,925,000	136,458,503	134,557,207
Banca Cambiano	IT0005391245	Class A2 - 2019	84.00%	AA / AA	AA / AA	285,773,000	170,898,664	168,483,951
		Class A Notes	84.00%			986,220,000	454,357,240	446,871,049
Banca di Pisa e Fornacette	IT0005315236	Class B1 - 2017	16.00%			54,137,000	54,137,000	54,137,000
Banca di Pisa e Fornacette	IT0005391252	Class B1 - 2019	16.00%			3,380,000	3,380,000	3,380,000
Banca Cambiano	IT0005315244	Class B2 - 2017	16.00%			107,562,000	107,562,000	107,562,000
Banca Cambiano	IT0005391260	Class B2 - 2019	16.00%			1,330,000	1,330,000	1,330,000
		Class B Notes	16.00%			166,409,000	166,409,000	166,409,000

Class A notes were listed on the Irish Stock Exchange, while class “B” Notes were neither listed nor given a rating. Senior Notes generate interest at a Euribor-linked floating interest rate at 1 month (with a 0% floor) increased by a spread equal to 0.45%. Instead, Junior Notes, that do not have a coupon, receive flows other than capital that are due based on the order of priority for each period of reference. Interest and revenue on Notes are paid monthly on the 25th of each month. The Notes subscribed by Banca Cambiano are Class A2 (senior) and Class B2 (junior) Notes, with the following characteristics:

Class A2-2017

Currency: Euro

Amount at issue: 360,925,000

Rate: Euribor 1M (floor a 0%) + spread 0.45%

Coupon: monthly

Legal duration: May 2060

Redemption: amortisation linked to recovery of underlying receivables

Rating at 31.12.2021: AA by S&P, AA by Fitch

Listing: Irish Stock Exchange

ISIN: IT0005315228

Applicable law: Italian law.

Subscriber: Banca Cambiano.

Class A2-2019

Currency: Euro

Amount at issue: 285,773,000

Rate: Euribor 1M (floor a 0%) + spread 0.45%

Coupon: monthly

Legal duration: May 2060

Redemption: amortisation linked to recovery of underlying receivables

Rating at 31.12.2021: AA by S&P, AA by Fitch

Listing: Irish Stock Exchange

ISIN: IT0005391245

Applicable law: Italian law.

Subscriber: Banca Cambiano.

Class B2-2017

Currency: Euro

Amount at issue: 107,562,000

Rate: N.A.

Coupon: monthly

Legal duration: May 2060

Redemption: amortisation linked to recovery of underlying receivables

Rating: Unrated
 Listing: Not listed on a stock exchange
 ISIN: IT0005315244
 Applicable law: Italian law.
 Subscriber: Banca Cambiano.

Class B2-2019
 Currency: Euro
 Amount at issue: 1,330,000
 Rate: N.A.
 Coupon: monthly
 Legal duration: May 2060
 Redemption: amortisation linked to recovery of underlying receivables
 Rating: Unrated
 Listing: Not listed on a stock exchange
 ISIN: IT0005391260
 Applicable law: Italian law.
 Subscriber: Banca Cambiano.

The Notes are all managed in dematerialised form by Monte Titoli S.p.a.

The amounts for Junior Notes include:

- A cash reserve (“Cash Reserve Amount”) equal to 1.50% of the par value of the Senior Notes issued within the scope of the Restructuring operation (7,688,433 euro for Banca Cambiano):

Cash Reserve Amount (1.50% of par value of the issued Senior note)		
	% of total	€
Banca di Pisa e Fornacette Cash Reserve Amount	34.62%	4,071,673
Banca Cambiano Cash Reserve Amount	65.38%	7,688,433
Total Reserve	100.00%	11,760,106

- The amount required to fund the reserve for expenses (Retention Amount) which, at the time of issue, corresponds to 53,216.00 for Banca Cambiano for a total amount amounting to 80,000.00 euro:

Retention Amount (expenses reserve at issue)		
	% of total	€
Banca di Pisa e Fornacette	33.48%	26,784
Banca Cambiano	66.52%	53,216
Total	100%	80,000

- The Transaction restructuring expenses (294,727.31 pro quota for Banca Cambiano) and the expenses for the Restructuring (246,905.34 pro quota for Banca Cambiano).

The cash reserve is a guarantee for Senior Noteholders (who in this case are the same as the originators and therefore there is also an implicit guarantee in favour of Banca Cambiano, which holds the Class “A2” Notes). An amortisation of the cash reserve is also provided for (based on the amount of funds available), which is gradually repaid to the respective bank based on the amortisation of the respective Senior Notes, up to a set minimum level (0.8% of the par value of the Senior Notes at the moment of the Restructuring). At the moment, it is not possible to use the cash reserve in any way and it is provided that such a reserve remain available to the vehicle in the form of cash, contributing to the amount of available funds, if necessary.

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

The Retention Amount is an expense fund available to the vehicle, used by the structure for the vehicle's management costs. At each monthly settlement, on the basis of the documented costs sustained, this expense account/fund is replenished until it is the equivalent of the pre-established total amount of 80,000.00 Euro, of which the € 53,216 mentioned above represent the share for which Banca Cambiano was responsible at the time of subscription.

The Notes are repaid on the same date as the payment of interest, in accordance with recovery of the underlying receivables, available funds and the order of priority of payments (illustrated below). The interest period becomes effective starting from a payment date (inclusive) through the following payment date (exclusive) and interest is calculated on the basis of the actual number of days that have passed, divided by 360. The characteristics of the class "A" notes allow them to be used for loan transactions with the European Central Bank.

Selected quantitative information at 31/12/2022

A selection of some of the principal information of a quantitative nature regarding the operation in review is set forth below. The values, unless otherwise specified, are in Euro and refer to 31 December 2022.

Securitized assets

At the close of 2022, securitized assets were equivalent to their price of purchase, net of collections as at the transfer dated of 31 December 2022, of the amounts to be received for collections due in the fiscal year but not yet transferred by the Servicer, and increased by accrued interest due as at 31 December 2022.

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

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

Assets disposed of by Banca Cambiano had the following characteristics:

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

The table below indicates the outstanding securitized assets as at 31 December 2021 classified on the basis of their residual life:

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

In conclusion, the table below shows the breakdown of the portfolio subdivided by category as at 31 December 2022:

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

Use of available funds

Description	31/12/2022
Liquidity at BNY c/c n. 6983879780 (Expenses Acc.)	83,190
Liquidity at BNY c/c n. 6983899780 (Banca Cambiano Transitory CR Acc.)	0

Liquidity at BNY c/c n. 6983919780 (BCC Pisa e Fornacette Transitory CR Acc.)	0
Liquidity at BNY c/c n. 6983989780 (General Acc.)	8,226,556
Liquidity at BNY c/c n. 6983999780 (Banca Cambiano Cash Reserve Acc.)	4,673,813
Liquidity at BNY c/c n. 6984009780 (BCC Pisa e Fornacette Cash Reserve Acc.)	2,235,978
Liquidity at BNY c/c n. 6983929780 (Payment Acc.)	2,110
Liquidity at BNY c/c n. 6983939780 (Banca Cambiano Suspension Acc.)	141,388
Liquidity at BNY c/c n. 6983949780 (BCC Pisa e Fornacette Suspension Acc.)	5,076
Receivable due to the result of the transaction	4,549,052
Receivable from Servicers for collections to be received	579,580
Accrued interest payable on securitised loans	3,194,358
Prepaid expenses	31,786
Total	23,722,887

Interest on issue notes (economic competence)

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

Fees and commissions charged to the transaction

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

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

Interest generated by the securitised assets

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

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

INDICATION OF THE UNDERWRITTEN CONTRACTS

For the purpose of carrying out the self-securitization transaction and the subsequent restructuring, it was necessary to underwrite the contract agreements outlined below with various counterparties:

- i. N. 4 "Transfer Agreements" (two during the structuring of the Transaction and two during the restructuring) by virtue of which the Company purchased from Banca di Pisa e Fornacette and Banca Cambiano against payment, in block and without recourse, the respective credit claim portfolios;
- ii. N. 2 "Warranty and Indemnity Agreements" (one during the structuring of the Transaction and one during the restructuring) as per which each Originator Bank issued specific declarations and guarantees, granted security and committed to obligations of indemnification regarding their respective Claims and the assignment thereof to the Company;
- iii. "Servicing Agreement" (modified and integrated during the restructuring stage from the "Agreement for amendment to the Servicing Agreement"), by means of which the Company appoints each Originator Bank to execute services regarding the administration, management, collection and redemption of their respective Claims (including, for the sake of clarity, any defaulted claims);
- iv. "Corporate Services Agreement", by means of which the Company appoints Cabel Holding S.p.A. as Administrator of company activities;
- v. "Stitching Corporate Services Agreement";

- vi. "Back-up Servicing Agreement", by means of which the Company appoints the back-up servicers to act as substitutes for the Servicers in the event of cancellation of the appointment of Banca di Pisa e Fornacette or Banca Cambiano as Servicers as per the Servicing Agreement;
- vii. "Cash Administration and Agency Agreement" between, inter alios, the Company, the Originator banks, the Bank of New York Mellon SA/NV – Milan Branch, Invest Banca S.p.A., KPMG Fides Servizi di Amministrazione S.p.A. and Cabel Holding S.p.A.;
- viii. "Intercreditor Agreement" between, inter alios, the Company, the Originator banks, the Bank of New York Mellon SA/NV – Milan Branch, Invest Banca S.p.A., KPMG Fides Servizi di Amministrazione S.p.A. and Cabel Holding S.p.A.;
- ix. "Notes Subscription Agreement" between the Company, KPMG Fides Servizi di Amministrazione S.p.A., Banca di Pisa e Fornacette, Banca Cambiano and Banca Akros S.p.A.;
- x. "Quotaholder's Agreement" between the Company, Cabel Holding S.p.A., Stichting Muitenburg and KPMG Fides Servizi di Amministrazione S.p.A.;
- xi. N. 2 "Written Resolutions", by means of which the Noteholders approved the restructuring of the transaction, authorising the RON and the Company to take the actions required to complete the restructuring of the transaction;
- xii. "Amendment Agreement", undersigned by all the parties involved in the Transaction, in which amendments are made to the previously undersigned agreements, as required to allow restructuring the Transaction;
- xiii. "Offering Circular" (comprehensive of the terms of the Notes).

SUBJECTS INVOLVED IN THE TRANSACTION

The subjects involved in the transaction, in one way or another, are specified herein following.

Issuer/Purchase of the claims

Pontormo RMBS Srl, a limited liability company incorporated under article 3 of Law 130/99, taxation code, Vat code and registration number in the Register of Companies n. 06272000487, fully paid-in share capital equal to 10,000.00 Euro, enrolled in the Register of special purpose vehicles kept by Bank of Italy pursuant to Bank of Italy provision of 7 June 2017 con n. 35039.9, whose registered offices are in Empoli (FI), in via Cherubini 99.

Originators/Servicers/Back-up Servicers

- Banca di Pisa e Fornacette Credito Cooperativo S.C.p.A, a bank incorporated in Italy as a "Società Cooperativa per azioni", registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 4646, with registered offices in Lungarno Pacinotti, 8 – 56126 Pisa ("Banca di Pisa e Fornacette").
- Banca Cambiano 1884 S.p.A., a bank incorporated in Italy as a company limited by shares, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 5667, with offices in Viale Antonio Gramsci, 34 - 50132 Florence ("Banca Cambiano").

Agent Bank/Transaction Bank/ Paying Agent

The Bank of New York Mellon SA/NV, Milan branch, a company incorporated under the laws of Belgium, operating through its branch office in Via Mike Bongiorno, 13, 20124, Milano, Italia, ("BNYM").

Operating Bank

Banca Cambiano 1884 S.p.A., a bank incorporated in Italy as a company limited by shares, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 5667, with offices in Viale Antonio Gramsci, 34 - 50132 Florence ("Banca Cambiano").

Representative of the Noteholders/ Stichting Corporate Services Provider/ Back-up Computation Agent

KPMG Fides Servizi di Amministrazione SpA, a company limited by shares incorporated in Italy, registered with the Register of Companies in Milan, Italy, at n. 00731410155, with registered offices in Via Vittor Pisani 27, Milan (MI), Italy, operating through its Rome branch, in Via Eleonora Duse, 53 ("KPMG").

Corporate Services Provider/Computation Agent

Cabel Holding SpA, a company limited by shares incorporated in Italy, registered in the Register of Company of Florence, Italy, at n. 04492970480, with offices in Via L. Cherubini, 99, Empoli (FI), Italia ("Cabel Holding").

Quotaholders

- (i) Stichting Muitenburg, a foundation incorporated under Dutch Law, with registered offices in Hoogoorddreef 15, 1101BA, Amsterdam (Netherlands), registered in the Register of Companies of Amsterdam at n. 55248780, and (ii) Cabel Holding.

Rating Agencies

Fitch Italia S.p.A. ("Fitch") and S&P Global Ratings Italy S.R.L. ("S&P").

Arranger

Banca Akros SpA, a bank incorporated in Italy as a *società per azioni*, whose registered offices are in Viale Eginardo 29, 20149 Milan, Italy, with fully paid-in share capital of 39,433,803 Euro, registered in the Register of Companies of Milan at n. 03064920154 and in the Register of banks kept by Bank of Italy at n. 5328, participant to the banking group "Banco BPM", subject to the management and coordination activities ("*attività di direzione e coordinamento*"), of Banco BPM, authorised to carry out business in Italy pursuant to the Banking Consolidation Act ("Banca Akros").

Legal Advisor

Orrick, Herrington & Sutcliffe,

ALLOCATION OF CASH FLOWS ARISING FROM THE PORTFOLIO

A summarised schedule of the allocation of cash flows arising from transferred claims is provided here below. Please note the following main features:

- a) The elements described in the order of payment are stepped and based on priority, in that they are settled only if there are sufficient residual funds after having paid the preceding element.
- b) At each payment date, two different orders of payment are prepared (identical in form and contents), one for each Originator Bank /Noteholder. In this way, the collections generated by the securitized portfolio of a Bank, deducting the respective structural costs due, remain fully with the Bank that has transferred the portfolio. Nonetheless, in cases of particular stress of the structure or of insufficient performance of the portfolios, reciprocity mechanisms between the two Banks have been set up, so that all collection generated by the portfolio of one bank may be used to integrated the available funds of the other bank that is in deficit. Should this occur, debit/credit positions arise within the structure, which are automatically offset as soon as possible.
 - i. Banca di Pisa e Fornacette/Banca Cambiano Outstanding Notes Ratio of (i) all costs, taxes and expenses required to be paid in order to preserve the corporate existence of the Issuer, (ii) all costs and taxes required to be paid in order to maintain the rating of the Notes;
 - ii. Banca di Pisa e Fornacette/Banca Cambiano Outstanding Notes Ratio of fees, costs and all other sums payable to the Representative of the Noteholders;
 - iii. Banca di Pisa e Fornacette/Banca Cambiano Outstanding Notes Ratio of the amount required to guaranty that the balance standing to the credit of the Expenses Account on such Payment Date is equal to the Retention Amount;
 - iv. Banca di Pisa e Fornacette/Banca Cambiano Outstanding Notes Ratio of fees, costs and all other sums due and payable to the (Back-up) Computation Agent, the Agent Bank, the Transaction Bank, the Paying Agent, the Corporate Services Provider and the Stichting Corporate Services Provider;
 - v. Servicing fees to the respective Servicers;
 - vi. Interest due and payable on Class A1/A2 Notes;
 - vii. The amount required so the balance of the Cash Reserve Account is equal to the Target Cash Reserve Amount;
 - viii. Reimbursement of principal due on Class A1/A2 Notes at the Payment Date;
 - ix. Any amounts required to increase the Available Funds of the other portfolio for an amount equal to the corresponding quota of cash reserve of the other portfolio used in previous IPD to increase the Available Funds of this portfolio;
 - x. In the event of a Disequilibrium Event for a portfolio, the Principal Amortisation Reserve Amount to be credited to the relative Principal Amortisation Reserve Account in relation to the portfolio for which the Disequilibrium Event did not occur;
 - xi. In the event of a Detrimental Event, the amount of the Reserve Amount to be credited to the Reserve Account;
 - xii. (i) Any amount due from the SPV to the Originators as repayment for an indemnity paid by the Originator to the SPV within the scope of the warranty and indemnity agreement (ii) any amounts due from the SPV to the servicer within the scope of the servicing agreement that have not been paid pursuant to the previous points;
 - xiii. Only on the first payment date, to pay Originators the respective interest;
 - xiv. Pay (a) to each Originator every amount due referring to adjustment in the purchase price in relation to the claims not listed in the transfer agreement but that respected the criteria listed in the same and every

amount due to the SPV as per the warranty and indemnity agreement (other than those under point 12 above) and (b) to the relative subscriber of Class B Notes or the relative Originator any amount due by the SPV as per the subscription agreement;

- xv. Any amount due to the respective Originator as repayment of the insurance price and the related expenses pre-paid thereby, under the transfer agreement;
- xvi. Interest due and payable on Class B1/B2 Notes;
- xvii. Starting from the Payment Date on which Class A Notes are fully redeemed, repayment of principal on Class B1/B2 Notes;
- xviii. After full and final settlement of all payments due under this Order of Priority and the full redemption of all the notes, payment of any surplus on the accounts of vehicle in favour of Banca di Pisa e Fornacette/Banca Cambiano.

D. Sales transactions

A. Financial assets sold but not fully derecognised

Qualitative and quantitative information

D.1 Prudential consolidation - Sold financial assets recognised in full and connected financial liabilities: balance sheet values

Technical forms/Portfolio	Sold financial assets recognised in full				Connected financial liabilities		
	Balance sheet value	of which: subject of securitisation transactions	of which: subject of sales contracts with agreement to repurchase	of which impaired	Balance sheet value	of which: subject of securitisation transactions	of which: subject of sales contracts with agreement to repurchase
A. Financial assets held for trading				X			
1. Debt securities	18,511	0	18,511	X	18,553	0	18,553
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	X	0	0	0
4. Derivatives	0	0	0	X	0	0	0
B. Financial assets obligatorily measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
D. Financial assets measured at fair value with impact on total profits							
1. Debt securities	186,462	0	186,462	0	186,798	0	186,798
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at amortised cost							
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
Total at 31/12/2022	204,973	0	204,973	0	205,351	0	205,351
Total at 31/12/2021	12,931	0	12,931	0	80,763	0	80,763

D.3 Prudential consolidation - Sales transactions with liabilities that have recourse exclusively on the transferred assets not fully recognised: fair value

Technical forms/Portfolio	Recognised in full	Partially recognised	Total	
			31/12/2022	31/12/2021
A. Financial assets held for trading				
1. Debt securities	18,511	0	18,511	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
4. Derivatives	0	0	0	0

B. Financial assets obligatorily measured at fair value				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at fair value				
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
D. Financial assets measured at fair value with impact on total profits				
1. Debt securities	186,462	0	186,462	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at amortised cost (fair value)				
1. Debt securities	0	0	0	12,885
2. Loans	0	0	0	0
Total financial assets	204,973	0	204,973	12,885
Total connected financial liabilities	0	0	X	X
Net value at 31/12/2022	204,973	0	204,973	X
Net value at 31/12/2021	-122	0	X	-122

Notes

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

1.2 Market risk**Qualitative information**

For the purpose of reporting as regards this section, only financial instruments (both assets and liabilities) included in the "regulatory trading portfolio" were taken into consideration, as required by regulations regarding regulatory information on market risks (cfr. Circular n. 286 of 17 December 2013 issued by Bank of Italy).

A. General information

Within the scope of the Group, the only company exposed to interest rate risk and price risk on the regulatory trading portfolio is Banca Cambiano 1884 S.p.A.

The primary activity of the Bank is trading financial instruments exposed to interest rate risk.

The strategy underlying its trading activity corresponds both to treasury needs and to the objective of enhancing the risk/yield profile of portfolio investments in terms of the interest rate risk and the counterparty's credit risk.

Trading regards exclusively operations involving bonds.

Effects of the Covid-19 pandemic

As regards market risk, no effects directly attributable to the pandemic crisis have been observed; indeed, no changes have been made to objectives and strategies relating to treasury portfolios with respect to the evolution and duration of the health emergency, which remains principally invested in government bonds, nor have the measurement and control systems for market risks been varied.

B. Management procedures and measurement methods for interest rate risk and price risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security) and limits for exposure to interest rate risk (in terms of financial duration).

In the meeting held on 16 January 2020, the Board of Directors approved the Policy on interest rate risk, accompanied by the attached methodology document, which was subsequently updated during the meeting held on 26/03/2022.

Quantitative information**1.2.1.1 Regulatory trading portfolio: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives - All currencies**

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	0	0	0	49.332	6.072	11.041	0	0	66.444

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1.2 Other assets	0	0	0	0	0	0	0	0	0
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	193,331	0	0	0	0	0	0	193,331
2.2 Other liabilities	0	0	0	0	0	0	0	0	0
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
- Other derivatives									
+ long-term positions	0	1,590,202	0	0	0	0	0	0	1,590,202
+ short-term positions	0	2,787,061	0	0	0	0	0	0	2,787,061
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
- Other derivatives									
+ long-term positions	0	683	0	0	0	0	0	0	683
+ short-term positions	0	98	0	0	0	0	0	0	98

2.2 Interest rate risk and price risk – bank portfolio

Qualitative information

A. General information, management procedures and measurement methods for interest rate risk and price risk

Interest rate risk is created by an imbalance between the due dates (re-pricing) of asset and liability items belonging to the bank portfolio. This latter is composed of all the financial instruments, assets and liabilities, not included in the trading portfolio in accordance with current regulatory provisions.

As regards Banca Cambiano 1884 S.p.A., General Management is responsible for setting forth the guidelines for banking book management, in compliance with the strategic policies defined by the Board of Directors, and monitoring banking book management trends.

The Risk Management office proposes possible banking book interest rate risk management and mitigation measures to General Management.

Interest rate risk mitigation is pursued by means of integrated management of bank assets and liabilities and is aimed at stabilising interest income and safeguarding the economic value of the bank portfolio.

Specifically, management of the bond securities portfolio is primarily keyed to maintaining the Group's liquidity reserves. Exposure to banking book interest rate risk is calculated by the Bank in a manner consistent with the provisions of current regulations, through the simplified Regulatory approach (Cfr. Bank of Italy Circular n. 285/2013, First Part, Title III, Chapter 1, Annex C, that introduces the recent guidelines of the European Banking Authority); by using this method, the Bank can monitor the impact of unexpected changes in market conditions on the value of shareholders' equity, thus making it possible to identify the mitigation interventions to be executed.

More in detail, the process to estimate exposure to banking book rate risk provided using the simplified method provides for the following stages:

- Determination of the relevant currencies. "relevant currencies" are those that represent a percent of the total assets, or of total liabilities of the banking portfolio, that is greater than 5%. For the purpose of the calculation method for exposure to interest rate risk, positions in "relevant currencies" are considered individually, while positions in "non-relevant currencies" are aggregated for the respective counter-value in Euro;
- Classification of assets and liabilities into time brackets. Nineteen (19) time brackets are provided for. Fixed rate assets and liabilities are classified based on their residual life, while floating rate assets and liabilities are classified based on the interest rate renegotiation date;
- Within each bracket, assets and liabilities are multiplied by the weighting factors, obtained as the product between a hypothetical variation in the rates and an approximation of the modified duration relative to each of the brackets;
- Within each bracket, asset positions are offset by liability positions, thereby obtaining a net position;
- Aggregation in the various currencies. The absolute values of the exposures relating to each "relevant currency" and to the aggregate of "non-relevant currencies" are summed together, thereby obtaining a value that represents the variation in the economic value of the Bank, as a function of the hypothesised interest rate trend.

The main sources of interest rate risk are fixed rate positions. As regards the asset entries, these are amounts referring primarily to fixed rate securities (BTP) and mortgages.

The interest rate risk inherent to the banking portfolio is monitored by the Bank on a quarterly basis.

Instead, as regards the system adopted to monitor interest rate risk by the subsidiary Cabel Leasing S.p.A.:

- interest rate risk is measured on a quarterly basis, based on the provisions of Bank of Italy Circular n. 288;
- for floating rate assets, the level of debt is indexed in the same way as the asset that it is intended to finance.

Cabel Leasing S.p.A. fixed rate lending positions, represent only 4% of receivables booked at line item 40 “Financial assets measured at amortised cost” in the financial statements. The principle source of interest rate risk that the Company incurs is therefore represented by repricing risk and its impact on the mismatched timing of maturities of assets and liabilities.

Cabel Leasing S.p.A. does not perform speculative transactions on rates.

Quantitative information

1.2.2.1 1 Bank portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities - All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	0	1,000	3,130	151,919	606,239	166,299	30,062	0	958,649
1.2 Loans to banks	86,973	84,303	0	0	0	0	0	0	171,276
1.3 Loans to customers									
- c/c	568,012	2,240	1,468	2,901	6,836	0	0	0	581,456
- Other loans									
- with early redemption option	82,288	42,881	6,675	165	0	0	0	0	132,009
- other	2,270,686	118,893	28,975	46,498	212,751	117,409	170,233	0	2,965,444
2. Cash liabilities									
2.1 Payable to customers									
- c/c	3,053,231	23,229	21,270	37,172	204,798	0	0	0	3,339,700
- other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	43,600	12,020	0	0	0	0	0	0	55,620
2.2 Payable to banks									
- c/c	102,360	12,500	0	0	2,000	0	0	0	116,860
- other liabilities	957,510	15,018	0	0	0	0	0	0	972,528
2.3 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	79	0	0	17,847	102,371	38,276	0	0	158,574
2.4 Other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0	0
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
3.2 Without underlying security									

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
- Other derivatives									
+ long-term positions	0	8,585	0	0	0	0	0	0	8,585
+ short-term positions	0	48,038	6,444	0	0	0	0	0	54,481
4. Other off-balance sheet transactions									
+ long-term positions	7,780	5,169	1,408	4,493	2,987	0	1,907	0	23,745
+ short-term positions	23,745	0	0	0	0	0	0	0	23,745

Notes

Long-term positions and short-term positions in the line item "other derivatives" in point 3.2 are expressed in notional values.

1.2.3 Exchange rate risk**Qualitative information****A. General information, management procedures and measurement methods for exchange rate risk**

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

Within the scope of the Group, the only company exposed to exchange rate risk, albeit only marginally, is Banca Cambiano 1884 S.p.A.

The Bank's Finance Regulations define the overall daily limit position in exchanges, in compliance with the company Risk Appetite Framework. The aim is to have daily positions that are tendentially balanced, and always in compliance with the limits specified in the Finance Regulations currently in force.

On a daily basis, the Risk Management office verifies compliance with the obligations/limits of the global exchange position. The organisational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

As regards exchange rate risk, current supervisory regulations require complying with a capital requirement equal to 8% of the "net open position in foreign currency" only if the latter exceeds 2% of own funds.

The Bank is only marginally exposed to foreign exchange rate risk: at 31/12/2022 the "net open position in foreign currency" was limited within 2% of own funds, thereby excluding the Bank from the obligation to meet the aforementioned capital requirement.

Exchange trading income for the 2022 fiscal year amounted to € 15 million; this result was affected by favourably affected by the effects of the previous fiscal period, that allowed taking advantage of the positive performance and volatility trends of the exchanges market, with substantial margins.

Operations during the last part of the fiscal period, albeit in compliance with the daily limits set forth in the Finance Regulations, brought to light the need for an overall review of the system of proxies and operational limits, especially as regards those relating to currency arbitrage activities, which have remained essentially unvaried in the passage from cooperative credit bank to company limited by shares.

The underlying rationale for the need to fully revise this sector is that of fully redefining the parameters of this area, due to both the increased size of operations, and the necessary continuous interfacing with control systems required for operations, to be considered also in relation to the specific market dynamics, and both the potential economic incidence, and the efficacy of controls on the degree of risk ascribable to currency trading activities.

Thus, in March of 2023, the Board of Directors passed a resolution to fully revise the process, starting in April 2023.

B. Hedging of exchange rate risk

The Group has implemented no exchange rate risk hedging operations.

Quantitative information

1.2.3.1 Distribution by denominated currency of assets, liabilities and derivatives

Line items	Currencies					
	USA dollar	British pound sterling	Swiss franc	Canadian dollar	Japanese yen	Other currencies
A. Financial assets						
A.1 Debt securities	0	0	0	0	0	0
A.2 Capital securities	0	0	0	0	0	0
A.3 Loans to banks	11,211	100	276	69	35	311
A.4 Loans to customers	87,787	0	0	0	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	352	20	27	100	57	71
C. Financial liabilities						
C.1 Payable to banks	55,798	0	0	0	0	2
C.2 Payable to customers	8,405	2,895	42	49	77	19
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	0	0	0	0	0	0
E. Financial derivatives						
- Options						
+ Long-term positions	0	0	0	0	0	0
+ Short-term positions	0	0	0	0	0	0
- Other derivatives						
+ Long-term positions	12,542	2,619	0	0	0	0
+ Short-term positions	47,575	0	267	0	0	0
Total assets	111,892	2,740	302	169	92	382
Total liabilities	111,778	2,895	309	49	77	21
Imbalance (+/-)	114	-156	-7	120	14	361

1.3 Derivative instruments and hedging policies

1.3.1 Derivative instruments from trading

A. Financial derivatives

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

Underlying assets / Types of derivatives	Total at 31/12/2022				Total at 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options	0	0	0	0	0	40,000	0	0
b) Swap	0	0	0	0	0	0	67	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Capital securities and equity indexes								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currencies and gold								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	54,514	0	0	0	51,686	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
4. Goods	0	0	0	0	0	0	0	0
5. Other underlying assets	0	0	0	0	0	0	0	0
Total	0	0	54,514	0	0	40,000	51,752	0
Average values	0	20,000	53,133	0	0	40,000	77,405	0

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

Underlying assets / Types of derivatives	Total at 31/12/2022				Total at 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	0	0	0	0	67	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	683	0	0	0	31	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	0	0	683	0	0	0	98	0
2. Negative fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	0	0	0	0	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	98	0	0	0	694	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	0	0	98	0	0	0	694	0

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

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
1) Debt securities and interest rates				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currencies and gold				
- notional value	X	49,975	0	4,539
- positive fair value	X	592	0	90
- negative fair value	X	90	0	8
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts that are a part of netting agreements				
1) Debt securities and interest rates				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currencies and gold				
- notional value	0	0	0	0
- positive fair value	0	0	0	0

- negative fair value	0	0	0	0
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

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

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

1.4 Liquidity risk

Qualitative information

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

Liquidity risk is managed by the individual companies in the Group, in compliance with the policy guidelines set forth in the Risk Appetite Framework, with the aim of verifying the capacity of the same companies to efficiently face liquidity requirements and avoid situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or at unfavourable rates with respect to market rates. In line with domestic and international best practices and in compliance with vigilance provisions, the model adopted by the Bank to manage operating liquidity is based on the "Maturity Mismatch" approach, which presupposes the construction of a "maturity ladder" (a timeframe of maturity dates) and the allocation of sure and estimated flows over the various periods of the ladder, in order to calculate the cumulative gap for each maturity bracket. Therefore, as regards the management and measurement of this type of risk, please refer to the contents of Section 4 of part E of the explanatory notes to the financial statements of Banca Cambiano 1884 S.p.a. and in Section 3.4 of part D of the explanatory notes to the financial statements of Cabel Leasing S.p.a.

Within the scope of the liquidity policy, and in line with the tolerance threshold established by the Board of Directors, the Group has defined a series of alerts to manage both operating liquidity and structural liquidity.

As regards operating liquidity management, the limits are defined in terms of the absolute cumulative gap values on the various maturities.

The Group continuously monitors the Counterbalancing Capacity (CBC) value, intended as the availability of assets that may be reimbursed, sold or used in refinancing transactions with the interbanking system and that therefore allow generating cash funds rapidly and efficiently.

The limit adopted by the Group to monitor structural liquidity is instead defined in terms of the ratio between liabilities and assets with maturities in excess of one year. The aim of using this limit is that of guaranteeing a structural liquidity profile that is consistent with the strategy of financing medium/long-term assets with liabilities that have the same duration.

The Group has also prepared and implemented a "Liquidity Risk Management and Governance Manual" and a "Contingency Liquidity Plan", which are instruments used to mitigate liquidity risks.

The document details the persons and structures responsible for implementing extraordinary funding policies, as required, as well as any actions to be taken to remedy the extraordinary event situation, in compliance with the regulatory requirements provided for by vigilance regulations.

In the Contingency Liquidity Plan, the Bank has defined a series of risk indicators that are constantly monitored in order to anticipate possible stress or liquidity crisis situations.

The Bank has further implemented the Liquidity Coverage Ratio (LCR) indicator, in accordance with Commission Delegated Regulation (EU) n. 575 dated 26 June 2013 of the European Parliament (CRR Regulations), as well as the additional indications and recommendations of the European Banking Authority on this subject.

As regards the Net Stable Funding Ratio (NSFR), the Bank has implemented a management-type measurement, according to the provisions of the Basel 3 Framework.

Effects of the Covid-19 pandemic

Also in terms of liquidity, the Supervisory Authorities have issued a series of measures aimed at limiting the impact of the Covid-19 pandemic.

Specifically, TLTROs have been fundamental measures that the Board of Directors of the ECB have implemented to contrast the impact of the crisis associated to the pandemic, on the economy. Said monetary policies have been aimed at preserving more favourable lending conditions for banks during the pandemic, contributing to sustaining credit flows to all sectors of the economy, supporting economic activity, and safeguarding price stability over the medium-term. Within the scope of these measures, the Board of Directors further recalibrated the conditions of TLTRO-III, extended the period of application of the considerably more favourable conditions to June 2022, conducted three additional operations between June and December 2021, also increasing the total amount that Euro system counterparties could obtain in lending from 50% to 55% of their respective volume of eligible loans.

In order to incentivise banks to support the pre-existing level of bank credit transactions, the Board of Directors established that the extension of the more favourable conditions for TLTRO-III operations to June 2022 will be granted only to banks that reach a new objective in terms of volumes of eligible loans granted.

In response to the crisis caused by the Covid-19 pandemic, effective April 2020, the Board of Directors of the ECB has also adopted a series of measures to broaden the guarantees placed as collateral to back ECB financing operations. In March 2022, the ECB announced a schedule for the gradual elimination, between July 2022 and March 2024, of the temporary measures to slacken guarantees on collateral introduced during the pandemic.

On 21 December 2022, the Parent Company executed a first voluntary partial early repayment of TLTRO III tenders, for 110 million euro, falling due in March 2023, and on 26 January 2023 a second voluntary partial early repayment of TLTRO III tenders, for 110 million euro, falling due in June 2023, thus reducing the overall amount of ECB financing to 855 million euro.

Quantitative information

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

Line items/Time brackets	On demand	From over 1 day through 7 days	From over 7 days through 15 days	From over 15 days through 1 month	From over 1 month through 3 months	From over 3 months through 6 months	From over 6 months through 1 year	From over 1 year through 5 years	Over 5 years	Indefinite duration	Totals
Cash assets											
A.1 Government bonds	472	0	1,028	0	605	1,600	183,976	615,150	200,000	0	1,002,830
A.2 Other debt securities	0	0	0	12	101	962	169	17,202	3,891	0	22,337
A.3 Shares of mutual funds	67,601	0	0	0	0	0	0	0	0	0	67,601
A.4 Loans	0	0	0	0	0	0	0	0	0	0	0
- Banks	37,003	0	0	0	0	0	0	50,000	0	47,337	134,340
- Customers	623,691	4,344	12,543	29,111	132,940	120,036	210,749	1,073,561	1,168,557	1,459	3,376,991
Cash liabilities											
B.1 Deposits and bank accounts	0	0	0	0	0	0	0	0	0	0	0
- Banks	129,671	0	0	0	0	0	0	0	0	0	129,671
- Customers	2,870,784	867	2,492	1,967	29,891	43,323	64,226	161,424	0	0	3,174,974
B.2 Debt securities	79	0	0	0	745	1,968	18,251	96,466	40,985	0	158,494
B.3 Other liabilities	7,272	182,634	0	0	12,001	110,000	250,000	605,000	0	0	1,166,906
Off-balance sheet transactions											
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	3,006,202	665	9,066	38,794	6,541	0	0	0	0	3,061,268
- Short-term positions	0	3,023,455	665	9,014	38,359	6,444	0	0	0	0	3,077,937
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	6	0	0	0	0	6
- Short-term positions	0	0	0	0	0	135	0	0	0	0	135
C.3 Deposits and loans to be received	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to disburse funds	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	104	0	3,011	77	1,285	1,408	5,120	5,584	7,155	0	23,745
- Short-term positions	23,745	0	0	0	0	0	0	0	0	0	23,745
C.5 Issued financial guarantees	480	35	491	1,410	5,694	3,795	7,288	23,208	20,006	0	62,407
C.6 Received financial guarantees	0	0	0	0	0	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0

List of guarantees – Situation with Eurosystem at 31/12/2022

Isin	Security	Nominal value	Book value	ECB assessment	ECB differences	Portfolio
IT0005482309	BTP 29.11.2023 0%	10,000	9,743	9,224	-519	HTCS
IT0005419848	BTP 01.02.2026 0.5%	10,000	9,120	8,389	-731	HTCS
IT0005419848	BTP 01.02.2026 0.5%	50,000	50,681	41,944	-8,737	HTC

XS1811053641	BANCO BPM 18-23 1.75% /PRO	3,100	3,137	2,759	-378	HTC
IT0005413171	BTP 01.12.2030 1.65%	75,000	81,844	55,432	-26,412	HTC
IT0005438004	BTP GREEN 30.04.2045 1.50%	30,000	30,079	14,889	-15,190	HTC
IT0005425761	BTP FUTURA 17.11.2020 STEP	75,000	76,282	56,439	-19,843	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSISTEM	499,179	499,179	339,442	-159,737	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSISTEM	23,853	23,853	16,220	-7,633	HTC
0	COLLATERALISED RECEIVABLES C/O EUROSISTEM	283,168	283,168	175,564	-107,604	HTC
IT0005315228	PONTORMO RMBS	136,486	136,486	116,260	-20,226	off-balance sheet
IT0005391245	PONTORMO RMBS NOTES A2-19 SUB	170,899	170,899	144,800	-26,098	off-balance sheet
	Totals	1,366,684	1,374,470	981,361	-393,109	
	Financing from Eurosystem - Lending	965,000		-954,301		
	Credit line			27,060		

List of deposits with Eurosystem at 31/12/2022

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

1.5 Operational risks

Qualitative information

General aspects, management procedures and methods to measure operational risk

Operational risk is defined as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. This risk is inherent to banking activity and therefore may be generated by and exist in all company processes. In general, the main sources of operational risk derive from internal fraud, external fraud, employment relationships and on the job safety, professional obligations towards customers, damage from external events, malfunctioning of information technology system and the execution, delivery and management of processes.

The Group has defined a series of organisational processes aimed at monitoring and management operational risks, with the aid of the following specific organisational functions:

- Internal Audit, whose activities are aimed, on the one hand, at controlling the regularity of operations and risks trends, and on the other at assessing the overall efficiency of the internal controls system;
- The Control Body, pursuant to Italian Legislative Decree 231/2001, whose composition and functions are defined in specific regulations, within the scope of the organisation, management and control model adopted;
- the Risk Management office, which fulfils the requirement of identifying and measuring the risks typical of the banking business through the constant monitoring of risks taken and of those potentially generated by investment, lending and service policies;
- the Compliance Office, with the role of monitoring and controlling observance of regulations, and providing support for prevention and management of the risk of incurring judicial or administrative sanctions and/or of incurring significant losses as a consequence of violation of external or internal regulations.

Furthermore, the following documents have been prepared and are constantly updated, to safeguard against the insurgence of operational risks:

- the "Operational Continuity Plan", aimed at protecting the Bank from critical events that may harm operations;
- mapping of the main operating processes (credit, finance and teller), with the aim of levelling operator behaviour thereby facilitating the integration of controls.

Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating from, or that could originate from, malfunctioning information technology procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations.

Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in Circular 285, the Bank has undertaken important initiatives connected to completing transposition within organisational profiles and internal regulations of the references contained in Chapter IV – Corporate government, internal controls, management risks, Chapter 4 (information system) and 9 (going concern) of the aforementioned new

regulations. Within this scope, the Group, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Group's own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Group's broader risk management system. In order to calculate capital requirements for operational risks, the Group has adopted the Basic Indicator Approach (BIA), which entails that capital hedging this type of risk is equal to 15% of the average of the "relevant indicator" over the previous three years, calculated in accordance with articles 315 and 316 of CRR regulations.

Capital absorption for this type of risk at 31 December 2022 was € 17,448,010.

Effects of the Covid-19 pandemic

The effects of the Covid-19 pandemic on operational risks were many, especially in terms of IT security risks.

The various functional areas of the Organisational and IT Office were affected by the Covid-19 health emergency, starting from the first government measures, which entailed rationalising the available resources, living priority to "strategic" requests and projects.

Hence, the portfolio of projects was rationalised, defining the priorities to follow, especially in time of crisis.

In updating the portfolio projects, critical projects were identified, in order to be able to guaranty and support them, and new projects that could possibly support the business during the "emergency" stage, were also identified, in preparation of the "recovery" stage. Hence, based on this outlook, activities focused on reorganising connectivity, IT security and increasing and strengthening infrastructures in order to support new data traffic flows and increased remote operations.

On this matter, dedicated access procedures were set up, along with new and more appropriated off-site work instruments (cisco – webex).

In order to work in the best way possible, while waiting for a return to normality, possible vulnerabilities of the IT systems were assessed scrupulously, also considering the effects of exogenous elements (for example, lack of work force), setting up rigorous remote work and alternate on-site presence plans among the various "critical" resources identified in advance, also perfecting risk mitigation plans, indispensable to ensure operational continuity.

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

The support provided to the network by the various areas of the Organisational and IT Office proved fundamental and allowed responding in an effective and efficacious manner to the crisis created by COVID-19.

Furthermore, the COVID 19 emergency kept a burning spot-light on all issues relating to operational continuity, forcing a change of perspective in terms of continuity evaluation.

Also in response to the recommendation extended by Bank of Italy, in the Press Release issued on 20/03/2020 titled "Extension of terms and other temporary measures to mitigate the effects of COVID-19 on the Italian banking and financial system", that urged "less significant" banks and other supervised intermediaries "to review business continuity plans", the Group's Organisation and IT office set up a special work team to implement the Plan in question.

On 16 March 2020, the Business Continuity Plan was integrated and approved by the Board of Directors of the Parent Company with a specific section dedicated to "risk of pandemic", which provides for the event of a simultaneous unavailability of structures, critical suppliers and human resources and, consequently, the integration to the plan has better defined the priorities and chain of command to be followed.

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

Quantitative information

The number of losses actually verified during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, is not significant; in any event there is specific documentation regarding events that resulted in losses.

Types of events resulting in loss Categories of the event (Level 1)	Definition	2022	2021
1. Internal fraud	Losses due to unauthorised activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank's internal resources.	0	0
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	569,408	570,418

Types of events resulting in loss Categories of the event (Level 1)	Definition	2022	2021
3. Employment and workplace safety	Losses deriving from acts that violate laws or agreements with respect to employment or workplace health or safety, from the payment of damages for personal injuries or episodes of discrimination or the failure to apply equal treatment.	0	0
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	3,138,640	183,970
5. Damage to property, plants and equipment	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.	0	0
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	0	0
7. Performance, delivery and management procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	69,538	37,451
TOTAL		3,777,586	791,839

PART F – Information on consolidated capital

Section 1- Consolidated capital

A. Qualitative information

The Board of Directors is responsible for managing corporate equity and defining the optimal volume of share capital based on corporate policies and strategic choices. In accordance with the strategic guidelines for development, the Group adopts all the measures necessary to ensure current and prospective capital adequacy, in consideration of current Bank of Italy regulations, the new Basel 3 regulatory framework, on the basis of which own funds are defined, and the targets required by the Supervisory Authority. As of 2019, the Group has a Capital Management Plan, that is systematically monitored by the Risk Management office, that monitors current and prospective capital adequacy at all levels of consolidation. Compliance with supervisory requirements is verified on at least a quarterly basis, and additional, specific assessments may be carried out as needed, for preventive evaluation of capital adequacy in view of extraordinary transactions. Said plan is being renewed for the 2022-2025 period.

The minimum external capital requirements that the Group uses as reference are composed of the minimum parameters set out in article 92 of the CRR, the decisions regarding capital issued by Bank of Italy on conclusion of the SREP prudential assessment process, and the combined capital reserve requirement (capital conservation requirement -CCoB- and anti-cyclical capital reserve -CCyB-) requirement that is currently applicable.

In consideration of the above, and of the fact that the CCyB is set at 0%, the Group is required to comply with the following requirements:

- Cet1 ratio equal to 7.70%, composed of the Total SREP Capital Requirement binding measures for 5.20% (of which 4.5% pursuant to art. 92 of the CRR) and by the Capital Conservation Reserve for 2.5%;
- Tier 1 ratio equal to 9.40%, composed of the Total SREP Capital Requirement binding measures for 6.90% (of which 6% pursuant to art. 92 of the CRR) and by the Capital Conservation Reserve for 2.5%;
- Total Capital ratio equal to 11.75%, composed of the Total SREP Capital Requirement binding measures for 9.25% (of which 8% pursuant to art. 92 of the CRR) and by the Capital Conservation Reserve for 2.5%.

To ensure that the above binding measures are met even in the event of deterioration of the economic and financial context, the Target component (Pillar 2 Guidance, P2G) identified in the event of a greater risk in stress conditions amounts to 0.50%.

The value of own funds, that at 31/12/2022 amounts to 10.49% of CET1, 12.02% of Tier1 and 15.12% of Total Capital, is fully compliant on all three levels of binding capital and the capital conservation reserve is hedged by Tier 1 capital.

The reported values are calculated using the so-called transitory regime, in reference to:

- (EU) Regulation 2017/2395: starting in 2018, the Parent Company Bank opted for the incremental impact registered on the measurement of performing and impaired exposures at the date of transition to the new accounting principle (so-called “static” approach on FTA); therefore, during the phase-in periods, in its CET1, the Bank sterilised progressively decreasing shares of the impact of IFRS 9 relative to only the First Time Adoption (FTA) component referred to impairment. At 31/12/2022, the Cet1 add-back component was equal to 25% of the total FTA, for an overall amount of 19 million euro.
- (EU) Regulation 2020/873 (so-called “Quick fix”): in 2020, the Parent Company opted to extend the transitory period (art. 473 bis CRR), reformulating the intervention on allocations for expected losses on loans recognised starting from 01/01/2020 in response to the Covid-1 emergency and, starting from 31/03/2021, applied the prudential filters (so-called ‘new dynamic approach’). At 31/12/2022, the Cet1 add-back component was equal to 75% of the difference in the increase of allocations for expected losses, net of taxes on loans in stage 1 and stage 2, as compared to the allocations referred to the same stages present at 01.01.2020, for an overall amount of 4.3 million euro.
- RWA: risk weighted assets increased, in connection to the reduction of the admissible amount of overall value adjustments on exposures falling within the perimeter of application of impairment regulations (static approach and new dynamic approach perimeter), to the extent of 100% of the amount itself. The Parent Company, therefore, chose to use said calculation (pursuant to art. 473 bis, par. 7 bis) in place of the “graduation factor”, the calculation method of which is specified in art. 473 bis, par. 7 letter b) .
- (EU) Regulation 2020/873 (so-called “Quick fix”): in 2020, the Parent Company opted for the temporary application of the so-called prudential filter unrealised gains and losses for exposures with central administrations, classified in the category of ‘Financial assets measured at fair value with impact on total profits’ (art. 468 CRR). At 31/12/2022 Cet1 add-back component was equal to 40% of unrealised gains and losses, net of taxes, for an overall amount of 8.4 million euro.

- (EU) Delegated Regulation 2020/2176 : only from the 4th quarter of 2022, the Parent Company began applying the deduction of assets in the form of software from CET1 elements, through the calculation of prudential depreciation calculated over 3 years, regardless of the estimated service life for accounting purposes. At the date of closing of the financial statements, the minor deducted amount is equal to 1.1 million euro.

The value of own funds so-called “fully loaded”, at 31/12/2022, not considering therefore the IFRS9 transitory regimen in effect until the 2023 fiscal year, the dynamic regime in effect until 2025, and the sterilisation of the reserve on government bonds in effect until 2022, amounts to 8.93% of CET1, 10.46% of Tier1 and 13.59% of Total Capital.

Current and prospective capital adequacy management is executed not only by assessing and monitoring regulatory capital against Pillar I risks, but also by assessing internal capital capable of guarding against any type or risk (so-called Pillar II risks) within the scope of the ICAAP -Internal Capital Adequacy Assessment Process that culminates in the preparation of the annual group-level report and that constitutes the basis for the subsequent review and prudential assessment (SREP) by the Supervisory Authority.

B. Quantitative information

Further qualitative and quantitative information relating to corporate assets, in addition to that provided in the tables that follow, can be found in Part B section 14 of liabilities and in the respective chapter of the Report on Management.

B.1 Consolidated book value of shareholders' equity: breakdown by type of company

Line items\Values	Prudential consolidation	Insurance companies	Other companies	Elisions and adjustments from consolidation	Total
1. Share capital	257,435	0	0	-24,052	233,383
2. Premiums on issue of shares	803	0	0	0	803
3. Reserves	-42,282	0	0	-9,409	-51,691
- from gains	-42,282	0	0	-9,409	-51,691
a) legal	3,713	0	0	-1,556	2,157
b) statutory	3,976	0	0	-3,241	735
c) treasury shares	0	0	0	0	0
d) other	-49,971	0	0	-4,612	-54,583
- other	0	0	0	0	0
4. Capital instruments	30,000	0	0	0	30,000
5. (Treasury shares)	0	0	0	0	0
6. Valuation reserves	-20,516	0	0	0	-20,516
-Capital securities measured at fair value with impact on total profits	-336	0	0	0	-336
- Hedges on capital securities measured at fair value with impact on total profits	0	0	0	0	0
- Financial assets (other than capital securities) measured at fair value with impact on total profits	-20,429	0	0	0	-20,429
- Property, plant and equipment	0	0	0	0	0
- Intangible assets	0	0	0	0	0
- Hedging of foreign investments	0	0	0	0	0
- Hedging of cash flows	0	0	0	0	0
- Exchange rate differences	0	0	0	0	0
- Non-current assets in the course of divestment	0	0	0	0	0
- Financial liabilities measured at fair value with impact on profit and loss account (variations of own creditworthiness)	0	0	0	0	0
- Actuarial profit (loss) relative to defined benefit pension plans	-687	0	0	0	-687
- Share of valuation reserves relative to subsidiaries measured at shareholders' equity	s	0	0	0	936
- Special revaluation laws	0	0	0	0	0
7. Profit (loss) for the fiscal year	18,949	0	0	225	19,174
Total	244,390	0	0	-33,237	211,153

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

Assets/Values	Prudential consolidation		Insurance companies		Other companies		Elisions and adjustments from consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2	20,431	0	0	0	0	0	0	2	20,431
2. Capital securities	60	396	0	0	0	0	0	0	60	396

Assets/Values	Prudential consolidation		Insurance companies		Other companies		Elisions and adjustments from consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
3. Loans	0	0	0	0	0	0	0	0	0	0
Total al 31/12/2022	63	20,827	0	0	0	0	0	0	63	20,827
Total al 31/12/2021	220	2,380	0	0	0	0	0	0	220	2,380

B.3 Valuation reserves of financial assets measured at fair value with impact on total profits: annual variations

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

Section 2 – Own funds and capital adequacy ratios

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

PART G – Merger transactions regarding businesses or branches of business

Section 1 – Transactions during the fiscal year

No company merger transactions were executed during the fiscal year.

Section 2 – Transactions after the close of the fiscal year

No company merger transactions were executed after the close of the fiscal year.

Section 3 – Retroactive adjustments

As shown in the 2021 financial statements, during the last fiscal year, the merger by incorporation of Invest Banca S.p.A. under extraordinary administration, into Banca Cambiano 1884 S.p.A was perfected, according to the acquisition accounting method provided for under IFRS 3.

The above principle allows for a temporary allocation for 12 months from the acquisition, which the Bank applied. Based on said method, at the date of acquisition, the purchaser must:

- Identify the purchase and the date of purchase;
- Determine the cost of the purchase;
- allocate the cost of the purchase (so-called “Purchase Price Allocation”, hereinafter “PPA”), by recognising the assets, the liabilities, and the potential liabilities considered identifiable, of the purchased company at the respective fair values as at the date of purchase, with the exception of non-current assets (or groups of assets in the course of divestment) classified as owned for sale, as per IFRS 5. Furthermore, any intangible assets, even if not yet booked by the purchased party, must also be booked. Any cost surplus of the merger not allocated to acquired assets and liabilities items, must be booked as goodwill (“goodwill”); to the contrary, the negative difference, deriving from the booking of the merger at favourable prices, is recognized in the income statement as negative goodwill (“badwill”).

In the transaction in question, the purchaser is Banca Cambiano 1884 S.p.A., as the merging company. The merger came into full effect on 27 November 2021, date on which the Extraordinary Administration procedure came to a close. Nevertheless, pursuant to the provisions of the deed of merger, that backdated the accounting and fiscal effects of the merger transaction to 1 November 2021, the assets acquired and the liabilities assumed from the incorporated entity (Invest Banca under extraordinary administration) at the fair value that could be inferred at the date of purchase, were booked at 1 November 2021, in application of the IFRS3 accounting principle.

As regards the fair value of the purchased assets and liabilities, an external expert was designated to provide the Board of Directors of Banca di Cambiano 1884 S.p.A. with reference and support data regarding the accounting registration of the assets and liabilities of Invest Banca S.p.A. as entity purchased by incorporation, pursuant to the provisions of IFRS 3. The reference values as at the date of purchase were obtained from the financial statements for the fiscal year under extraordinary administration of Invest Banca S.p.A., relative to the period from 1 January 2020 to 31 October 2021.

The net value of the assets purchased and of the liabilities assumed, calculated as above, is shown in the table below.

PURCHASED ASSETS AND LIABILITIES OF INVEST BANCA				
		31/10/2021	Fair value attributed during the purchase	Merger difference
	Net value of purchased assets and liabilities	7,461,695	13,253,126	5,791,431

Following the valuation of the fair value and the recognition of pre-paid taxes, the net value of purchased assets and liabilities increased from 7.461 million euro to 13.253 million euro, from which, less the capital contribution payment of 11.0 million euro made by the Bank, after 30 June 2021 a badwill for an overall amount of 2.253 million euro emerged, and was recognised at Line item 220 “Other operating income”.

On 8 July 2022, the Bank received a response from the Revenue Agency – Central Office for Major Taxpayers relating to the request for ruling submitted on 15 October 2021, pursuant to article 11, comma 2 of Italian Law n.212/2000, and subsequently integrated, following a specific request by the same Revenue Agency, on 10/05/2022.

In the request in question (so-called “disapplication”), the Bank, specifically with reference to the merger by incorporation of Invest Banca, had requested the disapplication, by the Revenue office, of the anti-tax evasion provision provided for by art. 172, comma 7, of Italian Presidential Decree n. 917/1986, that is to say, the provision that allows

the incorporating company (in this case, Banca Cambiano 1884 s.p.a.) to deduct the losses of the companies involved in the merger, from the incorporating company's profit, provided that said losses not exceed the amount of shareholders' equity of the companies to which they refer, and further provided that "the income statement of the company whose losses are booked, relative to the fiscal period previous to that during which the merger was deliberated, show an amount of revenues and income from core business, and expenses for employees and related contributions, greater than 40 percent of the average amounts of the two previous fiscal years".

In its response to the request, the Revenue Agency deemed that, in the case in question, it was not possible to disapply the aforementioned provision, both because the incorporated company, Invest Banca, would not pass the shareholders' equity "test", and because of the substantial incapacity of the aforementioned bank to manifest a future and "latent" profit capacity such as to compensate, prospectively, the previous reported fiscal losses.

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

The accounting items, booked in the 2021 financial statements of the Bank, affected by the negative response of the appeal, are summarised here following:

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

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

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

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

As thoroughly described in Part G of the Explanatory Notes of the Parent Company, the retroactive adjustments made following the outcome of the request for ruling resulted in an adjustment to the net value of purchased assets, from a badwill of 2.253 million euro, to a goodwill of 5.516 million euro, booked at line item 270 "Value adjustments to goodwill" at 31 December 2021, insofar as considered not recoverable, and therefore subject to full impairment.

The effects of the retroactive adjustment made in compliance with the IFRS3 accounting principle, on the line items affected by the variations to the accounting schedules of Gruppo Bancario Cambiano, as at 31 December 2021, are shown in the table below.

BALANCE SHEET AT 31/12/2021 –IFRS3 ADJUSTMENTS

	Assets line items	31/12/2021 published	IFRS 3 Adjustments	31/12/2021
110	Tax receivables	43,026,181	-8,921,566	34,104,615
	a) current	14,847,843	-1,668,263	13,179,581
	b) pre-paid	28,178,338	-7,253,304	20,925,034
	Total assets	4,929,613,658	-8,921,566	4,920,692,091

	Liabilities and shareholders' equity line items	31/12/2021 published	IFRS 3 Adjustments	31/12/2021
200	Fiscal year profit or loss	8,183,827	-8,921,566	-737,739
	Total liabilities and shareholders' equity	4,929,613,658	-8,921,566	4,920,692,091

INCOME STATEMENT AT 31/12/2021 –IFRS3 ADJUSTMENTS

	Line items	31/12/2021 published	IFRS 3 Adjustments	31/12/2021
230	Other operating costs/income	7,384,011	-2,253,034	5,130,976
240	Operating costs	-70,451,946	-2,253,034	-72,704,981
270	Adjustments to value of goodwill	0	-5,516,373	-5,516,373
290	Profit (loss) of current operations gross of taxes	9,605,319	-7,769,408	1,835,911
300	Fiscal year income tax on current operations	-1,513,457	-1,152,159	-2,665,615
310	Profit (loss) of current operations net of taxes	8,091,862	-8,921,566	-829,704
330	Profit (loss) for the fiscal year	8,091,862	-8,921,566	-829,704
350	Profit (loss) for the fiscal year of the Parent Company	8,183,827	-8,921,566	-737,739

PART H – Transactions with related parties

Introduction

At 31 December 2022, the Bank is Parent Company of the Gruppo Bancario Cambiano composed of:

- Cabel Leasing S.p.a.
- Società Immobiliare 1884 S.r.l.
- Invest Italy SIM S.p.A.

Therefore, the types of related parties, as defined by IAS 24, that are significant to the Bank, include:

- the controlling company;
- the subsidiaries;
- executives having strategic responsibilities;
- close relations of executives having strategic responsibilities or companies controlled by (or associated to) the same or by (to) close relatives.

The information regarding compensation for executives having strategic responsibilities and that regarding transactions with related parties are provided here following.

1. Information on compensation for executives having strategic responsibilities

The definition of executives having strategic responsibilities, according to IAS 24, includes those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Bank directors.

Con In conformity with the provisions of Bank of Italy Circular n. 262 of 22 December 2005 (7° update of 29 October 2021) the members of the Board of Statutory Auditors are also included among executives having strategic responsibilities.

The table below shows the compensation in 2020, for directors, statutory auditors and executives having strategic responsibilities:

Line items	31/12/2022	31/12/2021	Var.	% var.
a) Compensation for directors	458	465	-7	-1.50%
b) Compensation for statutory auditors	309	311	-2	-0.70%
c) Compensation for executives	1,417	1,477	-60	-4.06%
Total	2,184	2,253	-69	-3.07%

2. Information on transactions with related parties

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

Auditors	31/12/2022	31/12/2021	Var.	% var.
a) Receivables	76	83	-6	-7.58%
b) Issued guarantees	0	0	0	
Total	76	83	-6	-7.58%

As regards transactions with parties that carry out Group administration, management and control functions, article 136 of Italian legislative decree n. 385/1993 and article 2391 of the Italian Civil Code apply.

More in general, as regards transactions with related parties, as defined by IAS 24, the provisions for prudential supervision contained in Title V, chapter 5 of the Bank of Italy Circular n. 263/2006 ("Risk activities and conflicts of interest with related parties"), also apply, save for a few cases due to the imperfect coincidence between the fields of application of the two regulations.

Transactions with related parties are regularly carried out at market conditions and always on the basis of evaluations of economic convenience and in compliance with current regulations, appropriately explanation of the convenience in concluding the transaction.

Among the various valid intergroup contracts existing at the close of the fiscal year, please note:

- 1) The convention stipulated between the Bank and the Controlling company relating to the execution by the Bank of administration and supervisory activities;
- 2) Contracts relative to execution by the Parent Company of Anti-Money Laundering, inquiry and risk management activities for subsidiaries;

- 3) Financing contracts:
- a) Financing for cash flow flexibility related to the financial needs of the parent company amounting to 20 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate;
 - b) Financing for cash flow flexibility related to the financial needs of Cabel Leasing amounting to 197 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate.

PART M – Information on leases

This section provides information required by IFRS16 that is not present in other parts of the financial statements, divided between lessee and lessor.

Section 1- Lessee

Qualitative information

The Gruppo Bancario Cambiano substantially has property leasing contracts and lease contracts related to automobiles. The property leasing contracts include, for the most part, real estate destined for use as offices, bank branches or ATM machine stations. The contracts in question generally have durations that are longer than 12 months and typically include renewal and termination options that may be exercised both by the lessor and by the lessee, in accordance with provisions of law, or specific contract terms. These contracts do not usually include the option for purchase at the end of the lease, nor significant reinstatement costs for the company. Based on the characteristics of the lease agreements, in the event of undersigning of the new rental contract with a defined contract term (6 or 4 years) and the option to tacitly renew the contract, the overall duration of the lease is set at a term equivalent to the periods in question (6+6 or 4+4). This general policy is superseded if there are new elements or specific circumstances within the contract.

Vehicle lease contracts refer to long-term rentals of company cars. These contracts have a three-year duration, with monthly payments, without the option for renewal and do not include the option to purchase the vehicle. An indemnity payment may be required in the event of early termination.

As already specified in the accounting policies, the Gruppo benefits from the exemptions permitted by the IFRS 16 accounting principle for short-term lease (that is, with a duration that is less than or equal to 12 months) or leases for goods with a modest value (that is, a value less than or equal to 5,000 euro).

Quantitative information

Part B – Assets of the explanatory notes provides the information regarding, respectively, rights of use purchased through leases (Table 9.1 – Property, plants and equipment with a functional use: breakdown of assets measured at cost and Table 9.6 bis - Property, plants and equipment with a functional use – Right of use purchased through leases: annual variations) and Part B – Liabilities provides information regarding liabilities for leases (Table 1.2 - Financial liabilities valued at amortised cost: breakdown by type of payables to customers and Table 1.6 – Financial liabilities valued at amortised cost: liabilities for leases). Specifically, the rights of use purchased through leases amount to 12,351 thousand euro, of which 12,325 thousand euro relating to property leases. Liabilities for leases amount to 12,832 thousand euro. Please refer to the above-mentioned sections for greater details.

Part C of the explanatory notes provides information regarding interest expenses on liabilities for leases and other expenses connected to rights of use purchased through leases. Please refer to the specific section for greater details.

Section 2- Lessor

Qualitative information

The banking group carries out lease transactions in the role of lessor principally through the company Cabel Leasing, S.p.A., controlled by Banca Cambiano 1884 S.p.A.

Transactions mostly refer to financial leases on real estate, industrial and commercial property. The company is also present on the market with lease products referring to instrumental goods and vehicles.

The explanatory notes provide information regarding loans for leases (Part B, Assets - Table 4.2 – Financial assets measured at amortised cost: breakdown by type of receivables from customers). Please refer to the aforementioned section for greater details.

Part C of the explanatory notes provides information regarding earned interest on loans for leases and other financial and operating leases. Please refer to the specific sections for greater details.

2. Financial leases

2.1 Classification by time brackets of payments to be received and reconciliation with liabilities for leases booked in among assets

The table provides the breakdown of payments to be received by time period, the financial profits inherent to the payments due and the reconciliation between payments to be received and liabilities for leases, in conformity with the requirements of IFRS16.

The data shown in the table include payments relating to in bonis or non-performing lease contracts, excluding values relating to assets being prepared for leasing and assets to be leased.

Specifically, please note that payments to be received for leases are the sum of all payments requested or that can be requested of the lessee for the duration of the lease, excluding contingent rent fees.

The secured residual value corresponds to the redemption cost inherent in the minimum lease payments for which it is reasonably certain that the right of option will be exercised.

Gross investments means the sum of minimum payments due and any unsecured residual value, due to the lessor.

Time brackets	31/12/2022	31/12/2021
	Payment due for leases	Payments due for leases
Up to 1 year	70,047	59,244
From over 1 year to 2 years	56,504	45,229
From over 2 years to 3 years	49,951	39,876
From over 3 years to 4 years	40,020	33,392
From over 4 years to 5 years	24,742	24,909
Over 5 years	80,375	77,735
All payments due for leases	321,639	280,385
RECONCILIATION WITH LIABILITIES		
Financial profits not accrued (-)	34,848	30,828
Residual value not secured (+)	0	0
Financial leases	286,791	249,557

Time brackets	Total 2022			Total 2021		
	Payments to be received for leases		Total payments to be received for leases	Payments to be received for leases		Total payments to be received for leases
	Impaired positions	In bonis positions		Impaired positions	In bonis positions	
Up to 1 year	10,964	59,084	70,047	12,350	46,895	59,244
From over 1 year to 2 years	990	55,514	56,504	564	44,665	45,229
From over 2 years to 3 years	1,048	48,903	49,951	516	39,360	39,876
From over 3 years to 4 years	766	39,254	40,020	669	32,723	33,392
From over 4 years to 5 years	663	24,079	24,742	2,157	22,752	24,909
Over 5 years	4,940	75,435	80,375	1,460	76,275	77,735
All payments due for leases	19,370	302,268	321,639	17,715	262,670	280,385
RECONCILIATION						
Financial profits not accrued (-)	1,349	33,499	34,848	932,74	29895,125	30,828
Residual value not secured (+)						
Financial leases	18,021	268,769	286,791	16,783	232,775	249,557

2.2 Other information

2.2.1 Classification of financial leases by quality and by type of leased asset

	In bonis positions		Impaired positions	
	Total (2022)	Total (2021)	Total (2022)	Total (2021)
A. Property, plants, equipment:	111,528	109,237	15,283	14,604
- Land				
- Buildings	111,528	109,237	15,283	14,604
B. Capital goods	91,066	75,683	1,767	1,759
C. Moveable property	66,176	47,855	972	420
- Motor vehicles	59,777	44,598	972	420
- Aircraft naval and rolling stock	6,399	3,257	0	0
- Other				
D. Intangible assets:				
- Brands				
- Software				
- Other				
Total	268,769	232,775	18,021	16,783

3. Operating leases

3.1 Classification of payments due by time brackets

Time brackets	31/12/2022	31/12/2021
	Payments due for leases	Payments due for leases
Up to 1 year	0	460
From over 1 year to 2 years	0	0
From over 2 years to 3 years	0	0
From over 3 years to 4 years	0	0

Time brackets	31/12/2022	31/12/2021
	Payments due for leases	Payments due for leases
From over 4 years to 5 years	0	0
Over 5 years	0	0
Financial leases	0	460

REPORT OF THE INDEPENDENT AUDITOR

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

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

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO CONSOLIDATO

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Bancario Cambiano (il "Gruppo"), costituito dallo stato patrimoniale al 31 dicembre 2022, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2022, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/15.

Elementi alla base del giudizio

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

Aspetti chiave della revisione contabile

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

Classificazione e valutazione dei crediti verso la clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e inadempienza probabile

Descrizione
dell'aspetto chiave
della revisione

Come riportato nel paragrafo "Qualità del credito" della relazione sulla gestione e nelle informazioni di natura quantitativa della "Sezione 1 – Rischio di credito" della Parte E – Informazioni sui rischi e sulle relative politiche di copertura della nota integrativa al 31 dicembre 2022, i crediti verso clientela valutati al costo ammortizzato deteriorati del Gruppo ammontano ad un valore lordo pari ad Euro 302,7 milioni, a cui sono associate rettifiche di valore specifiche pari ad Euro 116,1 milioni con un conseguente valore netto pari ad Euro 186,6 milioni.

La relazione sulla gestione evidenzia inoltre che il grado di copertura (c.d. "coverage ratio") dei crediti verso clientela valutati al costo ammortizzato deteriorati al 31 dicembre 2022 è pari al 38,4%. In particolare, i suddetti crediti deteriorati, classificati secondo quanto previsto dal principio contabile internazionale IFRS 9 "Strumenti finanziari" nel c.d. "terzo stadio", includono sofferenze per un valore netto pari ad Euro 62,9 milioni, con un coverage ratio pari al 52,8% ed inadempienze probabili per un valore netto pari ad Euro 112,3 milioni, con un coverage ratio pari al 28,5%.

Per la classificazione delle esposizioni creditizie per classi di rischio omogenee, il Gruppo fa riferimento alla normativa di settore e alle disposizioni interne che disciplinano le regole di classificazione e trasferimento nell'ambito delle diverse categorie di rischio.

Nella determinazione del valore recuperabile dei crediti verso la clientela valutati al costo ammortizzato deteriorati, il Gruppo, nell'ambito delle proprie politiche di classificazione e valutazione, ha fatto ricorso a processi e modalità di valutazione caratterizzati da elementi di soggettività e di stima di talune variabili, quali, principalmente, i flussi di cassa previsti, i tempi di recupero attesi e il presumibile valore di realizzo delle garanzie, ove presenti, la cui modifica può comportare una variazione del valore recuperabile finale; tale determinazione si è basata sull'utilizzo degli elementi informativi disponibili alla data di valutazione e risente anche dell'incertezza connessa all'attuale contesto macroeconomico caratterizzato dall'instabilità generata dal conflitto Russia-Ucraina e dalle pressioni inflazionistiche.

Nella relazione sulla gestione e nella nota integrativa Parte A – Politiche contabili, Parte B – Informazioni sullo stato patrimoniale, Sezione 4 dell'attivo, Parte C – Informazioni sul conto economico, Sezione 8, Parte E – Informazioni sui rischi e sulle relative politiche di copertura è riportata l'informativa sugli aspetti sopra descritti.

In considerazione della significatività dell'ammontare dei crediti verso clientela valutati al costo ammortizzato deteriorati iscritti in bilancio, della complessità dei processi di stima adottati dal Gruppo che hanno comportato un'articolata attività di classificazione in categorie di rischio omogenee, nonché della rilevanza delle componenti discrezionali insite nella natura

estimativa del valore recuperabile (quali le stime dei flussi di cassa attesi, dei relativi tempi di recupero e del valore delle eventuali garanzie nonché le possibili strategie di recupero), abbiamo ritenuto che la classificazione dei crediti verso clientela valutati al costo ammortizzato deteriorati classificati a sofferenza e a inadempienza probabile e la loro valutazione siano da considerare un aspetto chiave della revisione contabile del bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2022.

Procedure di revisione svolte

Nell'ambito delle attività di revisione sono state svolte, tra le altre, le seguenti principali procedure:

- comprensione della normativa interna, dei processi e dei relativi presidi organizzativi e procedurali posti in essere dal Gruppo in relazione alle modalità di classificazione e di determinazione del valore recuperabile dei crediti verso clientela valutati al costo ammortizzato deteriorati, classificati a sofferenza e inadempienza probabile, al fine di verificarne la conformità al quadro normativo di riferimento ed ai principi contabili applicabili;
- verifica dell'implementazione e dell'efficacia operativa dei controlli chiave identificati con riferimento ai suddetti processi;
- analisi qualitativa ed andamentale dei crediti verso clientela valutati al costo ammortizzato deteriorati, classificati a sofferenza e inadempienza probabile, mediante il calcolo di opportuni indicatori quali/quantitativi al fine di identificare eventuali elementi di interesse;
- verifica, per un campione di posizioni selezionate, della classificazione e determinazione del valore recuperabile dei crediti verso clientela deteriorati, classificati a sofferenza e inadempienza probabile, sulla base del quadro normativo di riferimento, dei principi contabili applicabili anche mediante ottenimento ed esame di conferme scritte da parte dei legali incaricati del recupero dei crediti;
- analisi degli eventi successivi alla data di chiusura del bilancio;
- verifica della completezza e della conformità dell'informativa fornita nel bilancio rispetto a quanto previsto dal quadro normativo di riferimento e dai principi contabili applicabili.

Classificazione dei crediti verso clientela valutati al costo ammortizzato non deteriorati a maggiore rischio

Descrizione dell'aspetto chiave della revisione

Come riportato nel paragrafo "Qualità del credito" della relazione sulla gestione e nelle informazioni di natura quantitativa relative al rischio di credito della Parte E – Informazioni sui rischi e sulle relative politiche di copertura della nota integrativa al 31 dicembre 2022, i crediti verso clientela valutati al costo ammortizzato non deteriorati del Gruppo ammontano ad un valore lordo pari ad Euro 3.138,3 milioni, a cui sono associate rettifiche di portafoglio pari ad Euro 20,9 milioni, e ad un conseguente valore netto pari ad Euro 3.117,4 milioni, evidenziando un grado di copertura pari all' 0,67%. Tra essi, i crediti verso la clientela per finanziamenti non deteriorati a maggiore rischio sono essenzialmente classificati nel c.d. "secondo stadio" pari a Euro 339,3 milioni lordi con un grado di copertura del 4,17%.

Nell'ambito delle proprie politiche di gestione dei crediti verso la clientela per finanziamenti, il Gruppo ha adottato processi e modalità di monitoraggio dell'andamento dei rapporti secondo quanto previsto dalla normativa di settore e dalle disposizioni interne che disciplinano le regole di classificazione e trasferimento nelle diverse categorie di rischio. Nel processo di classificazione, anche ai fini della conseguente valutazione dei crediti non deteriorati, il Gruppo ha tenuto in considerazione il particolare contesto di incertezza macroeconomica derivante dall'instabilità generata dal conflitto Russia-Ucraina e dalle pressioni inflazionistiche.

Nella relazione sulla gestione e nella nota integrativa Parte A – Politiche contabili, Parte B – Informazioni sullo stato patrimoniale, Sezione 4 dell'attivo, Parte C – Informazioni sul conto economico, Sezione 8, Parte E – Informazioni sui rischi e sulle relative politiche di copertura è riportata l'informativa sugli aspetti sopra descritti.

In considerazione della significatività dell'ammontare e della complessità del processo di classificazione adottato dal Gruppo, tenuto anche conto delle circostanze connesse alle incertezze legate all'attuale contesto macroeconomico, abbiamo ritenuto che la classificazione dei crediti verso la clientela per finanziamenti non deteriorati a maggiore rischio, valutati al costo ammortizzato, rappresenti un aspetto chiave della revisione del bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2022.

<p>Procedure di revisione svolte</p>	<p>Nell'ambito delle attività di revisione sono state svolte, tra le altre, le seguenti principali procedure:</p> <ul style="list-style-type: none"> • comprensione della normativa interna, dei processi e dei relativi presidi organizzativi e procedurali posti in essere dal Gruppo in relazione alle modalità di classificazione e di monitoraggio della qualità dei crediti verso clientela valutati al costo ammortizzato non deteriorati, eventualmente modificati per tener conto degli effetti derivanti dal contesto di incertezza macroeconomica, al fine di verificarne la conformità al quadro normativo di riferimento e ai principi contabili applicabili; • verifica dell'implementazione e dell'efficacia operativa dei controlli chiave identificati con riferimento ai suddetti processi; • analisi qualitativa ed andamentale dei crediti verso clientela non deteriorati al fine di identificare eventuali elementi di interesse; • verifica, per un campione di posizioni selezionate, della classificazione dei crediti verso clientela valutati al costo ammortizzato non deteriorati a maggiore rischio sulla base del quadro normativo di riferimento e del contesto di incertezza macroeconomica; • analisi degli eventi successivi alla data di chiusura del bilancio; • verifica della completezza e della conformità dell'informativa fornita in bilancio rispetto a quanto previsto dal quadro normativo di riferimento e dai principi contabili applicabili.
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Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio consolidato

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

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

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

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

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

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

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno.
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo.
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa.
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento.
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

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

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

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

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

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

L'assemblea degli Azionisti della Banca Cambiano 1884 ci ha conferito in data 14 giugno 2020 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Banca per gli esercizi dal 31 dicembre 2020 al 31 dicembre 2028.

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

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

RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI

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

Gli Amministratori della Banca Cambiano 1884 S.p.A. sono responsabili per la predisposizione della relazione sulla gestione del Gruppo Bancario Cambiano al 31 dicembre 2022, incluse la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2022 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo Bancario Cambiano al 31 dicembre 2022 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

DELOITTE & TOUCHE S.p.A.



Antonio Sportillo
Socio

Firenze, 19 aprile 2023

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

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

REPORT ON THE ACCOUNTING AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the Cambiano Banking Group (the “Group”), consisting of the balance sheet as at 31 December 2022, the income statement, the schedule of overall profitability, the schedule of variations to shareholders’ equity, statement of cash flows for the fiscal year ending on the aforementioned date and by the explanatory notes thereto.

In our opinion, the consolidated financial statements represent in a truthful and accurate manner shareholders’ equity and the financial situation of the Group as at 31 December 2022, as well as of the economic result and cash flows for the fiscal year closed on the same date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations implementing article 43 of Legislative Decree n. 136/2015.

Basis for the opinion

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

Key aspects of the audit of accounts

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

Classification and measurement of impaired receivables from customers classified as non-performing and probable defaults

Description of the key aspect of the audit	<p>As written in the section “The quality of credit” of the report on management and in the quantitative information in “Section 1 – Credit Risk” of Part E – Information on risks and relative hedging policies, of the explanatory notes at 31 December 2022, the Group’s impaired receivables from customers measured at amortised cost amount to a gross value of 302.7 million euro, to which value adjustments equal to 116.1 million euro are associated, with a resulting net value of 186.6 million euro.</p> <p>The report on management also notes that the so-called “coverage ratio” of impaired receivables from customers measured at amortised cost at 31 December 2022 is equal to 38.4%. In particular, the aforementioned impaired receivables, classified in accordance with the IFRS 9 “Financial Instruments” international accounting standard in so-called “third stage”, include non-performing loans for a net value equal to 62.9 million euro, with a 52.8% coverage ratio, and probable defaults for a net value equal to 112.3 million euro, with a 28.5% coverage ratio.</p>
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	<p>As regards the classification of credit exposures for homogenous risk classes, the Group applies sector standards and internal policies that govern classification and transfer between the various risk categories.</p> <p>In determining the recoverable value of impaired receivables from customers measured at amortised cost, within the scope of its valuation policies, the Group has applied valuation procedures and methods characterised by elements of subjectivity and estimation of some variables including, mainly, forecasted cash flows, expected recovery times and the realisable value of collateral, where present, the modification of which may result in a change of the final recoverable value; this determination is based on the use of information available at the date of assessment, and is also affected by the uncertainty connected to the current macro-economic context, characterised by the instability generated by the conflict between Russia and the Ukraine, and by the pressure exerted by inflation.</p> <p>Information regarding the above aspects is provided in the Report on Management and in the Explanatory Notes Part A – Accounting Policies, Part B – Information on the Balance Sheet, Assets Section 4, Part C – Information on the Income Statement, Section 8, and Part E – Information on risks and the relative hedging policies.</p> <p>Considering the significance of the amount of impaired receivables from customers measured at amortised cost entered in the balance sheet, and the complexity of the Group’s estimation procedures, which required a detailed classification in homogenous risk categories, as well as the significance of the discretionary components inherent to the estimative nature of recoverable value (such as estimations of expected cash flows, the relative recovery times, the value of collateral and the possible recovery strategies), it is our opinion that the classification of impaired receivables from customers measured at amortised cost and classified as non-performing loans and probable defaults, and the valuation thereof, are to be considered a key aspect of the audit of Cambiano Banking Group’s financial statements as at 31 December 2022.</p>
<p>Auditing procedures carried out</p>	<p>Within the scope of the auditing activities, the following main procedures were carried out:</p> <ul style="list-style-type: none"> • Comprehension of internal regulations, processes and relative organisational and procedural controls established by the Group in relation to the methods for classification and determination of the recoverable value of impaired receivables from customers measured at amortised cost and classified as non-performing and probable defaults, in order to verify conformity to the regulatory framework of reference and applicable accounting standards; • Verification of the implementation and operational efficacy of specific key controls with reference to the aforementioned processes; • Qualitative and trend analysis of impaired receivables from customers measured at amortised cost and classified as non-performing and probable defaults, through the calculation of appropriate qualitative and quantitative indicators in order to identify possible elements of interest; • Verification, for a sample of selected positions, also based on the elements of interest emerging from the analysis mentioned at the above point, of the classification and evaluation of the recoverable value of impaired receivables from customers measured at amortised cost and classified as non-performing and probable defaults, based on the regulatory framework of reference, and the applicable accounting standards, also by requesting and examining written confirmation by attorneys assigned to credit recovery;

	<ul style="list-style-type: none"> • Analysis of the events subsequent to the date of closing of the consolidated financial statements; • Verification of the completeness and conformity of the information in the consolidated financial statements, with respect to the requirements of the regulatory provisions of reference and applicable accounting standards.
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Classification of higher risk in bonis receivables from customers measured at amortised cost

Description of the key aspect of the audit	<p>As written in the section “The quality of credit” of the report on management e in the quantitative information regarding credit risk, in Part E – Information on risks and relative hedging policies, of the explanatory notes at 31 December 2022, the Group’s in bonis receivables from customers, measured at amortised cost, amount to a gross value of 3,138.3 million euro, with portfolio adjustments equal to 20.9 million euro, for a resulting total net value of 3,117.4 million euro, showing a 0.67% coverage ratio. Of these, receivables from customers for in bonis loans at higher risk are essentially classified in the so-called “second stage”, for 339.3 million euro, with a 4.17% coverage ratio.</p> <p>Within the scope of its policies regarding the management of receivables from customers for loans, the Group has adopted processes and trend monitoring methods, as provided for by sector regulations and internal policies that govern risk classification and transfer between risk categories. In the classification process for in bonis receivables, also for the purpose of the relative measurement, the Group has taken into consideration the unique context of macro-economic uncertainty deriving from the conflict between Russia and the Ukraine, and the pressure exerted by inflation.</p> <p>Information regarding the above aspects is provided in the report on management and in the Explanatory Notes - Part A – Accounting policies, Part B – Information on the balance sheet, Section 4 Assets, Part C – Information on the income statement, Section 8, Part E – Information on risks and relative hedging policies.</p> <p>Considering the significance of the amount and the complexity of the classification process used by the Group, and also considering the circumstances connected to the current macro-economic context, it is our opinion that the classification of higher risk in bonis receivables from customers measured at amortised cost is to be considered a key aspect of the audit of Cambiano Banking Group’s consolidated financial statements as at 31 December 2022.</p>
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Auditing procedures carried out	<p>Within the scope of the auditing activities, the following main procedures were carried out:</p> <ul style="list-style-type: none"> • Comprehension of internal regulations, processes and relative organisational and procedural controls established by the Group in relation to the methods for classification and monitoring of the quality of in bonis receivables from customers measured at amortised cost, albeit modified to take into account the effects deriving from the uncertain macro-economic context, in order to verify conformity to the regulatory framework of reference and applicable accounting standards; • Verification of the implementation and operational efficacy of specific key controls with reference to the aforementioned processes; • Qualitative and trend analysis of in bonis receivables from customers in order to identify possible elements of interest;
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	<ul style="list-style-type: none"> • Verification, for a sample of selected positions, of the classification of higher risk in bonis receivables from customers measured at amortised cost, based on the regulatory framework of reference and the uncertain macro-economic context; • Analysis of the events subsequent to the date of closing of the financial statements; • Verification of the completeness and conformity of the information provided in the financial statements, with respect to the requirements of regulatory framework of reference and applicable accounting standards.
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Responsibility of the Directors and of the Board of Statutory Auditors for the consolidated financial statements

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

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

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

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

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

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

- We have identified and assessed the risk of significant errors in the consolidated financial statements, resulting from fraud or unintentional conduct or events; we have defined and carried out auditing procedures in response to said risks; we have acquired sufficient and appropriate evidence on which to base our opinion. The risk of not identifying a significant error resulting from fraud is higher than the risk of not identifying a significant error resulting from unintentional conduct or events, as fraud may implicate the existence of collusion, falsifications, intentional omissions, misleading representations or forced internal control results;
- We have acquired a sufficient understanding of the internal controls for the purpose of the accounting audit, in order to define accounting procedures that are appropriate to the circumstances, and not for the purpose of expressing an opinion as regards the efficacy of the Group's internal controls;

- We have assessed the appropriateness of the accounting principles applied, as well as the reasonableness of the accounting estimations made by company directors, including the respective information documents;
- We have come to a conclusion regarding the appropriate use of the assumption of on-going concern on the part of the directors and, based on the evidence acquired, as to the possible existence of significant uncertainty as regards events or circumstances that may give rise to significant doubts regarding the Group's capacity to continue to operate as a going concern. Where faced with a significant uncertainty, we are bound to call attention to the information provided, in the auditing report or, if the information provided is insufficient, to take into account such inadequacy in the formulation of our opinion. Our conclusions are based on the documentation acquired as at the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- We have assessed the presentation, structure and contents of the consolidated financial statements for the fiscal year as a whole, including the information documents, and whether or not the consolidated financial statements faithfully represent the underlying transactions and events;
- We have acquired sufficient and appropriate evidence regarding the financial information of the companies or of the different business activities carried out within the Group, to allow expressing an opinion regarding the consolidated financial statements. We are responsible for the management, supervision and execution of the Group accounting audit. We are the sole persons responsible for the audit opinion regarding the consolidated financial statements.

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

We have provided persons in charge of governance activities with a declaration attesting that all regulations and principles regarding ethical conduct and independence were observed, as applicable by Italian law, and have informed them of any situation that may reasonably affect our independence and, where applicable, the respective safeguarding measures.

Among aspects of which governance was informed, we identified those that were most relevant within the scope of the accounting audit of the consolidated financial statements for the fiscal year in review, which therefore constituted the key aspects of the audit. These aspects are described in the audit report.

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

On 14 June 2020, the Shareholders' Meeting of Banca Cambiano 1884 S.p.A. appointed our firm statutory auditor of the financial statements for the fiscal years from 31 December 2020 through to 31 December 2028.

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

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

REPORT ON OTHER LAW AND REGULATORY PROVISIONS

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

The Directors of Banca Cambiano 1884 S.p.A. are responsible for preparing the report on management for The Gruppo Bancario Cambiano at 31 December 2022, including its consistency with the respective consolidated financial statements for the fiscal year and its conformity to provisions of law.

We conducted the procedures specified in the audit standards (SA Italia) n. 720B for the purpose of expressing an opinion as regards the consistency of the report on management with the consolidated financial statements

of the Gruppo Bancario Cambiano as at 31 December 2022, and on compliance with provisions of law, and to issue a declaration regarding any significant errors.

In our opinion, the report on management is consistent with the consolidated financial statements of the Gruppo Bancario Cambiano as at 31 December 2022, and has been prepared in compliance with all provisions of law.

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

DELOITTE & TOUCHE S.p.A.

[autograph signature]

Antonio Sportillo

Partner

Florence, 19 April 2023

ANNEXES

Country by Country public disclosure

The 4th update of Bank of Italy Circular n. 285 of 17 December 2013, under Title III, Chapter 2, introduces into Italian law the legislation regarding country by country reporting, as set forth in article 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV). In compliance with said requirements, the Bank must publish a yearly annex to the financial statements or a section on its web site containing specific qualitative and quantitative information. For this reason, it is necessary to publish the information marked by the letters a), b), and c) of annex A of the First Part, Title III, Chapter 2, referring to the situation as at 31 2022.

Specifically:

Name of the company and nature of the activities

Turnover

Number of employees on a full-time equivalent basis

Profit or loss before tax

Taxes on profit or loss

Public funding received

The required information is set out below.

1. Name of the company and nature of the activities

This information refers to the Gruppo Bancario Cambiano, operating in Italy, and comprising the following companies:

- Banca Cambiano 1884 S.p.A. – Parent Company of the banking group with registered offices and general management in Viale Antonio Gramsci, 34 - 50132 Florence – Share capital 232,800,000.00 euro fully paid in – fiscal code and registration number in the Company Register of Florence 002599341209, VAT code 002599341209, member of the National Guarantee Fund and the Interbank Deposit Protection Fund;
- Cabel Leasing S.p.A. –90.00% controlled subsidiary, that carries out leasing activities, with registered offices and general management in P.zza Garibaldi 3 - 50053 Empoli (FI) – Share capital 10,000,000.00 euro fully paid-in – fiscal code and registration number in the Company Register 01085070496, VAT code 04487530489, registered in the Consolidated Register as per article 106 of the Consolidated Banking Act (TUB);
- Immobiliare 1884 S.r.l. - 100% controlled subsidiary that carries out real estate activities, with registered offices in Viale Antonio Gramsci, 34 - 50132 Florence - Share capital 13,500,000.00 fully paid-in, fiscal code and registration number in the Company Register 01085070496, VAT code 06780730484;
- Invest Italy SIM S.p.A. – 72.10% controlled subsidiary, that carries out real estate brokerage activities, with registered office in Via Cherubini, 99 – 50053 Empoli – Share capital 1,134,808 euro, fiscal code and registration number in the Company Register of Florence 03814760108 – VAT code 03814760108.

2. Turnover

The 4th update of the aforementioned Circular 285/2013 defines as turnover the “operating income” recorded on line item 120 of the Income Statement.

Company	Operating income (in thousands of euros)
Banca Cambiano 1884 S.p.A.	119,032
Cabel Leasing S.p.A.	5,032
Immobiliare 1884 S.r.l.	267
Invest Italy Sim S.p.A.	89
Adjustments for consolidation	79
Group Total	124,499

3. Number of employees on a full-time equivalent basis

This section contains the ratio between total number of hours worked overall by all Group employees, excusing overtime, and the yearly total provided for by labour contract for a full-time employee. For 2022 the number of employees thus calculated is 426.73.

4. Profit or loss before tax

“Profit or loss before tax” is the sum of line items 290 and 320 (this latter before tax) of the Consolidated Income Statement. For 2022 profit is equal to 24,391,771 euro.

5. Taxes on profit or loss

“Taxes on profit or loss” are the sum of taxes recorded in line item 300 of the consolidated income statement as per Bank of Italy Circular n. 262 and the taxes related to groups of assets in the course of divestment. For 2022 taxes amount to 5,217,808 euro.

6. Public funding received

The line item regarding public funding shows the funding received directly from public administrations. This line item does not include transactions initiated by central banks for the purpose of financial stability and transactions that are a part of programs for government funding approved by the European Commission. In 2022 the banking group did not receive any public funding.

Expenses for statutory audit - comma 1, n. 16-bis, art. 2427 Italian Civil Code

In compliance with the provisions of art. 2427, 1st comma, n. 16-bis of the Italian Civil Code, below is a summary statement of the fees agreed upon by contract for the 2022 fiscal year with the auditing company hired to perform the statutory audit of accounts and for other services provided to the Group.

Amounts are net of VAT and expenses.

Type of services	Subject that provided the service: auditing company / statutory auditor	Total fees (in euro)
A) Statutory audit	Deloitte & Touche s.p.a.	95,548
B) Certification services	Deloitte & Touche s.p.a.	5,137
C) Tax consultancy services		0
D) Other services	Deloitte & Touche s.p.a.	14,000
Total fees		114,686

