Financial Statement at 31 december 2021

41° year

Financial Statement at 31 december 2021

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Call of Ordinary and Extraordinary Shareholders' Meeting

BANCA PROMOS S.p.A.

Registered Office in Naples, Viale Gramsci 19

Share Capital € 7,740,000.00 fully paid-up - Economic and Administrative Index no. 329424

The Shareholders are convened for the Ordinary and Extraordinary Shareholders' Meeting which will be held at the registered office in Naples, viale A. Gramsci 19, where the secretary taking minutes will be present, **on 23 June 2022 on first call at 11:00** and, if necessary, on second call on 04 July 2022 at 10:00 am, at the same place, to discuss and vote on the following items on the agenda:

ORDINARY SECTION

1. Approval of the financial statements at 31 December 2021, Directors' Report, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
2. Establishment of a tax restriction in the financial statements, in the amount of €2,331,065, on a portion of the Capital Reserves pursuant to Article 110(4) of Decree-Law No. 104 of 14 August 2020, converted into Law No. 126 of 13 October 2020.
3. Appointment of the Board of Statutory Auditors and determination of their remuneration
4. Remuneration policies
5. Disclosure on the implementation of remuneration policies for 2021
6. Any other business

EXTRAORDINARY SECTION

1. Proposal to amend the Corporate By-Laws

In light of the continued epidemiological emergency related to “COVID-19, the Bank decided to exercise the option introduced by Article 106 of Law Decree no. 18 of 17

March 2020, converted by Law 27/20 and whose effects have been extended of by art. 3(6) of Law 21/21 and by Article 3(1) of Law Decree 228 of 30 December 2021, converted by Law 15 of 25 February 2022 ("Milleproroghe") according to which the Shareholders' Meeting will take place remotely, through telecommunication means and ensuring in any case the identification of participants, their participation and exercise of their voting rights electronically, or by post or through the means of telecommunication used by the member.

To participate in the Shareholders' Meeting, the Shareholders must express their intention to attend it by sending - by email to the address *segreteriagenerale@bancapromos.it* - the certificate of participation accompanied by a valid identity document of the shareholder, or for companies, by an updated chamber of commerce certificate accompanied by a valid identity document of the beneficial owner as well as any proxy received from any other shareholder, also accompanied by the documents described above. Voting will be by roll call and the secretary will collect any vote declarations.

The Chairman of the Board of Directors

Ugo Malasomma

Management and Independent Auditors

Board of Directors

Ugo Malasomma *(Chairman)*

Tiziana Carano *(CEO)*

Stefano de Stefano

Umberto De Gregorio

Luigi Gorga

Board of Statutory Auditors

Ugo Mangia *(Chairman)*

Sergio Vilone *(Standing Auditor)*

Pasquale Mauro *(Standing Auditor)*

Riccardo Pascucci *(Alternate Auditor)*

Giorgio Gargiulo *(Alternate Auditor)*

Independent Auditors

KPMG S.p.A.

General aspects

The financial statements of Banca Promos SpA, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretation documents of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date.

These financial statements have been prepared on the basis of the instructions contained in Banca d'Italia's Circular no. 262 of 22 December 2005 entitled "Banks' financial statements: formats and drafting instructions", as amended and supplemented. Currently the seventh update of the aforementioned Circular is in force which was issued on 29 October 2021, and supplemented by notice of 21 December 2021, entitled 'Update of additional provisions of Circular 262 "Banks' Financial Statements: presentation and drafting rules" concerning the impact of Covid-19 and measures to support the economy'.

The 7th update of Banca d'Italia Circular No. 262 of 2005 introduced some changes to disclosures in the financial statements, with specific reference to the balance sheet asset items 'Cash and cash equivalents' and 'Financial assets measured at amortised cost'. Where necessary, therefore, the comparison period has been restated to facilitate the comparison of balance sheet items.

The Financial Statements consist of Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement, the Notes and the pertinent comparative information. They are also accompanied by the Directors' Report.

Lastly, it should be noted that - as provided for by the corporate by-laws in force and by the Italian Civil Code - the Bank has applied the optional deadline of 180 days from the end of the financial year instead of the ordinary 120 days for convening the Shareholders' Meeting that is called to approve the financial statements for the year ending 31 December 2021.

In particular, pursuant to the Italian Civil Code, we inform you that the longer deadline for the approval of the financial statements was adopted instead of the ordinary one owing to the inspection conducted by Banca d'Italia between 14 February 2022 and 15 April 2022, which led to longer time being necessary to draft the Bank's financial statements for the year ended 31 December 2021.

Financial Highlights and Ratios

Financial Highlights and Performance Ratios

Data (€/000)	31/12/2021	31/12/2020	Change	% change
Net interest income	**414**	557	(143)	(25.7)
Net commissions	**(412)**	(696)	284	(40.8)
Net income on trading activity	**3,177**	4,072	(895)	(22.0)
Brokerage margin	**3,386**	3,933	(547)	(13.9)
Net adjustments/write-backs for credit risk	**(87)**	(169)	82	(48.5)
Operating costs	**(3,798)**	(3,460)	(338)	9.8
Profit (loss) for the year	**310**	600	(290)	(48.3)

Ratios	31/12/2021	31/12/2020	Change	% change
Net result / Shareholders' equity (ROE)	**2.6**	5.0	(2.4)	(48.0)
Net result/Total assets (ROA)	**0.5**	1.1	(0.6)	(54.5)
Cost/Income ratio	**112.2**	88.0	24.2	27.5
Net interest income / Brokerage margin	**12.2**	14.2	(2.0)	(14.1)
Net result of financial operations / Total assets	**5.3**	6.7	(1.4)	(20.9)

Financial Highlights and Equity Ratios

Data (€/000)	31/12/2021	31/12/2020	Change	% change
Loans to banks (including on demand)	**16,865**	13,234	3,631	27.4
Loans to customers	**11,858**	14,344	(2,486)	(17.3)
Financial assets other than loans (securities):	**21,869**	18,226	3,643	20.0
- of which securities measured at fair value through profit or loss	***210***	*2*	208	-
- of which securities measured at fair value through other comprehensive income	***18,886***	*15,459*	3,427	22.2
- of which securities measured at amortised cost	***2,773***	*2,765*	8	0.3
Customer financial assets:	**73,054**	66,721	6,333	9.5
- Direct deposits	***35,343***	*29,031*	6,312	21.7
- Indirect deposits including institutional customers	***37,711***	*37,690*	21	0.1
Total assets	**62,411**	56,132	6,279	11.2
Shareholders' Equity	**12,156**	11,974	182	1.5

RISK RATIOS	31/12/2021	31/12/2020	Change	% change
Gross NPL ratio	**23.0**	22.4	0.6	2.7
Net NPL ratio	**15.2**	15.2	-	-
Texas Ratio*	**15.9**	19.8	(3.9)	(19.7)
Overall adjustments to receivables/gross loans (coverage ratio)	**11.7**	10.7	1.0	9.3
Net non-performing loans / Loans to customers	**6.0**	6.8	(0.8)	(11.8)
Net unlikely to pay / Loans to customers	**6.9**	6.2	0.7	11.3
Net past due and overdrawn loans / Loans to customers	**2.3**	2.3	-	-

(*)(Net NPL/CET1 Phased-in)

Capital ratios

Data (€/000)	31/12/2021	31/12/2020	Change	% change
Total RWA*	**39,604**	36,952	2,652	7.2
Own funds*	**11,349**	11,051	298	2.7
Common Equity Tier 1 Ratio*(Equity Tier 1/Risk-weighted assets)	**28.66**	29.91	(1.3)	(4.2)
Tier 1 Ratio* (Equity Tier 1/Risk-weighted assets)	**28.66**	29.91	(1.3)	(4.2)
Total Capital Ratio*	**28.66**	29.91	(1.3)	(4.2)
CET1* surplus compared to Minimum Requirement (4.50%)	**9,567**	9,389	178	1.9
T1* surplus compared to Minimum Requirement (6.00%)	**8,973**	8,834	139	1.6
Own Funds* surplus compared to Minimum Requirement (8.00%)	**8,181**	8,095	86	1.1

(*)Phased-in

Structure Data

Structure Data (units)	31/12/2021	31/12/2020	Change	% change
Number of employees (FTE=1)	**32**	32	-	-
Bank branches	**2**	2	-	-

Directors' Report

Dear Shareholders,

The draft Financial Statements at 31 December 2021, which we submit to the attention of today's Meeting, were drawn up according to the IAS/IFRS international accounting standards on a going concern basis, the Institute's own Funds being also adequate to cover the risks to which it is exposed, and in compliance with the additional prudential requirements established by Banca d'Italia.

The Bank - despite the still difficult environment following the COVID-19 pandemic - reported a net profit for the year of €310,000, which compares with a profit of €600,000 in 2020.

In FY2021, our Bank was committed to achieving the strategic objectives outlined in the 2021-2022 Plan and based on the following key factors: specialisation in trading services, launching new business lines and reducing operating costs.

Our stronger focus on capital market brokerage services was pursued through an increase in the number of counterparties, the number of countries of operation and a significant increase in trading volumes (+61%). Nonetheless, our brokerage margins were 16% lower than expected, mainly affected by a significantly narrower bid-ask spread during the year, while the market environment showed a marked decrease in volatility as a result of expectations of a rate hike by monetary authorities.

During 2021, we continued to develop those activities that the management has identified as new business lines.

In particular, the Feedo cash-management project, conducted in partnership with Feedo System srl, SIA/Nexi and Gunnebo, entered into production in the second half of 2021, after an initial testing that started with an initial pilot ATM in December 2020.

By 31 December 2021, the first five ATMs in the country were installed and were fully operational. Despite being quantitatively of little relevance, this figure has profound prospective implications and gives us reason to be proud, given the 'national' character and the complexity of the project.

The downward trend in administrative expenses continued in 2021 - both in terms of personnel expenses (-3%) and other administrative expenses (-5%) - in line with the Bank's long-standing focus on cost containment.

Despite the aforementioned achievement of corporate objectives in terms of cost efficiency, the Bank's operating costs were 10% higher at year end, due to the risk provisions set aside for legal disputes, which led to higher total outlays of €341,000.

Amortisation and depreciation, which in accordance with IFRS 16 also included the amount relating to rights of use acquired through operational leases, increased slightly (+8%, €30 thousand) compared to the comparison figure.

Changes in operating costs, together with the contraction of trading revenues as a result of lower market volatility, led the cost/income ratio to stand at 112% as at 31 December 2021, compared to 88% at the end of 2020.

Net impairments/reversals on loans to customers amounted to a negative 78 thousand, with an overall hedging level of 11.7% (10.7% at year end 2020).
Despite the improvement in the pandemic environment during 2021, uncertainty persisted under some respects owing to the continued Covid-19 health emergency which required the Bank to continue adopting enhanced safeguards and processes, as it did in 2020. Therefore, the Bank continued to follow the guidelines and recommendations issued by European regulatory and supervisory bodies and standard setters; for the purpose of calculating the expected loss as at 31 December 2021, the Bank incorporated macroeconomic scenarios into its IFRS 9 impairment model to reflect the effects of the Covid-19 health emergency, as per guidelines issued by the European Central Bank in its letter of 1 April 2020 and a further letter of 4 December 2020. For more details on the content, and on the application of the international accounting standards in the context of the Covid-19 pandemic, please refer to Part A – Accounting Policies in the Notes.

The above performance together with the positive tax component of €825,000 brought the Bank's net profit to €310,000 at year-end.
As described in greater detail below, the Bank's decision to exercise the option introduced by Legislative Decree No. 104 of 2020 (the "August Decree") contributed to the Bank’s profit for the year; the option allowed for a realignment of the tax basis of one of the Bank’s real estate units to its higher book value, with an overall positive impact on the Bank’s P&L of €726 thousand, against the payment of a 3% substitute tax.

In terms of balance sheet, the comparison with December 2020 figures shows an increase in total assets from €56,132 thousand in 2020 to €62,411 thousand at the end of 2021, which was also affected by the trend of investments in securities allocated to our *banking book*.

Securities allocated to proprietary portfolios increased by €3.6 million, mainly due to investments in the HTC&S portfolio (+22%, €3.4 million).

Total net loans to customers, amounting to €11,858 thousand, recorded a €2,486 thousand reduction from the comparison figure (€14,344 thousand).

With regard to extraordinary measures to support the economy, businesses and households, in 2021 we continued to support customers affected by the emergency by implementing the legislative provisions, enacted from time to time, regarding the extension of moratoria previously granted. As in 2020, however, no new loans were granted backed by state guarantees.
With regard to the expiry of the moratoria pursuant to Decree-Law 18/2020 (legislative moratoria), after the extension to 30 June 2021 established by the Budget Law (No. 178 of 30 December 2020), Law Decree No. 73/2021 ("Sostegni bis") of 25 May further extended the measures until 31 December 2021. In this context, the Bank extended about 1.1million loans.
Moving on to a more detailed examination, since the beginning of the pandemic, measures to support family and business customers were implemented for a total of around € 5million, mainly related to Law Decree no. 18/2020 art. 56 "Cura Italia". The flow of requests mainly regarded business customers, who accounted for over half of the requests received.
As at 31 December 2021, none of the types of moratoria granted by the Bank were still outstanding.

With regard to the classification of credit exposures, it should be recalled that the aid framework provided by the EBA Guidelines on moratoria lapsed definitively on 31 March of this year; accordingly, in 2021 it was substantially no longer possible to take advantage of the simplified prudential treatment provided for the classification of moratoria ("EBA compliant" moratoria). Given the foregoing situation, encompassing all subsequent moratorium extensions established by law, it became necessary to analyse each position individually to check whether the extensions were to be considered as forbearance measures (i.e. linked to a financial difficulty), resulting in their classification as Stage 2. Therefore, the relevant offices carried out a case-by-case analysis of whether the forborne prerequisites were met, increasing on a subjective basis the expected credit loss for the concerned exposures.
For further details, including from a quantitative standpoint, see comments in Part A, Part B and Part E of these financial statements.

In line with previous years, the*asset quality* further improved, demonstrating the management's constant focus on impaired loans; more specifically, gross impaired loans decreased from €3,590 thousand to €3,095 thousand (-14%), also reducing the related net exposure from the previous €2,183 thousand to €1,808 thousand at the end of 2021.

The Bank's special attention to credit quality led to, and confirmed the positive effects on risk ratios, with the ratio of net non-performing loans to net loans standing at 6% compared to 6.8% in 2020, and the gross and net exposure to riskiest loans decreasing from €1,737 thousand in 2020 to €1,160 thousand in 2021 and from €971 thousand to € 709 thousand as at 31 December 2021, respectively.

The total coverage of impaired loans rose to 41.6%, up from 39.2% in December 2020, which is higher than the average figure for the overall banking system, where the coverage ratio for the less significant banks was 36.5% as at 31 December 2021.

A better representation of the sustainability of non-performing loans for our Bank is the Texas ratio, i.e. the ratio of net non-performing loans to our common equity tier 1 capital, which is significantly lower than the system average, and is continually decreasing: 15.9% at 31 December 2021 (19.8% at 31/12/2020).

On the funding side, direct deposits from customers increased by 22% (+6.3 million) compared to the previous year's figures, with term deposit accounts (+46%, €3.6 million) and current accounts (+14%, €2.8 million) driving the mentioned growth. The increase in domestic deposits was also significantly affected by the online funding component, confirming the bank's increasing focus on the online/digital world. This is confirmed by the figure of domestic deposits opened through virtual channels as a percentage of total deposits, which stood at 60.63% as at 31 December 2021.

By contrast, the figure for indirect funding remained stable at €37.7 million as at 31 December 2021.

Our current and prospective capital adequacy has always been a key element in our business plans. This is all the more so in the current environment, where own funds play an increasing relevant role for the Bank’s sustainable growth.

For this reason, the Bank has for some time pursued careful allocation policies that include criteria of prudent profit allocation to ensure capital resources are always above regulatory requirements.

The book equity at 31 December 2021, including the result for the year, stood at €12,156 thousand, up compared to the 2020 figure of €11,974 thousand.

The capital adequacy ratios were confirmed, with a Total Capital Ratio level of 28.66%, significantly higher than the capital levels set by Banca d’Italia for 2021 at 14.73% (OCR + capital guidance). The Bank's capital, which adequately covers our overall exposure to credit and counterparty risk, market risk and operational risk, showed a surplus of own funds over the 8% minimum capital requirement of €8,181 thousand as at 31 December 2021.

As regards the initiatives put in place by the Bank in 2021 in light of the continued health emergency, we continued to pursue those started in 2020 following the spread of the COVID-19 pandemic, aimed at protecting the health of our employees and customers and at ensuring business continuity and risk control.

In general, initiatives on the business continuity and health protection front concerned:

- the prevention of risks in the workplace, by defining the necessary individual and collective protection measures, in order to adequately respond to national, local and sectoral health prescriptions in various stages of the pandemic;
- the continued use of flexible work on a large scale for almost half of 2021;
- the ongoing strengthening of cybersecurity safeguards to prevent cyber attacks.

On the personnel front, as of May 2021 - following the improved health situation in Italy and in parallel the intensification of the vaccination campaign - the Bank decided to gradually resume work at its head office, while obviously maintaining all the company's prevention and protection measures and special precautions for employees in certified vulnerable or disabled conditions.

In compliance with national legislation, as of October 2021, we introduced the obligation to submit the Covid vaccination certificates ("green pass") for accessing all our workplaces. Internal rules were therefore issued to regulate access to the workplace and to organise inspections and special situations (employees, suppliers, etc.). In particular, both at the head office and at the branches, checks are carried out by specially appointed staff who use smartphones with the ministerial App "C-19 Check" to read the relevant QR Code. When reading the Green Pass information, no health data is obtained by the Bank, and a specific privacy notice on the subject has been made available to all. The aforementioned checks are carried out by the employees in charge in such a way as to ensure control over all the personnel on site and on those who, for various reasons, enter the Bank's premises.

Following the change in the quarantine regime introduced by the end-of-year Decree Law (No. 229 of 30 December 2021) and in implementation of the Explanatory Circular of the Ministry of Health of 30 December 2021 and the subsequent Circular of 4 February 2022 - which amended re-entry times according to the vaccination status of the person concerned - the Bank's internal rules were also updated to incorporate the aforementioned provisions in respect of those testing positive and of close contacts.

Finally, we would like to inform you that the inspection conducted by Banca d'Italia and involving the Bank since 14 February 2022 was completed on 15 April 2022.

As part of its ordinary bank supervision activities, the Supervisory Body reviewed, inter alia, the loan portfolio, corporate finance activities and the organizational and control measures in places. When preparing this report, the official results of the inspection had not yet been notified to the Board of Directors.

As usual, we open this report by briefly illustrating the events and trends that have characterized the global economic and financial landscape, in order to set the activities and results of our Bank within context and then proceed with a specific analysis in the subsequent sections of this document, in the financial statements and in the Notes.

The Reference Framework

Both from a strictly epidemiological and health point of view and from a broader economic and social perspective, 2021 was the year of restart and of recovery after the pandemic catastrophe the world had fallen into the previous year.
Despite the spread of new and contagious Covid-19 variants, the launch and subsequent progress of vaccination plans (in Europe, as early as the last days of 2020) and the consequent phasing out of restrictions on social interactions have allowed the global economy to quickly get back on track. However, the sudden stop-and-go faced by almost all production activities soon led to strong pressures on supply chains, raw material and energy prices, and the labour market.
According to available estimates, the global economy expanded by 5.6 % year-on-year in 2021, following a 3.4 % contraction in the previous year. With regard to estimates for the current year, the main international observers already revised their previously published forecasts in January 2022, reflecting the expected downturns in the two largest economies, the USA and China, and obviously without taking into account the impact of the economic and geopolitical crisis triggered by Russia's war against Ukraine, the effects of which cannot be fully predicted at present.
As for the year under review, sustained GDP growth was accompanied by an acceleration of inflation, which was especially pronounced in the USA (+7% in December 2021), and also very high in the UK (+5.4% in December) and in Brazil and Russia (+10.1% and +8.4% respectively).
Against this backdrop, the 5% inflation recorded in the Eurozone appears more moderate, although high and the highest level since the start of the Monetary Union. These increases are largely attributable to the energy component, and the price of natural gas in particular, which rose in Europe due to various factors, mainly geopolitical.
With specific regard to the United States, in the year the Democratic President Joe Biden started his four-year term, American policymakers had to face consumer price increases that were faster, more pronounced, and more prolonged than expected, and more so than in the world's other major

advanced economies. In response to these inflation levels, which reached a peak since 1990, and thanks to the gradual improvement in US labour market conditions, the Federal Reserve began the tapering of its quantitative easing programme, slowing down its monthly purchases of Treasuries and Mortgage-Backed Securities (MBS).

The same trend towards a normalisation of monetary policy was also observed in Europe, where the ECB Governing Council also considered that progress in the economic recovery and towards the inflation target allowed for a gradual slowdown in net purchases of financial assets. In view of the high level of uncertainty, however, the Council reiterated its intention to maintain a cautiously flexible monetary policy that is open to different options in relation to developments in the macroeconomic framework.

Moving on to European fiscal policy, in June 2021, the European Commission launched the financing of the NextGenerationEU (NGEU) post-pandemic economic recovery programme, embarking on a project that will be completed in 2026 and that will lead the EU to raise up to approximately € 800 billion on the capital market, to be allocated to Member States in the form of loans and grants. The first syndicated bond placements (which raised significant interest with orders received from both domestic and international institutional investors) were subsequently complemented by auction issues (of both medium- and long-term EU-Bonds and shorter-term EU-Bills) and the launch of the first Eurozone Green Bonds. When fully operational, the latter will account for about 30% of the total NGEU programme funding, and the proceeds will be used exclusively to finance expenditure and investment with a positive environmental impact.

With specific reference to Italy, the crisis of the government headed by Giuseppe Conte in January 2021, caused by the withdrawal of Matteo Renzi's Italia Viva party from the government coalition, resulted in the appointment of former ECB President Mario Draghi to lead a government of national unity. The new administration, supported by almost all parliamentary forces and consisting of both technical and political ministers, was sworn in on 13 February 2021.

The progress made by the Draghi government in defining and implementing the National Recovery and Resilience Plan (PNRR) and the favourable impact of this reform programme on the country's economic growth prospects led Standard & Poor's to upgrade Italy's BBB outlook to Positive (from the previous Stable) on 22 October.

The Capital Market

Progress in vaccination campaigns and the slowing down of the pandemic were directly reflected in the performance of global capital markets, which showed major upturns almost everywhere, despite the spread of the Omicron variant in November adversely affected the financial markets and stock prices towards year-end, contributing to widening sovereign spreads of European member states.

During 2021, despite the ups and downs of the pandemic wave and the emergence of new variants towards year-end, all the main US and European equity indices recorded robust performances, with volatility markedly lower than the peaks observed during the most acute phase of the pandemic.

In the US, the most significant improvement was recorded by the S&P 500 index, which gained 26.89% year-on-year by the end of 2021, followed by the Nasdaq (+21.39%) and the Dow Jones Industrial Average (+18.73%). In Europe, the French stock exchange's CAC 40 recorded a +28.85%, Milan's FTSE MIB index closed at +23.00% and the German DAX at +15.79%.

Also worth mentioning is the year-end value of the CBOE Volatility Index (better known as the VIX), i.e. the index measuring the implied volatility of the S&P 500 stock index, which closed 2021 at 23.46 points, which indicates moderate volatility, well below the all-time high of 82.69 points reached in March 2020.

The international bond markets, however, performed quite differently.

The difficulties faced by global supply chains and the sudden rise in commodity and energy prices (oil in the first place, with Brent crude up 50.15% and West Texas Intermediate up 55.01%) fuelled US and European investors' fears early in the year that the spike in consumer prices might not be so temporary after all, which led to a generalised sell-off in fixed income markets, in anticipation of a normalisation of the emergency monetary measures launched by central banks in 2020.

In this respect, significant increases were recorded in the ten-year yields of the US Treasury (+71 basis points to 1.777 points), the German Bund (+39bps to 0.177) and the Italian BTP (+63bps to 1.1172), while the spread between the BTP and Bund stood at 134.0407 points at year-end, up 19.3% from 112.3616 at the close of 2020.

The effect of the Fed's reduction of monetary stimulus is also evident in the trend of the euro-dollar exchange rate, which went from 1.2216 at the end of 2020 to 1.113 at the end of 2021, with the European currency weakened by 6.93%.

The banking sector

During 2021, the Italian banking sector continued to fulfil its essential function of providing economic support to households and businesses in the difficult recovery from the Covid-19 pandemic, confirming its nature as a conduit for the monetary and fiscal stimuli launched by the ECB and the national government.

Specifically, with regard to the dynamics of bank deposits and loans, according to the data reported by the Italian Banking Association (ABI) in its Monthly Outlook of January 2022, loans to businesses and families in Italy increased by 2.5% during 2021, down from the +5.5% of the previous year. At the end of the year, the average overall loan rate was +2.16%, slightly down from +2.28% in December 2020.

Total funding (deposits from resident customers and bonds) also rose (+5.4% on a yearly basis in 2021, compared to +7.8% in 2020). The average interest rate across the total of bank funding by customers (deposits, bonds and repurchase agreements in € of families and non-financial companies) stood at +0.45% in December 2021, down from +0.50% in December 2020.

Consequently, at the end of 2021, the differential between the average rate on loans and the average rate on funding was 171 basis points, compared to over 300 basis points before the pandemic.

With specific regard to Campania, as pointed out by Banca d'Italia in its November 2021 report on the regional economic system, the acceleration of the vaccination campaign and the gradual easing of pandemic-related restrictions had a positive impact on the regional economy. According to available estimates, economic activity recovered by 7.4 % in the first half of 2021, after the 8.4 % decline suffered in 2020.

In the first six months of 2021, loans to the non-financial private sector grew by 7.7% in the region, compared to +6.1% at the end of 2020, a significant pace and well above that recorded in the southern regions as a whole (+5.8%) and nationally (+3.9%). Banca d'Italia emphasised that, during the period in question, risk indicators for loans to customers resident in Campania remained at historically low levels, also thanks to the support measures launched by the Italian government (including moratoria and public guarantees).

At the end of the six-month period, bank deposits of households and businesses in the region increased by +8.8% year-on-year, a more moderate growth than the +10.8% recorded at the end of 2020.

Banca Promos Core Operations

The year 2021 saw Our Bank engaged in the activities necessary to pursue the strategic objectives outlined for the period. Despite some delays due to widespread uncertainty related to the Covid-19 epidemic, the Bank implemented multiple actions to improve the sustainability of our business model, contain our exposure to risks and foster economic and capital strength.

In particular, the key strategic factors of the period were, on the one hand, the increasing specialisation in trading services and the launch of new business lines, and, on the other hand, relentless efforts to contain costs and strengthen capital.

As far as trading is concerned, the year was characterised by intense commercial development activities pursued by the business units in charge and evidenced by an excellent increase in trading volumes (+61%), which rose from €11 billion to €17.5 billion at the end of 2021.
Brokerage margins, on the other hand, were adversely affected by monetary policy, as this was characterised by massive bond purchases by the ECB as part of its Pandemic Purchase Program, which heavily influenced bond yields. This situation mainly affected the first part of the year, while in the second half the brokerage activity showed renewed momentum. In any case the year ended with a 22% drop in trading profits.

In parallel with efforts to strengthen the core business, the Bank continued to pursue the development of activities identified as new sources of revenue.
The Feedo cash-management project, conducted in partnership with Feedo System srl, SIA/Nexi, and Gunnebo, entered the operational phase after an initial delay.
As you will recall, the first pilot ATM was installed as early as December 2020. In the first part of 2021, technical testing was completed and a cluster of potential customers was subsequently identified to whom the service was offered, to test the level of market interest, set the correct pricing and make any required improvements to meet demand. In the second part of the year, the first five ATMs in the country were installed and made fully operational. Despite being quantitatively of little relevance, this figure has profound prospective implications.

With regard to the funding segment, our cooperation with the ConfrontaConti portal, also launched in 2020, became fully operational; this, in conjunction with the Online Deposit Account Opening service through the Inbank Now web platform managed by Allitude, led to a diversification of funding sources and to significant business development.
ConfrontaConti is a virtual showcase that brings together offers from numerous banks, and allows a quick comparison, according to various parameters, to identify the offer that best meets the user's needs.
The strengthening of the bank's online presence, together with a clearly advantageous commercial policy, with attractive remunerations and lower costs than the market average, proved to be an effective tool that greatly enhanced the visibility of the Bank's offers; these were also taken up by other prestigious websites (e.g. Altroconsumo) and by reviews of the best deposit account products available online. This resulted in a rapid expansion of our potential customer base, including in areas geographically distant from the Bank's physical locations.
The result of this campaign was the opening of 90 online deposit accounts and 122 term deposits for a total of nearly €6 million through this specific channel, to which approximately €2 million must be added from the Raisin's foreign platform, active since April 2020.

On the lending side, confirming the progressive reduction in activity, the Bank continued its efforts to better manage impaired positions by reducing their economic and operational impact.

With this in mind, during the first half of 2021, an agreement was signed with Prelios Innovation S.r.l., a company that manages a digital marketplace platform called 'BlinkS', through which transactions can be entered into for the sale and related purchase of non-performing loans (non performing) in accordance with current regulations.

By joining BlinkS, the Bank, as seller, can offer packages of loans or individual positions, setting the basic selling price as well as the terms of the sale. An auction mechanism allows potential buyers to select the NPLs of interest online, through a search engine that can filter sales offers by asset class, among other criteria. In addition, the platform provides real simulation tools that can be a valuable support for defining different scenarios and for pricing.

Thus, in June and July, a number of unsecured positions were selected from those classified as non-performing and an initial package of loans was put up for auction, which was then sold.

Finally, we would like to inform you that in May 2021 the Bank decided to take advantage of the option to realign certain tax values pursuant to Article 110 of Law Decree No. 104 of 14 August 2020 (the "August Decree"); the Decree extended the possibility of adjusting the tax values of tangible and intangible assets to their higher book values for the year ending 31 December 2019 (and still included in the 2020 financial statements), against the payment of a 3% substitute tax.

The mismatch was the result of the book value of tangible and intangible fixed assets being written-up in accordance with the accounting standards in force in previous years, while the corresponding tax basis had remained unchanged[1].

As a result, the Bank identified the assets in the balance sheet whose book value exceeded their tax basis by a total of €2.4 million, attributable to the building housing the Bank's headquarters.

The exercise of the option was subject to the payment of substitute tax totalling €72 thousand payable in three equal annual instalments, the first of which was paid at the end of the first half-year. As planned, the remaining two instalments will be paid in subsequent years (2022-2023) by the deadline for paying the income tax balance.

The rule provides that the amount of the higher realigned values, net of the substitute tax, is to be recorded in a reserve that is taxable upon distribution.

Therefore, the Board of Directors of the Bank authorised the necessary tax restriction in the amount of €2.3 million. This restriction, set on certain Capital and Earnings Reserves (Share Premium Reserve; Statutory Reserve (portion) and on the Business Combination Reserve (portion)), will be subject to ratification by the Shareholders' Meeting of the Bank approving these financial statements.

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[1] This results in the recognition of deferred tax liabilities when recognising the amounts written-up.

From an accounting perspective, the income statement recorded a net positive impact of €726 thousand, as a result of the cancellation of deferred tax liabilities in the amount of €798 thousand and the recognition of the full substitute tax in the amount of €72 thousand.

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The changes in the main balance sheet and income statement items are described below, with specific information on the circumstances that participated in the result for the year.

Balance Sheet Items

Introduction

To allow for a more straightforward reading of the Bank's financial position, a summary balance sheet has been prepared (Tab. 1.1 and 1.2) comparing the figures related to 31 December 2021 with 2020 year-end figures.

Reclassified Balance Sheet

Tab.1.1 (€/000)

activity	31/12/2021	31/12/2020	Change	% change
Loans to banks (including on demand)	**16,865**	13,234	3,631	27.4
Loans to customers	**11,858**	14,344	(2,486)	(17.3)
Financial assets other than loans (securities):	**21,869**	18,226	3,643	20.0
- Financial assets measured at amortised cost, other than loans	***2,773***	*2,765*	*8*	*0.3*
- Financial assets measured at fair value through profit or loss	***210***	*2*	*208*	-
- Financial assets measured at fair value through other comprehensive income	***18,886***	*15,459*	*3,427*	*22.2*
Equity investments	**61**	78	(17)	(21.8)
Tangible and intangible assets	**5,285**	5,522	(237)	(4.3)
Other assets	**6,473**	4,728	1,745	36.9
Total assets	**62,411**	**56,132**	**6,279**	**11.2**

Tab.1.2 (€/000)

Liabilities	31/12/2021	31/12/2020	Change	% change
Payables to banks	**11,739**	11,727	12	0.1
Payables to customers and outstanding securities	**35,705**	29,371	6,334	21.6
Other liabilities	**2,458**	3,048	(590)	(19.4)
Provisions for liabilities and charges	***353***	*12*	*341*	-
of which: for commitments and financial guarantees	***12***	*12*	-	-
- of which other provisions for liabilities and charges (legal disputes)	***341***	-	*341*	-
Share capital	***7,740***	*7,740*	-	-
Reserves	**5,161**	4,561	600	13.2
Valuation reserves	**(1,055)**	(927)	(128)	13.8
Net result	**310**	600	(290)	(48.3)
Total liabilities and shareholders' equity	**62,411**	**56,132**	**6,279**	**11.2**

With respect to the format envisaged by Banca d'Italia Circular no. 262/2005, some items were grouped/restated as follows:

Assets (Tab. 1.1):

- separate reporting of financial assets consisting of Loans to banks, including on demand loans[2] and Loans to customers;
- separate reporting of financial assets other than loans, broken down between financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. These items are net of the aggregate items "Loans to banks" and "Loans to customers";
- Inclusion of partial item Cash and cash equivalents (Item 10 of BS - Assets) net of the sub-item *c) current accounts and sight deposits with Banks),* Tax assets (Item 100 of BS - Assets) and Other Assets (Item 120 of BS - Assets) under the residual item "Other asset items";
- the aggregation into a single item of Tangible Assets (Item 80 of BS Assets) and Intangible Assets (item 90 of BS Assets).

Liabilities (Tab. 1.2):

- separate reporting of "Payables to banks" (Item 10a) of BS - Liabilities);
- grouping in a single item of the amount of Payables to customers at amortized cost (Item 10 b) of BS - Liabilities) and of Outstanding securities (Item 10c) of BS - Liabilities);
- inclusion of the items Tax liabilities (Item 60 of BS - Liabilities), Other liabilities (Item 80 of BS - Liabilities), Employee severance indemnity (Item 90 of BS - Liabilities) under the residual item "Other liability items";
- aggregated reporting of the items Reserves (Item 140 of BS - Liabilities) and Share premium reserves (Item 150 of BS - Liabilities).

Net interbank position

The net interbank position (shown below in **table 1**), at 31 December 2021, positive for €5,126 thousand, showed an increase, compared to the comparison figure, of about €3.6 million.

[2] Partial Item 10 of BS Assets - sub-item *.c) current accounts and sight deposits with banks* and item 40(a) of the BS Assets.

Tab. 1 Net interbank position

€/000	31/12/2021	% %	31/12/2020	% %	Change	%
Receivables from banks	**16,865**		**13,234**		**3,631**	**27.4**
b) Time deposit for the Mandatory Reserve	260	1.5	167	1.3	93	55.7
b) C/A and sight deposits with other banks	16,605	98.5	13,067	98.7	3,538	27.1
Payables to banks	**11,739**		**11,727**		**12**	**0.1**
a) Current accounts and sight deposits	3,743	31.9	1,732	14.8	2,011	-
b) Term deposits	7,996	68.1	9,995	85.2	(1,999)	(20.0)
Net interbank position	**5,126**		**1,507**		**3,619**	-

The analysis comparing the various aggregates shows that the increase recorded by the net interbank position is almost entirely attributable to the growth in interbank asset exposures (+€3,631 thousand), with the trend being partly influenced by the increase in direct deposits during the reporting period.

On the other hand, the figure for interbank liability exposure remained substantially stable, at €11,739 thousand at the end of 2021. Exposures to the European Central Bank as a result of participating in liquidity-providing operations contribute significantly to this aggregate with a total amount of €7,996 thousand.

Loans to customers

At 31 December 2021 loans to customers amounted to €11,858 thousand, net of adjustments made as part of credit risk monitoring, showing a decrease of 17.3% compared to 1 December 2020 (€14,344 thousand).

The trend on an annual basis of the technical forms of the Bank’s loans to customers is reported below (**table 1**).

Tab. 1 Breakdown of Loans to customers

€/000	31/12/2021				31/12/2020				Change	
	Performing	Non Performing	Total	% %	Performing	Non Performing	Total	% %		%
Current accounts	1,330	172	**1,502**	12.7	1,573	333	**1,906**	13.3	(404)	(21.2)
Mortgage loans	7,839	1,589	**9,428**	79.5	9,662	1,803	**11,465**	79.9	(2,037)	(17.8)
Personal loans and credit cards	146	14	**160**	1.3	214	14	**228**	1.6	(68)	(29.8)
Other loans	735	33	**768**	6.5	712	33	**745**	5.2	23	3.1
Total	**10,050**	**1,808**	**11,858**		**12,161**	**2,183**	**14,344**		**(2,486)**	**(17.3)**

The downward trend in loans to customers was mainly driven by the decline in mortgage loans and current accounts, which fell by 17.8% (€-2,037) and 21.2% (€-404 thousand) respectively.

With regard to the loan sector, which accounts for around 80% of the credit portfolio, Management Control results showed a clear prevalence of mortgage loans equal to 80%, 85% of which is at variable rate; the remaining 20% was made up of unsecured loans.

With reference to the support measures adopted to alleviate the impact of the Covid-19 pandemic on family and business customers, since the start of the pandemic, the volume of loans regarded by the moratoria granted by law, in application of the ABI (Italian Banking Association) agreements or on the initiative of the bank, totalled around € 5 million. The mentioned moratoria had expired as at the reporting date.

For a more in-depth numerical analysis, see the pertinent detailed tables provided in the Notes.

Loans to customers: credit quality

The trend of the customer loan portfolio (loans to customers) in the course of 2021 is reported below (**table 1**) in terms of gross and net amounts, allocation to the various stages and associated coverage ratio and weigh.

Tab. 1 Credit quality: breakdown

Items	31/12/2021					31/12/2020					Change	Sector averages (LSI banks*)
€/000	**Net Exposure**	**Overall adjustments**	**Net Exposure**	**% Coverage**	**As %**	**Net Exposure**	**Overall adjustments**	**Net Exposure**	**% Coverage**	**As %**	**Net exp.**	**Coverage percentage**
Non-performing loans	1,160	-451	709	38.9	6.0	1,737	-766	971	44.1	6.8	(262)	41.6
Unlikely to pay	1,585	-763	822	48.1	6.9	1,489	-604	885	40.6	6.2	(63)	34.3
Past due/overdrawn loans	350	-73	277	20.9	2.3	364	-37	327	10.2	2.3	(50)	11.3
Impaired loans (Stage 3)	**3,095**	**-1,287**	**1,808**	**41.6**	**15.2**	**3,590**	**-1,407**	**2,183**	**39.2**	**15.2**	**(375)**	**36.5**
Performing loans	**10,339**	**-289**	**10,050**	**2.8**	**84.8**	**12,464**	**-303**	**12,161**	**2.4**	**84.8**	**(2,111)**	**0.5**
Loans in Stage 2	1,055	-84	971	8.0	8.2	2,504	-187	2,317	7.5	16.2	(1,346)	
Loans in Stage 1	9,284	-205	9,079	2.2	76.6	9,960	-116	9,844	1.2	68.6	(765)	
Loans to customers	**13,434**	**-1,576**	**11,858**	**11.7**		**16,054**	**-1,710**	**14,344**	**10.7**		**(2,486)**	
of which Forborne Performing	***645***	***-49***	***596***	***7.6***		***915***	***-56***	***859***	***6.1***		***(263)***	
of which Forborne Non Performing	***422***	***-195***	***227***	***46.2***		***530***	***-147***	***383***	***27.7***		***(156)***	

(*) Source: Banca d'Italia - Financial Stability Report no. 1/ 2022

The overall contraction of loans at the end of the year, both gross and net exposures, referred to both impaired and performing loans in the Bank's accounting portfolio at the reporting date.

As at 31 December 2021, performing loans amounted to €10,050 thousand net of value adjustments, a decrease of 17% (-2,111 thousand) on the comparative figure (12,161 thousand); the reduction observed mainly affected the riskier performing exposures, allocated to *stage 2*.

As at 31 December 2021, the coverage of performing loans was 2.8% compared to the December 2020 figure of 2.4%; this exceeds by far the average coverage rate for less significant banks of 0.5% (data as at 31/12/2021 source Banca d'Italia's "Financial Stability Report No. 1/2022"). The figures in the table show that the increase in the coverage level affected both stage 1 and stage 2 loans.

The forborne exposures included in performing loans amounted to €596 thousand, with a coverage of 7.6%.

With regard to the allocation of performing loans to the "stages" required by IFRS 9, the breakdown of the performing loan portfolio, which accounted for 85% of total outstanding loans, was as follows as at 31 December 2021:

- **Stage 1**: loans included in this risk stage, net of the associated value adjustments, totalled €9,079 thousand. The Stage 1 portfolio accounts for around 91% of the Bank's performing loans and 77% of total net credit exposures. At the reference date, the coverage ratio stood at 2.2%, up compared to 1.2% at the end of 2020;
- **Stage 2**: loans included in this risk stage, net of the associated value adjustments, totalled €971 thousand. The Stage 2 portfolio accounts for around 9% of performing loans and 8% of total loans. At the reference date, the coverage ratio on stage 2 exposures was 8%, compared to 7.5% at 31 December 2020.

At 31 December 2021, the composition of the Bank's Stage 2 portfolio, essentially attributable to automatic classification triggers, was broken down as follows:

i. 61% consists of forborne positions, for a gross amount of €645 thousand;
ii. 28% is attributable to exposures that recorded an increase in their Lifetime PD with respect to origination, for a gross amount of €298 thousand;
iii. 11% consists of positions without rating as of their origination, for a gross amount of €112 thousand.

The allocation of gross credit exposures to customers in the stages envisaged by IFRS 9, and the associated coverage level, is shown below **(Tab. 2).**

Tab.2 Loans to customers: Stage Allocation

Figures at 31/12/2021	*Stage 1*	*Stage 2*					*Stage 3*
		Forborne	Past due 30 days	Missing Orig. rating	Change PD	Total	
% exposure	69.1%	61.1%	-	10.6%	28.2%	7.9%	23.0%
Gross exposure	*9,284*	*645*	-	*112*	*298*	*1,055*	*3,095*
Expected loss	2.2%	8.2%	-	13.9%	5.2%	8.0%	41.6%

Figures at 31/12/2020	*Stage 1*	*Stage 2*					*Stage 3*
		Forborne	Past due 30 days	Missing Orig. rating	Change PD	Total	
% exposure	62.0%	36.5%	14.3%	5.8%	43.3%	15.6%	22.4%
Gross exposure	*9,960*	*915*	*358*	*146*	*1,085*	*2,504*	*3,590*
Expected loss	1.2%	6.1%	6.3%	2.3%	9.8%	7.5%	39.2%

With reference, on the other hand, to problem loans, the data recorded confirm the progressive decline in net loans for each credit risk band, in line with the trends observed in previous years.
At 31 December 2021, net NPLs, equal to €1,808 thousand, confirmed the progressive contraction already detected during the previous FYs, recording a drop of 17% (€ -375 thousand) compared to the figure at the end of 2020 (€ 2,183 thousand).

The decrease was especially affected by all the strategic initiatives implemented by the Bank in order to reduce the impaired loans in its portfolio and thus ensure sustainable credit quality.
The Bank's special attention to credit quality led to, and confirmed the positive effects on risk ratios, with the ratio of net non-performing loans to net loans standing at 6% compared to 6.8% in 2020, and the gross and net exposure to riskiest loans decreasing from €1,737 thousand in 2020 to €1,160 thousand in 2021 and from €971 thousand in 2020 to € 709 thousand, respectively.
The combined effect of debt recovery activities together with the higher value adjustments to loans with higher risk of being unrecoverable, and the assignment without recourse during the year of certain positions classified as non-performing, led to an improvement in ratios and in problem loans, especially when considered in conjunction with the strategic decisions to progressively reduce loans.
In particular, the aforementioned transfer transaction, carried out through the Blinks IT platform, concerned 15 unsecured positions classified as non-performing, some of which had already been written off by the Bank. The package of assigned receivables, for a nominal amount of €841,000 (of which €110,000 were still on the books at the date of the assignment), was analytically screened and a pool of positions was created for which the Bank had almost nil expectation of recovery. The sale price was €17 thousand against a net book value of the assigned receivables of €42 thousand, resulting in a net loss on the transaction of €25 thousand.
In December 2021, net impaired loans accounted for 15.2% of total loans, confirming the figure of 31 December 2020, with total net loans decreasing from €14,344 thousand to €11,858 thousand.
The coverage of *non-performing loans* stood at 41.6 per cent, up from the comparative figure of 39.2 per cent and higher than the system average of 36.5 per cent (data as at 31/12/2021 for *LSI* source "Financial Stability Report No. 1/2022" of Banca d’Italia).
More specifically, with reference to loans to customers allocated to Stage 3, the following should be noted:

- gross and net non-performing loans dropped by €577 thousand and €262 thousand respectively at 31 December 2021. At 31 December 2021, their coverage ratio was 38.9% compared to 44.1% in 2020;

- net unlikely to pay were down €63 thousand compared to the reference figure. On the other hand, the gross figure increased by about 96,000. The coverage ratio stood at 48.1% at 31 December 2021 compared to 40.6% in 2020;
- gross and net overdue/overdrawn loans were down €14 thousand and €50 thousand respectively compared to the figure at 31 December 2020. The coverage ratio stood at 20.9%, compared to 10.2% at the end of 2020;
- net forborne exposures, generated by concessions granted to debtors who found it difficult to meet their financial commitments and a sub-category of impaired loans equity, amounted to €227 thousand with a 46.2% coverage level.

To complete the above, below is a summary table **(Tab. 3)** of impaired loans sustainability indicators, which compares the results as at 31 December 2021 and those at 2020 year-end, confirming a general improvement for all ratios.

Tab. 3 Sustainability of impaired loans

Impaired loans sustainability indicators	31/12/2021	31/12/2020	Change
Net non-performing loans and unlikely to pay / CET1 Phased-in	**13.5**	**16.8**	(3.3)
Net non-performing loans / CET 1 Phased-in	**6.2**	**8.8**	(2.6)
Net unlikely to pay / CET 1 Phased-in	**7.2**	**8.0**	(0.8)
Texas Ratio (*)	**15.9**	**19.8**	(3.9)

(*) Net NPL/CET1 Phased-in

A better representation of the sustainability of non-performing loans for the Bank is the Texas ratio: the ratio of non-performing assets to common equity tier 1 capital, which is continually decreasing: 15.9% at 31 December 2021 (19.8% at 31/12/2020).

Financial assets other than loans (financial assets as securities)

Financial assets measured at amortised cost

€/000	31/12/2021	31/12/2020	Change	Change %
Debt securities	**2,773**	**2,765**	**8**	**0.3**
of which Stage 1	*2,773*	*2,765*	*8*	*0.3*
of which Stage 2	-	-	-	-
of which Stage 3	-	-	-	-

At 31 December 2021, debt securities measured at amortized cost and classified under item "Financial assets measured at amortized cost" amounted to €2,773 thousand net of value adjustments recognized to reflect credit risk pursuant to IFRS 9.

The Bank's Hold to Collect (HTC) portfolio, at the reporting date, was made up of 5 bonds of Italian issuers for a total nominal amount of €2,736,000.00. The composition of the portfolio by debtors/issuers is characterized by a prevalence of government bonds (82% of the total) and of a single corporate exposure (18%).

With reference to the classifications provided for in IFRS 9, all the securities included in the Bank's HTC portfolio are allocated in Stage 1, based on the adopted stage allocation approach. The pertinent provision for bad debts was around €2 thousand at 31 December 2021.

At 31 December 2021, the weighted average IRR on the amount of bonds in the HTC portfolio was 0.68%.

Financial assets measured at fair value through profit or loss

€/000	31/12/2021	% %	31/12/2020	% %	Change	Change %
Financial assets held for trading	**204**		**-**		**204**	**-**
a) Public Administrations	**-**	-	**-**	-	-	-
b) Banks	**204**	100.0	**-**	-	204	-
c) Other issuers	**-**	-	**-**	**-**	-	-
Financial assets mandatorily measured at fair value	**6**		**2**		**4**	**-**
Total financial assets measured at fair value through profit or loss	**210**		**2**		**208**	**-**

The Bank's trading portfolio, which amounted to €204 thousand as at 31 December 2021, consisted mainly of one bank security for a nominal amount of €200 thousand.

The Bank's trading book, through which the Bank channels its entire bond brokerage business with its institutional clients, recorded overall lower profitability levels in 2021 than in 2020, a year characterised by exceptional peaks of volatility and uncertainty due to the outbreak of the coronavirus crisis.

The year 2021 was marked by reflation first and by outright inflation subsequently, which led to an inevitable generalised rise in global bond yields characterised by a seesaw trend although less volatile than in the pre-Covid 2018-2019 two-year period; markets were torn between the dovish tones of the Federal Reserve and the European Central Bank (ECB) on the transitory nature of rising prices and investors' concerns about the impact of tapering and future rate hikes on economic recovery prospects.

In terms of financial instability, the political crisis that affected the Italian government in the first two months of 2021 was overcome with essentially no disruption in the domestic government bond market, thanks to the rapid formation of a new government led by former ECB President Mario Draghi. The PM's reputation and standing in the eyes of international investors pushed the yield of the benchmark 10-year BTP to an all-time low close to the official inauguration of the new government.

In this context, the performance assessment of the Bank's trading division during 2021 is inevitably affected by *base effects* due to the comparison with an extraordinarily volatile previous year. The decline in trading revenues during the period (-22% year-on-year) was largely attributable to the narrowing of bid-ask spreads of individual trades (-51.63% year-on-year), against an increase in trading volumes (+61%) and an increase in other Key Performance Indicators (KPIs), such as the number of counterparties served (+1.6%) and countries of operation (+10.2%).

Financial assets mandatorily measured at fair value (€6 thousand) include the equity shares of Banca Carige Spa, held by the Voluntary Scheme of the Interbank Deposit Protection Fund. The fair value estimate of these bonds, calculated by applying the Discounted Cash Flow Model, shows a write-back of about €4 thousand at 31 December 2021.

Financial assets measured at fair value through other comprehensive income

€/000	31/12/2021	31/12/2020	Change	Change %
Equity securities	**113**	**113**	-	-
Debt securities	**18,773**	**15,346**	**3,427**	**22.3**
of which Stage 1	**18,773**	**15,346**	3,427	22.3
of which Stage 2	-	-	-	-
of which Stage 3	-	-	-	-
Total financial assets measured at fair value through other comprehensive income	**18,886**	**15,459**	**3,427**	**22.3**

At 31 December 2021, securities measured at fair value through other comprehensive income stood at €18,886 thousand.

At the reporting date, the Bank's bond portfolio - whose book value is €18,773 - was made up of 30 securities (all from Italian issuers) for a total nominal amount of €18,408 thousand.

The composition of the portfolio is predominantly characterised by bonds from banking and financial issuers (56% of the total), followed by Italian government bonds (18%) and bonds from industrial companies (16%). A more modest percentage of the portfolio is accounted for by bonds of financial companies (10%).

At 31 December 2021, the weighted average IRR on the amount of bonds in the HTC&S portfolio was 0.61%.

In 2021, the management of the HTC&S portfolio was also characterised by the recourse to sales of certain debt securities in the proprietary portfolio, in order to pursue management objectives and leading to realised profits of€182 thousand.

With regard to the impairment of these types of financial assets under IFRS 9, the entire portfolio of debt securities is allocated in Stage 1 based on the adopted stage allocation approach. The pertinent provision for bad debts, classified in “Valuation equity reserves”, was around €16 thousand.

With regard to the valuation component of debt securities, the related equity reserves closed the year with a pre-tax profit of €13 thousand.

At 31 December 2021 the market risk corresponding to the maximum potential loss with a 99% confidence interval, estimated through the VaR Monte Carlo, was 154,608.99 (0.83%) over a 1-month time horizon and 261,633.70 (1.40%) over a 3-month time horizon.

At the same date, the portfolio's reactivity under exceptional and sudden stress, evaluated against a parallel positive/negative shift in the yield curve totalling 100bps equalled -€285,283.77 (-1.52%) in the presence of a rise in rates, while a contraction in rates would lead to +€315,771.08 (+1.69%). In the event of a bear steepening of the yield curve (a rise of 50 bps in long part of the curve), the portfolio would register a decrease in value of -€11,004.42 (-0.06%).

Equity instruments, € 113 thousand, included the shares of Banca Regionale di Sviluppo S.p.A. subscribed by the Bank in 2016. The related equity reserve, which includes the valuation component of the aforementioned securities, amounted to a negative €888 thousand, gross of recognised taxes.

Equity investments

At 31 December 2021, equity investments recorded in the financial statements amounted to €61 thousand.

More specifically, pursuant to IFRS 10, this item includes the book value of the equity investments in the subsidiaries Promos Corporate Consulting S.r.l. and in the innovative start-up Promos Fintech S.r.l..

With regard to the subsidiary Promos Corporate Consulting srl, the Bank recognised a 50% reduction in the value of the relevant equity investment. The impairment loss, amounting to approximately 16 thousand was included in the specific income statement item “Gain (Loss) on investments”.

For further details, reference should be made to the special Section of the Notes.

Tangible and intangible assets

At 31 December 2021, property, plant and equipment, amounting to €4,736 thousand, recorded a 5% reduction (-229 thousand) compared to the reference figure (4,965 thousand) related to the accumulated depreciation for the period.

At 31 December 2021, intangible assets stood at €549 thousand, versus €557 thousand at the end of 2020. Two components with opposite effects contributed to the change: on the one hand, the decrease in assets due to accrued depreciation (€211 thousand), and, on the other, the increase in internally generated intangible assets recognised in accordance with IAS 38 for a total of €199 thousand; these were the result of development activities carried out by the Bank's Research and Development Laboratory that continued during the current year with regard to 3 platforms recognised in previous financial statements. Such software, aimed at supporting the various business lines of the Bank, is therefore able to produce future economic benefits.

In compliance with the applicable accounting standard, research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet: these costs mainly refer to the cost of personnel involved in the individual projects concerning the development of individual IT platforms.

Recognized intangible assets are amortized on the basis of their expected technological obsolescence.

In this regard, - at the time of drafting these Financial Statements, in respect of one of its internally generated software recognised as asset - the Bank revised the estimate hitherto used to determine its useful life, in accordance with the provisions of IAS 8 paragraph 34. As a result of the change in estimate, the useful life of the asset has been extended to 7 years compared to the 5-year period of the previous depreciation schedule.

For more details, see the Accounting Policies - Section 4.

Funding

Based on an analysis of evidence by Management Control, overall funding - accounting for approximately 85% of the total volume of loans and funding managed by the Bank – increased by around €6.3 million (+9.5%), from € 66.7 million at the beginning of the year to €73 million at 31 December 2021, confirming the Bank's trustworthy reputation and consequent ability to attract customers.

Tab. 1 Overall funding performance

€/000	31/12/2021	% %	31/12/2020	% %	Change	%
SICAV and funds	3,509	9.3	3,378	9.0	131	3.9
Managed:	34,116	90.5	34,257	90.9	(141)	(0.4)
- Shares	*30,403*	*80.6*	*29,322*	*77.8*	*1,081*	*3.7*
- Bonds	*3,713*	*9.8*	*4,935*	*13.1*	*(1,222)*	*(24.8)*
- Financial third-party products	*86*	*0.2*	*55*	*0.1*	*31*	*56.4*
Indirect funding	**37,711**	**51.6**	**37,690**	**56.5**	**21**	**0.1**
Current accounts	23,321	66.0	20,512	70.7	2,809	13.7
Time deposits	11,351	32.1	7,785	26.8	3,566	45.8
of which domestic time deposits	*9,368*	*26.5*	*4,272*	*14.7*	*5,096*	*-*
of which foreign time deposits	*1,983*	*5.6*	*3,513*	*12.1*	*(1,530)*	*(43.6)*
On demand deposits	26	0.1	15	0.1	11	73.3
Savings accounts	529	1.5	494	1.7	35	7.1
Funding from foreign customers	116	0.3	225	0.8	(109)	(48.4)
Direct funding	**35,343**	**48.4**	**29,031**	**43.5**	**6,312**	**21.7**
Total funding	**73,054**		**66,721**		**6,333**	**9.5**

Overall, 52% of the Bank's funding consisted of indirect funding and the remainder (48%) of direct funding.

A comparison of the data shows that indirect funding remained substantially stable in respect of the comparison figure, increasing by €21 thousand (+0.1%) at the end of the year. More specifically, Fund and Sicav funding increased € 29 thousand compared to the previous figure. The opposite trend was recorded in the assets under management segment, which recorded an overall decrease of €141 thousand. This decrease was mainly affected by the decrease in the bond segment, down €1,222 thousand, mainly due to the redemption of maturing bonds. The performance of the equity segment offset the decline in assets under management, with an increase of €1,081 thousand on the comparison figure.

Direct deposits, on the other hand, showed a considerable increase, rising by around €6.3 million (+21.7%) compared to the previous year.

Specifically, the main changes driving the performance recorded are attributable to the deposit accounts segment, especially time deposits, which increased by about €3.6 million since the beginning of the year, and the current accounts segment, up by €2.8 million. As regards time deposits, the figure for domestic deposits increased by about 5 million, offsetting the decline in foreign time deposits (-1,530 thousand). The increase in domestic deposits was also significantly affected by the online funding component, confirming the bank's increasing focus on the online/digital world. This is confirmed by the figure of domestic deposits opened through virtual channels as a percentage of total deposits, which stood at 60.63% as at 31 December 2021.

On the other hand, the figure for savings deposits remained substantially unchanged at €529 thousand as at 31 December 2021.

In term of the various types of direct funding used by the Bank, the management data show a 66% incidence of customer current accounts, presenting a higher concentration in the "family" sector (59% of total customer current accounts) compared to the other forms of funding.

Shareholders' Equity

The Bank's current and prospective capital adequacy has always been a key element in our business plans. This is all the more so in the current environment, where own funds play an increasing relevant role for the Bank's sustainable growth.

For this reason, the Bank has for some time pursued careful allocation policies that include criteria of prudent profit allocation to ensure capital resources are always above regulatory requirements.

At 31 December 2021 the Bank's shareholders' equity, including the profit for the year, stood at € around 12.2 million compared to the 12 million recorded at the beginning of the year.

The share capital was unchanged, consisting of 7,740,000 shares with a nominal value of € 1 each.

€/000	31/12/2021	31/12/2020	Change	%
Share capital	7,740	7,740	-	-
Treasury shares (-)	-	-	-	-
Share premium account	1,071	1,071	-	-
Reserves	4,090	3,490	600	17.2
Valuation reserves	(1,055)	(927)	(128)	13.8
Equity instruments	-	-	-	-
Profit (loss) for the year	310	600	(290)	(48.3)
Shareholders' equity	**12,156**	**11,974**	**182**	**1.5**

The changes in shareholders' equity are detailed in the specific statement to which reference is made.

With a view to ensuring prudent and constant control and compliance with regulatory capital requirements, as already indicated, it is specified that the Bank - in continuity wit the previous FYs and in order to safeguard its assets in a context still characterised by economic uncertainty, decided to comply with the recommendations indicated by the Supervisory Authority "in the pandemic context", strengthening its capital position and therefore foregoing the distribution of dividends out of its reserves.

Own Funds and capital ratios

Own Funds, risk-weighted assets and capital ratios as at 31 December 2021 were calculated on the basis of the harmonized framework for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended by

Directive 2019/878/EU (CRD V) and Regulation (EU) 2019/876 (CRR II) respectively, which implement in the EU the standards defined by the Basel Committee for Banking Supervision *(Basel 3 Framework) and on the basis of the pertinent Banca d'Italia's Circulars.*

The regulatory provisions related to own funds, which provided for the gradual introduction of the Basel 3 framework through a transitional period, are fully in force as the aforementioned transitional period came to an end in FY2018.

Further to the introduction of IFRS 9, the Bank chose to apply the 'Phase-in' regime, introduced by Regulation (EU) 2017/2395, involving the introduction of a prudential filter that mitigates - in the 2018-2022 period (the transitional period) - the potential negative impact on CET1 arising from greater value adjustments upon application of the new IFRS9 impairment model, according to:

- a static approach: to be applied to the impact of the FTA only, resulting from the comparison between IAS 39 value adjustments at 31 December 2017 and IFRS value adjustments at 1 January 2018 (including adjustments to the Stage 3 position);
- a dynamic approach: to be applied to the impact resulting from the comparison between the value adjustments at 1 January 2018 and the subsequent reporting periods up to 31 December 2022, limited however to the increases in value adjustments of exposures classified in stage 1 and 2 (thus excluding adjustments to stage 3 positions).

The Bank application of the transitional regime (Phase-in) allows for the re-inclusion in CET1, during the 2018-2022 period, of the impact (both the static and the dynamic components) to the extent shown below, for each of the 5 years comprised in the transitional period:

- 2018: 95%
- 2019: 85%
- 2020: 70%
- 2021: 50%
- 2022: 25%

This adjustment to CET1 requires a symmetrical adjustment to the amounts of the exposures pursuant to Article 111, paragraph 1, of the CRR for the purpose of determining the credit risk capital requirements under the standardized approach.

In addition, it should be pointed out that the Bank also made use of the new transitional IFRS 9 regime regarding value adjustments to loans after 31 December 2019, introduced by the European Commission with Regulation no. 2020/873 of 24 June 2020. However, the bank decided not to make use of the transitional regime, introduced by the same Regulation, providing for the reintroduction of the prudential filter for exposures to central governments classified in the FVOCI accounting category.

As reported in the guidelines issued by the EBA in January 2018, banks that opt for the temporary treatment disclose "Fully Loaded" information to the market (i.e. as if the mentioned temporary treatment had not been applied).

The following table shows a comparison of the figures for Own Funds and capital ratios for the years 2021 and 2020.

Tab. 1 Own Funds and capital ratios

Own Funds and capital ratios (€/000)	31/12/2021		31/12/2020	
	IFRS 9 Transitional arrangements	IFRS 9 Fully Loaded	IFRS 9 Transitional arrangements	IFRS 9 Fully Loaded
Own Funds				
CET1 net of regulatory adjustments	**11,349**	**10,805**	**11,051**	**10,321**
AT1 net of regulatory adjustments	-	-	-	-
TIER 1 CAPITAL (TIER 1)	**11,349**	**10,805**	**11,051**	**10,321**
T2 net of regulatory adjustments	-	-	-	-
TOTAL OWN FUNDS	**11,349**	**10,805**	**11,051**	**10,321**
Risk-weighted assets				
Credit and counterparty risk	31,689	31,224	29,653	28,904
Market risks	842	842	253	253
Operating risks	7,073	7,073	7,046	7,046
RISK-WEIGHTED ASSETS	**39,604**	**39,139**	**36,952**	**36,203**
Capital ratios %				
Common Equity Tier 1 Ratio	28.66%	27.61%	29.91%	28.51%
Tier 1 ratio	28.66%	27.61%	29.91%	28.51%
Total capital ratio	28.66%	27.61%	29.91%	28.51%

At 31 December 2021, taking into account the transition regime in force adopted to mitigate the impacts of IFRS 9, the Bank’s Own Funds amounted to €11,349 thousand, compared to weighted assets of €39,604 thousand, predominantly reflecting credit and counterparty risks, and to a lesser extent, market and operational risks; at the same date, considering instead the non-application of the aforementioned transitional regime, Own Funds ('Fully Loaded') amounted to €10,805 thousand against risk-weighted assets of €39,139.

Therefore, the effects of the IFRS 9 transitional regime on the Bank's CET 1 amounted to a total of €544 thousand, resulting from the sum of the static and dynamic new component pursuant to the prudential regulations in force.

The positive change in the amount of Own Funds as at 31 December 2021 compared to the same date in the previous year is largely attributable to the portion of profit for the year 2020 allocated to reserves.

Therefore, capital ratios at 31 December 2021, calculated considering the above-mentioned transitional regime, were the following: Total Capital Ratio at 28.66%; Tier 1 ratio at 28.66%; Common equity ratio at 28.66%.

At the same reference date, the solvency ratios at 31 December 2021, calculated according to the "fully loaded" criteria, were as follows: *Common Equity ratio* 27.61%, *Tier 1 ratio* 27.61% and *Total capital ratio* 27.61%.

The figures shown in (**tab. 1**) show that the bank's capital is more than adequate to cover the exposure to the risks assumed, as evidenced by the level of the solvency ratios, which show the ratio between primary capital and the bank's exposure to risk; the surplus of Own Funds over the minimum capital requirement of 8% - as at 31 December 2021 - was €8,181 thousand.

Please note that, as established by Banca d'Italia pursuant to art. 53-bis, paragraph 1, letter d) of Legislative Decree no. 385/93 (TUB) – capital adequacy purposes the Bank is required to comply with specific capital requirements as defined at the outcome of the SREP addition to the minimum capital measures determined according to the outcome of the *Supervisory Review and Evaluation Process* (SREP). The overall additional mandatory capital requirements (illustrated in tab. 2) in terms of CET1 ratio, Tier1 ratio and Total Capital Ratio are 10.25%, 12.17% and 14.73% respectively.

Tab. 2 Additional capital requirements

Figures shown in % or in €		31/12/2021 CET 1 ratio	31/12/2021 Tier 1 ratio	31/12/2021 Total capital ratio
Bank ratios		**28.66%**	**28.66%**	**28.66%**
Minimum capital requirement (MCR)	**Requirement**	**4.50%**	**6.00%**	**8.00%**
	Deficit/surplus vs MCR	24.16% 9,567,313	22.66% 8,973,254	20.66% 8,181,174
Total SREP Capital Requirement (TSCR = MCR + SREP)	**Bank requisite**	**5.75%**	**7.67%**	**10.23%**
	of which add-on SREP	*1.25%*	*1.67%*	*2.23%*
	Deficit/surplus vs TSCR	22.91% 9,072,264	20.99% 8,311,867	18.43% 7,298,005
Overall Capital Requirement (OCR = TSCR + CCB)	**Bank requisite**	**8.25%**	**10.17%**	**12.73%**
	of which CCB	*2.500%*	*2.500%*	*2.500%*
	Deficit/surplus vs OCR	20.41% 8,082,164	18.49% 7,321,767	15.93% 6,307,905
Overall Capital Requirement + Capital Guidance	**Bank requisite**	**10.25%**	**12.17%**	**14.73%**
	of which add-on CG	*2.00%*	*2.00%*	*2.00%*
	Deficit/surplus vs OCR + CG	18.41% 7,290,084	16.49% 6,529,687	13.93% 5,515,825

Therefore, the capital requirements based on the Bank's risk profile, pursuant to Banca d'Italia measure of 19/06/2020, consist of mandatory capital requirements (i.e. the sum of the minimum requirements pursuant to Article 92 of the CRR and the additional mandatory requirements determined as a result of the SREP) and of the capital conservation buffer applicable under the current provisions of 2.5%), overall making up the *overall capital requirement ratio - OCR*, as indicated below:

- 8.25% with reference to CET 1 ratio (made up of 5.75% as binding amount and of the capital conservation buffer for the remainder);
- 10.17% with reference to TIER 1 ratio (made up of 7.67% as binding amount and of the capital conservation buffer for the remainder);

- 12.73% with reference to Total Capital Ratio (made up of 10.23% as binding amount and of the capital conservation buffer for the remainder.

In addition, to ensure that the mandatory measures are complied with even when the economic / financial situation deteriorates, the Bank is also subject to the following capital guidance measures as against a greater risk exposure under stress conditions:

- 10.25% with reference to CET 1 ratio (made up of an OCR CET 1 ratio of 8.25% and a Target amount, due to a higher risk exposure in stress conditions, of 2%);
- 12.17% with reference to TIER 1 ratio (made up of an OCR CET 1 ratio of 10.17% and a Target amount, due to a higher risk exposure in stress conditions, of 2%);
- 14.73% with reference to Total Capital ratio (made up of an OCR CET ratio of 12.73% and a Target amount, due to a higher risk exposure in stress conditions, of 2%).

As regards the leverage ratio, which reflects the quantitative assessment of exposure to the risk of excessive leverage, in 2021 the “transitional” and "fully loaded" leverage ratios were 17.68% and 17.55% respectively, compared to the minimum mandatory requirement of 3%.

In respect of liquidity riskboth regulatory indicators, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), remain well above the minimum regulatory requirements.
The Bank carefully monitored the Liquidity Coverage Ratio (LCR), which aims to ensure that an adequate level of high-quality, readily marketable and unencumbered liquid assets is maintained during the year; this indicator, standing at 376% at the end of 2021, was steadily higher than the 100% minimum threshold.

Also at year-end, the NSFR indicator (*Net Stable Funding Ratio*) of the Bank stood at 130.28%, higher than the mandatory minimum threshold of 100%. The objective of this indicator is to strengthen the Bank’s resilience by ensuring the use of stable, long-term sources of funding to finance its outstanding assets.

For a complete quantitative information on the Bank's assets, please refer to the information provided in Part F - Information on Equity of the Notes.

Income Statement Items

In a pandemic environment that is gradually improving, although characterised by persisting uncertainty due to the continuing health emergency, the Bank reported a net profit of €310 thousand for FY2021, compared to a positive figure of €600 thousand at the end of 2020.

Tab. 1 Short Income Statement (€/000)

Items	**31/12/2021**	**31/12/2020**	**Change**	
				%
Brokerage margin	3,386	3,933	(547)	(13.9)
Net result of financial operations	3,299	3,763	(464)	(12.3)
Operating costs	(3,798)	(3,460)	(338)	9.8
Profit before taxes	(515)	303	(818)	-
Profit (loss) for the year	**310**	**600**	**(290)**	**(48.3)**

The annual performance of the Bank's main P&L figures is illustrated below.

Brokerage margin

The brokerage margin for 2021 amounted to €3,386 thousand compared to €3,932 thousand at the end of 2020.

(€/000)	**31/12/2021**	**31/12/2020**	**Change**	**% change**
Net interest income	414	557	(143)	(25.7)
Net commissions	(412)	(696)	284	(40.8)
Net income on trading activity	3,177	4,072	(895)	(22.0)
Profit (loss) from transfer or repurchase of financial assets	203	2	201	-
Net income/loss on the other financial assets/liabilities measured at fair value through profit or loss	4	(3)	7	-
Brokerage margin	**3,386**	**3,932**	**(546)**	**(13.9)**

The analysis of the individual P&L elements contributing to the brokerage margin confirms the importance of financial brokerage activities for the Bank, which are overseen by its *trading* and treasury department. Conversely, in line with the strategic decisions of the *management*, there was a general decline in income from traditional lending activities, as confirmed by both the net interest income and net commissions.

The decline in brokerage margin (-14%, €546 thousand), as a result of opposing trends of the various components, was mainly influenced by the decreased contribution from trading activities, already discussed above.
Looking at the individual components in more detail, net interest income amounted to €414 thousand as at 31 December 2021, down 26% (-143 thousand) from the same period in 2020.

Tab. 1 Breakdown of net interest (000)

Breakdown of Item 10 Income Statement Interest income	31/12/2021	31/12/2020	Change	Change %
Loans to ordinary customers	**408**	**528**	**(120)**	**(22.7)**
Current accounts	156	207	(51)	(24.6)
Advance on invoices	2	6	(4)	(66.7)
Mortgage loans	250	315	(65)	(20.6)
Loans to banks	**28**	**9**	**19**	**-**
Bank current accounts	15	-	15	-
Financial liabilities (loans)	13	9	4	44.4
Securities	**195**	**185**	**10**	**5.4**
Total loans	**631**	**722**	**(91)**	**(12.6)**

Breakdown of Item 20 Income Statement Interest expense	31/12/2021	31/12/2020	Change	Change %
Funding from ordinary customers	**(88)**	**(68)**	**(20)**	**29.4**
Funding other than securities	**(88)**	**(68)**	**(20)**	**29.4**
Current accounts	(6)	(4)	(2)	50.0
Time deposits	(80)	(61)	(19)	31.1
Savings accounts	(2)	(3)	1	(33.3)
Total funding through securities	**-**	**-**	**-**	**-**
Banks	**(124)**	**(97)**	**(27)**	**27.8**
Bank current accounts	(111)	(89)	(22)	24.7
Central Banks	(13)	(8)	(5)	62.5
Financial assets (securities)	**(5)**	**-**	**(5)**	**-**
Total funding	**(217)**	**(165)**	**(52)**	**31.5**

Net interest from customers	**320**	**460**	**(140)**	**(30.4)**
Net interest from banks	**(96)**	**(88)**	**(8)**	**9.1**
Net interest on securities	**190**	**185**	**5**	**2.7**
Total Item 30 Income Statement Net interest income	**414**	**557**	**(143)**	**(25.7)**

Specifically, interest income from customers, which accounted for about 77% of net interest income at the end of 2021, showed a reduction of €140 thousand with respect to the comparative figure. This contraction was mainly attributable to the decline in loan to customers volumes, along with a general decline in average rates.

The net figure related to Banks recorded a slight increase with respect to the comparative figure.

Net income items deriving from securities are basically unchanged, i.e. up 2.7% compared to the figure at 2020 year-end. This performance mainly reflects the positive figure from the Bank's treasury portfolio, which, at the end of 2021, recorded interest income of €154 thousand compared to €96 thousand recorded in 2020.

Management data at 31 December 2021, compared to the same period in 2020, show a decline in average volumes (€2,607 thousand) on the loans side, together with a decline in the average lending rate (from 2.854 at 31 December 2020 to 2.482 in December 2021).

Vice versa, compared to the same period of 2020, direct funding from customers showed an increase in average volumes of €6,312 thousand and an increase in the average rate applied (from 0.228 at 31 December 2020 to 0.302 in December 2021).

The total differential between outstanding loans and direct funding decreased by about 45 bps, from 2,626 at the end of 2020 to 2,180 at the end of 2021; nevertheless it is significantly higher than the system average of 1.71.

On the commissions front, on the other hand, the 2021 figure (as shown in the table below) was a negative €412 thousand, an improvement of about 41% (the balance sheet item decreased by €284 thousand) compared to the comparative figure.

Breakdown of Item 40 Income Statement Commission income	31/12/2021	31/12/2020	Change	Change %
Placement of securities	19	23	(4)	(17.4)
Receipt and transmission of orders	4	8	(4)	(50.0)
Custody and management of securities	15	20	(5)	(25.0)
Payment services	297	339	(42)	(12.4)
- of which C/A management and holding	175	209	(34)	(16.3)
Other commissions receivable	10	24	(14)	(58.3)
Total	**345**	**414**	**(69)**	**(16.7)**

Breakdown of Item 50 Income Statement Commissions expense	31/12/2021	31/12/2020	Change	% change
Trading of financial instruments and currencies	644	1,013	(369)	(36.4)
Custody and management of securities	31	27	4	14.8
Collection and payment services	51	41	10	24.4
Other commissions payable	31	29	2	6.9
Total	**757**	**1,110**	**(353)**	**(31.8)**

Total Item 60 Income Statement Net commissions	**(412)**	**(696)**	**284**	**(40.8)**

The performance mainly reflected the contraction in commission expense items (-32%, -353 thousand), and more specifically, those relating to the trading of financial instruments that are strongly related with the performance recorded in the trading segment. Commission income, on the other hand, showed a slight change, negative by €69 thousand, compared to 2020.

Moving on to analyse the additional income components that contributed to the formation of the brokerage margin, in order to directly identify the contribution of the results achieved by the *core* segment of the Bank, we prepared the table below, in which the results for the year achieved by the Finance business line are shown separately and compared with the results achieved in 2020.

Earnings - Bank Core Segment (Finance)

(€/000)	31/12/2021	31/12/2020	Change	% change
Interest income on debt securities (proprietary portfolios):	**194**	**185**	**9**	**4.9**
- on financial assets held for trading	20	30	(10)	(33.3)
- on financial assets measured at fair value through other comprehensive income	154	96	58	60.4
- on financial assets measured at amortised cost	20	59	(39)	(66.1)
Net income on trading activity	**3,177**	**4,072**	**(895)**	**(22.0)**
Profit (loss) on disposal/repurchase of:	**203**	**2**	**201**	**-**
- financial assets measured at amortised cost	21	-	21	-
- financial assets measured at fair value through other comprehensive income	182	2	180	-
Total	**3,574**	**4,259**	**(685)**	**(16.1)**

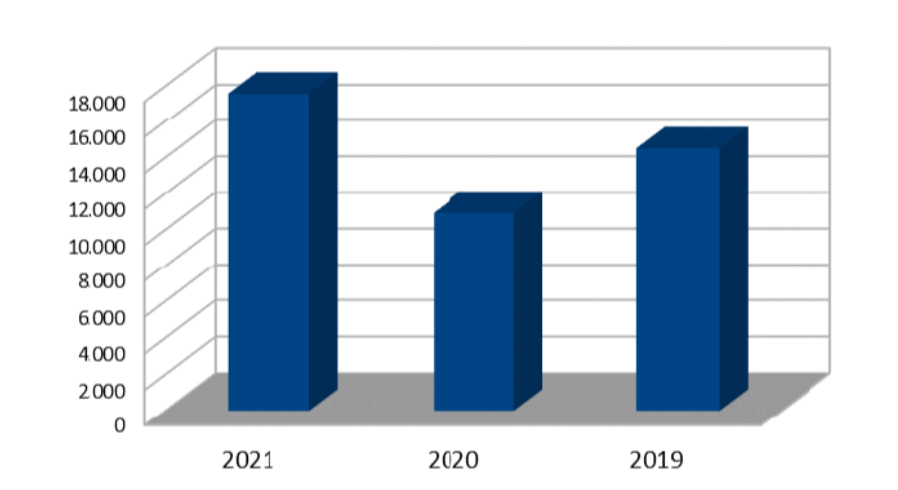
As shown in the table, the income components achieved in the "Finance" segment were a positive figure of €3,574 thousand at year-end, a decrease of 16% (-685 thousand) compared to the comparative figure.

The declining result mainly reflected the declining income of the Bank's business units engaged in *trading* activities, which at 31 December 2021 amounted to €3,177 thousand, a decrease of 22% (-895 thousand) compared to the comparative figure.

As mentioned, the performance of trading revenues was strongly influenced by the effect of narrowing bid-ask spreads of the individual trades (-51.63% year-on-year), which were adversely affected by monetary policy decisions involving massive bond purchases by the European Central Bank as part of the Pandemic Purchase Programme. These decisions were all the more pronounced when compared to the same period last year, which was characterised by extraordinary volatility.

On the other hand, the year 2021 was characterised by the intense business development of the trading desks, with volumes traded that grew significantly, with a year-on-year increase rate of 61%. The volume figure rose from €10.9 billion in 2020 to €17.6 billion as at 31 December 2021, the highest figure in the last observation period of three years.

Tab. 2 Trading volumes in millions (Institutional Counterparties)



The trend in trading income was offset by the positive contribution from the Bank's proprietary portfolio business (*HTC* and *HTC&S)* which generated income of €203 thousand, compared to €2 thousand in 2020.

The profits recorded were largely derived from sales of debt securities allocated to the Bank's HTC&S portfolio, which benefited from the market’s favourable momentum during the year.

Interest income on proprietary portfolios, especially from the HTC&S portfolio, was also positive, albeit of a modest amount.

Net result of financial operations

The net result on financial operations stood at € 3,299 at 31 December 2021, down 12% (-436 thousand) on the comparison figure.

Of special relevance within this aggregate are net value adjustments for credit risk on financial assets measured at amortised cost, which totalled a negative €76 thousand. This compares with €165 thousand in 2020, which included the recognition of higher net value adjustments following a review of macroeconomic scenarios included in the impairment model to account for the effects of the Covid-19 health emergency.

The cost of credit, expressed as the ratio of net value adjustments to net loans, thus stood at 0.64%, compared to 1.15% in 2020.

The value adjustments on debt securities allocated to the proprietary HTC&S portfolios increased and amounted to €11 thousand at the reporting date against €4 thousand in the comparison period.

Operating costs

Operating costs (€/000)	31/12/2021	31/12/2020	Change	Change %
Administrative expenses, of which:	(3,296)	(3,418)	122	(3.6)
- *staff expenses*	*(1,920)*	*(1,978)*	*58*	*(2.9)*
- *other administrative expenses*	*(1,376)*	*(1,440)*	*64*	*(4.4)*
Net allocations to provisions for liabilities and charges	(341)	(4)	(337)	-
Net value adjustments/write-backs on tangible and intangible assets	(409)	(379)	(30)	7.9
Other operating expenses/income	248	341	(93)	(27.3)
Total operating costs	**(3,798)**	**(3,460)**	**(338)**	**9.8**

At 31 December 2021, operating costs amounted to €3,798 thousand, up around 10% (338 thousand) on the comparison figure (€ 3,460).
A detailed analysis of the individual aggregates making up the bank's total costs for the year shows that the upward trend was mostly influenced by the allocation of provisions for litigation risks and charges, which resulted in higher outlays for the bank totalling €340 thousand. Net allocations to provisions for risks recognised on commitments/guarantees given, in accordance with IFRS 9, amounted to €1,000 at the reporting date.
For details on the individual items see the tables in Part B and C of the Notes.

On the other hand, administrative expenses decreased by €122 thousand (-4%) compared to 2020, reflecting the management focus to containing costs. Within this aggregate, the reduction in personnel expenses (-€58 thousand) was mainly affected by lower charges allocated to the variable components, paid to trading room personnel, which are closely linked to the trading profits achieved in the year.
The reduction of other administrative expenses also continued in 2021, amounting to €1,376 thousand, down 5% (64 thousand) on the previous comparative period, benefiting from the control actions implemented.
Depreciation and amortisation on tangible and intangible assets stood at €409 thousand, slightly up versus the comparison figure. This increase was affected by higher allowances arising from the write-up of internally generated software recorded among the Bank’s intangible assets.

The item Other operating income/expenses, amounting to €248 thousand as at 31 December 2021, includes the positive income component arising from the research and development activities conducted by the Bank in 2021. In particular, the amount of tax credit due in 2021 for Research and Development under Decree Law No. 145 of 23 December 2013 was €252 thousand.

The *cost/income ratio* in 2021 stood at 112%, compared to 88% in 2020. The increase in this indicator reflected both the effect of lower volatility in the financial markets in 2021, which brought trading results back in line with pre-2020 results, and the upward trend of operating expenses due to higher non-recurring charges.

Profit/loss for the year

At 31 December 2021, the pre-tax loss from current operations amounted to € 515 thousand. The trend in taxes, which generated an income item of € 825 thousand in the year, brought the net profit to € 310 thousand.

In particular, the benefits of the tax realignment of a property owned by the company were recognised as tax income. This option introduced by Decree-Law No. 104 of 2020 (August Decree) resulted in the release of the amount allocated, in previous financial statements, to deferred tax liabilities with a positive impact on the income statement of € 726 thousand.

Cash Flow Statement

The Cash Flow statement showed a balance between cash inflows and outflows, reflecting ordinary operations without any special events, which in the year generated cash totalling € 5,139,263. Cash and cash equivalents were sufficient to meet funding requirements.

Changes to Regulations and Organizational Activities

The banking regulatory framework is constantly evolving and continues to show a high degree of complexity, due to the intertwining of different disciplines, ranging from anti-money laundering to privacy, from investment services to payment services, going through banking transparency and other more strictly sectoral regulations such as cash management.

The year under review was no exception in this respect, and there was a succession of legislative and regulatory updates that had an operational impact and, as usual, this report provides a summary of the areas affected by the main changes and the related adjustments implemented by the Bank's organisational structures.

Payment Services and Instruments

On the subject of payment instruments, and with specific reference to contactless cards characterised by technological asymmetry, Banca d'Italia issued a communication, later taken up by Bancomat Spa, in which the need to replace such cards was brought forward to 31 December 2021. Consequently, the Bank planned the early and massive replacement of these media, implementing a specific campaign both to manage the technical-operational aspects and to adequately inform customers, with the aim of minimising the resulting inconvenience for them.

The replacement of the cards with new symmetrical media, in addition to meeting specific and enhanced security criteria, is preliminary to the digitisation of the card, for its use as virtual card on smartphone devices and their enabled payment 'wallets'.

Anti-Money Laundering

Complementing and in keeping with the work carried out in 2020, in February 2021 the FIU published a further note on the “Prevention of financial crime related to the COVID-19 crisis”, pointing out new elements to facilitate the reporting of suspicious transactions in the context of the COVID-19 crisis. The guidelines were promptly acknowledged by the Bank, which disseminated them within its organisation with a view to paying constant attention to this topic.

Furthermore, in light of Legislative Decree 125/2019 and the provisions issued by Banca d’Italia regarding the storage and provision of documents, data and information for the purpose of combating money laundering and terrorist financing, we issued an update to the Anti-Money Laundering Operational Manual, taking the opportunity to also include in the document a section specifically dedicated to online funding from consumers not resident in Italy via the Raisin platform.

Privacy

In June 2021, the European Commission issued Implementing Decision (EU) No. 2021/915, which adopted standard contractual clauses that may be used in governing relations between data controllers and data processors pursuant to Article 28 of the GDPR as of 27 June 2021.

Accordingly, it amended the document for the appointment of the data processor and revised the objective requirements for designation of the processore to make them concretely measurable. In addition, a short questionnaire was implemented to be submitted to the potential data processor in order to preliminarily ascertain whether he or she meets the requirements for the role.

Following the publication, in the same month of June, of the Italian Privacy Authority’s measure "Guidelines for cookies and other tracking tools", the Bank's website was updated, with the involvement of the DPO and the IT Department, to adapt it to the new standards where necessary.

In compliance with the provisions of Legislative Decree No. 127/2021 concerning security measures related to the COVID-19 pandemic, the obligation for employees to show the Green Pass was also regulated with regard to the proper processing of personal data, through the drafting of a specific information notice.

Finally, the Register of Processing Activities prepared pursuant to Article 30 of the GDPR was updated. The amendments covered formal and substantive aspects, with a general expansion compared to the initial version. In particular, in addition to an overall reformatting of the document, in terms of content, obsolete processing operations have been eliminated while new procedures activated in 2020 have been incorporated, with an indication of the updated IT Risk and details of the physical/logical security measures in relation to the specific processing.

Bank Transparency

As regards Transparency matters, on 30 June 2021 Banca d’Italia issued a measure amending the text of paragraph 3.1 of Section VI ("Payment Services") of the Supervisory Provisions on

"Transparency of Banking and Financial Transactions and Services. Fairness in relations between intermediaries and customers", which provides for a new information document to be made available to customers in order to better explain consumers' rights within the EU payment systems.
The brochure, prepared by the European Commission, was published by the Bank on its website and was also made available in hard copy at the branches.
This complements the publication of the new guide "*E-commerce payments explained*" published by Banca d'Italia in July 2021 and the information brochure produced by the FITD (Interbank Fund for Deposit Protection) as part of its *public awareness* initiatives, concerning the Fund itself and the Deposit Guarantee Scheme, in implementation of Directive 2014/49/EU on Deposit Guarantee Schemes (DGSD), which introduced specific rules to ensure adequate transparency with depositors, by both banks and deposit guarantee schemes.
With regard to regulations on Product Governance for retail banking products (POG), on the basis of the implementations made available by the outsourcer in December 2020, the Bank adopted the new IT tools for regulatory compliance when offering new products.
The regulation, with a view to strengthening the safeguards for consumers and retail customers, establishes that banking products must be designed and sold in keeping with the interests, objectives and characteristics of the categories of customers they are aimed at (the "target market").
In particular, the applications in use allow the Bank to comply with the rules on product classification into homogeneous categories differentiated by degree of complexity and risk; the profiling of customers according to parameters such as financial literacy and capital strength, in order to define the degree of protection required for each profile; the verification of the "target market" adequacy by comparing product categories and customer profiles.

As part of the ordinary maintenance and updating of the body of documents that make up our internal regulations and organisational model, in 2021 the Bank's various functions/offices reviewed the regulations listed below:

- "Finance Regulation" in order to adapt the document to the changed operational procedures as well as to harmonise the existing operational parameters;
- "Cash Handling Regulation" to transpose certain ECB decisions on the handling of counterfeit and suspicious banknotes, and to clarify certain operational and procedural aspects.
- "Manual of Internal Procedures" to supplement the operational procedures issued since the last update and to revise existing procedures to take account of any regulatory changes and/or new practices.
- "Company function chart" in order to expand and/or streamline the tasks of certain company functions in relation to changed operational procedures.

- “231 Organisation, Management and Control Model” in accordance with Italian Legislative Decree 75/ 2020 implementing Directive (EU) 2017/1371 (PIF directive), on the fight against fraud to the European Union's financial interests by means of criminal law.

Information on Environmental Aspects - ESG

The growing relevance of climate and environmental risks is a variable of great interest for the Bank, both now and in the future, such as to require special attention to the integration of environmental, social and governance factors into our decision-making processes and into the organisational and operational aspects inherent in our business model.

To this end, a project was launched in 2021 to identify and formalise the controls and measures to be taken with regard to sustainability.

The latter, referring to the ability to do no harm to the environment and to the communities while supporting a medium- to long-term economic, social and environmental balance, has become a factor of considerable importance for society as a whole.

Therefore, ESG risk and, as its sub-category, climate change risks have been included in the Bank's risk management framework.

This adjustment process is expected to reach completion at the end of FY2022, with the adoption of process and organisational solutions capable of ensuring compliance of the Bank’s service model with the evolving regulatory environment over time and integration into the adequacy assessment process and into our governance controls for financial products (product governance).

Research and Development

Research and Development, carried out through the Research and Development Laboratory, proceeded in 2021, with purposes, contents and results compliant with the regulations contained in paragraph 203 of article 1 of Law no. 160 of 27 December 2019, as amended through article 2, paragraph 2, letter c of article 3 of MISE Decree of 26 May 2020.

The Bank pays continuing attention to digital developments and advances, investing in technologies by developing software tools and applications in-house with the aim of supporting a number of areas of the Institute’s operations, in line with the so-called Industry 4.0 National Plan of the Ministry of Economic Development.

The accounting standard that governs research and development activities is IAS 38 "Intangible Assets", the purpose of these activities being the development of the Bank’s know-how. Pursuant to the aforementioned standard, "research" involves an original and planned investigation undertaken with the prospect of achieving new scientific or technical knowledge and discoveries. “Development”, on the other hand, involves the application of research results or other knowledge to a plan or project for the production of new or substantially improved materials, devices, processes, systems or services, before the start of commercial production or use.

The Research and Development Laboratory aimed at identifying, formulating projects for and implementing the scientific and technical activities, carries out the following activities, with reference to the projects implemented during the year within the framework of the internal Research, Development and Innovation strategy:

- Critical Analysis, Formulation and Configuration of possible Research Projects;
- operational formulation of the research projects;
- industrial research and development of R&D projects on the indications of Top Management;
- development, technical and operational coordination and Experimentation;
- technical documentation regarding Research Projects.

In 2021, the Bank continued to pursue the following research and development projects:

1. INVEX (software platform that acts as an online marketplace for the non-recourse assignment of invoices)
2. PRISMA (integrated computerised information system supporting trading activities for OTC trading, position keeping and client management)
3. FEEDO (client/server platform for handling cash deposited in smart/safe at participating merchants).

The professional figures involved in the projects are as follows:

➢ **Internal**:

- the project manager that has guaranteed interfunctional integration;
- Key Resources/Researchers that have made a significant contribution to developing new knowledge regarding products, processes and methods, collaborating on experimental development;
- the other team members involved who have been temporarily assigned to the projects and sub-projects in the areas concerned, answering at the same time to the respective department managers.

➢ **External:**

The Bank worked with companies that provide direct experimental services that are an integral part of a project and/or research and Development activity. These external figures also include both independent professionals acting as consultants and professionals providing technical and scientific services.

In 2021, Banca Promos also registered the PRISMA, Invex and Feedo software with SIAE, thus activating a procedure to protect its service property also by registering and patenting its know-how pursuant to Law 190, Patent Box.

Information Systems

Throughout the first part of 2021, our staff continued to work remotely. Consequently, our in-house IT department on the one hand was engaged in ensuring the efficiency of the entire remote working structure, optimising technical-operational solutions and providing the necessary support to individual employees, and on the other hand paid special attention to cyber security issues.

In this respect, the Bank firstly decided to restrict the so-called BYOD - Bring Your Own Device, i.e. the approach that allows the use of own personal devices at work. Although BYOD can undoubtedly have positive effects on the organisation and on productivity, we chose a different path, with a view to focus on the efficient management of crucial aspects such as IT infrastructure and above all, cyber risk and data security.

We also focused on the e-mail service, which is one of the most widespread and widely used working tools which, for this very reason, is often a channel of intrusion and of potential risk for company networks. Considerable resources were devoted to analysing and identifying protocols capable of ensuring the validity and reliability of the e-mails received, with the aim of significantly reducing spam messages, which are often the vehicles of sophisticated malware and cyber attacks.

This, as usual, was accompanied by continuous system and network maintenance, exploring and adopting new and more effective management solutions for servers, firewalls and wi-fi network infrastructure, also in relation to guest management.

Without going into the details of our R&D laboratory activities, which are described in a separate section of this report, we note that new software modules were implemented to support the control structures (e.g *Check FATFGAFI*which examines the file with FATF recommendations to identify those countries that meet the evaluation criteria), the marketing area (*Counterparty Analysis* and *Clients and contacts monitor*, tools for analysing dealers' activity in relation to counterparties assigned to them), and the trading room (*CSDR Settlement Discipline cash penalties* which checks the penalties provided for in the new CSDR regulations in the event of delayed settlement).

In addition, the following applications were optimised and improved:

- feedo system (with FeedoToAllitude is a procedure that generates and sends the detail of merchant commissions to the company accounting system at a predetermined frequency; and with the implementation in Promos BT Manager of numerous automations, control reports and monitoring mechanisms, with a view to continuous improvement of process controls).
- Funding: for viewing deposit accounts and related restrictions broken down by origin, duration, applicant's residence;
- Prisma with *Active trading proposals* (Cross-reference between PDNs in Prisma and counterparty profile for customer-targeted suggestion of interest) and *Counterparty notes*an

integrated messaging system that allows traders to collect and exchange notes and/or suggestions on counterparties.

Workforce Statistical Information

As at 31 December 2021, the bank's total workforce of 34 persons (32 FTEs) confirmed the figure at the beginning of the year.

The analysis of other statistical information on the staff, schematically summarized in the tables below, shows a basically balanced breakdown between men and women (38% male, 62% female) and a prevalence of workers included in the 30-50 years age group, who account for around three quarters of the workforce. The overall average age is 46 years.

In terms of breakdown by operational areas, around half of the employees is employed in the Commercial Area (branches and finance area), while 12% are computer technicians of the in-house IT Office. The rest of the staff works at the Head Office (organization, control, accounting and reporting, securities back office).

Turnover	Workforce at 01/01/2021	Hiring/ Transformation	Resignation/ retirement/ termination/ transformation	Workforce at 31/12/2021
Permanent contracts of which:	**34**	1	2	**33**
Managers	**-**	-	-	**-**
Middle management	**4**	1	-	**5**
White-collar personnel	**28**	-	2	**26**
Blue-collar personnel	**2**	-	-	**2**
Temporary contracts of which:	**-**	2	1	**1**
White-collar personnel	**-**	-	-	**-**
Blue-collar personnel	**-**	2	1	**1**
TOTALS	**34**	**3**	**3**	**34**

Breakdown	Managers	Middle management	White-collar personnel	Blue-collar personnel	Total
Men	**-**	**2**	**9**	**2**	**13**
Women	**-**	**3**	**17**	**1**	**21**
Average age	-	53	44	52	46
Average length of service	-	17	15	10	15
Permanent contracts	-	5	26	2	33
Temporary contracts	-	-	-	1	1
Apprenticeship contracts	-	-	-	-	-
Qualification – University	-	5	18	-	23
Qualification – High School	-	-	7	-	7
Qualification – Middle School	-	-	1	3	4

As far as remuneration policies and practices are concerned, the Bank has prepared and updated the pertinent document, and a special disclosure has been prepared on the implementation of those policies, to be submitted to the Shareholders' Meeting.

Related parties

The Bank identifies the parties who are classified as related parties pursuant to IAS 24. Transactions with these parties were regularly performed during the year and all the transactions were carried out on an arm's length basis.

In compliance with applicable regulations, Part H of the Notes provides the relevant details, as well as the information required by regulations on relations with the Bank's directors, statutory auditors and subsidiaries.

Other information

This section provides Shareholders with additional information concerning the Bank. In particular, at the end of FY 2021:

- the bank did not, either directly or indirectly, hold treasury shares in the portfolio and no treasury shares were sold or purchased during the year;
- the Bank was not and is not a member of any banking group;
- the Supervisory Board established pursuant to Legislative Decree 231 carried out its activity in accordance with the annual plan prepared by the body itself;
- research and development activities were carried out, as already discussed in this report;
- no significant events occurred after the balance sheet date besides those highlighted in this report and in the Notes.

In addition, some information with potential significance for the Bank is summarized here.

Going Concern Basis

In preparing the financial statements as at 31 December 2021, the Directors considered the going concern assumption appropriate as, in their opinion, there were no uncertainties regarding events or circumstances which, considered individually or as a whole, could give rise to doubts as to the bank's ability to continue operating as a going concern.

Main risks

Part E of the notes contains qualitative and quantitative information on key risks, including of a financial nature, to which the Bank is normally exposed, i.e. credit risk, market risk and liquidity risk. This report also provides additional information on risks. As required by Banca d'Italia's Communication of 21 December 2021 concerning updates on the impact of Covd-19 and measures to support the economy - in Parts A, B, C and E of the Notes to the Financial Statements we provide further indications of the main risks and uncertainties to which the Bank is exposed in relation to the post Covid- 19 pandemic environment.

Impairment tests

The Directors assessed all the Assets reported in the financial statements in order to identify any impairment.

Uncertainties associated with the use of estimates

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.

Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.

The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore, the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- verification of compliance with requirements for the classification of financial assets in accounting portfolios that provide for the use of the amortized cost criterion (SPPI Test), with specific reference to performance of the benchmark test;
- the quantification of impairment losses on loans and, more in generally, of the other financial assets;
- the determination of fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- impairment test of goodwill and other intangible assets;
- measuring reserves for personnel and provisions for liabilities and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.

With specific reference to intangible assets, pursuant to IAS 38 the Bank has recognized intangible assets based on internally generated technology, intended to support the various business lines of the Bank and therefore capable of generating future economic benefits.

In compliance with the applicable accounting standard (IAS 38) research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet.
For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

Fair value hierarchy

"Policies and processes for the evaluation of corporate assets", prepared in accordance with IFRS 13, regulate the "fair value hierarchy" for the purpose of identifying the different fair value levels. These fair value measurement and classification methods are described in the Notes - Part A Accounting Policies of this Annual Report.

Internal Audit System

Our overall business processes are subject to checks, as prescribed by Supervisory Provisions, that make up our system of internal controls which is of strategic importance for the Bank. The Bank's efforts pursue a constant strengthening of the control culture in all areas of the corporate organisation, and not just within the control functions.
The internal audit system, in line with the Supervisory provisions in force, is structured according to principles that ensure sound and prudent management; it consists of rules, procedures and organizational structures that on the one hand aim to ensure compliance with corporate strategies and, on the other, enable us to achieve the following goals:

- containing risk within the limits set in the Risk Appetite Framework –RAF, which is the frame of reference for defining the risk appetite of the Bank;
- effectiveness and efficiency of business processes (administration, production, distribution, etc.);
- Safeguarding asset value and protection against losses;
- reliability and integrity of business information and IT procedures;
- compliance of operations with the law and supervisory regulations as well as with company policies and internal regulations and procedures.

In addition, the internal audit system aims to prevent the risk that the Bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism.

Processes are subject to multiple controls, according to coordinated audit plans and based on a three- level approach, namely:

- first level controls, i.e. line controls performed by the individual operating units;
- second-level controls, which include:
  - anti-money laundering controls, carried out by a specific organizational unit that verifies the regulatory and operational compliance of the anti-money laundering process i.e. the system for managing money-laundering risk;
  - compliance checks, performed by the Compliance department and aimed at verifying compliance of the Bank's processes by comparing internal regulations with corresponding external provisions and by comparing the activities actually carried out with respect to those envisaged by the aforementioned internal provisions;
  - controls on the risks to which the Bank is exposed, carried out by Risk Management to ensure such risks are detected, measured and assessed according to supervisory provisions, also verifying compliance with the limits set for each individual risk (Risk appetite framework);
- third-level controls, which include the internal audit activity pertaining to the Internal Audit unit, a separate control unit that verifies the adequacy and effectiveness of first and second level controls and, therefore, of the internal control system as a whole.

Audit activities performed

During the year the following control activities were carried out by second and third level control functions.

Risk Management carried quarterly checks on the exposure to the following risks in terms of capital requirements:
Pillar I risks (*credit risk, market risk* and *operational risk*);
Pillar II "measurable" risks (*concentration risk* and *interest rate risk*).
In addition, quantitative analyses were also carried out on liquidity risk, albeit no capital requirement is yet associated with this risk.
The aforementioned audit activities were performed both in normal conditions and in stress situations.

In addition, the Risk Management function oversees the preparation of the ICAAP/ILAAP Structured Report ensuring that the methods implemented for measuring, evaluating and managing the Bank's exposure to risks are in accordance with the legislation in force. Details regarding the preparation of the mentioned report as at 31 December 2021 are shown in the relevant paragraph "ICAAP/ILLAAP".

The activity carried out by the Compliance function concerned the following areas:

- *Adequacy and effectiveness of business processes and procedures*
- *Specific compliance checks*
- *Consulting, assistance and training*
- *Conflicts of interest*
- *Complaints*

In line with the activities planned for 2020, the Anti-Money Laundering function ensured ongoing controls during the year to prevent and counter money laundering and terrorist financing transactions.

In particular, the activities carried out were divided into competence areas, namely:

- Adequacy and effectiveness of internal systems and procedures
- Consulting, assistance and training
- Checks on the reliability of the information system

On the one hand, the audit was aimed at ascertaining consistency of the Bank's procedures with the objectives of preventing and combating the infringement of external and internal regulations on the subject; on the other hand, checks were carried out regarding compliance by the Bank's personnel with internal procedures and regulatory obligations, with specific regard to "active co-operation" and ongoing monitoring of customer transactions.

More specifically, some checks were carried out in order to verify compliance with the following obligations:

- *Customer due diligence*
- *Recording and storage of information on accounts and transactions*
- *Detection, measurement and reporting of suspicious transactions*
- *Limitations on the use of cash*

In terms of information safeguards, in January 2021 - in compliance with the "Provisions for the storage and provision of documents, data and information to combat money laundering and terrorist financing" and the "FIU Measure for sending Aggregate Anti-Money Laundering Reports" - the limit for the Aggregate Anti-Money Laundering Reporting was reduced to €5,000.00, replacing the previous limit of €15,000.00, and the mechanism for handling so-called 'split transactions' has been eliminated.

Lastly, Internal Audit carried out both audits on processes and monitoring activities provided for by current legislation. In addition, follow-up activities were performed regarding resolution of the criticalities detected during control activities.
Specifically, the audit carried out on the processes concerned both banking and financial activities. More specifically, with reference to the banking sector, during the year specific audits were carried out on money laundering, and transparency of banking transactions and services.
In addition, checks were carried out on the tracking of banking transactions and compliance with the Business Model for the Management of Financial Activities adopted in accordance with IFRS9, as well as remote and on-site checks on the operations of branches, financial advisors and external collaborators.

On the other hand, with reference to the financial sector, the audits concerned the various investment services provided by the Bank (trading on own account, execution of customers' orders, receipt and transmission of orders, placement of financial instruments).
In this regard, both the regulatory aspects and the effectiveness and reliability of the information systems supporting the bank's operations were verified for the various analysed processes.

Further audits (connected to the laws in force) were conducted regarding the ICAAP/ILAAP process, the Business Continuity Plan, the liquidity management process, the remuneration policies, the management of related-party transactions, the Risk Appetite Framework and the outsourced functions. Furthermore, an audit was carried out on second level control functions, in addition to an audit on the single customer aggregated position (Single Customer View- SCV) to verify its compliance with the applicable legislation.
The checks carried out showed that the improvement areas identified had been remedied by adopting the necessary corrective actions, ensuring adequate monitoring of the risks to which the Bank is exposed.

Risk Management

Risk management is one of the major areas on which the Bank focuses its attention, since it is well aware that the development of adequate control measures in the various identified risk areas is the best guarantee of sound and prudent management.
Section E of the Notes summarises the information on risks and the related hedging policies. We also recall that the "Risk Management Process" is described in a specific document, according to a bank's practice for many years. This process consists of the following phases:

1. Risk mapping
2. Protective measures
3. Risk assessment

4. Stress *testing*
5. Risk monitoring and reporting

Risk mapping

Through mapping, the Bank has identified the risks to which it is exposed. Based on the knowledge of the Bank's organisation, the market in which it operates, the regulatory framework, as well as the strategic and operational objectives and the related threats and opportunities, all the risks associated with providing both banking and financial services were identified, i.e.:

- *Credit risk (counterparty included)*
- *Market risk (associated with proprietary trading)*
  - Position risk
  - Settlement risk
  - Concentration risk
  - Exchange rate risk
- *Market risk (associated with trading on behalf of third parties)*
  - Settlement risk
  - Concentration risk
  - Counterparty risk
- *Operational risk*
  - Legal risk
  - Organizational risk
  - Risk linked to human resources
  - IT risk
  - Risk related to external events
- *Concentration risk*
- *Interest rate risk*
- *Liquidity risk*
- *Risk of conflict of interest with respect to "Connected Persons"*
- *Risk associated with equity investments*
- *Country risk*
- *Risk of excessive leverage*
- *Residual risk*
- *Strategic risk*
- *Reputational risk*
- *Anti-money laundering risk*
- *ESG Risks*
  - Climate and environmental risks

Protective measures

Protective measures refer to the process of selecting and implementing the tools necessary to control, mitigate and, where possible, eliminate and/or transfer risks.
For each significant identified risk, the Bank has put in place related mitigating measures, in order to contain exposure to risk within the limits that meet sound and prudent management criteria.

Risk assessment

The risk assessment step is of crucial importance to preserve the Bank's asset and financial integrity and to implement corporate strategies, in order to establish the relative importance of all mapped risks and identify the most relevant ones.
This process involves the identification of "Typical Events" that are part of operating activities and which may pose a threat to the Bank; this requires a "Probability - Impact Matrix" analysis and the assignment of a significance score to each of them.
Each score assesses a risk exposure through a qualitative scale (low/medium/high), enabling the definition of risk acceptance levels, and consequently, the corrective measures to be taken, if any.

Stress testing

This activity consists in carrying out stress tests designed to better assess the Bank's exposure to risks, the risk mitigating and monitoring systems and, where necessary, the Internal Capital adequacy.
Stress tests consist in quantitative and qualitative techniques by which we evaluate the Bank's vulnerability to exceptional but plausible events; this is made by assessing the effects on the Bank's risk of specific events (sensitivity analysis) or of concurrent changes in a set of economic and financial variables in the event of adverse scenarios (scenario analysis).

Risk monitoring and reporting

Monitoring aims to determine, for each significant risk identified, on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.
Thereafter, reporting activities are performed that describe the results of the checks carried out.
A control structure is in place to this end which defines:

- those responsible for conducting the audits (first, second and third level controls);
- object and frequency of controls;
- control methods and tools;
- recipients of information flows.

Audit activities are carried out through integrated controls performed and differently organized according to the various levels within the Bank, in order to prevent multiple audits of operating units.

Any detected anomalies must be reported to the relevant Corporate Bodies along with any corrective actions to be undertaken.

The ICAAP and ILAAP process

As is known, the provisions on the prudential supervision of banks (Circular of Banca d'Italia no. 285 of 17 December 2013 as amended and supplemented), require the Bank to prepare the "ICAAP/ILAAP Report" at 31 December 2021, which was timely drawn up by the Bank.

The document is a documented self-assessment of the fundamental qualitative characteristics and results:

- for the ICAAP (Internal Capital Adequacy Assessment Process) - of the capital planning process, the overall exposure to risks and the consequent capital profile, both current and prospective, under normal and stressed conditions;
- for the ILAAP (Internal Liquidity Adequacy Assessment Process), of the liquidity risk governance and management system, the exposure to liquidity risk in terms of both the ability to raise funds in the market and available cash, the level of liquidity reserves and the financing sources and channels to be used.

Specifically, in the Reporting section dedicated to the ICAAP process, all risks, both "measurable" and "non-measurable", identified as a result of the mapping activity, were taken into account.

In order to determine the "internal capital" in relation to each of the "measurable" risks, the Bank measured its exposure to them. In this sense, as provided for banks belonging to Class 3 and in accordance with the principle of proportionality, the following techniques were deemed most appropriate and, therefore used as a reference:

- For Pillar I risks (credit, market and operating risks), the quantitative measurement techniques as provided for by regulations for capital requirements calculations, using the standardised approach;
- For Pillar II "measurable" risks (concentration and interest rate risks), the simplified quantitative measurement methods as provided for by the Supervisory regulations.

With reference to excessive leverage risk, its quantitative assessment is carried out through the "leverage ratio" indicator, which is the ratio between Tier 1 and total unweighted assets, the value of which is disclosed to the the Supervisory Authority as part of the "Base LEVI" disclosure.

In parallel, with reference to the other "non-measurable" risks (*strategic, reputational,* *residual and anti-money Laundering risks*), which are difficult to quantify due to their intrinsic characteristics, the estimate of the bank's exposure is based on subjective assessments carried out on the basis of mainly qualitative methods defined in relation to the nature of each risk.

The assessment of the risk of conflict of interest with respect to "Connected Persons", the risk associated with the acquisition of equity investments and country risk is performed by checking the effectiveness of the relevant protective measures put in place by the Bank.

To better assess its capital adequacy, the Bank has carried out stress tests that consist of testing the effects of specific events on the risks to which it is exposed. The Bank therefore performed sensitivity analyses aimed at verifying the impact on the bank's balance sheet of "extreme", yet plausible, changes in the following risks (individually assessed):

- Credit
- Concentration
- Interest rate
- Liquidity
- Own Funds
- *Leverage Ratio*

The approach defined allows for an assessment of both the impact of predefined stress tests, based on standard methodological practices, and of customised tests, based on portfolio characteristics or the economic situation.

Consistent with the Supervisory regulations, we calculated the internal capital against Pillar I risks and Pillar II measurable risks which require capital for regulatory purposes. These values were used as the starting point for defining the "Total Internal Capital", by applying a building blocks approach, consisting of an algebraical sum of the internal capital related to each type of risk.

Finally, the connection was made between the Bank's Own Funds and the different types of "total internal capital" (relating to actual and budgeted data, stressed and non-stressed data), in order to verify its adequacy.

The results of this analysis showed that, under all tested conditions, the Bank's capital is such as to guarantee a significant capital surplus.

In relation to the ILAAP, a liquidity risk measurement and control activity was carried out, both "short term" and "structural", in "normal" and "stressed" conditions, although said risk does not yet involve any capital absorption.

In particular, liquidity risk monitoring was performed by:

1. verifying that the Bank has the “very short-term” liquidity (1 to 30 days) and "short-term” liquidity (up to 12 months) necessary to carry out operations, respectively on daily and monthly basis;

2. monitoring compliance with operational limits to the assumption of liquidity risks on a monthly basis, through the observation of early warning short-term and structural indicators;
3. performing “stress tests” on a monthly basis;
4. monitoring "systemic" and "specific" early warning indicators, respectively on a daily and monthly basis.

These monitoring activities showed that the Bank can deal with potential "short-term" or "structural" liquidity tensions through its "liquidity reserves".

Furthermore, an analysis of the Bank's operating liquidity in stressed conditions was carried out through ongoing monitoring of the performance of the short-term "LCR" ("Liquidity Coverage Ratio") indicator, which during the year was constantly higher than the minimum mandatory requirement (100%).

In order to assess the impact of adverse events on risk exposure and on the adequacy of "liquidity reserves" both from a quantitative and qualitative standpoint, additional stress tests on the regulatory LCR (Liquidity Coverage Ratio) were carried out.

In particular, the following scenarios were assumed:

1) Market crisis scenario: a financial crisis external to the Bank that causes a general devaluation of the assets included in the Liquidity Buffer; because this buffer is made up almost exclusively of Italian government bonds, a value reduction of 5% is applied to the bond component. Also in the case of a financial crisis, the likely effect would be a greater use of the credit lines granted, as well as an increase in outflows related to products and services offered to customers.

2) Idiosyncratic crisis scenario: the onset of a crisis directly affecting the Bank (for example a crisis caused by a reputational event) that causes an increase in liquidity outflows due to the withdrawal of customer deposits.

3) Considering the start of the collection of time deposits through fintech platforms, where applicable, early divestment is envisaged of 50% of the deposits collected through the aforementioned channel.

4) Finally, in view of the current macroeconomic scenario due to the COVID-19 emergency, further stress was applied, taking on board the effect of the moratoria, and therefore of the lack of flows deriving from the network of mortgage loans towards retail and non-financial counterparties. This stress was applied to liquidity flows in both the market and idiosyncratic scenarios.

This stress test also did not reveal any infringement of the minimum regulatory requirement.

Therefore, the Bank is able to cope with liquidity needs through its autonomous funding capacity, both in stress situations and in the event of an additional stress scenario compared to that envisaged by the legislation in force.

The quarterly monitoring on the degree of assets encumbrance and the AER (Asset Encumbrance Ratio) and EAER (Eligible Asset Encumbrance Ratio) indicators did not reveal any anomaly, and said ratios were consistent with the operating limits defined by the internal regulations.

Public Disclosure

According to supervisory regulations, capital adequacy, risk exposure and the general features of the systems used to identify, measure and manage those risks are to be disclosed by the Bank (i.e. Pillar III).

The document provides information about the level of business risk, the methods used by the Bank to quantify and manage its risks, in relation to the size of existing and future capital resources.

The public disclosure document required by the third pillar supervisory regulations will be published on the company's website (www.bancapromos.it) together with the financial statements for FY 2021.

Return on Assets indicator

Pursuant to Article 90 of Directive 2013/36/EU, or CRD IV, the Return on Assets indicator is shown below (Public Disclosure of return on Assets), calculated as the ratio of net profit to total assets[3], which was 0.5% as at 31 December 2021.

Events Subsequent to 31 December 2021

In the period between the reporting date and the date of approval of these financial statements by the Board of Directors, no events occurred requiring changes to the data approved as such.

As already mentioned at the beginning of this report, the results of the inspection conducted by Banca d'Italia have not been disclosed to date.

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[3] Pursuant to Banca d'Italia Circular No. 262/2005, the items to be considered are "Total Assets" and item 300 "Profit/(Loss) for the year in the individual financial statements.

Business Outlook

As ECB President Christine Lagarde explicitly stated at her meeting on 10 March this year, following the Russian invasion of Ukraine the risks for the economic outlook have increased and are pointing downwards. The war in the heart of Europe adds to the spread of the coronavirus variants and has made the current environment extremely uncertain and all available forecasts immediately obsolete.

The range of estimates is as wide as ever and the potential scenarios are very diverse. In any case, the immediate effects of the conflict on prices in global financial markets were significant, and volatility remained high in many market segments. The prices of raw materials, especially energy, rose further.

Already at the aforementioned meeting, the European Central Bank revised its GDP growth estimate for the Eurozone downwards to 3.7 per cent from 4.2 per cent in December 2021.

Even leaving aside the humanitarian emergency, the problems on the table remain numerous: from the impact of sanctions against Russia and Belarus on the global financial and economic system, to the risk of default for Russia, to doubts about the resilience of other European economies that are closely linked to Russia.

In this situation, a propensity for innovation and an ability to reshape business models to adjust them to new scenarios play a decisive role, and have therefore always been considered the basis for management evaluations, with a view to effectively achieving medium/long-term income targets.

The trends prevailing in this new environment find our Bank ready to continue pursuing the strategic objectives it defined in the 2021-2022 Plan and aimed at increasing its value. The Bank's continued specialisation in trading services, the launch of new business lines in the *fintech area*and the reduction of operating costs, together with a constant attention to achieving a high level of capital strength, should support the planned profitability prospects of our Bank.

In the aforementioned Plan, the main planned areas for action to effectively achieve its medium/long-term objectives include the central role of the Bank's capital reinforcement strategy, while at the same time pursuing a careful analysis to monitor its overall risk exposure.

In this respect, the Board of Directors of Banca Promos monitored with particular attention the effects of the operational choices made to achieve the strategic objectives defined in the aforementioned Strategic Plan.

In this sense, the Bank, in reaffirming the need to maintain a particularly prudent risk profile in the management of its securities portfolio, has opted for a more decisive management strategy designed to promote medium-long term stability in the funding of its securities portfolio thereby mitigating the risks of weakening capital in respect of requirements. The analysis led to the consideration that the business model previously adopted by the Bank (predominantly holding proprietary securities classified in the Hold to Collect & Sell - HTCS - category), was no longer consistent with its strategic and risk objectives (reinforced capital requirements).

Therefore, at its meeting of 19/05/2022, the Bank's Board of Directors decided to strategically review the management logic for all its holdings.

The risk alignment will be achieved by shifting the focus from the Hold To Collect & Sell (HTCS) business model, which will become residual compared to the Hold to Collect (HTC) business model and will be allocated to the short-term treasury business.

Proposal to Approve the Financial Statements

Dear Shareholders, the financial statements that are submitted for your approval provide a clear, truthful and fair view of the Bank's financial position and performance.

We therefore ask you to approve the Financial Statements at 31 December 2021 as prepared by the Board of Directors, together with the attached reports of the Independent Auditors, KPMG SpA, and the Statutory Auditors.

In this regard, as is well known, it should first be recalled that in 2020 Banca d'Italia issued a series of Communications on the subject of "dividend distribution and variable remuneration policies", the last of which in December, in which in view of the persistent economic uncertainty caused by the COVID-19 pandemic emergency, it recommended that the less significant banks continue to adopt a prudent approach; in particular, it recommended that until 30 September 2021 these banks should refrain from approving or paying dividends and should be extremely cautious in the payment of variable remuneration.

Subsequently, on 27 July 2021, Banca d'Italia, on the basis of macroeconomic projections showing signs of improvement, repealed the aforementioned recommendation as of 1 October 2021; it nevertheless asked the less significant banks to continue to adopt a prudent and forward-looking approach to remuneration policies.

In consideration of the above, we therefore submit a proposal for the allocation of profit for the year in accordance with criteria of prudence and attention to capital strengthening, also in keeping with recommendations from the Supervisory Authorities.

Therefore, the Shareholders' Meeting, after acknowledging the Balance Sheet, Income Statement, Statement of Comprehensive Income, statements of changes in Shareholders' Equity, Cash Flow

Statement and the Notes, as well as the Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report, is called upon to resolve on the allocation of the profit for the year amounting to € 310,176, as follows:

- € 15,509 to the Legal Reserve;
- the residual € 294,667 to be carried forward.

Acknowledgements

Shareholders, the year just elapsed was, once again, absolutely extraordinary, although it marked a gradual return to ordinary business after the upheavals caused by the handling of the pandemic. The weight of the pandemic has been (and will be) considerable, but your Bank, despite the general difficulties, has been able to adapt to these changes.

For the above reasons, the Bank's Board of Directors would like to express its gratitude to the entire organisation, for the support it offered, and to all our customers who have continued to show us their trust and appreciation.

We would also like to thank the Board of Auditors and the Independent Auditors, for their professional and punctual work, and the representatives of the Supervisory bodies, for the constructive attention they pay to our Bank.

Lastly, a particularly heartfelt thank you goes, as usual, to the Bank's staff, for their relentless commitment to the pursuit of our objectives and their always scrupulous, careful and conscientious work.

The Board of Directors

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BANCA PROMOS SOCIETA' PER AZIONI

Registered Office: VIALE GRAMSCI 19 - NAPLES (NA)
Registered with the Business Registry of the NAPLES Chamber of Commerce
Tax Identification and registration number: 03321720637
Registered with the Economic and Administrative Index [REA] of the NAPLES Chamber of Commerce no. 329424
Subscribed share capital €: 7,740,000.00 fully paid-up
VAT NO.: 04368171007

Members of the Audit Body

Ordinary financial statements at 31/12/2021

Dear Shareholders, given that, pursuant to the Company's by-laws currently in force, the control body has been tasked with the administrative supervision of the company only, while the statutory audit of the accounts has been assigned to the independent auditors KPMG SP, this report only concerns the activities carried out in terms of statutory control function.

Report to the Shareholders' Meeting pursant to art. 2429, paragraph 2, of the Italian Civil Code - Accounting supervisory activity

During the FY closed on 31/12/2021 our activity was based upon law regulations and the Rules of Behaviour of the Board of Statutory Auditors as issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Accounting Board), according to which we carried out a self-assessment for each member of the Board of Statutory Auditors, with a positive outcome.

The draft Financial Statements closed at 31/12/2021, submitted to us by the Administrative Body pursuant to article 2429 of the Italian Civil Code in order for it to be reviewed, have been drafted, pursuant to Legislative Decree no.38 of 28 February 2005, in compliance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (FRS) approved and in force at 31 December 2021.

Supervisory activity as per articles 2403 et seq. of the Italian Civil Code

The draft Financial Statements closed at 31/12/2021, forwarded to us by the Board of Directors pursuant to article 2429 of the Italian Civil Code in order to be duly examined, is made up of:

- Balance Sheet
- Income Statement
- Cash Flow Statement
- Notes
- Directors' Report

- Report of the Auditing Firm KPMG SpA

The result for the year showed a profit of €310,176, broken down as follows.

Balance Sheet

Description	FY 2021	FY 2020	Deviation
TOTAL ASSETS	62,411,216	56,132,138	6,279,078

Description	FY 2021	FY 2020	Deviation
TOTAL LIABILITIES	62,411,216	56,132,138	6,279,078

Income Statement

Description	FY 2021	FY 2020	Deviation
INTEREST MARGIN	414,416	557,443	(143,027)
Net commissions	(411,526)	(695,897)	(284,371)
BROKERAGE MARGIN	3,386,202	3,933,162	(546,960)
PROFIT (LOSS) ON FINANCIAL OPERATIONS	3,299,483	3,762,634	(463,151)
OPERATING COSTS	(3,798,043)	(3,459,817)	338,226
PRE-TAX RESULT	(515,473)	302,817	(818,290)
INCOME TAXES FOR THE YEAR	825,649	296,888	528,761
PROFIT (LOSS) FOR THE YEAR	310,176	599,705	(289,529)

During the FY under examination, we supervised compliance with the law and the Corporate By-Laws as well as with the principles of correct administration.

Specifically, the work carried out refers to the following:

- In the criteria used in drafting the financial statements closed at 31/12/2021 we considered the new endorsed IAS/IFRS standards, in force at 31/12/2021.

- During the meetings held, we obtained information from the Directors concerning the company's general performance and its foreseeable business outlook, as well as the most significant economic, financial and equity transactions, in terms of size or characteristics, carried out by the company, and, on the basis of the information acquired we have no specific observation to make. There is reasonable assurance that the actions resolved upon and adopted are in compliance with the law and the corporate by-laws, and that they are not careless or unwarrantedly risky, that they do not create any potential conflict of interests or are in contrast to the resolutions of the Meeting and are not such as to endanger the share capital of the company.

- Furthermore, as far as we were concerned, we gained information about and monitored the suitability and operation of the administrative-accounting system, as well as the reliability of the latter in terms of correctly reporting the information concerning the operations of the company, by obtaining information from the relevant company officials and examining the company's documents; we do not have any noteworthy observations to submit in this regard.

- neither legal actions based on art. 2408 of the Italian Civil Code nor third-party reports were notified.

    - We have met the entity in charge of audit and no significant data or information has emerged that need be illustrated in this report.
    - We have met the Supervisory Body with regard to the proper implementation of the organizational model;
    - We monitored compliance with "Data Protection" and '"Money Laundering" regulations.

- We have participated in the shareholders' meetings and in the meetings of the Administrative Body, which were all conducted in compliance with the statutory and legislative rules that govern their procedures, and about which we can provide reasonable assurance that the resolutions issued are in compliance with the law and the Corporate By-Laws, and are not such to endanger the share capital of the company.

- in the performance of our supervisory duties, and on the basis of the information obtained, we did not detect any other omissions, misconduct, irregularities or significant events that need be reported or simply mentioned in this report.

- As noted above, the audit body believes that the overall results in the financial year are in line with the forecasts and outlooks illustrated by the governing Body.

Remarks on the Financial Statements

On the basis of an in-depth analysis of the financial statements as at 31/12/2021, we report the following::

- pursuant to art. 2426, item 5 of the Italian Civil Code, the control Body certifies that no start-up and expansion costs were recognized as assets in the financial statements.

- pursuant to article 2426 no. 5 of the Italian Civil Code, the Audit body acknowledged its consent to post to the assets of the Balance sheet the software projects' development costs for which the multi-annual use requisite had been verified.
- pursuant to article 2426 no. 6 of the Italian Civil Code, the Audit Body certifies that no goodwill costs were recognized as assets in the financial statements.

- We also certify that we verified the measurement criteria provided by art. 2426 of the Italian Civil Code and that our supervisory work has constantly been inspired by the aim of preserving the integrity of the company's assets.

- We oversaw the financial statements' compliance with the law, as regards both its structure and its substantial content.

- in drafting the financial statements, the governing Body did not make use of the provisions of Art. 2423, paragraph 4 and 5 of the Italian Civil Code with regard to the exceptions granted for the preparation of the financial statements.

Observations and proposals regarding the approval of the financial statements

The audit company KPMG SpA with its report of 7 June 2022, expressed its favourable opinion concerning the draft financial statements as at 31/12/2021.

In view of the above considerations and taking into account the information received from the company, there are no impediments to the approval by the Shareholders' meeting of the financial statements for the year ended 31/12/2021, as submitted by the governing Body.

There are furthermore no observations to make with regard to the allocation of the profit for the year as proposed by the governing Body.

Naples 08/06/2022

THE BOARD OF STATUTORY AUDITORS

Financial Statements

at 31 December 2021

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS

Balance Sheet – Assets

(Amounts in Euros)

	Assets	2021	2020
10.	Cash and cash equivalents	20,121,385	14,982,122
20.	Financial assets measured at fair value through profit or loss	209,648	2,151
	a) financial assets held for trading	203,693	119
	b) financial assets designated at fair value	-	-
	c) other financial assets to be measured at fair value	5,955	2,032
30.	Financial assets measured at fair value through other comprehensive income	18,886,262	15,459,307
40.	Financial assets measured at amortised cost	14,891,394	17,276,468
	a) receivables from banks	259,892	167,348
	b) loans to customers	14,631,502	17,109,120
70.	Equity investments	61,250	77,500
80.	Tangible assets	4,735,794	4,965,213
90.	Intangible fixed assets	549,273	556,977
	of which: - goodwill	-	-
100.	Tax assets	1,153,543	1,173,099
	a) current	209,236	262,041
	b) prepaid	944,307	911,058
110.	Non-current assets and disposal groups	663,001	663,001
120	Other assets	1,139,666	976,300
	Total assets	**62,411,216**	**56,132,138**

Following the changes introduced by the 7th update of Bank of Italy's Circular 262/2005, for the purpose of data comparability, items 10., 40. and 40a) were partially reclassified as at 31.12.2020, with demand loans with banks of €13,066,286 being reclassified under item 10.

Balance Sheet – Liabilities

(Amounts in Euros)

	Liabilities and shareholders' equity	2021	2020
10.	Financial liabilities measured at amortised cost	47,443,953	41,097,624
	a) payables to banks	11,738,687	11,726,647
	b) payables to customers	35,705,266	29,370,977
	c) outstanding securities	-	-
60.	Tax liabilities	26,077	856,268
	a) current	-	-
	b) deferred	26,077	856,268
80.	Other liabilities	1,151,488	1,010,082
90.	Employee severance indemnity	1,280,594	1,182,154
100.	Provisions for liabilities and charges:	352,984	11,573
	a) commitments and guarantees granted	12,394	11,573
	b) retirement and similar obligations	-	-
	c) other provisions for liabilities and charges	340,590	-
110.	Valuation reserves	-1,054,970	-926,476
140.	Reserves	4,090,002	3,490,296
150.	Share premium account	1,070,912	1,070,912
160.	Share capital	7,740,000	7,740,000
180.	Profit (loss) for the year (+/-)	310,176	599,705
	Total liabilities and shareholders' equity	**62,411,216**	**56,132,138**

Banca Promos SpA - Statements making up the Financial Statements

Income Statement

(Amounts in Euros)

	Items	2021	2020
10.	Interest and similar income	631,292	722,075
	of which: interest income calculated using the effective interest method	610,958	692,366
20.	Interest and similar expenses	(216,876)	(164,632)
30.	**Net interest income**	**414,416**	**557,443**
40.	Commission income	345,356	414,181
50.	Commissions expense	(756,882)	(1,110,078)
60.	**Net commissions**	**(411,526)**	**(695,897)**
70.	Dividends and similar income	5	4
80.	Net income on trading activity	3,176,874	4,072,292
100.	Profits (losses) on disposal or repurchase of:	202,510	2,255
	a) financial assets measured at amortised cost	20,725	120
	b) financial assets measured at fair value through other comprehensive income	181,785	2,135
	c) financial liabilities	-	-
110.	Net income/loss on the other financial assets and liabilities measured at fair value through profit or loss	3,923	(2,935)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	3,923	(2,935)
120.	**Brokerage margin**	**3,386,202**	**3,933,162**
130.	Net adjustments/write-backs for credit risk of:	(86,619)	(168,799)
	a) financial assets measured at amortised cost	(75,898)	(164,621)
	b) financial assets measured at fair value through other comprehensive income	(10,721)	(4,178)
140.	Profits / losses from contractual changes without derecognition	(100)	(1,729)
150.	**Net result of financial operations**	**3,299,483**	**3,762,634**
160.	Administrative expenses:	(3,295,876)	(3,417,833)
	a) personnel expenses	(1,919,936)	(1,978,216)
	b) other administrative expenses	(1,375,940)	(1,439,617)
170.	Net allocations to provisions for liabilities and charges	(341,411)	(3,605)
	a) commitments and guarantees granted	(821)	(3,605)
	b) other net allocations	(340,590)	-
180.	Net adjustments to/write-backs on tangible assets	(198,780)	(208,805)
190.	Net adjustments to/write-backs on intangible assets	(210,509)	(170,458)
200.	Other operating expenses/income	248,533	340,884
210.	**Operating costs**	**(3,798,043)**	**(3,459,817)**
220.	Profits (losses) on equity investments	(16,250)	-
250.	Profits (losses) on investment disposal	(663)	-
260.	**Pre-tax profit (loss) of current operations**	**(515,473)**	**302,817**
270.	Income taxes for the year on current operations	825,649	296,888
280.	**Profit (loss) of current operations, after taxes**	**310,176**	**599,705**
300.	**Profit (loss) for the year**	**310,176**	**599,705**

Statement of Comprehensive Income

(Amounts in Euros)

	Items	2021	2020
10.	**Profit (loss) for the year**	**310,176**	**599,705**
	Other income items – after taxes – not reversed to income statement		
20.	Equity securities measured at fair value through other comprehensive income	-	(406,053)
30.	Financial liabilities designated at fair value through profit or loss (changes of own creditworthiness):	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible fixed assets	-	-
70.	Defined-benefit plans	(50,838)	(24,795)
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves for equity investments measured at equity	-	-
	Other income items – after taxes – reversed to income statement		
100.	Foreign investment hedging	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130	Hedging instruments (items non designated)	-	-
140.	Financial assets (other than equity securities) carried at fair value through other comprehensive income:	(77,656)	139,440
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves for equity investments measured at equity	-	-
170.	**Total of other income items, after taxes**	**(128,494)**	**(291,408)**
180.	**Comprehensive income (Item 10+170)**	**181,682**	**308,297**

Banca Promos SpA - Statements making up the Financial Statements

Changes in Shareholders' Equity 2021

(Amounts in Euros)

	At 31.12.2020	Change in opening balances	At 1.1.2021	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31.12.2021
						Change	Operations on shareholders' equity						Total profitability	
				Reserves	Dividends and other allocations	in reserves	New shares issued	Treasury shares purchased	Dividend extraordinary payment	Change in equity instruments	Derivatives on treasury shares	Stock options	Total FY2021	
Share capital:														
a) ordinary shares	7,740,000		7,740,000	-			-	-						**7,740,000**
b) other shares	-		-	-			-	-						**-**
Share premium account	1,070,912		1,070,912	-		-	-							**1,070,912**
Reserves:														
a) profits	3,490,297	-	3,490,297	599,705		-	-	-	-					**4,090,002**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-926,476	-	-926,476			-							-128,494	**-1,054,970**
Equity instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	599,705	-	599,705	-599,705	-								310,176	**310,176**
Shareholders' Equity	11,974,438	-	11,974,438	-	-	-	-	-	-	-	-	-	181,682	**12,156,120**

Banca Promos SpA - Statements making up the Financial Statements

Changes in Shareholders' Equity 2020

(Amounts in Euros)

	At 31.12.2019	Change in opening balances	At 1.1.2020	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31.12.2020
						Change	Operations on shareholders' equity						Total profitability	
				Reserves	Dividends and other allocations	in reserves	New shares issued	Treasury shares purchased	Dividend extraordinary payment	Change in equity instruments	Derivatives on treasury shares	Stock options	Total FY2020	
Share capital:														
a) ordinary shares	7,740,000		7,740,000	-			-	-						**7,740,000**
b) other shares	-		-	-			-	-						**-**
Share premium account	1,070,912		1,070,912	-		-	-							**1,070,912**
Reserves:														
a) profits	3,031,952	-	3,031,952	458,345		-	-	-	-					**3,490,296**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-635,068	-	-635,068			-							-291,408	**-926,476**
Equity instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	458,345	-	458,345	-458,345	-								599,705	**599,705**
Shareholders' Equity	11,666,141	-	11,666,141	-	-	-	-	-	-	-	-	-	308,297	**11,974,437**

Cash Flow Statement

Indirect method

(Amounts in Euros)

A. OPERATIONS	Amount	
	2021	2020
1. Operations	**435,435**	**959,190**
- operating result (+/-)	310,176	599,705
- gains / losses on financial assets held for trading and on other financial assets / liabilities measured at fair value through profit or loss (- / +)	-1,225	-5
- capital gains/losses on hedging activities (-/+)	-	-
- Net value adjustments/reversals for credit risk (+/-)	86,619	168,799
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	409,289	379,263
- net allocations to provisions for liabilities and charges and other costs/revenue (+/-)	441,262	108,271
- outstanding taxes and tax credits (+/-)	-825,649	-296,888
- net value adjustments/reversals of discontinued operations, net of tax effect (+/-)	-	-
- other adjustments (+/-)	14,963	44
2. Liquidity generated/absorbed by financial assets	**-1,557,604**	**-3,014,358**
- financial assets held for trading	-202,349	102,891
- financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-3,923	2,935
- financial assets measured at fair value through other comprehensive income	-3,516,697	-4,953,015
- financial assets measured at amortised cost	2,309,176	2,246,208
- other assets	-143,811	-413,377
3. Liquidity generated/absorbed by financial liabilities	**7,363,510**	**686,291**
- financial liabilities measured at amortised cost	6,346,329	1,059,893
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	1,017,181	-373,602
Net liquidity generated/absorbed by operations	**6,241,341**	**-1,368,877**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-**	**-**
- disposal of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of tangible assets	-	-
- sale of intangible assets	-	-
- sale of business units	-	-
2. Liquidity absorbed by	**-209,630**	**-299,410**

- purchase of equity investments	-	-
- purchase of tangible assets	-10,180	-13,868
- purchase of intangible assets	-199,450	-285,542
- purchase of business units	-	-
Net liquidity generated/absorbed by investments	**-209,630**	**-299,410**
C. BORROWING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- allocation of dividends and other aims	-	-
Net liquidity generated/absorbed by borrowing activities	**-**	**-**
NET LIQUIDITY GENERATED/ABSORBED IN THE FINANCIAL YEAR	**6,031,711**	**-1,668,287**

KEY: (+) generated; (-) absorbed

RECONCILIATION

Items	***Amount***	
	2021	**2020**
Opening cash and cash equivalents	**14,089,674**	**15,757,961**
Net total liquidity generated/absorbed during the financial year	**6,031,711**	**-1,668,287**
Cash and cash equivalents: effect of changes in exchange rates	**-**	**-**
Closing cash and cash equivalents	**20,121,385**	**14,089,674**

In line with the amendment to IAS 7, introduced by Regulation 1990 of 6 November 2017, we provide here below the information required by paragraph 44 B in order to measure the movements in liabilities arising from financing activities, relating to both changes deriving from cash flows or non-cash changes.

	A. Operating Activity - 3. Liquidity generated/absorbed by financial liabilities	**Amount 2021**
a)	change due to cash flows from financing activities	6,346,329
b)	change due to control lost/acquired in subsidiaries or other companies	**-**
c)	change in fair value	**-**
d)	other changes	1,017,081
Liquidity generated/absorbed by financial liabilities		**7,363,510**

Notes

PART A – ACCOUNTING POLICIES

A.1 - GENERAL SECTION

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

These financial statements, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date.

The financial statements have been prepared by applying the IAS/IFRS standards as approved and in force at 31 December 2021, the detail of which is provided in the attachments to the financial statements.

In applying the IAS / IFRS, reference has been made to the "Framework for the preparation and presentation of financial statements" with regard to the fundamental principle of the prevalence of substance over form, and the concept of relevance and materiality of information.

The Bank of Italy defines the financial statements and rules in Circular No. 262 of 22 December 2005, as updated. Currently the seventh update of the aforementioned Circular is in force which was issued on 29 October 2021, and supplemented by notice of 21 December 2021, entitled 'Update of additional provisions of Circular 262 "Banks' Financial Statements: presentation and drafting rules" concerning the impact of Covid-19 and measures to support the economy'.

The 7th update of Bank of Italy Circular No. 262 of 2005 introduced some changes to disclosures in the financial statements, with specific reference to the balance sheet asset items 'Cash and cash equivalents' and 'Financial assets measured at amortised cost'. Where necessary, therefore, the comparison period has been restated to facilitate the comparison of balance sheet items.

In drafting the financial statements, the documents on the adoption of IAS/IFRS in Italy prepared by the Italian Accounting Standard Body (OIC) and the Italian Banking Association (ABI) were also considered in terms of interpretation.

In the absence of a standard or interpretation that is specifically applicable to a particular transaction, the Bank uses the professional judgement of its departments in developing accounting policies that provide reliable financial information to ensure that the financial statements give a true and fair view of the financial position of the Bank and its results of operations, reflecting the economic substance of the transaction and the material aspects related to it.

In formulating these accounting rules, reference has been made as far as possible to the provisions of the International Accounting Standards and the related interpretations dealing with similar or comparable cases.

SECTION 2 – GENERAL DRAFTING PRINCIPLES

The financial statements were drafted by applying the general principles of IAS 1 and the specific accounting standards endorsed by the European Commission and illustrated in part A.2 of these Notes, as well as in compliance with the general assumptions of the so-called Framework drafted by the IASB for financial statements' drafting and presentation.
There were no exceptions to the application of IAS/IFRS.

In accordance with art. 5 of Legislative Decree No. 38/2005, the financial statements are prepared using the Euro as reporting currency.

In preparing the financial statements, the formats and drafting rules referred to in Banca d'Italia Circular no. 262 of 22 December 2005, last update in force, were used.

Banca Promos SpA Financial Statements – Notes – Part A – Accounting Policies

For FY 2021, despite holding a controlling interest in Promos Corporate Consulting Srl and in the innovative start-up Promos Fintech Srl, the Bank did not prepare consolidated financial statements due to the negligible relevance of both subsidiaries both in terms of balance sheet and income. For further details, please refer to the specific paragraph 4.1 included in "A.1 - General Part - Other Aspects" of this Part A.

The Financial Statements drafted at 31 December 2021 are clear and provide a true and correct representation of Bank's balance sheet, financial position, economic result for the period and change in shareholders' equity.

The Financial Statements consist of Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement – drafted according to the indirect method – the Notes and the pertinent comparative information. They are also accompanied by the Directors' Report on the Bank's operations and situation.

In addition, the international accounting standard IAS 1 "Presentation of financial statements", requires the presentation of a "Comprehensive Income Statement", which includes, among other income components, also the changes in the value of the assets recorded in the period as contra-entry to equity. In line with the provisions of the aforementioned Bank of Italy Circular No. 262 of 2005, as subsequently updated, the Bank has chosen - as permitted by the accounting standard in question - to present the Comprehensive Income Statement in two statements: a first statement that shows the traditional income statement components and the related result for the year, and a second statement that, starting from the latter, shows the items of other comprehensive income ("comprehensive income statement").

The Balance Sheet and Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement are drawn up in euros, while the figures shown in the Notes are expressed in thousands of euros. Any differences found between the information provided in the Notes to the Financial Statements and the financial statements are rounding differences. Unless otherwise specified, the figures shown in the Report on Operations are expressed in thousands of euros.

The balance sheet and the income statement are made up of items, sub-items and additional information details.

In the Income Statement and in the relevant section of the Notes, revenues are shown without a sign, while costs are shown in brackets. In comprehensive income, negative figures are indicated in brackets.

Moreover, the Directors' Report and the Notes provide the information required by international accounting standards, the Laws, Banca d'Italia and the National Commission for Companies and the Stock Exchange (Consob) in addition to such supplementary information as is deemed appropriate to provide a complete representation of financial statement data, although not specifically required by law.

These financial statements were drafted on a going concern basis. Specifically, the joint coordination table among Banca d'Italia, Consob and Isvap concerning the application of IAS/IFRS, with document No. 2 of 6 February 2009 "Disclosures in financial reports on the going concern assumption, financial risks, impairment tests on assets and uncertainties in the use of estimates", as well as with subsequent document No. 4 of 4 March 2010 "Disclosures in financial reports regarding impairment tests, contractual clauses of loans, restructuring of loans and "fair value hierarchy", asked the Directors to carefully assess whether the going concern assumption can be confirmed.

To this purpose, according to paragraphs 25-26 of IAS 1: *"In drafting financial statements, management is required to make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern."*

Conditions on financial markets and in the real economy and the still uncertain forecasts for the short / medium term require especially accurate assessments whether the going concern assumption is satisfied, as the Bank's historic results and its easy access to financial resources may not be sufficient in the current environment. The directors believe that the risks and uncertainties to which the Bank may be exposed in the course of its operations, also considering the effects of the Covid-19 pandemic, are not significant and are therefore not such as to cast doubts on the Bank's ability to continue as a going concern.

Furthermore, the financial statements are in accordance with the general drafting standards, where applicable:
- Principle of truth, fairness and completeness in the presentation of the financial position and performance ("*true and fair view*");
- Accrual accounting standard;
- Principle of consistency of presentation and classification from one financial year to another (comparability);
- Principle of non-offsetting of items, save as expressly permitted;
- Principle of the prevalence of substance over form;
- Principle of prudence in exercising the necessary judgement when making estimates under uncertain conditions, so that assets or revenues are not overestimated and liabilities or costs are not underestimated, without this leading to the formation of hidden reserves or excessive provisions;
- Principle of information neutrality;
- Principle of relevance/materiality of information.

In 2021 there weren't any changes in estimate criteria compared to those applied in drafting the Financial Statements as at 31 December 2020, except for those reported in section '4 - Other Aspects'.

Finally, with reference to the main implications on how the international accounting standards (in particular IFRS 9) are applied in the context of the Covid-19 pandemic, reference is made to the specific paragraph 4.6 included in "A.1 - General section - Other aspects" of this Part A.

SECTION 3 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In the period between the reporting date and the date of approval of these financial statements by the Board of Directors, no events occurred requiring changes to the data approved at such nor did any significant event occurred requiring the disclosure of additional information.

As already mentioned in the Directors' Report, the results of the inspection conducted by Banca d'Italia have not been disclosed to date.

Since the end of February 2022, the exacerbation of the crisis between Russia and Ukraine has led to the outbreak of war between the two countries, with economic consequences that are currently difficult to estimate. However, the repercussions on the global macroeconomic framework, already marked by stressed global supply chains, may affect the European economy in terms of increased volatility (mainly due to the potential increase in energy costs for a protracted period of time) and consequent effects on production activities. Accordingly, it is considered unlikely at the moment that the Bank may be exposed to recessionary risks, also considering the trend shown so far by the current economic recovery. Therefore, in accordance with IAS 10, the Bank considers these events to be a non-adjusting event after the closing of the financial statements.

Furthermore, the first quarter of 2022 was characterised by a volatile performance of the financial markets, which led to a decrease in the fair value of financial instruments.

At 31 March 2022, there was a reduction in the fair value of financial instruments measured at fair value through other comprehensive income, which led to a reduction in the OCI equity reserve from - € 812 thousand at 31.12.2021 to - € 1,009 thousand at 31.03.2022. This trend did not lead to significant changes in capital and own funds which as at 31 March 2022 were approximately in line with 31 December 2021.

The income statement as at 31 March 2022 shows a pre-tax profit for the period of € 235 thousand.

SECTION 4 – OTHER ASPECTS

4.1 – Consolidated financial statements

For FY 2021, despite holding a controlling interest in Promos Corporate Consulting Srl and in the innovative start-up Promos Fintech Srl, the Bank did not prepare consolidated financial statements due to the negligible relevance of both subsidiaries both in terms of balance sheet and income.

In this regard, it should be noted that the application of International Accounting Standards must be read with reference to the "Framework for the preparation and presentation of the financial statements" (Framework) which, in paragraphs 26 to 30, refers to the concepts of relevance and materiality of information. In particular, paragraph 26 states that *"Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations."* Paragraph 29 establishes that "*The relevance of information is affected by its nature and materiality*" Finally, paragraph 30 specifies that materiality *" provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful".* In this sense, it is one of the prerogatives of the directors to set this cut-off point or threshold.

In addition, in accordance with IAS 27, for the investments in the subsidiaries Promos Corporate Consulting Srl and Promos Fintech Srl, the equity method is used as a measurement criterion to be adopted in the bank's financial statements.

Accordingly, and to ensure consistency with the current regime of exemption from supervisory reports on a consolidated basis, according to article 19, paragraph 1 of Regulation (EU) no.575/2013 ("CRR"), the Bank did not prepare consolidated financial statements, as the alignment (consolidation according to the equity method) between the value of the investments recorded in the financial statements and the value of the shareholders' equity of the subsidiaries, which at 31 December 2021 was €5 thousand for Promos Corporate Srl and €65 thousand for Promos Fintech Srl, is already ensured in the individual financial statements of the parent company. The subsidiaries' total balance sheet is lower than the thresholds set by the supervisory instructions for consolidated reports (balance sheet assets less than € 10 million).

On the basis of the above, pursuant to Circular No. 115 of 7 August 1990, on 18 December 2020, the Bank informed the Supervisory Board that Promos Bank will not submit the consolidated supervisory reporting until it exceeds the thresholds set forth in the aforementioned Article 19 CRR.

The subsidiaries' financial statements are attached to the Bank's financial statements.

4.2 International accounting standards approved at 31.12.2021 and in force since 2021

The following table shows the new international accounting standards and/or the amendments to the accounting standards already in force, with the relevant approval regulations by the European Commission entered into force in the year 2021.

(EU) Endorsement Regulation	Topic	Effective date
2097/2020	Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from IFRS 9	01/01/2021 First FY beginning on or after 01/01/2021
25/2021	Interest rate benchmark reform - phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01/01/2021 First FY beginning on or after 01/01/2021
1421/2021	Amendments to IFRS 16 Leases - COVID-19 related lease concessions after 30 June 2021	01/04/2021 First FY beginning on or after 01/01/2021

As shown in the table above, the changes made to the accounting standards already in force in respect of the Index Reform (IBOR Reform) are compulsorily applicable for the first time from 2021.

Regulation No. 25/2021 of 13 January 2021 implemented the amendments "Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", published by the IASB on 27 August 2020, on Phase 2 of the IASB rate review project. The topic concerns developments in relation to the revision or replacement of certain interest rate benchmarks in various jurisdictions, such as LIBOR and, in Europe the EONIA, based on recommendations from the G20 and the Financial Stability Board. The IASB addressed the possible accounting impacts of the benchmark rate reform with a two-stage project. The first stage focused on the potential impact on hedge accounting in the period prior to the replacement of the existing benchmark rates with the new rates (so-called pre-replacement issue) and ended with the publication of Regulation No. 34/2020. The second stage of the project, which ended with the publication of Regulation 25/2021, concerns the possible accounting impacts of the application of the new rates (so-called replacement issue). The main changes introduced concern the accounting representation of the amendments to existing contracts and accounting hedges.
With reference to the first aspect, it is clarified that changes - as a result of the IBOR Reform - relating to the replacement of the existing IBOR rate with the new Risk Free Rate should not constitute a derecognition event, but should be accounted for as a modification.
In this regard, a practical expedient is introduced that allows such changes, if made as a direct consequence of the IBOR Reform and on an equivalent economic basis, to be represented by a prospective adjustment of the effective interest rate, with impact on the interest margin of future periods.
In the area of hedge accounting, certain exceptions to IAS 39 (and IFRS 9 for those who have also adopted it for hedges) have been introduced, which waive the discontinuing after updating the hedging relationship documentation - for changes in the hedged risk, the underlying hedged item or the hedging derivative, or the method of verifying the hedge effectiveness - in the event of changes that are necessary as a direct consequence of the IBOR Reform and made on an equivalent economic basis. Any impact causing non-effectiveness is recognised in profit or loss.
In addition the disclosure has been expanded, with qualitative and quantitative disclosures being required on the nature and risks associated with the IBOR Reform, on the management of these risks, and on progress in the transition process to the new rates, for which please refer to Section 4 - Other Aspects below.

As of 1 January 2021, Regulation No. 2097/2020 of 15 December 2020, came into force; this implements the extension to 1 January 2023 of the temporary exemption from application of IFRS 9 (Amendments to IFRS 4 Insurance Contracts) published by the IASB on 25 June 2020.

Lastly, Regulation No. 1421/2021 of 30 August 2021 on "Concessions on COVID-19-related leases after 30 June 2021" is also applicable from 2021; it implements the amendments published by the IASB on 31 March 2021 which extend by one year the period of application of the amendment to IFRS 16 Leases issued in May 2020 that facilitates lessees in accounting for COVID-19-related concessions.
The original amendment was issued in order to provide a practical expedient for lessees, i.e., the option not to apply the lease modification accounting rules to rent concessions arising as a direct consequence of the COVID-19 pandemic (such as temporary suspensions or reductions in payments). The relief previously applied to concessions relating to lease payments originally due by 30 June 2021.
In response to requests received from stakeholders and due to the continuing COVID-19 pandemic, the IASB extended the application of the practical expedient to cover concessions related to lease payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met, i.e. the revised consideration is substantially equal to or less than the original consideration and no other material changes have been made to the terms of the lease. The amendments shall apply from 1 April 2021 for financial years beginning on or after 1 January 2021.
In this regard, please note that as of 2020 the Bank has chosen not to make use of the practical expedient, also in view of the immateriality of the impacts; therefore, these further amendments are not material for the Bank.

The above mentioned amendments had no impact on the balance sheet and the income statement of the Bank at 31 December 2021.

4.3 Accounting standards endorsed at 31.12.2021 and in force after 31.12.2021

(EU) Endorsement Regulation	Topic	Effective date
1080/2021	Amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 41 Agriculture, IFRS 1 First-time Adoption of International Reporting Standards, IFRS 3 Business Combinations and IFRS 9 Financial Instruments	01/01/2022 First FY beginning on or after 01/01/2022
2036/2021	IFRS 17 Insurance contracts Amendments to IFRS 17 Insurance Contracts	01/01/2023 First FY beginning on or after 01/01/2023

Regulation No. 1080/2021 of 28 June 2021 implements certain minor amendments, published by the IASB on 14 May 2020, to International Accounting Standards IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IFRS 3 Business Combinations. The amendments concerned:
- IAS 16 - Cost items: introduces a prohibition on deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the company was preparing the asset for its intended purpose. The company shall recognise such sales proceeds and related costs in the income statement;
- IAS 37 - Onerous Contracts: it is clarified that to assess whether a contract is onerous, all costs directly related to the contract must be included in the estimate, not just the incremental costs of fulfilling that contract. Accordingly, the assessment of whether a contract is onerous includes incremental costs (such as the cost of direct material used in processing), but also all the costs the business cannot avoid because after entering into the contract (such as, for example, the share of personnel expenses and the depreciation of machinery used to fulfil the contract);
- IFRS 3 – References to the Conceptual Framework: the reference to the new version of the Conceptual Framework of 2018 was updated and an exception to the requirements for the recognition of contingent liabilities under IFRS 3 was included, in order to avoid changes to the pre-existing accounting methods. In addition, it is expressly prohibited to recognise contingent assets (i.e. assets whose existence will be confirmed only by uncertain future events) in business combinations (previously, this prohibition was explicitly stated in the Basis for Conclusion only).
This Regulation also includes the usual annual improvements - yearly improvement cycle of IFRS Standards 2018-2020 - which clarify the wording or correct errors, oversights or conflicts between the requirements of the standards. These minor amendments include changes to the IFRS 9 Financial Instruments with some clarifications concerning the fees to be included in the 10% test for derecognition of financial liabilities; in this regard, it is specified that only fees paid or received between parties should be included, and not also fees directly attributable to third parties.

Lastly, we note the publication in the EU Official Journal of 23 November 2021 of Regulation No. 2036/2021 of 19 November endorsing the new accounting standard IFRS 17 'Insurance Contracts'. The standard was published in May 2017 and was subject to amendments published on 25 June 2020, which postponed the first application date of the standard by one year to 1 January 2023.

4.4 International accounting standards not yet endorsed at 31.12.2021

The following table shows the new international accounting standards or the amendments to the accounting standards already in force, not yet endorsed by the European Commission, specifying the changes' scope or purpose.

Since, at present, they have not been approved by the European Commission, none of these updates is relevant for the Bank's financial statements.

Interpretation/Standard	Amendments	Issued on
IAS 1	Presentation of the financial statements: Classification of liabilities as current or non-current	01/2020
IAS 1	Presentation of the financial statements and IFRS Practice Statement 2: Disclosure of accounting policies	02/2021
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors; definition of estimates	02/2021
IAS 12	Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	05/2021
IFRS 17	Insurance Contracts	12/2021

With regard to the IASB documents amending existing accounting standards that are still awaiting endorsement, the following should be noted:
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current", issued on 23 January 2020 with the aim of proposing some limited amendments to IAS 1 "Presentation of Financial Statements" in order to clarify how to classify payables and other liabilities between current and non-current. This proposal clarifies, but does not change, the current requirements of IAS 1; the clarifications are intended to promote consistency in the application of IAS 1 among companies to determine whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current (due or potentially to be settled within one year) or non-current. The subsequent publication of 15 July 2020 postpones the effective date of the amendments by one year, to 1 January 2023 instead of 2022, without introducing any further changes;
- Disclosure of Accounting Policies – Amendments to IAS 1 and Practice Statement 2: on 12 February 2021 IASB published narrow scope amendments to IAS 1 “Presentation of Financial Statements” and to the document: IFRS Practice Statement 2 “Making Materiality Judgements”. The amendments are intended to help companies identify the disclosure to be made on accounting policies, in order to provide more useful information to investors and other primary users of financial statements. The amendments to IAS 1 require companies to disclose information on material accounting policies, i.e. those that enable an understanding of the information disclosed in the financial statements on material transactions, e.g. whether
- the entity changed its accounting policy during the year with material effects on the financial statements;
- the entity has chosen an accounting policy from among several IFRS options;
- an accounting policy was developed under IAS 8 in the absence of a specific standard;
- the accounting policy concerns an aspect that requires significant judgements and assumptions to be made;
- transactions are complex and difficult for financial statement users to understand, e.g. when more than one IFRS is applied to a class of material transactions.

In any case, entity-specific disclosures are more useful than standardised disclosures that replicate the IFRS provisions. On the other hand, it is not necessary to disclose accounting policies concerning transactions or events that are not material, and, in any case, this information should not obscure material information.

The amendments are effective for annual periods beginning on 1 January 2023, subject to European endorsement.
- Definition of Accounting Estimates – Amendments to IAS 8: in February 2021 the Board published some amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendments are intended to clarify how to distinguish between changes in accounting policies ('accounting policies') and changes in accounting estimates ('accounting estimates'). This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whereas changes in accounting policies are generally applied retroactively to past transactions and other past events.

In this regard, the definition of an accounting estimate - a monetary amount recognised in the financial statements that is subject to measurement uncertainty - is added and the interaction between accounting estimates and accounting policies is clarified, specifying that operators - in certain cases - may have to use accounting estimates to achieve their accounting policy objectives. It is specified that accounting estimates are the result of measurement techniques that require the use of judgements or assumptions (inputs to develop accounting estimates). Measurement techniques include both estimation techniques, such as estimating

impairment under the IFRS 9 model, and valuation techniques, such as those used to estimate the fair value of an asset or liability under IFRS 13.
From this it follows that a change in the accounting estimate may result:
(a) from new information or new developments, provided it is not the correction of an error, in line with the previous definition;
(b) from a change in an input or measurement technique used to develop an accounting estimate, provided this does not result from the correction of prior period errors. In this respect, the doubt had arose that the effect of a change in a measurement technique could be interpreted as both a change in estimate and a change in an accounting policy.
The amendments are effective for annual periods beginning on 1 January 2023, subject to endorsement by the European Commission.
- on 7 May 2021, the IFRS published amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12', to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarified that the exemption from the recognition of a deferred tax liability or asset does not apply to the initial recognition of an asset or liability in a transaction that results in equal deductible and taxable temporary differences (although at the time of the transaction neither accounting profit nor taxable profit/loss is affected). The foregoing is applicable when accounting for leases in which the lessee initially recognises the asset (right of use) and a corresponding lease liability (lease liability), normally of the same amount, in its balance sheet. Depending on the applicable tax law, taxable and deductible temporary differences of equal amount may arise; as noted, the published amendment clarifies that in such cases the exemption provided by paragraphs 15 and 24 of IAS 12 does not apply and the lessee must recognise the resulting deferred tax liability and asset.
The amendments are effective for financial years beginning on 1 January 2023, with early application permitted, subject to endorsement by the European Commission.
- on 9 December 2021, the IASB published the document 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information', which contains some narrow scope changes to the transition requirements of IFRS 17 Insurance Contracts; however, no other changes to the provisions of IFRS 17 are envisaged. As is known, many insurance companies will apply both IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments for the first time and simultaneously, and some companies have informed the Board of possible significant temporary accounting misalignments upon initial application of the new standards, which may make it more difficult to disclose the accounting change to investors. Such misalignments may occur when IFRS 9 is not applied to account for financial assets in the comparative periods presented upon first-time application of IFRS 17 and IFRS 9.
Insurance companies may defer the date of adoption of IFRS 9 until 1 January 2023, which is therefore the date of initial application of the standard. With regard to the preparation of comparative periods, the restatement of the comparative period is permitted, but not mandatory under IFRS 9. For financial instruments already derecognised at the date of initial application (i.e. before 1 January 2023 for insurance undertakings), however, restatement is not permitted, including in the event of optional restatement of the comparison period. Conversely, under IFRS 17 it is mandatory to present the restated comparative period.
The proposed amendment addresses this issue by introducing an option to present comparative information on certain financial assets in a manner consistent with IFRS 9. By applying the amendment, an entity is permitted to present comparative information about certain financial assets as if the classification and measurement requirements of IFRS 9 had been applied to them. There are, however, no changes to the transition requirements of IFRS 9.
In summary, an entity that applies IFRS 17 and IFRS 9 together for the first time may elect to apply the so-called classification overlay for the purposes of preparing comparative information for certain financial assets in a manner consistent with IFRS 9. Any difference between the previous carrying amount of the financial asset and the carrying amount at the transition date that results from application of the overlay must be recognised in shareholders' equity opening balance.
For the sake of completeness, it should be noted that, for entities applying IFRS 17 for the first time but which already apply IFRS 9, specific provisions are made to allow the restatement of financial assets related to insurance contracts and which were derecognised in the comparative period.

4.5 Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.

Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.

The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore, the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- verification of compliance with requirements for the classification of financial assets in accounting portfolios that provide for the use of the amortized cost criterion (SPPI Test), with specific reference to performance of the benchmark test;
- the quantification of impairment losses on loans and, more in generally, of the other financial assets;
- the determination of fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- impairment test of goodwill and other intangible assets;
- measuring reserves for personnel and provisions for liabilities and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

As part of its policies for managing loans to customers, the Bank has adopted processes and methods for monitoring the progress of relationships which have led, among other things, to the classification of exposures into homogeneous risk categories. For the purposes of determining the recoverable value of impaired loans to customers, the Bank, within the scope of its classification and assessment policies, has used valuation methods and processes characterised by subjective elements and estimation processes, subject to risks and uncertainties, of some variables, mainly such as expected cash flows, expected recovery times and the estimated realisable value of the guarantees, if any, the modification of which may entail a change in recoverable value; this calculation is based on the information available as at the valuation date.

The processes adopted confirmed the book values as at the date of preparation of these Accounting Schedules. The measurement process was especially complex in view of persistent uncertainties in the macroeconomic environment and the markets, with significant volatility which was reflected in the financial parameters that are decisive for the measurements, and with still high indicators of deterioration in credit quality. These parameters and the information used to verify the aforementioned values are therefore significantly influenced by these factors, not under its control, which may be subject to swift and unforeseeable changes.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.

With specific reference to intangible assets, pursuant to IAS 38 the Bank has recognized intangible assets based on internally generated technology, intended to support the various business lines of the Bank and therefore capable of generating future economic benefits.

In compliance with the applicable accounting standard (IAS 38) research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet.

For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

Change in accounting estimate

The useful life of a depreciable asset, by its nature, cannot be accurately measured and is therefore subject to management's estimate.

As a result of new information obtained through a technical appraisal issued by an independent expert, the Bank, in accordance with IAS 8 paragraph 34, revised the estimate so far used to determine the useful life of one of the internally generated softwares recognized as assets in the balance sheet of the Bank.

As a result of the change in estimate, the useful life of the asset has been extended to 7 years compared to the 5-year period of the previous depreciation schedule; consequently, the depreciation rate used for the year 2021 has been reduced by approximately 6% compared to the previously applied rate.

The effect on the income statement of the change in estimate is described below:
- Accumulated depreciation according to the 5-year depreciation schedule: €55 thousand;
- Accumulated depreciation according to the 7-year depreciation schedule: €29 thousand.

Therefore, the economic impact on FY2021 was of €26 thousand.

4.6 Application of the international accounting standards in the context of the Covid-19 pandemic

European regulatory and supervisory bodies, as well as standard setters, have published a number of guidelines also to clarify how to apply the international accounting standards, with specific reference to IFRS 9, in the current context of the COVID-19 pandemic. The above-mentioned measures published in FY2020 were described in detail in the Annual Financial Report as at 31 December 2020, to which reference is made.

In the course of 2021 (29 January 2021), the EBA updated its report on the implementation of the prudential regulatory framework defined in connection with the Covid-19 pandemic ('*EBA Report on the implementation of selected Covid-19 policies, EBA/Rep/2021/02*'), clarifying that, if a bank grants a second moratorium on the same credit facility, any payment suspension provided from 1 April 2021 onwards is treated as an individual moratorium measure. Therefore, the general rules on the definition of default, *forbearance* and onerous restructuring apply in these cases.

With regard to the use of macroeconomic projections, the ECB recommended using as anchor point the projections made by its staff on 12 March 2020 and subsequently updated and published in the subsequent quarters of 2020 and 2021.

The December 2020 projections showed, with regard to the *baseline*scenario, a drastic decline of GDP in the Euro area in 2020 to the extent of 7.3% (still an improvement over the previous June 2020 estimate of 8.7%), and a subsequent *rebound* of +3.9%, +4.2% and +2.1% for the three-year period 2021-2023, respectively (less pronounced than the June 2020 projections of +5.2% and +3.3% in 2021 and 2022, respectively). The European Central Bank subsequently published new three-year forecasts in 2021, showing a smaller decline in Eurozone GDP in 2020, at around -6.8%~~,~~ compared to previous forecasts. As in previous estimates, an upward economic trend is shown for the three-year period 2022-2024 of +4.2%, +2.9% and +1.6% respectively (publication in December 2021 - with an expected figure for 2021 of +5.1%).

On 5 June 2020, Banca d'Italia released the baseline forecasts included in the above-mentioned projections issued by the ECB on 4 June 2020, showing a more pronounced reduction of Italian GDP, to the extent of 9.2 per cent in 2020 and a subsequent rebound of 4.8 per cent and 2.5 per cent in 2021 and 2022, respectively. On 11 December 2020, the Bank of Italy updated its macroeconomic forecasts, noting a GDP contraction for Italy of 9.0 % and a subsequent *rebound* of 3.5 %, 3.8 % and 2.3 %, respectively, over the three-year period 2021-2023. Finally, in December 2021, the Bank of Italy published its latest *outlook* for the three-year period 2022-2024, which shows a substantially stronger expected rebound of +4.0%, +2.5% and 1.7% respectively (with an expected 2021 figure of +6.2%).

Lastly, Banca d'Italia, with its communication of 21 December 2021, incorporated a series of quantitative and qualitative information to the financial statement disclosures required under the seventh update of Circular 262

"Banks' financial statements: schedules and drafting rules", in order to provide the market with detailed information on the effects that Covid-19 and the measures to support the economy have had on the financial position and results of intermediaries.

Despite the improvement in the pandemic environment during 2021, uncertainty persisted under some respects owing to the continued Covid-19 health emergency which required the Bank to continue adopting enhanced safeguards and processes, as it did in 2020. Concerning the preparation of the Disclosure of the the financial statements at 31 December 2021, the Bank continued to adopt the guidelines and recommendations issued by the aforementioned European regulatory and supervisory bodies and standard setters, while at the same time taking into account the support measures put in place by the Government in favour of households and businesses when assessing its relevant business activities.

Finally, the Bank's management paid special attention, as usual, to the causes of uncertainty affecting the estimates involved in the process of quantifying certain asset and liability items in the balance sheet. Due to the continuing Covid-19 pandemic, the main areas of uncertainty regarding estimates include credit losses, the fair value of financial instruments, and income taxes,

The main financial statements areas most affected by the effects of the pandemic and the related accounting choices made by the Bank as at 31 December 2021 are set out below.

Classification and measurement of loans to customers based on the general IFRS 9 impairment model

For the purpose of calculating the expected loss as at 31 December 2021, the Bank incorporated into its IFRS 9 impairment model the macroeconomic scenarios that reflect the effects of the Covid-19 health emergency, as per instructions of the European Central Bank contained in the letter of 1 April 2020 and further letter of 4 December 2020.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the European Central Bank communication of 4 December 2020 ("Identification and measurement of credit risk in the context of the coronavirus pandemic (Covid-19)".

In particular, for the valuation of loans to customers as at 31 December 2021, the domestic macroeconomic forecasts used as an 'anchor point' were those indicated in the growth outlook for euro area countries, drawn up and published by the ECB in the third quarter of 2021 jointly with the individual Central Banks, including the Bank of Italy. These scenarios were therefore updated from those used in the valuation of loans to customers as at 30 June 2021, as they were considered more in line with the economic and health conditions in place at the reporting date of 31 December 2021.

For the calculation of expected loss as at 31 December 2021, the Bank used the three scenarios ("mild", "baseline", "adverse") making a reasonable average of their respective results, in light of the assessed high variability and potential uncertainty linked to the persistent health emergency and its potential developments, and increasing the weight of the most adverse scenario.

The gradual improvement in certain macroeconomic variables, incorporating the robust growth expectations forecast for the three-year period 2022-2024, had a significant positive impact on the medium-long term forecasts compared to the projections obtained from the 2020 scenarios: in order to adopt a conservative approach, the Bank adopted a variable weighting mechanism between the short-term and medium-long term forecast components.

In this respect, this variable weighting system mitigated the reductions in collective write-downs of the performing portfolio of loans to customers.

Please note that the current calibration of the IFRS 9 model includes the effects of the new definition of default as of March 2021 and on the time series basis in the 2015-2020 time interval.

Accounting treatment of Covid-19 moratoria

On the basis of guidance provided by the European Banking Authority in the document *"Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis"* of 4 April 2020 (EBA/GL/2020/02), moratoria granted to customers pursuant to law and (especially Law Decree no.18 of 17 March 2020) and in application of industry agreements (ABI Agreements), have not been considered as reflecting a borrower's financial difficulty for all renegotiations occurred by 30 September 2020. Therefore, these positions have not been classified as "Forborne" exposures. For concessions granted pursuant to law or national agreements after 01.10.2020, banks made a specific assessment as to whether the *Forborne* requirements were met, as in its communication of 21.09.2020, the EBA declared the discontinuation as of 30.09.2020 of the exemptions previously recognised for moratoria granted as a consequence of the health emergency. The subsequent resurgence of the pandemic, however, led the EBA to a new change of direction, expressed in the *Amendment* of 02.12.2020; as of such date, the of moratoria already granted before 30.09.2020 and based on national law or agreements could further benefit from the exemption from the obligation to assess the counterparty's state of distress.

In compliance with the requirements of Article 14 of the "Guidelines on legislative and non-legislative moratoria on loan payments applied in the light of the Covid-19 crisis" issued by the EBA (EBA/GL/2020/02), the Bank has set up an enhanced monitoring system to check the positions that have benefited from the Covid-19 moratorium, in order to timely detect the positions to be downgraded to non-performing. This activity was carried out on customers who had benefited from Covid moratoria, and in particular those who had applied for moratoria expiring in the second half of 2021, which were examined individually by the relevant offices

With regard to the classification of credit exposures, it should be recalled that the aid framework provided by the EBA Guidelines on moratoria lapsed definitively on 31 March of this year; accordingly, in 2021 it was substantially no longer possible to take advantage of the simplified prudential treatment provided for the classification of moratoria ("EBA compliant" moratoria). Given the foregoing situation, encompassing all subsequent moratorium extensions established by law, it became necessary to analyse each position individually to check whether the extensions were to be considered as forbearance measures (i.e. linked to a financial difficulty), resulting in their classification as Stage 2.

Therefore, the relevant offices carried out a case-by-case analysis of whether the forborne prerequisites were met, increasing on a subjective basis the expected credit loss for the concerned exposures.

All other things being equal, the above considerations had a significant impact on the level of conservatism of net value adjustments to loans for the year.

Securities measured at fair value

The Bank's securities portfolio at fair value consists mainly of listed government and banking securities with a fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests included in the portfolio of financial assets measured at fair value through other comprehensive income were subject to valuation at 31 December 2021. For additional details, see the relevant tables in the Notes.

Probability test on deferred taxation in the COVID-19 scenario

As required by IAS 12, a deferred tax asset (or DTA) must be recognised for all deductible temporary differences if it is probable that taxable income will be realised in excess of the deductible temporary differences. Deferred tax assets are then broken down into 'qualified' and 'non-qualified' deferred tax assets. While for the former, Italian law provides for a special mechanism of conversion into tax credits which in itself justifies their recognition (See Part B - Assets: Section 10 Tax Assets and Tax Liabilities), the amount of 'non-qualified' deferred tax assets recognised in the financial statements is tested to determine the probability of future taxable income that would allow for their recovery ("probability test"). Therefore, also in the current pandemic, the Bank carried out such test with no adverse impact arising from the effects of the pandemic.

CONTRACTUAL CHANGES RESULTING FROM COVID-19

Detailed disclosures on contractual changes arising from COVID-19 in light of the provisions of IFRS 9 and IFRS 16 are provided below as required by the specific instructions of Bank of Italy Circular 262.

Contractual changes and derecognition (IFRS 9)

The moratoria granted by the Bank, in line with the EBA guidelines, meet certain specific requirements. More specifically, they met the following requirements:

- being offered indiscriminately to a group of entities (performing) or following and in accordance with legal provisions;

- not providing for waivers of contractual interest or principal, but merely a deferment/extension of payments.

Amendment to IFRS 16 accounting standard

Banca Promos has decided not to apply the 'practical expedient' introduced under IFRS 16 - Leases concerning discounts and deferred payments on outstanding leases.

4.7 Updating the IFRS 9 impairment model to reflect the new notion of default

The new definition of default under the European Regulation on prudential requirements for credit institutions and investment firms (Article 178 of Reg. EU no. 575/2013) came into effect on 1 January 2021. In such respect, the Bank's IFRS 9 Impairment Models were appropriately revised to take into account the effects of the new rules.

4.8 Interest rate benchmark reform: disclosure required under IFRS 7

As at 31 December 2021, there were no benchmark-indexed derivatives affected by the reform, in particular EONIA and LIBOR.

At the same date, there were no cash flow hedging derivatives.

In the broader context of the complex benchmark reform process, it should be noted that the Bank does not hold assets or liabilities indexed to rates other than the EURIBOR, therefore, no rate replacement impact is expected.

4.9 Realignment of real estate assets

Art. 110 of Decree Law no. 104 of 2020 ('August Decree') allows entities that prepare their financial statements in accordance with the international accounting standards to realign the tax basis of tangible and intangible assets - including equity investments constituting financial fixed assets - still existing at the end of FY2020, to their higher book values as at 31 December 2019, by paying a substitute tax (income tax and IRAP) of 3 per cent of the realignment difference.

This mismatch was the result of the book value of tangible and intangible fixed assets being written-up in accordance with the accounting standards in force in previous years, while the corresponding tax basis had remained unchanged[1].

The Realignment results in:

- tax deductibility of IAS depreciation for IRES and IRAP tax purposes (to the extent of 90%) for the realignment amount on buildings and intangible assets, or

[1] This results in the recognition of deferred tax liabilities when recognising the amounts written-up.

- for non-depreciable assets, but also for non-depreciable land, recognition of the higher tax basis at the time of disposal, unless the disposal of the assets occurs during a 'supervisory' period, during which the exit of the asset from the company's production circuit (e.g. Sale) must be monitored.[2].

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

The rule provides that the amount of the higher realigned values, net of the substitute tax, is to be recorded in a reserve that is taxable upon distribution.

Based on the Bank's perimeter, the tax basis was then realigned for a total realignment amount of about € 2.4 million. The substitute tax due in respect of the above realignment amounting to approximately € 72 thousand was paid in accordance with law.

Against the payment of the substitute tax, from an accounting point of view, higher taxes were recognised and, concurrently the provision for deferred taxation on the higher recognised book values was released, for approximately € 798 thousand, as the difference between the book and tax values of the realigned assets was eliminated, with a net positive effect on the income statement of € 726 thousand.

In compliance with the relevant law, a restriction was placed on the Bank's equity reserves in the amount of € 2.3 million corresponding to the realignment difference (net of the relevant substitute tax)[3].

4.10 Statutory audit of the accounts

The financial statements are audited by KPMG S.p.A., in application of the Shareholders' Meeting Resolution of 30/04/2019, which appointed the mentioned firm as independent auditors for the years 2019-2027.

4.11 Tax credit for research and development

In 2021 the bank performed some Research and Development activities through the Research and Development Laboratory, relying on the support of special working Groups set up according to the following projects:

1. INVEX (software platform that acts as an online marketplace for the non-recourse assignment of invoices)
2. PRISMA (integrated computerised information system supporting trading activities for OTC trading, position keeping and client management)
3. FEEDO (client/server platform for handling cash deposited in smart/safe at participating merchants).

These Research and Experimental Development activities fall within those listed in Article 3(c), Decree of 27 May 2015, containing provisions for the implementation of tax credit rules in respect of investments in research and development referred to in Article 3 of Decree-Law No. 145 of 23 December 2013: *"c. acquiring, combining, shaping and using existing scientific, technological and business knowledge and skills for the purpose of producing plans, projects or designs for new, altered or improved products, processes or services.*

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[2] If a realigned asset is disposed of before the beginning of the fourth financial year (i.e. 2024) after that of the realignment (supervisory period), the capital gains/losses are determined on the basis of pre-realignment values and the substitute tax paid in the meantime on the transferred assets is credited back as a tax credit.

[3] Consistent with the information in Schedule RS of the 2020 tax return - SC2021 line RS 140 col. 2.

The subsidisable expenses incurred by the Bank amount to € 559 thousand and are attributable exclusively to the category of Research and Development expenses reported in Paragraph 200 Article 1 Law No. 160 of 27 December 2019.

These incurred expenses resulted in a tax credit of € 252 thousand.

The table shows the amount of tax credit recognised and the amounts offset in 2021:

CATEGORY TAX CREDIT	At 31.12.2020	Tax credit recognised in 2021	2021 Set-offs	At 31.12.2021
Research and Development (Paragraph 200 Article 1 Law No. 160 of 27 December 2019)	231	252	77	406
IT for Digital Innovation 4.0	10		3	6

The tax credit recognised in 2021 in the amount of € 252 thousand is recognised under *item 200.Other income and expenses of the Income Statement*, while the remaining tax credits as at 31 December 2021 are classified under item *100.Other Balance Sheet Assets*.

In addition, the tax credit utilisation schedule is presented below:

	Tax Credit at 31.12.2021	**FINANCIAL DISTRIBUTION OF THE TAX CREDIT**		
YEAR		**2022**	**2023**	**2024**
R&S 2020	154	77	77	-
Innovation 2020	6	3	3	-
R&S 2021	252	84	84	84
OVERALL TOTAL	**412**	**164**	**164**	**84**

4.12 Change of business model

In the 2020-2022 Strategic Plan, the main planned areas for action to effectively achieve its medium/long-term objectives include the central role of the Bank's capital reinforcement strategy, while at the same time pursuing a careful analysis to monitor its overall risk exposure.

In this respect, the Board of Directors of Banca Promos monitored with particular attention the effects of the operational choices made to achieve the strategic objectives defined in the aforementioned Strategic Plan.

In this sense, the Bank, in reaffirming the need to maintain a particularly prudent risk profile in the management of its securities portfolio, has opted for a more decisive management strategy designed to promote medium-long term stability in the funding of its securities portfolio thereby mitigating the risks of weakening capital in respect of requirements. The analysis led to the consideration that the business model previously adopted by the Bank (predominantly holding proprietary securities classified in the Hold to Collect & Sell - HTCS - category), was no longer consistent with its strategic and risk objectives (reinforced capital requirements).

Therefore, at its meeting of 19/05/2022, the Bank's Board of Directors decided to strategically review the management logic for all its holdings.

The risk alignment will be achieved by shifting the focus from the Hold To Collect & Sell (HTCS) business model, which will become residual compared to the Hold to Collect (HTC) business model and will be allocated to the short-term treasury business.

A.2 - MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of these Financial Statements are indicated below.

1 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Classification criteria

This category includes all financial assets that are not classified as financial assets at fair value through comprehensive income or as financial assets measured at amortised cost.

Specifically, financial assets at fair value through profit or loss include:

- financial assets which, according to the Bank's *Business Model*, are held for trading purposes, i.e. debt and equity securities (therefore, these assets are not held according to a business model aimed at the collection of contractual cash flows - "Hold to Collect" *Business Model* - or at the collection of contractual cash flows combined with the sale of financial assets - "Hold to Collect and Sell" *Business Model*) and the positive value of derivative contracts held for trading. These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss” sub-item "a) financial assets held for trading";
- financial assets designated at *fair value,* i.e. financial assets thus defined upon initial recognition where the conditions are met. In cases of this kind, upon recognition an entity may irrevocably designate a financial asset as at fair value through profit or loss if, and only if, so doing eliminates or significantly reduces a measurement or recognition inconsistency. These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss” sub-item "b) financial assets designated at fair value";
- financial assets mandatorily measured at fair value, consisting of financial assets that do not meet the requirements for valuation at amortised cost or at fair value through other comprehensive income. These are financial assets with contractual terms that do not exclusively provide for principal repayment and payment of interest on outstanding principal (“SPPI test” not passed) or which are not held under a business model aimed at holding assets for the purpose of collecting contractual cash flows ("Hold to Collect” Business Model) or whose objective is achieved both by collecting the contractual cash flows and by selling financial assets ("Hold to Collect and Sell” Business Model). These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss” sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, this item includes:

- debt securities and loans included in a Other/Trading *Business Model* (which, therefore cannot be included in a "Hold to Collect" or "Hold to Collect and Sell" *Business Model*) or which did not pass the *SPPI Test*;
- capital instruments, which cannot be qualified as interests in subsidiaries, associates or jointly controlled entities, that are held for trading or for which designation at fair value through other comprehensive income was not opted for upon initial recognition. Under IFRS 9, upon initial recognition an entity may exercise the irreversible option (the 'OCI option') to recognise an equity security at fair value through other comprehensive income;
- UCIT units;

The item also includes derivative contracts held for trading, reported as assets if their *fair value* is positive and as liabilities if their *fair value* is negative. The offsetting of current positive and negative amounts resulting from existing transactions with the same counterparty is possible only if there is a legal right to offsetting the amounts recognized in the accounts and the positions being netted are to be settled on a net basis. Derivatives also include those embedded in complex financial contracts.

According to the general rules established by IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of measured at fair value through profit or loss into one of the other two categories required by IFRS 9 (Financial assets measured at amortized cost or Financial assets measured at fair value through other comprehensive income). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and this date is considered as the initial recognition date for the allocation in the various stages of credit risk (stage assignment) for the purposes of impairment.

Recognition criteria

Financial assets are initially recognised at the settlement date for debt and equity instruments, at the disbursement date for loans and at the subscription date for derivative financial instruments.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or gains directly attributable to the instrument itself, recognised directly in the Income Statement.

Measurement criteria

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value and changes are recognised in profit or loss. If the *fair value* of a financial asset becomes negative, this item is accounted for as a financial liability. The change in fair value of derivative contracts with a 'customer' counterparty takes their credit risk into account.

For more information on how *fair value* is calculated, see Section A.4 Information on the Fair Value of this part A.2.

Derecognition criteria

Financial assets measured at fair value through profit or loss are derecognised only when the dismissal entailed the transfer of all the risks and benefits associated with the assets. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

Recognition criteria of Income Statement items

The positive components of income consisting of interest income on securities and related income, as well as the differentials and margins accrued up to the reporting date, relating to derivative contracts classified in the item, but operationally linked to financial assets or liabilities measured at fair value (Fair Value Option), are recorded on an accrual basis in the interest items of the Income Statement.

The profits and losses on sale or reimbursement and unrealized profits and losses arising from changes in the fair value of the trading portfolio are classified in the Income Statement, in the item “80.Net income from trading activities for instruments held for trading” and in the item "110.Net income from other financial assets and liabilities at fair value through profit or loss" for instruments mandatorily at fair value and for instruments designated at fair value.

2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Classification criteria

Assets measured at fair value through other comprehensive income include assets jointly satisfying the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset ("Hold to Collect and Sell" Business Model), and
- the contractual terms of the financial asset envisage cash flows on certain dates consisting solely of payments of principal and of interest on the outstanding principal ("SPPI test" passed).

The item also includes equity instruments, not held for trading, for which the option for designation at fair value through other comprehensive income was exercised upon initial recognition.

Therefore, this item includes:
- debt securities that fall within a "Hold to Collect and Sell" *Business Model* and have passed the *SPPI Test*;
- equity interests, not classified as interests in subsidiaries, associates or jointly controlled entities, which are not held for trading, for which the option for designation at fair value through other comprehensive income has been exercised;
- loans that fall within a "Hold to Collect and Sell" *Business Model* and have passed the *SPPI Test*;

According to the general rules established by IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets.
In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of measured at fair value through other comprehensive income into one of the other two categories required by IFRS 9 (Financial assets measured at amortized cost or Financial assets measured at fair value through profit or loss). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. In the event of reclassification from the category in question to that of amortized cost, the accumulated profit (loss) recognized in the valuation reserve is used to adjust the fair value of the financial asset at the reclassification date. Conversely, in the event of reclassification into the category of fair value through profit or loss, the cumulative profit (loss) previously recognized in the valuation reserve is reclassified from equity to profit (loss) for the year.

Recognition criteria

Financial assets are initially recognised at the settling date for debt and equity instruments and at the disbursement date for loans.

Upon initial recognition, assets are stated at fair value, including transaction costs or income directly attributable to the instrument.

Measurement criteria

After initial recognition, assets measured at fair value through other comprehensive income other than equity securities, are measured at fair value with recognition in profit or loss of a) the impacts deriving from the amortised cost application, b) the effects of impairment and c) any exchange effect, while the gains or losses due to a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. At the time of partial or total disposal, the profit or loss accrued in the valuation reserve is reversed, wholly or in part, to the income statement (so-called recycling).

The equity instruments for which the entity opted for classification in this category are measured at fair value and the amounts recognized as contra entry in shareholders' equity (Statement of comprehensive income) must not subsequently be transferred to the income statement, including upon disposal (so-called *no recycling*). Dividends are the only element pertaining to the equity securities in question that is recorded in the income statement.

For equity securities not listed on an active market and included in this category, cost is used as a criterion for estimating *fair value,* only on a residual basis and in limited circumstances. For more information on how *fair value* is calculated, see Section A.4 Information on the Fair Value of this part A.2.

It should also be noted that "Financial assets measured at fair value through profit or loss", both in the form of debt securities and loans and receivables, are subject to impairment test pursuant to IFRS 9, just like Assets at amortized cost. Therefore, for the aforementioned instruments a value adjustment will be recognized in the Income Statement to cover the expected losses. The estimate of the expected loss through the Expected Credit Loss (ECL) approach is carried out on the basis of the allocation of each relationship in the three reference stages as explained in more detail in the paragraph *"Impairment losses on financial assets".*

Equity instruments are not tested for impairment.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised only when the dismissal entailed the transfer of all the risks and benefits associated with the assets. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

Recognition criteria of Income Statement items

Interest income on debt securities, loans and receivables - calculated using the effective interest rate - is recognized in the income statement on an accrual basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognized in the income statement, while other gains or losses arising from fair value changes are recognized in a specific equity reserve.

For debt securities only, at the time of partial or total disposal, the profit or loss accrued in the valuation reserve is reversed, wholly or in part, to the income statement (“recycling”).

With respect to equity instruments, dividends are the only component to be recognized in the income statement. Dividends are recognized in the income statement only when (par. 5.7.1A of IFRS 9):
- the entity's right to receive payment of the dividends is established;
- it is likely that the economic benefits attributable to the dividend will flow to the entity; and
- the amount of the dividend can be reliably estimated.

Normally these conditions occur upon collection of the dividend following the shareholders' resolution of the investee company to approve the financial statements and the allocation of the result for the year.

For equity securities, the changes in fair value are recognized as a contra-entry in equity and must not subsequently be transferred to profit or loss regardless of realization ("no recycling").

3 – FINANCIAL ASSETS MEASURED AT AMORTISED COST

Classification criteria

Assets measured at amortised cost include financial assets (specifically loans and debt securities) jointly satisfying the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractual cash flows ("Hold to Collect" Business Model), and
- the contractual terms of the financial asset envisage cash flows on certain dates consisting solely of payments of principal and of interest on the outstanding principal ("SPPI test" passed).

More specifically, the following elements are recognized in this item:

- loans to banks in the various technical forms that meet the above requirements;
- loans to customers in the various technical forms that meet the above requirements;
- debt securities that meet the above requirements.

Also included in this category are operating loans associated with the provision of financial assets and services as defined by the T.U.B. (consolidated Law on Banking) and the T.U.F. (consolidated Finance Law) (for example for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 regarding the reclassification of financial assets, reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories required by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. Profits or losses resulting from the difference between the amortized cost of the financial asset and the related fair value are recognized in the income statement in the event of reclassification into the category of Financial assets measured at fair value through profit or loss and in shareholders' equity, in the specific valuation reserve, in the event of reclassification into the category of Financial assets measured at fair value through on comprehensive income.

Recognition criteria

Financial assets are initially recognised at the settling date for debt instruments and at the disbursement date for loans. Upon initial recognition, assets are stated at fair value, including transaction costs or income directly attributable to the instrument.

Specifically concerning loans, they are initially recorded at the disbursement date according to the fair value of the loan itself. The fair value is equal to the amount disbursed (or subscription price), including costs/income directly attributable to the individual loan and determinable at origin, even when settled at a later date. Costs that - despite having the above characteristics - are repaid by the debtor or can be classified as ordinary administrative expenses are excluded.

In some cases, the financial asset is considered impaired upon initial recognition (so-called "purchased or originated impaired financial assets") for example because it has a very high credit risk and, if purchased, it is acquired at a large discount. In such cases, upon initial recognition, a correct effective interest rate is calculated for the receivable and the expected losses calculated for the entire life of the receivable are included in estimated financial flows. The aforementioned rate will be used in applying the amortized cost criterion and in the related calculation of interest to be recognized in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the actual interest rate method. In these terms, the asset is recognised for an amount equal to the initially recognised amount less any principal repayments, less/plus the accrued amount (calculated using the actual interest method) of the difference between initial amount and the amount at maturity (generally corresponding to income/expenses directly attributable to the individual asset) and amended for any loss coverage provision. The actual interest rate is determined by calculating the rate that equates the current value of future cash flows from the asset, for principal and interest, to the amount disbursed, including the costs/income attributable to the financial asset. This accounting method, using a financial logic, allows for the distribution of the economic effect of the costs/income directly attributable to a financial asset along its expected residual life.

The exceptions to the application of the amortized cost method concern short-term assets, assets without a defined maturity and demand loans. In such cases, the application of the amortized cost method is considered not significant and the asset is accordingly measured at cost.

"Financial assets measured at amortized cost", both in the form of debt securities and loans and receivables, are tested for impairment in accordance with the provisions of IFRS 9. Therefore, for the aforementioned instruments a value adjustment will be recognized in the Income Statement to cover the expected losses. The estimate of the expected loss through the Expected Credit Loss (ECL) approach is carried out on the basis of the allocation of each relationship in the three reference stages as explained in more detail in the paragraph *"Impairment losses on financial assets".*

In such cases, for the purpose of calculating the amortized cost, in calculating the credit-adjusted effective interest rate for financial assets that are considered purchased or originated impaired financial assets upon initial recognition (IFRS 9 par. B5.4.7) the entity is required to include the initial expected losses on receivables in estimated cash flows B5.4.7).

If the reasons for the impairment no longer apply after the value adjustment has been made, the Bank reverses the impairment loss to the income statement. The write-back may not exceed the amortised cost of the financial instrument had no adjustment been recognised. The reversals related to the passing of time are recognized in interest margin.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on cash flows from the assets expire or when a financial asset is disposed of, basically transferring all the pertinent risks/benefits. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

If the contractual cash flows of a financial asset are renegotiated or otherwise amended, pursuant to IFRS 9 it is necessary to assess whether the aforementioned amendments have the characteristics for a derecognition of the financial asset. More specifically, contractual changes result in derecognition of the financial asset and recognition of a new one when they are considered "material". The materiality of the change is to be assessed through a qualitative analysis of the reasons for such change. In this regard, a distinction is made between:

- renegotiations for commercial purposes with performing customers for reasons other than the debtor's financial difficulties. These are renegotiated terms granted at market conditions in order to retain customers who request the adjustment of the financial conditions of the loan to align them with those of other banking institutions. These types of contractual amendments are considered material as their purpose is to prevent a decrease in future revenues that would occur if the customer decides to move to another operator. They entail the recognition in the income statement of the differences between the book value of the derecognized financial asset and the book value of the newly recognized asset;

- renegotiations due to financial difficulties of the counterparty: they include forbearance measures granted to counterparties in financial difficulty for the purpose of maximizing the repayment of the original loan by the customer and therefore avoid or contain any future losses. For this reason, the Bank is willing to grant potentially more favourable contractual conditions to the counterparty. In these cases, as a rule, the amendment is strictly related to the debtor becoming unable to repay the originally established cash flows and, therefore, in the absence of other factors, this means that the original cash flows were not essentially cancelled such as to lead to the derecognition of the asset. Accordingly, the aforementioned renegotiations or contractual amendments can be classified as non-material. Therefore, they do not result in derecognition of the financial asset and, pursuant to par. 5.4.3 of IFRS 9, they entail the recognition in the Income Statement of the difference between the book value before the amendment and the value of the financial asset recalculated by discounting the renegotiated or amended cash flows at the original effective interest rate.

In order to assess the materiality of the contractual amendment, in addition to appreciating the reasons for the amendment, one has to assess whether there are other elements that modify the original nature of the contract as they introduce new elements of risk or have an impact that is deemed significant on the original contractual flows of the asset such as to entail its derecognition and the consequent recognition of a new financial asset. This is the case, for example, when new contractual clauses are introduced that change the reference currency of the contract, that enable the receivable to be converted/replaced into equity instruments of the debtor or which cause the SPPI test to fail.

Recognition criteria of Income Statement items

Interest generated by loans to banks and customers is recognized under item "Interest and similar income" and is recorded on an accrual basis according to the actual interest rate, i.e. by applying the latter to the gross book value of the financial asset, with the exception of.

a) impaired financial assets acquired or originated. As noted above, for these financial assets the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset as of the initial recognition;

b) financial assets that are not acquired or originated impaired financial assets but have become impaired financial assets at a later stage. For these financial assets, the effective interest rate is applied to the amortized cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event that occurred after application of the requirements referred to in b) above, in subsequent years, interest income is calculated by applying the effective interest rate to the gross book value.

It should be noted that the Bank applies the criterion referred to in b) above only to impaired assets that are measured individually using a specific approach. Therefore, stage 3 financial assets measured individually according to a flat-based approach are excluded and interest on these assets is calculated on the gross value of the exposure.

Impairment losses and reversals, including reversals related to the passing of time, are recognized at each Income Statement reporting date in item “130. Net adjustments/reversals for credit risk”. Gains and losses resulting from the disposal of loans are recognized in the income statement under the item: “Profits/losses on disposal or repurchase”.

Revenue items comprising interest and income on securities are recognized in the interest items of the income statement on an accrual basis, according to the actual interest rate.

Gains and losses referred to securities are recognized in the income statement under the item: “100.Profits/losses on disposal or repurchase at the time when the assets are sold.

Any impairment of securities is recorded in the income statement under item: “130.Net adjustments to/write-backs for credit risk”. Subsequently, if the reasons that led to the recognition of the impairment loss no longer apply, the losses are reversed with entry in the same Income Statement item.

4 - HEDGING TRANSACTIONS

The Bank has no hedging derivative contracts.

5 – EQUITY INVESTMENTS

Classification criteria

The term equity investments refers to investments in the capital of other companies, generally consisting of shares or quotas, that are classified as interests in subsidiaries (control), associates (significant influence) and jointly controlled entities.

More specifically, the following definitions apply:

- Subsidiary: equity investments in companies as well as investments in entities over which the parent exercises control over the relevant assets in accordance with IFRS 10. More precisely, "an investor controls an entity when it is exposed or is entitled to variable results arising from its involvement in the entity and has the ability to influence those results through its power over the entity." The power requires the investor to have existing rights that give them the current ability to direct the activities that significantly affect the results of the investment. Power means being able, without necessarily exercising that ability in practice. Control is verified on an ongoing basis. The investor must review its control on an entity when facts and circumstances indicate that there are changes in one or more elements of control.

  In consideration of the subsidiaries' negligent book value and balance sheet size, the Bank does not prepare consolidated financial statements.
  In this regard, it should be noted that the application of International Accounting Standards must be read with reference to the "Framework for the preparation and presentation of the financial statements" (Framework) which, in paragraphs 26 to 30, refers to the concepts of relevance and materiality of information. In particular, paragraph 26 states that *"Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations."* Paragraph 29 establishes that "*The relevance of information is affected by its nature and materiality*" Finally, paragraph 30 specifies that materiality *" provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful".* In this sense, it is one of the prerogatives of the directors to set this cut-off point or threshold;

- Associate: equity investments in companies for which, although the conditions for control do not exist, the Bank, directly or indirectly, is able to exercise significant influence, being it able to take part in the investee's financial and management policies determination. This influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20.00% of the voting rights or in which it has the power to participate in the determination of financial and management policies by virtue of particular legal relations;

- Joint ventures: equity investment in companies through a joint control where the parties who hold joint control have rights to the net assets of the arrangement.

Recognition criteria

Equity investments are initially recorded at cost, including any directly attributable ancillary charges.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled entities are shown in the financial statements using the cost method as measurement criterion, net of any impairment losses.

If there is objective evidence of an impairment, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the proceeds from final disposal. Any impairment is recognised in the income statement under item “Profits (loss) on equity investments”. If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised on the income statement.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the assets has expired or when the investment is sold and all the risks and benefits connected thereto are transferred.

Recognition criteria of Income Statement items

Dividends from investee companies are accounted for in the item "Dividends and similar income". Dividends are recognized in the income statement only when (par. 5.7.1A of IFRS 9):

- the entity's right to receive payment of the dividends is established;
- it is likely that the economic benefits attributable to the dividend will flow to the entity; and
- the amount of the dividend can be reliably estimated.

Normally these conditions occur upon collection of the dividend following the shareholders' resolution of the investee company to approve the financial statements and the allocation of the result for the year.

Any impairment loss/reversal related to the valuation of equity investments as well as any gains or losses on disposal are booked to the item 'Profits (Losses) on Investments”.

6 – PROPERTY, LAND AND EQUIPMENT

Classification criteria

This item mainly includes land, operating and investment properties, plants, vehicles, furniture, fittings and equipment of any type and of a durable nature.

According to IAS 16, ‘operating properties’ are the assets owned to be used for service provision or for administrative purposes.

As required by IAS 40, investment properties include property held to earn rental income or for capital appreciation, or for the appreciation of the invested capital.

The item also includes tangible assets classified on the basis of IAS 2 - Inventories, which refer both to assets obtained through the enforcement of guarantees or the purchase at auction which the company intends to sell in the near future, without any significant restructuring works, and which do not meet the conditions for classification in the above categories, and the real estate portfolio comprising building areas, properties under construction, completed properties for sale and real estate development projects, held with a view to divestment.

Lastly, the item includes the rights of use acquired through leases and relating to the use of a tangible asset (for lessees), the assets leased under operating leases (for lessors), as well as improvements and incremental expenses on third party assets, as long as they pertain to identifiable and separable tangible assets.

Recognition criteria

Tangible assets are initially recorded at acquisition or construction cost, which includes any incidental costs directly attributable to the purchase and incurred to make the asset operative.

Extraordinary maintenance expenses and the cost of improvements that result in an increase in the asset-generated future benefits - when identifiable and separable - are attributed to the asset they refer to and depreciated over the remaining useful life of such assets. If these improvements are not identifiable and separable, they are recognised as "Other assets" and subsequently depreciated over the term of the contracts to which they relate in the case of third-party assets or over the residual life of the asset if owned.

Conversely, the costs for repairs, maintenance or other work carried out to ensure the normal operation of the assets are charged to the Income Statement as incurred.

Under IFRS 16, leases are accounted for according to the "right of use" model whereby, at the initial date, the lessee has a financial obligation to make payments to the lessor as consideration for his right to use the underlying asset for the entire term of the lease. When the asset is first made available for use to the lessee (initial date), the lessee recognizes both the liability and the asset consisting of the right of use.

More specifically, the right of use acquired through a lease is the sum of the present value of future lease payments due for the term of the contract, of the leasing payments paid on or before the effective date of the lease, of any incentives received, of initial direct costs and of any estimated costs for the dismantling or restoration of the leased asset.

Measurement criteria

After initial recognition, property, plant and equipment, including investment properties, except as specified below, are measured at cost net of accumulated depreciation and any accumulated impairment losses, in compliance with the cost model. Buildings held as investments are measured at fair value.

Property, plant and equipment are systematically depreciated in every FY over their useful life using the straight-line method. Buildings are depreciated to the extent deemed suitable to represent their deterioration over time following use, taking account of the extraordinary maintenance expenses that increase the value of the assets.

Vice versa, the following assets are not subject to depreciation:

- land, whether purchased separately or incorporated in the value of the buildings, as it is deemed to have an indefinite useful life. If the value of the land is included in that of the building, only entire buildings can be accounted for separately from the building; the allocation between the value of the land and the value of the building is carried out on the basis of independent expert appraisals;
- works of art, the useful life of which cannot be estimated and whose value usually increases over time;
- properties held for investment which, as required by IAS 40, are measured at fair value through profit or loss and must not be depreciated;
- inventories of tangible assets in compliance with IAS 2;
- tangible assets classified as held for sale in accordance with IFRS 5.

The depreciation process begins when the asset becomes available for use. For assets acquired during the FY, depreciation is calculated on a daily basis starting from the date when the asset became operational.

At each reporting date, the Bank verifies if there are any indications of impairment of the asset. The impairment loss is determined by comparing the carrying value of the tangible asset and the lower recoverable value.

The latter is the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Adjustments are recorded in the income statement under item "Net value adjustments/reversals on tangible assets".

When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

With reference to the tangible assets recognized in accordance with IAS 2, these are valued at the lower of cost and net realizable value, it being understood that a comparison is made between the carrying amount of the asset and its recovery value where there is some indication that the asset may have suffered an impairment. Any adjustments are recognised in the Income Statement.

With regard to the right of use asset, accounted for on the basis of IFRS 16, it is measured using the cost model according to IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated and tested for impairment if there is evidence of impairment.

Derecognition criteria

Tangible assets are derecognized upon disposal or decomissioning and, consequently, no future economic benefits are expected from their sale or use.

Capital gains and losses on the sale or disposal of tangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset; they are recognized in the income statement on the same date in which the assets are derecognized.

Recognition criteria of Income Statement items

The straight-line depreciation is recorded in the income statement under item 180.'Net adjustments to/write-backs on tangible assets'.

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used.

Assets subject to depreciation are adjusted for impairment each time events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for an amount corresponding to the excess of the book value over recoverable value. The recoverable value of an asset is equal to the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Any adjustments are recognised in the Income Statement.

When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

The item 250. 'Profit (loss) on disposal of investments' contains the net positive or negative balance between gains and losses on the sale of investments.

7 – INTANGIBLE ASSETS

Classification criteria

According to IAS 38, intangible assets are those non-monetary assets, without physical substance, which are held in order to be used over a number of years or an indefinite time, which meet the following characteristics:

- they can be identified;
- the company has control over them;
- it is likely that the future economic benefits attributable to the asset will flow to the company;
- the cost of the asset can be measured reliably.

In the absence of any of the above characteristics, the cost to acquire the asset or generate it internally is recognized as an expense when it is incurred.

Intangible assets may include the rights of use acquired through leases and relating to the use of an intangible asset (for lessees) and the assets leased under operating leases (for lessors).

Intangible assets are recognised as such if they are identifiable and when they arise from legal or contractual rights. Intangible assets also include goodwill, which represents the positive difference between the purchase price and the fair value of assets and liabilities acquired within business combination transactions.

Recognition criteria

Intangible assets are stated at cost, adjusted by any incidental charges, incurred to render the asset usable, only when the future economic benefits attributable to the assets are likely to be realised and if the cost of the asset can be measured reliably. Otherwise the cost of the tangible asset is recognized in the income statement as incurred.

Specifically, intangible assets include:

- technology-based intangible assets, such as internally generated software, which are amortized based on their expected technological obsolescence and in any case no later than a maximum period of seven years; in particular, the costs incurred internally for the development of software projects are intangible assets and are recorded in assets only if all the following conditions are met: i) the cost attributable to the development activity can be reliably determined, ii) there is an intention, the availability of financial resources and the technical capacity to make the asset available for use or for sale, iii) it can be demonstrated that the asset is able to generate future economic benefits. Capitalized software development costs are amortized systematically over the estimated life of the relevant product / service in order to reflect the ways in which the future economic benefits resulting from the asset are expected to be consumed by the entity from the beginning of production over the estimated life of the product.

Measurement criteria

After initial recognition, intangible assets with a "finite" life are measured at cost, less accumulated amortization and accumulated impairment losses. Assets with an indefinite useful life are not subject to straight-line amortisation but to a periodic test to verify the adequacy of the relevant book value.

The amortization process begins when the asset is available for use, i.e. when it is in place and in suitable condition to function as specified, and ceases when the asset is derecognised.

Intangible assets are amortised on a straight line basis, in order to reflect the long-term use of the assets on the basis of their estimated useful life.

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used. For assets sold and/or disposed of during the year, amortisation is calculated on a daily basis until the date of sale and/or disposal.

At the end of each annual or interim reporting period, if there is evidence of impairment, the asset's recoverable value is estimated. The amount of the loss, which is recognised in the income statement, corresponds to the difference between the asset's carrying amount and its recoverable amount.

Derecognition criteria

Intangible assets are written off from the balance sheet upon disposal or when no future economic benefits are expected. Capital gains and losses on the sale or disposal of intangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset and are recognized in the income statement.

Recognition criteria of Income Statement items

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used.

The item 190. 'Net value adjustments/reversals on intangible assets' shows the positive or negative balance between impairment losses, amortization and reversals relating to intangible assets. The item 250. 'Profit (loss) on disposal of investments' contains the net positive or negative balance between gains and losses on the sale of investments.

8- NON-CURRENT ASSETS AND DISPOSAL GROUPS

Classification criteria

This item includes non-current assets held for sale and groups of assets and associated liabilities held for disposal, in accordance with IFRS 5.

This item includes assets and groups of assets for which the book value will be recovered mainly through a highly probable sale rather than through their continuous use.

In order for a non-current asset or disposal group to be recovered through a sale, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions that are customary for the sale of such assets (or disposal groups);
- the sale of the non-current asset (or disposal group) is highly probable.

In order for a sale to be highly probable, the Management at an adequate level must have engaged in a programme for the disposal of the asset, and activities must have been started to identify a buyer and complete the programme. Furthermore, the asset must be actively traded on the market and offered for sale, at a reasonable price compared to its current fair value. Completion of the sale should be scheduled within one year from the date of classification and the actions required to complete the sale programme should demonstrate that it is unlikely that the programme can be significantly modified or cancelled.

Non-current assets held for sale and disposal groups, as well as "discontinued operations", and the related liabilities are shown in specific asset (110 "Non-current assets held for sale and disposal groups") and liability (70 "Liabilities associated with assets held for sale") items.

Recognition criteria

Non-current assets and disposal groups are initially carried at the lower between book value and fair value, net of sales costs. As an exception, a different treatment applies to some types of assets (e.g. financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

After initial recognition, non-current assets and disposal groups are still measured at the lower of book value and fair value, net of sale costs, with the exception of certain types of assets (for example, financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

If the assets held for sale are depreciable, the depreciation process is interrupted when the asset is classified as non-current asset held for sale.

Derecognition criteria

Non-current assets and disposal groups are written off from the balance sheet upon disposal.

If an asset (or disposal group) classified as held for sale does no longer meets the recognition criteria pursuant to IFRS 5, the asset (or disposal group) must no longer be classified as held for the sale.

A non-current asset that is no longer classified as held for sale (or is no longer part of a disposal group classified as held for sale) must be measured at the lower of:

- book value before the asset (or disposal group) was classified as held for sale, adjusted for all depreciation charges, write-downs or reversals that would otherwise have been recognized if the asset (or disposal group) had not been classified as held for sale;
- its recoverable value at the date of subsequent decision not to sell.

Recognition criteria of Income Statement items

The income and expenses, the valuation gains or losses and the gains/losses on disposal (net of the tax effect) attributable to disposal groups or recognized as such during the year, are shown in the relevant income statement item 290 "After-tax profit (loss) on disposal groups".

9 - CURRENT AND DEFERRED TAXES

These items include current and deferred tax assets and liabilities recognised in application of IAS 12.

Income taxes, calculated in compliance with current tax legislation, are recognized in the income statement based on the accrual principle, consistent with the recognition of costs and revenues that generated them, with the exception of those relating to items directly debited or credited to shareholders' equity, for which the related taxation is recognized, for consistency, in equity.

1. Current taxes

Current tax assets and liabilities are recognized for the amounts due or recoverable with respect to the taxable income (loss) for the year, by applying the tax rates and the laws in force. Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the balance sheet.

If an excess payment has been made, which has given rise to a recoverable amount, this is recorded under the 'Current tax assets' in the Balance Sheet.

In accordance with IAS 12, the Bank offsets current tax assets and liabilities if, and only if:
a) it has an enforceable right to offset the recognized amounts; and
b) it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred taxes

Deferred tax assets and liabilities are recognised using “the balance sheet liability method”, taking into account the temporary differences between the carrying amount of an asset or liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to the law in force in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Tax assets are recognized only if it is considered probable that taxable income will be achieved in the future against which such asset can be used.

In particular, the tax legislation may lead to differences between taxable income and statutory income, which, if temporary, merely result in a time lag that involves the early or deferred imposition of tax with respect to the period in which the tax accrues, determining a difference between the book value of a balance sheet asset or liability and its value recognized for tax purposes. These differences can be broken down into “deductible temporary differences” and “Taxable temporary differences”.

Deferred tax assets

The “deductible temporary differences” indicate a future reduction in taxable income, against earlier taxation with respect to accrued tax in the statutory balance sheet. They generate deferred tax assets that will result in a lower tax burden in the future, provided that in subsequent years sufficient taxable profits are achieved to cover the realization of taxes paid in advance.

Deferred tax assets are recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which the temporary deductible difference may be used. However the probability of recovery of deferred tax assets relating to goodwill, other intangible assets and loan adjustments is deemed as automatically confirmed as a result of legal provisions that provide for their conversion into a tax credit in the event of a statutory and/or tax loss for the year.

The conversion shall take effect as of the date of approval by the shareholders' meeting of the individual financial statements in which the loss is reported.

The difference between the greater tax income compared to statutory income is mainly due to costs that are tax deductible in years subsequent to those of recognition in the financial statements.

Deferred tax liabilities

“Taxable temporary differences” indicate a future increase in taxable income; consequently they generate “Deferred tax liabilities”. These differences give rise to taxable amounts in years subsequent to those in which they are recognized in the statutory income statement, resulting in a deferral of taxation with respect to accrued tax in the statutory financial statements.

“Deferred tax liabilities” are recognized for all taxable temporary differences with the exception of reserves that are taxable upon distribution only, since the bank does not expect to carry out transactions that will lead to their taxation.

The difference between the lower tax income compared to statutory income is due to:

- revenues that are taxable in years subsequent to the recognition years;
- costs that are deductible in years prior to the recognition years according to statutory principles.

Deferred tax assets and liabilities are systematically reviewed to take account of any changes in the applicable laws or tax rates.

Deferred tax assets and liabilities are recognized in the balance sheet without offsetting, and are recognised under item 100.“Tax assets b) deferred" and item 60. "Tax liabilities b) deferred”.

If the deferred tax assets and liabilities relate to items affecting the income statement, the contra item is represented by income taxes. When deferred tax assets and liabilities regard transactions recognised directly under equity and not through profit or loss (such as the measurement of financial assets measured at fair value through other comprehensive income), they are recognised as a contra entry in Shareholders' equity, in the specific reserve when applicable (e.g. valuation reserve).

10 - PROVISIONS FOR LIABILITIES AND CHARGES

Classification criteria

Pursuant to IAS 37, provisions for liabilities and charges include provisions for current obligations (legal or constructive) arising from a past event, for which the use of economic resources is likely in order to settle the obligation, provided that the related amount can be reliably estimated.

No provision is recognized for liabilities that are merely potential and not likely, for which information is however provided in the notes, except in cases where the probability of using resources is remote or the amount is not significant.

Recognition criteria

This item includes:

- “Provisions for credit risk related to commitments and financial guarantees granted”: the Bank recognizes the value of total provisions for credit risk in relation to commitments to disburse funds and financial guarantees granted that fall within the scope of application of the impairment rules of IFRS 9 (see IFRS 9, para. 2.1, letter e); paragraph 5.5; Appendix A), including financial guarantees given and commitments to disburse funds that are measured upon initial recognition net of total revenues recognized in accordance with IFRS 15;
- “Provisions on other commitments and other guarantees granted": the Bank recognizes the value of total provisions in relation to other commitments and other guarantees granted which, owing to their peculiarities, are not subject to the IFRS 9 impairment rules (see IFRS 9, paragraph 2.1, e) and g));
- “Provisions for retirement benefits and similar obligations”: they include provisions for the benefits paid to employees after the end of the employment relationship in the form of defined-contribution or defined-benefit plans;
- “Other provisions for liabilities and charges”: this item includes other provisions for liabilities and charges set aside in accordance with international accounting standards (e.g. personnel costs, tax disputes). In particular, they include provisions for legal obligations or provisions related to employment relationships or disputes, including tax disputes, originating from a past event for which a financial outlay is probable in order to fulfil said obligations, provided that a reliable estimate can be made of the relevant amount.

Therefore, a provision is recognised if and only if:

- there is an obligation (legal or implicit) in course as a consequence of a past event;
- the utilisation of resources for economic benefits is likely to be used to comply with the obligation; and
- a reliable estimate of the obligation amount deriving from the fulfilment can be made.

Measurement criteria

The amount recognized as a provision reflects the best possible estimate of the costs to be incurred in order to discharge the existing obligation at the reporting date and reflects risks and uncertainties that inevitably characterize numerous facts and circumstances.

Where the time element is significant, provisions are discounted using current market rates.

Provisions are periodically reviewed and adjusted to reflect the current best estimate. When as a result of the review, the occurrence of the cost becomes improbable, the provision is reversed.

Derecognition criteria

The provision must be reversed when it is unlikely that resources that can produce economic benefits are to be used in order to comply with the obligation. A provision should be used only for those expenses for which it was recognised.

Recognition criteria of Income Statement items

The allowance is recorded in the income statement under item 170.“Net allowances to provisions for liabilities and charges”.

The item shows the balance, positive or negative, between the provisions made and any release to the income statement of provisions considered to be in excess.

Net allocations also include the decrease in provisions due to the discounting effect and the corresponding increases due to the passage of time (accrual of interest inherent in discounting).

11 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Classification criteria

Financial liabilities measured at amortized cost fall within the broader category of financial instruments and consist of relationships for which there is an obligation to pay certain amounts to third parties at certain due dates.

Payables to banks, payables to customers and outstanding securities include the various forms of interbank funding, funding from customers and fundraising made through certificates of deposit and bonds outstanding, net of any repurchased amounts, not classified among "Financial liabilities designated at fair value". They include securities expired but not yet reimbursed as at the reporting date.

The payables recognized by the entity as lessee in lease transactions are also included.

Recognition criteria

Financial liabilities are initially recognised on receipt of the money raised or issue of debt securities. The value at which they are recorded corresponds to their fair value, which is normally the amount collected or the issue price, plus any additional costs/income directly attributable to individual funding or issue transactions and not reimbursed by the creditor. This item does not include internal administrative expenses.

The fair value of any financial liabilities issued at different conditions than those available on the market is specifically estimated and the difference on the amount collected is recognised, when applicable, in the income statement.

Repurchased derecognised securities placed back on the market are considered as a new issue and are recognised at the new issue price, with no effect on the income statement.

Lease payables are recognized at the present value of future lease payments, discounted using the implicit interest rate of the transaction or, if this cannot be determined, using the incremental borrowing rate.

Measurement criteria

After initial recognition, carried at fair value at the date the contract was entered into, financial liabilities are measured at amortised cost using the actual interest rate method.

Short-term liabilities, for which the time factor is negligible, are excluded from this method and are recognised at the amount collected; any costs and income directly attributable to the transaction are recognised in the Income Statement under their pertinent items.

Derecognition criteria

Financial liabilities are derecognised when they are discharged or expired, or when the Bank redeems issued securities with subsequent restatement of the debt recognized for outstanding securities.

Recognition criteria of Income Statement items

Cost items consisting of interest expense are recognized in the interest items of the income statement on an accrual basis.

Any difference between the repurchase value of own securities and the corresponding carrying amount of the liability is recognized in the Income Statement under item 100 "Profits (losses) on disposal or repurchase of: c) Financial liabilities."

12 - FINANCIAL LIABILITIES HELD FOR TRADING

Classification criteria

There are no financial liabilities held for trading in the financial statements.

13 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

There are no financial liabilities measured at fair value in the financial statements.

14 – TRANSACTIONS IN FOREIGN CURRENCIES

Classification criteria

Assets and liabilities in foreign currency include not only those explicitly denominated in a currency other than the Euro, but also those with financial indexation clauses linked to the Euro exchange rate against a specific currency or against a specific basket of currencies.

For the purposes of translating foreign currency assets and liabilities, they are broken down into monetary items (classified as current items) and non-monetary items (classified as non-current items).

Monetary items include cash on hand and assets and liabilities to be received or paid in a fixed or determinable amount of money. Non-monetary items are characterized by the absence of a right to receive or an obligation to pay a fixed or determinable amount of money.

Recognition criteria

Upon initial recognition, foreign currency transactions are recorded in the reporting currency, converting the foreign currency amount using the exchange rate applicable at the transaction date.

Measurement criteria

At each reporting or interim date, any element originally denominated in foreign currency is valued as follows:

- monetary items are converted using the reporting rate;
- non-monetary items measured at historical cost are converted using the rate applicable at the transaction date;
- non-monetary items measured at fair value are converted using the spot exchange rate at the reporting date.

Recognition criteria of Income Statement items

For monetary items, the exchange differences arising between the transaction date and the date of payment, are recognized in the income statement for the period, like those arising from the translation of monetary items at rates other than those of initial translation or of translation at the previous reporting date.

When a gain or a loss relating to a monetary item is recognised in equity, the exchange difference relating to that element is also recorded in shareholders' equity.

When a gain or a loss is recognised in the income statement, the related exchange difference is recorded in the income statement too.

15 – OTHER INFORMATION

15.1 Employee severance indemnity

The Employee Severance Indemnity (TFR) is similar to a post employment benefit falling under the category of defined benefit plans, the value of which has to be determined using actuarial methods in accordance with IAS 19.

In accordance with Law no. 296 of 27 December 2006 (2007 Budget Act), companies with a minimum of 50 employees are obliged to pay on a monthly basis – and in accordance with the employee's wishes – the Employee Severance Indemnity accrued after 1 January 2007 to the supplementary pension schemes as per Legislative Decree 252/05 or to a special Fund managed by INPS for the payment of employee severance indemnity to private sector employees pursuant to article 2120 of the Italian Civil Code (hereinafter the Treasury Fund).

The following options are therefore available:

a) the severance indemnity being accrued is paid to supplementary pension schemes;
b) the severance indemnity being accrued is kept in the company (for companies with less than 50 employees);
c) the severance indemnity being accrued is transferred to INPS Treasury Fund (for those who, despite having chosen not to allocate the severance indemnity to supplementary pension schemes, work in companies with at least 50 employees).

In the cases referred to in b), which specifically apply to the bank, the total severance indemnity liability shall be assessed pursuant to IAS; the actuarial valuation shall be carried out according to the usual criteria set out in IAS 19, except for the exclusion of the pro rata relating to employees who decided to transfer their entire accrued amount to supplementary pension schemes, in order to preserve methodological consistency as indicated by the Board of Actuaries with regard to other pension schemes.

The Employee severance indemnity (TFR) is recognised on the basis of its actuarial value.

The actuarial estimate of the employee severance indemnity is carried out on the basis of "benefits accrued" pursuant to the Projected Unit Credit criterion, as provided for in paragraphs 67-69 of IAS 19.

The calculation method is summarised below:

- projection of allocated employee severance indemnity for each employee and of future employee severance indemnity payments matured until the time of payment, based on the valuation date, the estimates being based on the employee's salary;
- determination of estimate employee severance indemnity payments, for each employee, which must be made by the Company in the event of the termination of an employee's contract due to dismissal, resignation, incapacity, death and retirement and in the event of advance payment requests;
- discounting, at the valuation date, of each payment estimate;
- recalculation, for each employee, of estimated length of service and discounting based on seniority matured at the valuation date in respect of overall seniority corresponding to the as yet undetermined payment date.

The employee severance indemnity was assessed by an independent actuary in accordance with the method specified above.

The cost for the severance indemnity accrued during the year and recognised in the income statement as staff costs is the sum of the current value of employee benefits accrued during the year, and the annual interest accrued on the current value of existing liabilities at the beginning of the year. Gains or losses resulting from changes in actuarial assumptions compared to previous year estimates are charged to a separate reserve in equity.

15.2 Recognition of costs and revenue

Revenues are gross flows of economic benefits arising from the performance of the company's ordinary activities and are recognized when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the entity deems to be entitled.

Revenue recognition takes place through a process of analysis involving the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to perform their respective obligations;
- identification of each performance obligation contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each 'performance obligation', based on the selling prices of the individual obligation;
- recognition of revenue when (or gradually as) the obligation to perform is completed by transferring the promised good or service to the customer.

That being said, the recognition of revenue may take place:

a) at a specific moment, when the entity fulfils the obligation to perform by transferring the promised good or service to the customer, or

b) over time, as the entity fulfils the obligation to perform by transferring the promised good or service to the customer.

With reference to the above point b), a "performance obligation" is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset under the contract when it is created or improved;
- the customer receives and simultaneously consumes the benefits when the entity performs its services;
- through its activity the company generates a personalized good for the customer and the company has a right to payment for the activity completed at the date the good is transferred.

If none of the criteria is met then the revenue is recognized at a specific point.

The indicators of a transfer of control are: i) obligation to pay ii) legal title of the right to the consideration accrued iii) physical possession of the good iv) transfer of risks and benefits associated with ownership v) acceptance of the good.

With regard to revenues achieved over a period of time, the Bank accounts for them on a time basis. In relation to the above, the main criteria adopted by the Bank are summarized below:

- interest is recognized pro rata temporis, based on the contractual interest rate or the effective interest rate if the amortized cost is applied;
- default interest, if contractually provided, is recognized in the income statement only when actually collected;
- dividends are recognized in the income statement in the period in which their distribution is approved, which coincides with collection;
- commissions for service revenues are recognized on the basis of existing contractual agreements in the period in which the services were provided;

Revenue from the sale of non-financial assets is recognized upon completion of the transaction, unless most of the risks and benefits associated with the asset are retained.

Costs are recognized in the income statement according to the accrual principle; the costs incurred for the acquisition and performance of contracts with customers are recognized in the income statement in the same period of recognition as the related revenues.

15.3 Accruals and deferrals

Accruals and deferrals that include income and expenses accrued during the period on assets and liabilities are recognised as adjustments to the assets and liabilities to which they relate. Where it is not possible to attribute them to a specific account, they will be reported in "Other assets" or "Other liabilities".

15.4 Treasury shares

Any treasury shares are entered as a reduction of shareholders' equity. Likewise, their original cost and the gains or losses resulting from their subsequent sale are recognised as changes in equity.

15.5 Recognition of impairment

Impairment of financial assets

Financial assets other than assets measured at fair value through profit or loss, pursuant to IFRS 9, are tested for impairment - at each reporting date - i.e. they are tested to check whether there are any indicators that said assets may have been impaired ("impairment indicators").

If such indicators exist, the financial asset in question is considered impaired (stage 3) and a value adjustment must be recognized equal to the expected losses for its entire residual life.

Financial assets for which there are no impairment indicators (stage 1 and stage 2) must be tested to check whether there are any indicators that the credit risk of the individual transaction has increased significantly since initial recognition and the criteria underlying the IFRS 9 impairment model must be applied accordingly.

IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model, on which the requirements for the calculation of provisions are based, includes financial instruments such as debt securities, loans, trade receivables, contract assets and receivables originating from lease transactions, recognized at amortized cost or at fair value through comprehensive Income as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The above-mentioned model is characterized by a forward-looking vision and, in certain circumstances, it may require the immediate recognition of all expected losses during the life of a loan. However, the estimate must be continuously adjusted also considering the counterparty's credit risk. For the purpose of this estimate, the impairment model must consider not only past and current data, but also information relating to future events.

As a result of the Covid-19 pandemic, during the year the Bank implemented some refinements to the the IFRS 9 impairment model to reflect the guidance and recommendations contained in the various guidelines issued by the regulators. For more information on the above-mentioned refinements, reference is made to the paragraph "4.6 Application of the international accounting standards in the context of the Covid-19 pandemic" included in "A.1 - General section - Section 4 - Other aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model the standard provides for the allocation of each exposure into one of the 3 stages listed below:

- in stage 1, loans not showing a significant credit risk at the assessment date or identifiable as Low Credit Risk;
- in stage 2, loans showing a significant credit risk at the assessment date or not being identifiable as Low Credit Risk;
- in stage 3, non-performing loans. Stage 3 includes financial instruments classified as non-performing, unlikely to pay, past due/overdrawn for more than 90 days, as defined by Banca d'Italia's regulations.

Specifically, the Bank has provided for the allocation of the individual on- and off-balance sheet credit exposures in one of the 3 stages listed below based on the following criteria:

- in stage 1, exposures with generation date prior than three months as of the measurement date or that do not have any of the characteristics described in the following paragraph;
- in stage 2, positions showing a significant increase in credit risk at the reporting date:
    - o exposures for which there has been an increase in "PD" since origination that exceeds certain thresholds calculated using the regression line;

    - presence of the 'Forborne performing' attribute;
    - presence of exposures that are past due and/or overdrawn for more than 30 days;
    - exposures (with no 'lifetime PD' on the date of disbursement) that do not have the characteristics to be identified as 'Low Credit Risk' (as described below) at the measurement date;

- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

Performing exposures that had both the following characteristics at the measurement date are considered as 'Low Credit Risk':

- there is no "Lifetime PD" on the date of disbursement;

- rating class less than or equal to 4.

Exposures are automatically allocated to the stages envisaged by IFRS 9 according to the criteria defined above.

The estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss is calculated over a 1 year's time horizon;

- stage 2: the expected loss is calculated considering all the losses that are expected to be sustained during the entire life of the financial asset ("lifetime expected loss");

- stage 3: the expected loss must be calculated on a lifetime perspective but, unlikely the positions in stage 2, the calculation of the lifetime expected loss will be of an analytical nature. Furthermore, where appropriate, forward-looking elements will be introduced in the measurement of the aforementioned positions, including in particular different scenarios (for example, disposal) weighted by the associated probability of occurrence. More specifically, when estimating the recovery value of positions (especially those classified as non-performing), the inclusion of a sale scenario, as an alternative to an internal management scenario, normally involves the recognition of greater value adjustments due to the application of disposal prices weighted for the relative probability of occurrence of the sale scenario. For exposures classified as non-performing or unlikely to pay of an amount lower than € 30,000, for past due and / or overdrawn impaired exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using an individual-flat rate method.

With specific regard to loans to banks, the Bank has adopted a slightly different model for determining a significant increase in credit risk compared to that applied to loans to customers, although the stage allocation logic adopted for loans to banks has been defined in a way that is as consistent as possible with the logic implemented for loans to customers.

In more detail, with regard to loans to banks, "Low Credit Risk" relationships refer to performing loans with the following characteristics at the measurement date:

- there is no "Lifetime PD" on the date of disbursement;

- PD Point in Time lower than 0.3%.

Interbank exposures are automatically allocated to the stages envisaged by IFRS 9 according to the criteria defined above. Given the foregoing, for loans to banks, the Bank had adopted an IFRS 9 impairment model specifically developed for the specific type of counterparty and therefore different from the model used for loans to customers.

For loans to banks too, the estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss is calculated over a 12 months' time horizon;
- stage 2: the expected loss is measured over a time horizon that spans the entire life of the exposure until maturity (LEL, 'Lifetime Expected Loss');
- stage 3: the expected loss must be calculated on a lifetime perspective but, unlike the positions in stage 2, the calculation of the lifetime expected loss will be of an analytical nature.

Risk parameters (PD, and EAD) are calculated based upon the impairment model.

The LGD parameter is prudentially set at the regulatory level of 45% under the IRB Foundation model, for portfolios composed of risk assets other than subordinated and secured instruments.

With respect to the securities portfolio, the same approach used for loans is confirmed, i.e. the allocation of the securities in one of the three stages envisaged by IFRS 9, which correspond to three different calculation methods for expected losses.

In stage 1 the expected loss is measured over a one-year time horizon, therefore with a 12-month probability of default.

The first stage of creditworthiness includes the following securities:

- at the time of purchase, regardless of their level of risk;
- securities with no significant increase in credit risk at the measurement date compared to the time of purchase;
- securities with a significant decrease in credit risk.

In stage 2 the ECL is calculated using the lifetime probability of default. This stage also includes securities that have the following characteristics:

- at the measurement date the instrument shows an increase in credit risk with respect to the purchase date such as to require recognition of an expected loss until maturity;
- instruments that migrate back from stage 3 due to a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a 100% probability of default.

The decision to place the instruments in stage 1 or stage 2 is linked the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche being measured. These thresholds are calculated based on the characteristics of the portfolio. With regard to stage 3, the increase in risk is analysed to assess whether it was so high compared to initial recognition that the asset should be considered as impaired, i.e. whether events have occurred that will adversely affect future cash flows. As mentioned above, the Bank will have to recognize an incremental loss from stage 1 to stage 3. Specifically:

- the 12-month ECL is the expected value of the estimated loss on an annual basis;
- the lifetime ECL is the estimated expected loss of the instrument until maturity;
- the ECL estimation parameters are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

For more details about the methods used by the Bank for measuring expected losses, please refer to Section E - Section 1 Credit Risk - paragraph 2.3.

Analytical impairment of stage 3 loans

With regard to individually-assessed loans, the model used by the Bank to determine the provisions for impaired loans (stage 3) measured at amortized cost requires that they be measured trough either a specific individual approach or a flat-based individual approach depending on their characteristics.

In the specific individual approach the objective is to determine the correct quantification of the provisions for each loan, considering both the characteristics of the individual loan to be assessed and the characteristics of the relevant counterparty.

In the flat-rate individual approach the objective is to determine the correct quantification of the provisions for each loan through an estimate of risk parameters defined by a statistical model, consistent with the collective assessment of performing exposures with respect to stage 2 credit exposures.

The flat-rate individual assessment applies to credit exposures with the following characteristics:

- impaired past due and/or overdrawn exposures;
- impaired off-balance sheet exposures (e.g. guarantees, margins available on credit lines);
- balance-sheet exposures classified as unlikely to pay that do not exceed a threshold amount defined for each debtor ("threshold amount");
- balance-sheet exposures classified as non-performing that do not exceed the threshold amount.

The specific individual assessment applies to credit exposures with the following characteristics:

- balance-sheet exposures classified as unlikely to pay that exceed the threshold amount;
- balance-sheet exposures classified as non-performing that exceed the threshold amount.

For the purpose of applying the threshold amount, the overall credit exposure of the Bank to each debtor is taken as a reference, thus determining, alternatively, a flat-rate or specific individual assessment for all balance-sheet positions in the name of the same debtor. The threshold amount for counterparties classified as unlikely to pay and non-performing is € 30,000.

Impairment of equity investments

At each reporting date, equity investments in subsidiaries or associates or jointly controlled entities are tested for impairment to verify whether there is objective evidence that the carrying value of the asset is not fully recoverable.

If there are impairment indicators (such as lower than expected economic performance of the investee, significant changes in the environment or in the market where the company conducts its activities or in market interest rates, etc.) an impairment loss is recognised to the extent that the recoverable amount of the investment is lower than its carrying amount.

The recoverable amount is represented by the greater of the fair value net of sales costs and the value in use of the equity investment. As a result, there is no need to estimate both values if one of the above has been valued higher than the book value.

For details on how fair value is calculated, see paragraph “A4 - Information on Fair Value” of this part A.

The value in use of the equity investment is the present value of expected cash flows deriving from operations. This value responds to a general logic according to which the value of an asset directly reflects the cash flows the asset can generate over its period of use. Therefore, the determination of the value in use requires an estimate of the cash flows expected from use of the assets or from their ultimate disposal expressed in terms of present value through the application of appropriate discount rates.

If the outcome of the impairment shows that the recoverable amount is higher than the carrying amount of the investment, no impairment is recognised; otherwise, an impairment is recognised in the income statement item 220 “profits (losses) on equity investments”.

If the recoverable amount subsequently proves to be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down no longer exist, a reversal of the impairment loss is permitted up to the amount of the previously recognised adjustment.

Impairment of other fixed assets

Tangible assets

Under IAS 36 an entity is required to check at least once a year whether its tangible assets show any indicators of impairment. If such indicators are found, the entity must carry out an impairment test in order to detect any impairment loss.

The impairment test does not apply to tangible assets that are:

- real estate investments measured at FV (IAS 40);
- real estate assets in inventory (IAS 2);
- assets that fall within the scope of application of IFRS 5.

The impairment indicators to be considered are those defined by par. 12 of IAS 36. In this regard, specific impairment indicators for tangible assets refer, for example, to obsolescence that prevents the normal use of the asset, such as for example fires, collapses, inoperability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult, if not impossible, for tangible assets to calculate the value in use of a single asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a corporate asset or to a plant or machinery. In these cases, IAS 36 establishes that the CGU must be identified, that is, the smallest group of assets that generates independent cash flows, and that the test must be carried out at this higher level (rather than on the single asset). This is precisely due to the fact that it is often a group of assets - and not a single asset - that generates a cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Subject to the above, the impairment test involves comparing the recoverable amount (which in turn is the higher of the value in use and the fair value less costs to sell) of the tangible asset or CGU with its carrying amount.

If and only if the recoverable amount of an asset or CGU is less than its carrying amount, the latter must be reduced to the recoverable amount, resulting in an impairment loss.

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

Following the adoption of IFRS 9, the Bank did not change its business model for the management of financial assets and, consequently, there were no transfers between portfolios of financial assets.

A.3.1 Reclassified financial assets: change in the business model, book value and interest income

The information is not provided as there were no reclassified financial assets recognized in the balance sheet assets.

A.3.2 Reclassified financial assets: change in the business model, fair value and effects on comprehensive income

The information is not provided as in 2021 the Bank did not make any transfers between portfolios of financial assets.

A.3.3 Reclassified financial assets: change in the business model and actual interest rate

The Bank did not make any changes to its business model and effective interest rate during the year 2021.

A.4 - FAIR VALUE REPORTING

QUALITATIVE INFORMATION

IFRS 13, which harmonises the relevant measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or is estimated using a valuation technique.

The determination of the fair value of financial instruments is based on the Bank's going concern assumption, i.e. the assumption that it will be fully operational and it will not liquidate or significantly reduce its operations or enter into transactions at unfavourable conditions.

Therefore the purpose of fair value is to estimate the price at which the transaction would take place between market participants at current market conditions at the measurement date.

When a price cannot be identified for an identical asset or liability, fair value is measured by applying a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The input data should correspond to those that market participants would use in determining the price of the asset and the liability.

In order to maximize the consistency and comparability of fair value measurements and the related disclosure, IFRS 13 states that the inputs of valuation techniques employed to measure fair value are classified according to a hierarchy based on input levels, as defined in the following paragraph.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

For assets and liabilities measured at fair value on a recurring basis, for which directly observable prices in active markets are not available, the fair value has to be determined based on the "Comparable Approach" and the "Valuation Model." It should be noted that the only Bank items that are measured at fair value on a recurring basis are financial assets, as shown below in more detail.

Financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income

- *Financial instruments listed on active markets*

The fair value measurement process begins by verifying whether an active market exists from which quoted prices can be obtained regularly.

Regulated markets are usually considered as active markets except for any regulated markets that Risk Management were to identify as "not active". With reference to non-regulated markets (OTC markets) the presence of active contributors is assessed.

If, as a result of this process, the existence of an active market for the listed instruments is established, Fair Value of the instrument coincides with the price quoted on the valuation date (Mark to Market).

Given the specific liquidity prevailing on regulated markets, the official price published by the market operator is taken as the reference price.

In general, the application of the Mark to Market process based on price sources is carried out as follows:

a) for prices quoted in regulated markets, in particular in the Italian market, the price is determined on the basis of the price quoted on the Italian Stock Exchange for each financial instrument in the portfolio;

b) in the case of prices quoted in unregulated markets, the price is determined by identifying the prices quoted by other information providers.

Financial instruments recognised using the methods in point sub a) here above, are classified in Level 1 of the fair value hierarchy.

Financial instruments recognised using the methods in sub point b) here above, are classified in Level 2 of the fair value hierarchy.

- *Financial instruments not listed on active markets*

In the absence of an active market for a particular financial instrument, an internal valuation technique is used.

For the purposes of fair value determination, the Bank has chosen to apply the discounted cash flow method, mainly based on observable market parameters, for instruments that can be measured by discounting the related cash flows (including debt securities).

Should we consider financial instruments other than debt securities, alternative valuation techniques, also based on non-observable market parameters, shall be taken into account.

In general, through the DCF method, the fair value of financial instruments can be determined by discounting the future contractual cash flows (or those deemed most likely) at an established interest rate.

First, the interest rate risk must be taken into account; in the usual practice, reference is made to well accepted and recognised rates, such as the Euribor and/or the Swap rates. In this case, the interest rates used reflect an 'interbank' risk, which is limited, albeit usually higher than government risk. There are, however, other components besides interest rate risk that determine market risk. The premium for all these other components can be summarised in a "spread" to be added to the "Risk Free" curve, for each reference maturity, to obtain a curve that can be used to discount the future cash flows generated by the asset being measured. The Bank calculates the aforesaid "Spread" with reference to the "Credit Default Swaps" quoted for the issuer of the security in question, or, if unavailable, for other issuers of similar size and sector or industry averages.

Therefore, the elements useful for the DCF calculation are:

- Timing, maturity and amount (certain or estimated) of the instrument's future cash flows;
- Appropriate discount rate (depending on the credit risk associated with the debtor);
- Currency in which the instrument's cash flows are to be paid.

The pricing models for the fair value calculation are based on market parameters.

The main market parameters used in valuation techniques for measuring financial instruments not listed on active markets are:

- the interest rate curves;

- credit risk.

The main curves used are the Euribor rates and Swap rates curves.

The curves reflecting the issuer's creditworthiness are obtained by adding the zero coupon yield curve (or risk-free rates) to a "Spread" that shows the issuer's creditworthiness; these curves are generally used to evaluate bonds not listed on active markets.

To this end, the operator should use the following hierarchy of information:

- credit spreads derived from Credit Default Swaps (CDS);
- curves for homogeneous sector/rating classes.

The instruments measured using the Mark to Model technique will be classified in Level 3 of the fair value hierarchy.

Equity instruments held by the Bank that are not listed on active markets and whose fair value cannot be reliably determined, are carried at cost.

Financial liabilities measured at fair value

At the date of preparation of these financial statements, the Bank held no financial liabilities measured at fair value.

A.4.2 PROCESSES AND SENSITIVITY ANALYSES

The techniques and parameters used for measuring Fair Value and the criteria for assigning the Fair Value hierarchy have been defined and formalised in a specific policy adopted by the bank; the policy governs the determination of financial instruments' Fair Value in accordance with the provisions of applicable international accounting standards IFRS issued by the International Accounting Standards Board (IASB), taking into account the interpretations issued by the Financial Reporting Interpretations Committee (IFRIC) and the provisions of Circular 262 of Banca d'Italia.

The sensitivity analysis of receivables from and payables to bank (level 2 of the Fair Value hierarchy), considering the models used to determine their Fair Value, primarily based on year-end balance-sheet data, is not relevant because it cannot be directly attributed to changes in external parameters.

The Fair Value of the portfolio of loans to customers (level 3 of the Fair Value hierarchy) is only affected by the market parameters necessary to discount the future cash flows appropriately adjusted to take account of counterparty risk.

In relation to the Fair Value of the securities portfolio (level 2 and 3), no quantitative analysis was performed on the sensitivity of the Fair Value to changes in unobservable inputs, as the Fair Value was either derived from third party sources without making any adjustment, or is the result of a model with specific inputs and it is not reasonable to expect alternative values.

On the other hand, the Bank did not carry out this sensitivity analysis for its investments in equity instruments not listed on active markets; these instruments, as mentioned above, are stated at cost and written down to reflect any impairment losses, with contra entry to the income statement, which is considered the best estimate of fair value.

A.4.3 HIERARCHY OF FAIR VALUE

The Fair Value hierarchy, based on IFRS 13, must be applied to all financial instruments that are measured at Fair Value and to assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis.

In this regard, for these instruments the highest priority is given to official quoted prices in active markets and the lowest priority to the use of unobservable inputs, as they are more discretionary. As a result, Fair Value is determined by using prices obtained from financial markets, in the case of instruments quoted on active markets, or, for the other financial instruments, by using valuation techniques whose objective is to estimate Fair Value (exit price). The levels used for the classifications shown in the following notes are as follows:

- "Level 1": the Fair Value of financial instruments is determined on the basis of quoted prices observable in active markets (unadjusted) and accessible at the measurement date;
- "Level 2": the Fair Value of financial instruments is determined on the basis of quoted inputs, directly or indirectly observable for that asset or liability, also using valuation techniques;
- "Level 3": the Fair Value of financial instruments is determined on the basis of unobservable inputs for that asset or liability, including the use of valuation techniques.

A quoted price in an active market provides the most reliable evidence of Fair Value and, when available, should be used with no adjustments to measure Fair Value.

Where quoted prices in active markets are not available, financial instruments must be classified in Levels 2 or 3.

The classification in Level 2 or Level 3 is determined on the basis of the market observability of the relevant inputs used to measure Fair Value.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads);
- market-corroborated inputs.

All other variables used in valuation techniques that cannot be substantiated on the basis of observable market data are considered unobservable.

If the Fair Value of a financial instrument is not determined by the price recorded in an active market ("Level 1"), the total Fair Value may consist of different levels due to the impact generated by observable or unobservable inputs used in the measurements (impact is intended as the contribution, in terms of significance, that each input used in the evaluation makes to the total Fair Value of the instrument). However, the level attributed must be unique and referred to the total Fair Value of the instrument as a whole; thus, the single level assigned reflects the lowest level of input with a significant impact on the instrument's Fair Value measurement.

In order for unobservable market data to have a significant impact on the instrument's overall Fair Value measurement, their overall impact is assessed in such a way as to make the overall assessment uncertain (i.e. it cannot be ascertained through market data); in cases where the weight of unobservable data is prevalent with respect to the overall evaluation, the level assigned is "3".

Therefore, the bank classified its financial assets and liabilities in the different Fair Value levels on the basis of the following principles:

- Level 1: instrument measured at market price obtained from prices listed on active markets;
- Level 2: measurement based on prices quoted by reliable infoproviders;
- Level 3: measurement based on internal evaluation techniques.

Finally, with regard to receivables from and payables to banks, as these are entirely short-term and/or variable rate loans, Fair Value was assumed to be equal to their nominal value.

A.4.4 OTHER INFORMATION

The Bank does not hold groups of financial assets and liabilities based on its net exposure to market risk or credit risk.

There is no information to provide.

QUANTITATIVE INFORMATION

A.4.5 HIERARCHY OF FAIR VALUE

A.4.5.1 Assets and liabilities measured at Fair Value on a recurring basis: breakdown by Fair Value levels

(€/000)

	2021			2020		
Assets/liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	204	-	6	-	-	2
a) financial assets held for trading	204	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	6	-	-	2
2. Financial assets measured at fair value through other comprehensive income	17,533	1,240	113	15,128	218	113
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible fixed assets	-	-	-	-	-	-
Total	**17,737**	**1,240**	**119**	**15,128**	**218**	**115**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

During the year, there were no significant transfers of assets and liabilities between Level 1 and Level 2, as defined in IFRS 13, paragraph 2. 93(c))

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

(€/000)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible fixed assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**-**	**-**	**-**	**2**	**113**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Profits entered to:	-	-	-	4	-	-	-	-
2.2.1 Income statement	-	-	-	4	-	-	-	-
- of which capital gains	-	-	-	4	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Refunds	-	-	-	-	-	-	-	-
3.3 Losses entered to:	-	-	-	-	-	-	-	-
3.3.1 Income statement	-	-	-	-	-	-	-	-
- of which capital losses	-	-	-	-	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Final inventories	**-**	**-**	**-**	**6**	**113**	**-**	**-**	**-**

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

At the reporting date, the Bank had no liabilities measured at fair value on a recurring basis (level 3).

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

(€/000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	2021				2020			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	14,891	2,817	260	12,309	17,176	2,815	167	15,111
2. Tangible assets held as investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	663	-	-	663	663	-	-	663
Total	**15,554**	**2,817**	**260**	**12,972**	**17,839**	**2,815**	**167**	**15,774**
1. Financial liabilities measured at amortised cost	47,444	-	11,739	35,705	41,098	-	11,727	29,371
2. Liabilities related to discontinuing operations	-	-	-	-	-	-	-	-
Total	**47,444**	**-**	**11,739**	**35,705**	**41,098**	**-**	**11,727**	**29,371**

A.5 – DISCLOSURE ON DAY ONE PROFIT/LOSS

This disclosure refers to the differences between the transaction price and the value obtained through the use of valuation techniques, which may arise upon initial recognition of a financial instrument and which are not immediately recognized in the Income Statement, in accordance with paragraph B5.1.2 A of IFRS 9.

Please note that during the FY the Bank did not enter into any transactions for which, at the time of initial recognition of a financial instrument, a difference had arisen between purchase price and the value of the instrument obtained through internal evaluation techniques.

Accordingly, the information required by IFRS 7, para. 28 is not provided.

PART B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(€/000)

	TOTAL 2021	TOTAL 2020
a) Cash	1,165	359
c) Current accounts and sight deposits with Central Banks	2,351	1,557
c) Current accounts and sight deposits with banks	16,605	13,066
Total	**20,121**	**14,982**

The sub-item "a) Cash" consists of holdings of coins and banknotes at the branches, ATMs and centralized vaults.

Sub-item "b) Current accounts and sight deposits with Central Banks" refers to deposits held with Banca d'Italia, excluding the Mandatory Reserve which is recognized in item 40 of the Assets - Financial assets measured at amortised cost - a) Receivables from banks".

The table above provides comparative figures for the year 2020 in accordance with the 7th update of Bank of Italy Circular No. 262, which provides for demand loans to banks to be shown under the item "Cash and cash equivalents" and no longer under the item "Financial assets measured at amortised cost" under "Loans and advances to banks".

Section 2 – Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: commodity breakdown

(€/000)

Items/Values	TOTAL 2021			TOTAL 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-balance sheet assets						
1. Debt securities	204	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	204	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. UCIT units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**204**	**-**	**-**	**-**	**-**	**-**
B Derivative instruments						
1. Financial derivatives	-	-	-	-	-	-
1.1 trading derivatives	-	-	-	-	-	-
1.2 connected with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 connected with fair *value option*	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**204**	**-**	**-**	**-**	**-**	**-**

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

(€/000)

Items/Values	TOTAL 2021	TOTAL 2020
A. On-balance sheet assets		
1. Debt securities	204	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	204	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	-	-
a) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCIT units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total (A)	**204**	**-**
B. Derivative instruments		
a) Central counterparties	-	-
b) Other	-	-
Total (B)	**-**	**-**
Total (A + B)	**204**	**-**

2.3 Financial assets designated at fair value: commodity breakdown

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

At 31 December 2021 there were no financial assets designated at fair value.

2.5 Other financial assets mandatorily measured at fair value: commodity breakdown

(€/000)

Items/Values	TOTAL 2021			TOTAL 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**6**	**-**	**-**	**2**
3. UCIT units	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**6**	**-**	**-**	**2**

Item 2 “Equity securities” includes the equity shares of Banca Carige Spa, held by the Voluntary Scheme of the Interbank Deposit Protection Fund.

The fair value estimate of these bonds, calculated by applying the dividend discounted model, in continuity with the previous years, shows a write-back of about € 4 thousand.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(€/000)

	TOTAL 2021	TOTAL 2020
1. Equity securities	**6**	**2**
of which: banks	6	2
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCIT units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total	**6**	**2**

Section 3 – Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: commodity breakdown

(€/000)

Items/Values	TOTAL 2021			TOTAL 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**17,533**	**1,240**	**-**	**15,128**	**218**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	17,533	1,240	-	15,128	218	-
2. Equity securities	**-**	**-**	**113**	**-**	**-**	**113**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**17,533**	**1,240**	**113**	**15,128**	**218**	**113**

The component relating to item 2 "Equity Securities" includes the shares of Banca Regionale di Sviluppo S.p.A. subscribed in FY 2016.
As at 31 December 2021, based on the latest available data, the Bank did not recognise any changes in value compared to the 2020 valuation.

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

(€/000)

Items/Values	TOTAL 2021	TOTAL 2020
1. Debt securities	**18,773**	**15,346**
a) Central Banks	-	-
b) Public Administrations	3,649	3,456
c) Banks	10,551	8,416
d) Other financial companies	2,037	2,742
of which: insurance companies	-	-
e) Non-financial companies	2,536	732
2. Equity securities	**113**	**113**
a) Banks	113	113
b) Other issuers:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total	**18,886**	**15,459**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total adjustments

(€/000)

	Gross value					Overall adjustments				Overall partial write-offs (*)
	First stage	of which: low credit risk instruments	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
Debt securities	18,789	1,006	-	-	-	16	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 2021	**18,789**	**1,006**	**-**	**-**	-	**16**	**-**	**-**	**-**	**-**
Total 2020	**15,356**	**1,003**	**-**	**-**	-	**10**	**-**	**-**	**-**	**-**

(*) Value to be displayed for information purposes

The breakdown by risk stage of financial assets measured at fair value through other comprehensive income is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard. For further details, please refer to Part A - Accounting policies.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total adjustments

There were no loans at 31 December 2021 measured at fair value through other comprehensive income subject to Covid-19 support measures.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by commodity of payables to banks

(€/000)

Transaction type/Values	TOTAL 2021						TOTAL 2020					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3
A. Receivables from Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2.Mandatory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3.Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables from banks	**260**	**-**	**-**	**-**	**260**	**-**	**167**	**-**	**-**	**-**	**167**	**-**
1. Loans	260	-	-	-	260	-	167	-	-	-	167	-
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	260	-	-	X	X	X	167	-	-	X	X	X
1.3. Other loans	-	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans in finance lease	-	-	-	X	X	X	-	-	-	X	X	X
- Other	-	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**260**	**-**	**-**	**-**	**260**	**-**	**167**	**-**	**-**	**-**	**167**	**-**

The table above provides comparative figures for the year 2020 in accordance with the 7th update of Bank of Italy Circular No. 262, which provides for demand loans to banks to be shown under the item "Cash and cash equivalents" and no longer under the item "Financial assets measured at amortised cost" under "Loans and advances to banks"

Item "1.2 Term deposits" includes the amounts used to fulfil the mandatory reserve requirement, which is met via BFF Bank (former Depobank).
As specified in the fair value determination criteria illustrated in Part A – Accounting Policies, with reference to sub-item B.1 Loans, as these are entirely short-term and/or variable rate loans, fair value is assumed to be

equal to the nominal value.

4.2 Financial assets measured at amortised cost: breakdown by commodity of loans to customers

(€/000)

Transaction type/Values	TOTAL 2021						TOTAL 2020					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	**10,050**	**1,808**	**-**	**-**	**-**	**12,309**	**12,161**	**2,183**	**-**	**-**	**-**	**15,111**
1.1. Current accounts	1,330	173	-	X	X	X	1,573	333	-	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	7,839	1,588	-	X	X	X	9,662	1,803	-	X	X	X
1.4. Credit cards, personal loans and CQ loans	146	14	-	X	X	X	214	14	-	X	X	X
1.5. Loans in finance lease	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	735	33	-	X	X	X	712	33	-	X	X	X
2. Debt securities	**2,773**	**-**	**-**	**2,817**	**-**	**-**	**2,765**	**-**	**-**	**2,815**	**-**	**-**
1.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other debt securities	2,773	-	-	2,817	-	-	2,765	-	-	2,815	-	-
Total	**12,823**	**1,808**	**-**	**2,817**	**-**	**12,309**	**14,926**	**2,183**	**-**	**2,815**	**-**	**15,111**

Sub-item 1.7 “Other loans” is broken down as follows:

- Advances on invoices subject to collection: € 80 thousand;
- Deposits at Organismi di compensazione e garanzia (Clearing Bodies): € 662 thousand;
- Security deposits: € 26 thousand.

With reference to Credit Quality, please see Part E 1– Information on risks and hedging policies, Section 1 - Credit risk.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(€/000)

Transaction type/Values	TOTAL 2021			TOTAL 2020		
	First and second stage	Third stage	Impaired acquired or originated	First and second stage	Third stage	Impaired acquired or originated
1. Debt securities	**2,773**	**-**	**-**	**2,765**	**-**	**-**
a) Public Administrations	2,267	-	-	2,256	-	-
d) Other financial companies	506	-	-	509	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**10,050**	**1,808**	**-**	**12,161**	**2,183**	**-**
a) Public Administrations	-	-	-	-	-	-
d) Other financial companies	836	-	-	851	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	4,123	1,342	-	5,086	1,700	-
d) Families	5,091	466	-	6,224	483	-
Total	**12,823**	**1,808**	**-**	**14,926**	**2,183**	**-**

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

(€/000)

	Gross value					Overall adjustments				Overall partial write-offs (*) -
	First stage	of which: Low credit risk instruments	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
Debt securities	2,774	-	-	-	-	1	-	-	-	-
Loans	9,544	-	1,055	3,095	-	205	84	1,287	-	-
Total 2021	**12,318**	-	**1,055**	**3,095**	**-**	**206**	**84**	**1,287**	**-**	**-**
Total 2020	**12,895**	-	**2,503**	**3,591**	**-**	**118**	**187**	**1,407**	**-**	**-**

(*) Value to be displayed for information purposes

The breakdown by risk stage of financial assets measured at amortised cost is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard. For further details, please refer to Part A - Accounting policies.

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

At the reporting date there were no loans measured at amortised cost subject to Covid-19 support measures.

Section 5 – Hedging derivatives – Item 50

At the reporting date, there were no items to be reported in the tables of “Section 5. Hedging derivatives - Item 50” envisaged by Banca d’Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 6 – Adjustment to financial assets subject to macro-hedging – Item 60

At the reporting date, there were no items to be reported in the tables of “Section 5. Adjustment to financial assets subject to macro-hedging - Item 60” envisaged by Banca d’Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 7 – Equity investments – Item 70

This item includes, pursuant to IFRS 10, equity investments in the following subsidiaries:

- Promos Corporate Consulting S.R.L. (year 2018)
- Promos Fintech S.R.L (year 2019)

7.1 Equity investments: information on shareholding interest

Names	Registered Office	Operational office:	Percent ownership	% availability of votes
A. 100%-owned subsidiaries				
1. Promos Corporate Consulting S.r.L.	Viale Gramsci 19- Naples	Naples	65%	-
2. Promos Fintech S.r.L.	Viale Gramsci 19- Naples	Naples	60%	-
B. Joint ventures				
C. Companies subject to significant influence				

7.2 Significant equity investments: carrying amount, fair value and dividends received

(€/000)

Names	Book value	Fair value	Dividends received
A. 100%-owned subsidiaries	**61**	**-**	**-**
1. Promos Corporate Consulting S.r.L.	16	-	-
2. Promos Fintech S.r.L.	45	-	-
B. Joint ventures	**-**	**-**	**-**
C. Companies subject to significant influence	**-**	**-**	**-**
Total	**61**	**-**	**-**

The carrying amount of Promos Corporate Consulting Srl, which is 65% owned by the Bank, was €16 thousand as at 31 December 2021, as described in more detail in section "7.5 Equity investments: annual changes".

Promos Fintech Srl, 60% owned by the Bank, whose book value at 31 December 2021 was €45 thousand, is an innovative start-up, incorporated in July 2019 with the aim of developing high-tech projects for the banking and financial industry.

7.3 Significant equity investments: accounting information

(€/000)

Names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Net interest income	Adjustments to and write-backs of tangible and intangible assets	Pre-tax profit (loss) of current operations	Profit (loss) of current operations, after taxes	Profit (Loss) of disposal groups, after taxes	Profit (loss) for the year (1)	Other income items, after taxes (2)	Comprehensive income (3)=(1)+(2)
A. 100%-owned subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Promos Corporate Consulting S.r.L.	9	-	91	-	95	27	-	-	(46)	-	-	(46)	-	**(46)**
2. Promos Fintech S.r.L.	69	-	8	-	13	8	-	(1)	(4)	-	-	(4)	-	**(4)**
B. Joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Companies subject to significant influence	X	-	-	-	-	-	X	X	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The figures shown in the table in question relate to the subsidiaries' financial statements as at 31 December 2021 approved by the respective Boards of Directors, held in March 2022 for Promos Fintech srl and in April 2022 for Promos Corporate Consulting srl.

Below is a reconciliation between the accounting information shown in the table and the book value of the equity investment in the Financial Statements.

- Promos Corporate Consulting srl

- total assets 100,234 consisting of cash and cash equivalents, financial assets and non-financial assets;
- total liabilities 95,179 consisting of financial and non-financial liabilities;
- resulting shareholders' equity 5,055

- Promos Fintech srl

- total assets 77,319 consisting of cash and cash equivalents, financial assets and non-financial assets;
- total liabilities 12,633 consisting of financial and non-financial liabilities;
- resulting shareholders' equity 64,686

7.4 Non-significant equity investments: accounting information

The were no non-significant investments at the reporting date.

7.5 Equity investments: year-on-year changes

(€/000)

	TOTAL 2021	TOTAL 2020
A. Opening balances	**78**	**78**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Write-ups	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Adjustments	-	-
30. Write-downs	17	-
C.4 Other changes	-	-
D. Closing balances	**61**	**78**
E. Total write-ups	**-**	**-**
F. Total adjustments	**-**	**-**

Item “C.3 Write-downs” includes the recognition of a 50% reduction in the value of the investment in Promos Corporate Consulting srl. The impairment loss, amounting to approximately 17 thousand was included in the specific income statement item “Gain (Loss) on investments”.

7.6 Commitments for investments in jointly controlled entities

The were no investments in jointly controlled entities at the reporting date.

7.7 Commitments for investments in entities subject to significant influence

There were no commitments for investments in entities subject to significant influence at the reporting date.

7.8 Significant restrictions

This item was not present at the reporting date.

7.9 Other information

There was no additional information to provide at the reporting date.

Section 8 – Tangible assets – Item 80

8.1 Breakdown of operating tangible assets measured at cost

(€/000)

Assets/values	TOTAL 2021	TOTAL 2020
1. Own assets	**4,604**	**4,746**
a) land	-	-
b) buildings	4,493	4,611
c) furniture	53	51
d) electronic systems	55	76
e) other	3	8
2. Rights of use acquired through leases	**132**	**219**
a) land	-	-
b) buildings	108	180
c) furniture	-	-
d) electronic systems	18	28
e) other	6	11
Total	**4,736**	**4,965**
of which: obtained through the enforcement of guarantees received	-	-

Item “2. Rights of use acquired through leases” includes the rights of use recognized pursuant to IFRS 16 in connection with property leases (€ 108 thousand), company vehicles (€ 6 thousand) and ATMs (€ 18 thousand).

8.2 Investment property: breakdown of assets measured at cost

At the reporting date, there were no tangible assets held for investment purposes; therefore the relevant table is omitted.

8.3 Operating tangible assets: breakdown of revalued assets

At the reporting date, there were no revalued operating tangible assets; therefore the relevant table is omitted.

8.4 Investment property: breakdown of assets measured at fair value

At the reporting date, there were no tangible assets held for investment purposes; therefore the relevant table is omitted.

8.5 Inventories of tangible assets governed by IAS 2: breakdown

At the reporting date, there were no tangible assets regulated by IAS 2; therefore the relevant table is omitted.

8.6 Operating assets: year-on-year changes
(€/000)

	Land	Buildings	Fixtures	Electronic systems	Other	Total
A. Gross opening balances	**-**	**7,854**	**586**	**576**	**340**	**9,356**
A.1 Net total impairments	-	3,063	535	473	321	4,391
A.2 Net opening balance	**-**	**4,791**	**51**	**103**	**19**	**4,965**
B. Increases:	**-**	**-**	**2**	**10**	**63**	**74**
B.1 Purchases	-	-	2	9	-	10
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Transfers from buildings held as investment	-	-	X	X	X	-
B.7 Other changes	-	-	-	1	63	64
C. Decreases:	**-**	**190**	**-**	**40**	**73**	**304**
C.1 Sales	-	-	-	1	-	1
C.2 Depreciation	-	150	-	39	10	199
C.3 Adjustments due to impairment charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) tangible assets held as investment	-	-	X	X	X	-
b) non-current assets and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	40	-	-	63	103
D. Net closing balances	**-**	**4,601**	**53**	**73**	**9**	**4,736**
D.1 Net total impairments	-	3,213	535	511	268	4,527
D.2 Gross closing balance	**-**	**7,814**	**588**	**584**	**277**	**9,263**
E. Measurement at cost	-	-	-	-	-	-

For all tangible assets, the cost method is applied by the Bank.
Items A.1 and D.1 "Total net reductions" include the amount of depreciation on property, plant and equipment recognized in the accounts.
As indicated by Banca d'Italia, no amounts are reported in Sub-item "E. Measurement at cost" – as this item is intended only for tangible assets measured at fair value, which the Bank did not own at 31 December 2021.

Investment property: yearly changes

The were no investment properties at the reporting date.

8.8 Inventories of tangible assets governed by IAS 2: yearly changes

There were no changes at the reporting date.

8.9 Commitments to purchase tangible assets

The Bank has no commitments to purchase tangible assets.

Section 9 – Intangible assets – Item 90

9.1 Intangible fixed assets: breakdown by type of asset

(€/000)

Assets/values	TOTAL 2021		TOTAL 2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	**549**	-	**557**	-
of which software	**533**	-	**538**	-
A.2.1 Assets measured at cost:	549	-	557	-
a) Internally generated intangible assets	533	-	538	-
b) Other assets	16	-	19	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**549**	-	**557**	-

The activities of the Bank's Research and Development Laboratory continued in 2021. Therefore, sub-item "A.2.1. a) internally generated intangible assets" included € 199 thousand relating to the recognition of development activities that continued in the current year in relation to the platforms (5) already recognized in the previous financial statements. Such software, aimed at supporting the various business lines of the Bank, is therefore able to produce future economic benefits. Pursuant to IAS 38, research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet: these costs mainly refer to the cost of personnel involved in the individual projects concerning the development of individual IT platforms.

Recognized intangible assets are amortized on the basis of their expected technological obsolescence.
All the intangible assets of the Bank are measured at cost.

9.2 Intangible assets: year-on-year changes

(€/000)

	Goodwill	Other intangible assets: internally generated assets		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balances	**-**	**819**	**-**	**669**	**-**	**1,487**
A.1 Net total impairments	-	281	-	650	-	930
A.2 Net opening balance	**-**	**538**	**-**	**19**	**-**	**557**
B. Increases	**-**	**199**	**-**	**3**	**-**	**203**
B.1 Purchases	-	-	-	3	-	3
B.2 Increases in internal intangible assets	X	199	-	-	-	199
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**204**	**-**	**6**	**-**	**211**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	204	-	6	-	211
- Amortisation and depreciation	X	204	-	6	-	211
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ Income statement	-	-	-	-	-	-
C.3 Negative changes in fair value		-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current disposal assets	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-

D. Net closing balances	**-**	**533**	**-**	**16**	**-**	**549**
D.1 Net total adjustments	-	485	-	656	-	1,141
E Gross final balances	**-**	**1,018**	**-**	**672**	**-**	**1,690**
F. Measurement at cost	-	-	-	-	-	-

No amounts were reported in Sub-item F - “Measurement at cost” - as this item is intended only for intangible assets measured at fair value, which the Bank does not own.

At the reporting date, the intangible assets shown in the table did not include rights of use acquired through leases.

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, paragraphs 122 and 124, please note that the Bank has not:

- placed its intangible assets as collateral for its liabilities;
- taken commitments to purchase intangible assets, as at the date of the financial statements;
- acquired intangible assets through finance or operating leases;
- acquired intangible assets licensed by the government;
- financial assets written up and measured at fair value.

At 31 December 2021, no goodwill was accounted for in the Bank’s financial statements.

Section 10 – Tax assets and liabilities – Item 100 of assets and Item 60 of liabilities

This item includes tax assets (current and deferred) and liabilities (current and deferred) recorded, respectively, in item 100 of the Assets and item 60 of the Liabilities.
Deferred tax assets and liabilities are accounted for in accordance with the accrual principle, in order to match costs and revenues that determine the result for the period.
According to IAS 12 the recognition of deferred taxes in the financial statements should be based on the following criteria:
- deferred tax liabilities must be recognised on all the temporary taxable differences,
- deferred tax assets can be recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference.

Deferred tax assets and liabilities were recognized in accordance with the current tax legislation, providing for the application of a 27.5% rate for IRES and a 5.72% rate for IRAP.

10.1 Deferred tax assets: breakdown

as a contra entry to income statement

(€/000)

	IRES	IRAP	TOTAL
Receivables	233	16	249
Tangible fixed assets	-	-	-
Provisions for liabilities and charges	97	-	97
Tax losses	413	-	413
Administrative costs	-	-	-
Other items	98	-	98
TOTAL	**841**	**16**	**857**

Contra entry to shareholders' equity

	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	18	55	73
severance indemnity	15	-	15
Other items	-	-	-
TOTAL	**33**	**55**	**88**

The item “receivables” in the above table includes Deferred Tax Assets (hereinafter also "DTA") relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to art.106, paragraph 3 of the Consolidated Income Tax Law (TUIR) and art. 6 paragraph 1, c-bis) of IRAP Decree 446/1997 convertible into a tax credit, regardless of the entity's future profitability, both in case of statutory loss and IRES tax loss or of negative IRAP production value pursuant to Law No. 214 of 22 December 2011 ("qualified DTAs") of € 158 thousand;

- adjustments arising from the expected credit loss model (ECL) under IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and which, therefore, can only be recognized if there are sufficient and probable future taxable amounts, of € 91 thousand (IRES) (article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). It was originally provided that income components arising solely from adoption of the model involving the recognition of a loss allowance for expected credit losses on loans to customers, referred to in paragraph 5.5 of IFRS 9, and identifiable as a portion of the reserves for transition to IFRS9 recognized upon first adoption of the standard, are deductible from the IRES tax base to the extent of 10 percent of their amount in the tax period of first adoption of IFRS 9 (2018) and for the remaining 90 percent in equal amounts over the subsequent tax periods. In the subsequent paragraph 1068 of Law no. 145/2018 a similar provision was included for IRAP.

The "Other items" in the above table include deferred tax assets relating to unused ACE in the amount of € 60 thousand and to staff severance indemnity in the amount of € 38 thousand.
It should be noted that, with specific reference to the aforementioned qualified DTAs on write-downs and losses on loans to customers, their continued convertibility into a tax credit is subject to the payment of the fee, where due, pursuant to Law Decree no. 59 of 3 May 2016, as amended and converted into law by Law no. 15 of 17 February 2017.

In addition, it should be noted that the tax rules on the convertibility into tax credits of deferred tax assets associated with adjustments to receivables, goodwill and intangible assets, in giving "certainty" to the recovery of qualified DTAs, affects the "probability test" under IAS 12, by making it automatically satisfied for all the aforementioned DTAs.

For detailed information on the "probability test" carried out on deferred tax assets, please refer to paragraph 10.7 "Other information" hereinafter.

10.2 Deferred tax liabilities: breakdown

as a contra entry to income statement

At the reporting date were no deferred tax liabilities as a contra entry to income statement; therefore the relevant table is omitted.

Contra entry to shareholders' equity

(€/000)

	IRES	IRAP	TOTAL
Positive reserves for HTCS financial assets	22	4	26
Other items	-	-	-
TOTAL	**22**	**4**	**26**

10.3 Changes in deferred tax assets (contra entry to income statement)

(€/000)

	TOTAL 2021	TOTAL 2020
1. Opening balance	**839**	**537**
2. Increases	**857**	**839**
2.1 Prepaid taxes recorded for the year	857	839
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) write-backs	-	-
d) other	857	839
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**839**	**537**
3.1 Prepaid taxes derecognised for the year	828	537
a) reversals	828	537
b) write-downs due to impossibility of recovery	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	11	-
a) amounts reclassified as tax credits pursuant to Law no. 214/2011	11	-
b) other	-	-
4. Closing balance	**857**	**839**

The decreases in deferred tax assets in the FY essentially include the release of their balance prior to the reporting date.

10.3bis Change in prepaid taxes as per Law no. 214/2011

(€/000)

	TOTAL 2021	TOTAL 2020
1. Opening balance	**170**	**189**
2. Increases	**29**	**-**
3. Decreases	**41**	**19**
3.1 Reversals	30	19
3.2 Amounts reclassified as tax credits	11	-
a) resulting from losses for the period	-	-
b) resulting from tax losses	11	-
3.3 Other decreases	-	-
4. Closing balance	**158**	**170**

Table 10.3 bis shows the changes in deferred tax assets recognised on adjustments to loans to customers pursuant to Law no. 214/2011, including those relating to the conversion of tax losses due to the reversals under Law no. 214/2011 of loan write-downs not deducted in previous years amounting to € 11 thousand.

10.4 Change in deferred taxes (contra entry to income statement)

(€/000)

	TOTAL 2021	TOTAL 2020
1. Opening balance	**798**	**820**
2. Increases	**-**	**-**
2.1 Deferred taxes recorded for the year	-	-
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**798**	**22**
3.1 Deferred taxes derecognised for the year	798	22
a) reversals	798	22
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**798**

The decreases recognised in FY2021 refer to the derecognition of deferred tax liabilities following a tax realignment pursuant to Article 110 of Decree Law no. 104 of 14 August 2020.

10.5 Change in prepaid taxes (contra entry to shareholders' equity)

(€/000)

	TOTAL 2021	TOTAL 2020
1. Opening balance	**72**	**54**
2. Increases	**88**	**72**
2.1 Prepaid taxes recorded for the year	88	72
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	88	72
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**72**	**54**
3.1 Prepaid taxes derecognised for the year	72	54
a) reversals	72	54
b) write-downs due to impossibility of recovery	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**88**	**72**

10.6 Change in deferred taxes (offsetting entry to equity)

(€/000)

	TOTAL 2021	TOTAL 2020
1. Opening balance	**58**	**5**
2. Increases	**26**	**58**
2.1 Deferred taxes recorded for the year	26	58
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	26	58
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**58**	**5**
3.1 Deferred taxes derecognised for the year	58	5
a) reversals	58	5
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**26**	**58**

10.7 Other information

(€/000)

Breakdown of current taxes	**IRES / IRPEG**	**IRAP**	**OTHER**
Current tax liabilities (-)	-	-	-
Advances paid (+)	40	26	-
Withholding taxes paid (+)	2	-	-
Other tax credits (+)	-	-	-
Tax credits as per Law no. 214/2011 (+)	12	-	26
Tax credits that cannot be offset: principal	103	-	-
Tax credits that cannot be offset: interest	-	-	-
Debit balance of item 60 a) of liabilities	**-**	**-**	**-**
Credit balance of item 100 a) of assets	**157**	**26**	**26**

With regard to the Bank's tax position, no assessment notice has been served to date for the years for which the limitation period has not yet expired.

Information on the "Probability test" of deferred tax assets

Under par. 5 of IAS 12, "deferred tax assets" are defined as the amount of income taxes for the year that can be recovered in future years with respect to the following cases:

a) deductible temporary differences;
b) unused tax losses carried forward (including ACE (tax relief related to the increase in equity));
c) unused tax credits carried forward.

Specifically, the "temporary differences" are defined as differences that arise temporarily between the book value of assets (liabilities) and their tax value. They are defined as "deductible" when they generate amounts that can be deducted when determining future taxable income, in connection with the realization of assets (settlement of liabilities).

When there is a temporary deductible difference, par. 24 of IAS 12 provides for the recognition of a deferred tax asset - equal to the product between the deductible temporary difference and the tax rate expected in the year in which such difference will be reversed - only if and to the extent that it is probable that there will be a future taxable income against which the deductible temporary differences can be used (probability test). Indeed, the economic benefit consisting in the reduction of future tax payments is achievable only if the taxable income is of a sufficiently large amount (IAS 12, par. 27).

That said, the Bank reported deferred tax assets (DTA) of € 857 thousand in the Balance Sheet with contra entry to the income statement. These included € 158 thousand falling within the scope of Law 214/2011 and, therefore, as already described, they are considered "qualified" DTAs (and therefore of certain recoverability).

The "probability test" was carried out on the residual portion of DTAs in the income statement (i.e. those that cannot be converted into tax credits) of € 699 thousand in order to verify the Bank's ability to generate future taxable income capable of absorbing the aforementioned deferred tax assets.

In carrying out the "probability test", the following elements were taken into account:

- updated forecast data;
- forecast quantification of the Bank’s future profitability.

The assessments made at the reporting date showed that the Bank will reasonably be able to produce future taxable income capable of ensuring the recoverability of the non-qualified DTAs recognized in the accounts.

Section 11 – Non-current assets and disposal groups and related liabilities – Item 110 of assets and item 70 of liabilities

11.1 Non-current assets and disposal groups: breakdown by type of asset

(€/000)

	TOTAL 2021	TOTAL 2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Shareholdings	-	-
A.3 Tangible assets	663	663
Of which: obtained through the enforcement of guarantees received	82	82
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**663**	**663**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	663	663
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
Of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-

of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities related to discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

Sub-item "A.3 Tangible assets" held for sale at the date of preparation of the financial statements, included a property for a value of € 581 thousand, where a branch that was closed following a corporate reorganization had its offices, as well as a property acquired following enforcement of collateral for a value of € 82 thousand. At the reporting date, negotiations were under way for its subsequent disposal.

11.2 Other information

The Bank did not perform any transaction covered by IFRS 5 para. 42.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

(€/000)

	TOTAL 2021	TOTAL 2020
Items in progress	390	240
Credit transfers being charged	-	-
Miscellaneous tax items	321	389
Tax credit (article 1, Law No. 160 of 27/12/2019)	412	241
Deferrals	-	-
Other minor items	17	106
Total	**1,140**	**976**

The "Items in progress" mainly reflect temporary transactions, which primarily refer to items processed in the last days of the year 2021, with contra entry in the first days of the subsequent year.
The item "Tax credit (article 1, Law no. 160 of 27/12/2019) mainly includes the tax credit for Research and Development activities, pursuant to art. 1 of Law no. 160 of 27 December 2019 for € 412, of which € 251 thousand pertaining to FY 2021. With regard to the tax relief in question, additional information is provided in the specific section of the Report on Operations of this annual report.
In addition, this item consists of Advances for the stamp duty for the subsequent year amounting to € 262 thousand and advances for withholdings on interest expense of € 14 thousand.

Liabilities

Section 1 – Financial liabilities measured at amortised cost – Item 10

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

(€/000)

Transaction type/Values	TOTAL 2021				TOTAL 2020			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Payables to central banks	**7,996**	X	X	X	**7,993**	X	X	X
2. Payables to banks	**3,743**	X	X	X	**3,733**	X	X	X
2.1 Current accounts and sight deposits	3,743	X	X	X	1,732	X	X	X
2.2. Term deposits	-	X	X	X	2,001	X	X	X
2,3 Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for repurchase commitments of equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**11,739**	**-**	**11,739**	**-**	**11,726**	**-**	**11,726**	**-**

Item “1. Payables to central banks” includes the amount payable to the European Central Bank for loans outstanding at 31 December 2021 in relation to loans granted by the ECB against securities given as collateral by the Bank.
With regard to the criteria for determining the fair value of this item, reference is made to the comments in Part A - Accounting Policies.

1.2 Financial liabilities measured at amortised cost: breakdown by commodity of loans to clients

(€/000)

Transaction type/Values	TOTAL 2021				TOTAL 2020			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1 Current accounts and sight deposits	23,973	X	X	X	21,218	X	X	X
2. Term deposits	11,387	X	X	X	7,814	X	X	X
3 Loans	-	X	X	X	-	X	X	X
3.1 Repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4 Payables for repurchase commitments of equity instruments	-	X	X	X	-	X	X	X
5 Lease payables	135	X	X	X	221	X	X	X
6 Other payables	210	X	X	X	118	X	X	X
Total	**35,705**	**-**	**-**	**35,705**	**29,371**	**-**	**-**	**29,371**

As this item includes only sight deposits (current accounts and demand deposits) and term deposits maturing within 12 months, fair value is assumed to be equal to the amortised cost.

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

At 31 December 2021 there were no outstanding securities issued by the Bank.

1.4 Breakdown of subordinated payables/securities

No subordinated payables/securities existed at the reporting date.

1.5 Breakdown of structured payables

No structured payables existed at the reporting date.

1.6 Lease payables

(€/000)

	TOTAL 2021	TOTAL 2020
Lease payables to customers		
Up to 1 year	6	-
1 year to 5 years	129	221
Over 5 years	-	-
Total lease payables	**135**	**221**

As at 31 December 2021, the Bank had payables outstanding of € 135 thousand, of which € 6 thousand falling due within 1 year relating to company car payments, € 19 thousand and € 110 thousand falling due between 1 and 5 years, for ATM rentals and property leases, respectively. Lease payables refer entirely to customer counterparties.

Section 2 – Financial liabilities held for trading – Item 20.

At the reporting date, there were no items to be reported in the tables of "Section 2. Financial liabilities held for trading - Item 20" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 3 – Financial liabilities designated at fair value – Item 30

At the reporting date, there were no items to be reported in the tables of "Section 3. Financial liabilities designated at fair value - Item 30" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 4 – Hedging derivatives – Item 40

At the reporting date, there were no items to be reported in the tables of "Section 4. Hedging derivatives - Item 40" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 5 – Adjustment to financial liabilities subject to macro-hedging – Item 50

At the reporting date, there were no items to be reported in the tables of "Section 5. Adjustment to financial liabilities subject to macro-hedging - Item 50" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 6 – Tax liabilities – Item 60

For information on tax liabilities, see Section 10 of the Assets.

Section 7 – Liabilities related to discontinuing operations – Item 70

For information on tax liabilities, see Section 11 of the Assets.

Section 8 – Other Liabilities – Item 80

8.1 Other liabilities: breakdown

(€/000)

	Total 2021	Total 2020
Sums payable to the Inland Revenue on behalf of clients/staff	330	235
Credit transfers settled through clearing house	186	107
Trade payables	255	216
Collections on behalf of third parties and other amounts available to customers or third parties	203	194
Personnel costs	94	128
Payables to other entities	79	66
Accrued liabilities and deferred income	-	-
Portfolio credited subject to collection and after collection	-	61
Other payables to third parties	4	3
Total	**1,151**	**1,010**

Section 9 – Staff severance indemnity - Item 90

9.1 Staff severance indemnity: year-on-year changes

(€/000)

	Total 2021	Total 2020
A. Opening balances	**1,182**	**1,070**
B. Increases	**157**	**139**
B.1 Allocation for the year	100	105
B.2 Other changes	57	34
C. Decreases	**58**	**27**
C.1 Indemnities disbursed	58	27
C.2 Other changes	-	-
D. Closing balances	**-**	**-**
Total	**1,281**	**1,182**

At the reporting date, the Bank recognized the employee severance indemnity in accordance with IAS 19; therefore Item D. "Closing balance" of the recorded provision corresponds to its Actuarial Value (Defined Benefit Obligation - DBO).

The B.1 sub-item "Allocation for the year" is broken down as follows:
1) Service cost for € 95,930;
2) Net interest cost for € 3,920.

"Other changes" as per sub-item B.2 include actuarial losses (€ 56,822) arising from the actuarial valuation, with contra entry to an equity reserve.
The sub-item C.1 refers to uses of the provision.

9.2 Other information

9.2.1 Other Information: Staff severance indemnity calculated according to article 2120 of the Italian Civil Code

(€/000)

	2021	2020
Opening provision	**1,011**	**933**
Increases	135	105
Decreases	58	27
Closing provision	**1,088**	**1,011**

The provision for the staff severance indemnity governed by art. 2120 of the Italian Civil Code, accrued as at 31 December 2021, amounted to € 1,088 thousand. The Staff Severance Indemnity accruing continues to be kept in the company, as the Bank did not exceed the minimum threshold of 50 employees, as provided for by Law no. 296 of 27 December 2006.
Please note that as at 31 December 2021 no employee of the Bank had opted to request the monthly direct payment of their accruing severance indemnity - salary supplement (QU.IR) - as an integral part of the remuneration, as permitted and governed by Prime Minister's Decree no. 29 of 20 February 2016

9.2.2 Other information: breakdown of actuarial assumptions

The actuarial model for the valuation of the staff severance indemnity is based on demographic and economic assumptions.
Within the framework of the technical-economic bases used, it should be noted that the annual discount rate (0.98%) used to calculate the present value of the liability was determined in accordance with paragraph 83 of IAS 19, with the IBoxx Corporate AA index with a duration of over 10 years as quoted on 31 December 2021.
The additional information required by IAS 19 for post-employment defined benefit plans is provided below:

Sensitivity analysis on the main valuation parameters

Rate breakdown	**DBO at 31/12/2021**
Turnover rate +1%	1,267,323.95
Turnover rate -1%	1,295,473.09
Inflation rate +0,25%	1,303,631.15
Inflation rate -0,25%	1,258,168.03
Discounting rate +0,25%	1,251,035.41
Discounting rate -0,25%	1,311,315.73

Service Cost and Duration

Annual future Service Cost	98,449.04
Plan duration	12.6

Estimated future disbursements

Years	**Expected disbursements**
1	94,180.07
2	95,661.80
3	96,772.71
4	97,419.69
5	97,629.92

Section 10 – Provisions for liabilities and charges – Item 100

10.1 Provisions for liabilities and charges: breakdown

(€/000)

Items/Values	Total 2021	Total 2020
1. Provisions for credit risk related to commitments and financial guarantees granted	12	12
2. Provisions on other commitments and other guarantees granted	-	-
3. Company retirement funds	-	-
4. Other provisions for liabilities and charges	341	-
4.1 legal and tax disputes	341	-
4.2 staff expenses	-	-
4.3 other	-	-
Total	**353**	**12**

Item "1. Provisions for credit risk on financial commitments and guarantees given" includes, for € 12thousand, the provisions for credit risk in respect of commitments to disburse funds and financial guarantees given that fall within the scope of application of the IFRS 9 impairment rules.

For more details on the breakdown of the item "Other provisions for liabilities and charges", please refer to comments in paragraph 10.6 below.

10.2 Provisions for liabilities and charges: year-on-year changes

(€/000)

	Provisions on other commitments and other guarantees granted	Retirement funds	Other provisions for liabilities and charges	Total
A. Opening balances	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**341**	**341**
B.1 Allocation for the year	-	-	341	**341**
B.2 Changes due to the passage of time	-	-	-	**-**
B.3 Changes due to discount rate adjustments	-	-	-	**-**
B.4 Other changes	-	-	-	**-**
C. Decreases	**-**	**-**	**-**	**-**
C.1 Use for the year	-	-	-	**-**
C.2 Changes due to discount rate adjustments	-	-	-	**-**
C.3 Other changes	-	-	-	**-**
D. Closing balances	**-**	**-**	**341**	**341**

10.3 Provisions for credit risk related to commitments and financial guarantees granted

(€/000)

		Provisions for credit risk related to commitments and financial guarantees granted			
	First stage	Second stage	Third stage	Impaired acquired or originated	Total
1. Commitments to grant finance	9	2	1		**12**
2. Financial guarantees granted	-	-	-		**-**
Total	**9**	**2**	**1**		**12**

The breakdown by risk stage of the provisions in question is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard.
For further details, please refer to Part A - Accounting policies.

10.4 Provisions on other commitments and other guarantees granted

At the reporting date, there were no provisions on other commitments and other guarantees granted.

10.5 Defined-benefit company retirement funds

At the reporting date, there were no defined-benefit company retirement funds.

10.6 Provisions for liabilities and charges - other provisions

(€/000)

	Total 2021	Total 2020
Other provisions for liabilities and charges		
1. Provisions for risks on revocatory actions	-	-
2. Provision for charity and solidarity purposes	-	-
3. Personnel liabilities and charges	-	-
4. Legal and tax disputes	341	-
5. Other provisions for liabilities and charges	-	-
Total	**341**	**-**

Item "4. Legal and tax disputes" includes a provision of € 314 thousand allocated for a dispute proposed by a client seeking to obtain the declaration of invalidity and unlawfulness of certain financial transactions entered into with the Bank in the three-year period 2010-2013. The provision set aside was estimated based on the ruling issued by the Court of Naples on 07.03.2022. The aforementioned judgment partially upheld the customer's claim, thus declaring the termination of the aforementioned financial transactions and ordering the Bank to pay the relevant amount plus interest and revaluation.

Contingent liabilities, for which a financial outlay is unlikely according to the opinion of legal advisors, refer to the following disputes:

- with reference to the writ of summons upon a customer's application, notified on 21 December 2016, seeking reimbursement of a cloned check for € 34 thousand and the related damage refund, the Judge of the Court of Naples, at the hearing of 10.09.2021, granted the court expert (CTU) the permit to proceed with the appraisal concerning the cheque located at the Procura in Milan, postponing the hearing of 17.06.2022. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

- with respect to the writ of summons served to the Bank by a customer who brought an action seeking to have the Bank's liability ascertained for the financial brokerage activity carried out on behalf of the plaintiff. More specifically, the customer sued the bank seeking the annulment of certain purchase orders amounting to Euro 52,000. The Bank promptly filed its appearance in the proceedings, asking the court to dismiss the plaintiff's claim in its entirety due to lack of grounds. The next hearing will be held on 16/12/2022. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

- by application under art. 414 of the Italian Code of Civil Procedure - filed on 14.05.2019, a former employee of the Bank, dismissed on 9.11.2018 for justified objective reason, pursuant to Law no. 300 of 1970, sued the Bank, asking the Court to establish the invalidity of the dismissal and, therefore, to order the Bank to reinstate the employee in her position and to pay all damages or, in case of refusal, to pay an indemnity equal to 36 monthly salaries. At the hearing on 24.02.2022, the court retired to deliberate. On the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- By application pursuant to Article 414 of the Italian Code of Civil Procedure, filed on 10.05.2021, a former employee of the Company, summoned the Bank seeking recognition of higher salary based on a higher contractual classification and for overtime work, amounting to Euro 172 thousand. At the hearing on 20.01.2022, the claims were reformulated and the magistrate retired to Chambers to consider them. Negotiations for an out-of-court settlement are still ongoing. On the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

- with regard to summons served on the Bank by a customer seeking a declaration of unlawfulness of the Bank's actions: namely, freezing the company's current account and reversing (after indemnification of a well-known Bank) amounts credited to the account in relation to an alleged fraud perpetrated by the customer against a well-known e-commerce company, with claim for restitution of Euro 552 thousand. At the hearing of 20.4.2021, the Bank asked for a suspension of proceedings pending the definition of the criminal proceedings or, alternatively, a change in the type of proceedings in order to carry out a more thorough investigation. At the hearing on 14.1.2022, the Court set the hearing for continuation of the proceedings on 04 October 2022. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

Section 11 – Redeemable shares – Item 120

At the reporting date, there were no items to be reported in the tables of "Section 11. Redeemable shares - Item 120" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 12 – Corporate equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

For further details on this section, please refer to paragraph 12.3 below.

12.2 Share capital - Number of shares: year-on-year changes

Items/Types	Ordinary	Other
A. Shares at the beginning of the FY	**7,740,000**	**-**
- fully paid-up	7,740,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balances	**7,740,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration:	-	-
- business combinations transactions	-	-
- bond conversion	-	-
- warrants exercised	-	-
- other	-	-
- scrip issue:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Write-off	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal transactions	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balances	**7,740,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Existing shares at the end of the FY	7,740,000	-
- fully paid-up	7,740,000	-
- not fully paid-up	-	-

12.3 Share Capital: other information

At 31 December 2021 the share capital consisted solely of no. 7,740,000 shares, with a par value of € 1.00

each. There are no rights, privileges or restrictions on the shares.
The Bank holds no treasury shares.

12.4. Profit reserves: other information

In line with the requirements of IAS 1 paragraph 79 (b) and in compliance with article 2427, (4) and 7-bis, of the Italian Civil Code, the composition of the Bank's equity is detailed below, excluding the result for the year, with indication of the origin and degree of availability and eligibility for distribution of the various items.

(€/000)

Shareholders' equity	Amount 31.12.2021	Principal	Profits	Potential use	Use of the last 3 FYs
Share capital	7,740	7,740			-
Share premium account*	1,071	1,071		A B C	-
Legal reserve*	854	854		B	-
Business combinations reserve*	621	621		A, C	-
Valuation reserve	-1,055		-1,055	A, C	-
FTA provision	115	115		A, C	-
FTA provision IFRS9	-884	-884		A, C	
Use of previous FYs	3,384		3,384	A, B, C	-1,284
Total reserves excluding the result for the period	**11,846**	**9,517**	**2,329**		**-1,284**

A = for share capital increase
B = for coverage of losses
C = for payment to shareholders

*Reserves taxable upon distribution pursuant to Article 110 of Decree-Law No. 104 of 14 August 2020

With reference to valuation reserves, the following is specified:
- the reserves from valuation of financial instruments measured at fair value through other comprehensive income represent the profits or losses arising from a change in the fair value of said financial assets;
- IAS 19 actuarial gains / losses refer to the valuation of employee severance indemnity

12.5 Equity instruments: breakdown and year-on-year changes

There were no equity instruments other than capital and reserves.

12.6 Other information

	Males	Females	Other than natural persons	Total
Number of shareholders at 1 Jan	**37**	**23**	**4**	**64**
Number of shareholders: in	-	-	-	**-**
Number of shareholders: out	1	-	-	**1**
Number of shareholders at 31 December 2021	**36**	**23**	**4**	**63**

Breakdown of the allocation of the profit for the year (pursuant to article 2427, para. 22-septies of the Italian Civil Code)

The proposed allocation of the profit pursuant to Article 2427 paragraph 22-septies of the Italian Civil Code is presented below.

Proposal for the allocation of the profit for the year

Legal reserve	15,509
Profit reserve	294,667

Other information

1. Financial commitments and guarantees given (other than those designated at fair value)

(€/000)

	Nominal amount of financial commitments and guarantees given			TOTAL 2021	TOTAL 2020
	First stage	Second stage	Third stage		
1. Commitments to grant finance	**871**	**101**	**15**	**987**	**1,372**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	13	-	-	13	13
e) Non-financial companies	482	54	15	551	842
f) Families	376	47	-	423	517
2. Financial guarantees granted	**97**	**-**	**-**	**97**	**97**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	97	-	-	97	92
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	5
f) Families	-	-	-	-	-

The "Commitments to disburse funds" are commitments that may give rise to credit risks which are subject to the IFRS 9 impairment rules.

The financial guarantees given include personal guarantees that secure the regular fulfilment of debt service obligations by the borrower.

2. Other commitments and other guarantees granted

(€/000)

	Face value	
	TOTAL 2021	**TOTAL 2020**
1. Other guarantees granted	**-**	**5**
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	5
f) Families	-	-
2. Other commitments	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Families	-	-

3. Assets pledged as collateral for own liabilities and commitments

(€/000)

Portfolios	**Amount 2021**	**Amount 2020**
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	9,928	9,887
3. Financial assets measured at amortised cost	663	671
4. Tangible assets	-	-
of which: inventories	-	-

Sub-item “2. Financial assets measured at fair value through other comprehensive income” includes the securities used as collateral against the loans received from the European Central Bank.

The item “Financial assets measured at amortised cost” shows the margins vis-à-vis Cassa di Compensazione e Garanzia (Clearing House).

4. Third-party management and brokerage

(€/000)

Type of service	Amount
1. Execution of orders on behalf of clients	**-**
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	**-**
3. Custody and management of securities	**-**
a) third-party securities in custody: in the capacity of custodian bank (excluding asset management)	-
1. securities issued by the bank drafting the financial statements	-
2. other securities	-
b) third-party securities in custody (excluding asset management): other	5,760
1. securities issued by the bank drafting the financial statements	-
2. other securities	5,760
c) third-party securities in custody with third parties	8,201
c) own securities in custody with third parties	27,594
4.Other transactions	**-**

5. Financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At the reporting date, the Bank had no financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

6. Financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At the reporting date, the Bank had no financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

7. Securities lending transactions

At the reporting date the Bank had no outstanding securities lending transactions.

8. Disclosure of joint operations

At the reporting date, the Bank had no joint operations in force

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

(€/000)

Items/Technical forms	Debt securities	Loans	Other transactions	TOTAL 2021	TOTAL 2020
1. -Financial assets measured at fair value through profit or loss:	**20**	**-**	**-**	**20**	**30**
1.1. Financial assets held for trading	20	-	-	20	30
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**154**	**-**	X	**154**	**96**
3. Financial assets measured at amortised cost:	**20**	**423**	**-**	**443**	**587**
3.1 Loans to banks	-	15	X	15	2
3.2 Loans to customers	20	408	X	428	585
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	-
6. Financial liabilities	X	X	X	**14**	**9**
Total	**195**	**423**	**-**	**631**	**722**
of which: interest income on impaired financial assets	-	26	-	26	77
of which: interest income on finance lease	X	-	X	-	-

The item “Financial liabilities” include interest income accrued on negative rate funding transactions.
The line "of which: interest income on impaired financial assets" shows interest calculated on the basis of the effective interest rate, including interest due to the passage of time. This interest refers to loans to customers.

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

At the reporting date, there was no interest income on financial assets in foreign currency.

1.3 Interest expense and similar charges: breakdown

(€/000)

Items/Technical forms	Payables	Securities	Other transactions	**TOTAL 2021**	**TOTAL 2020**
1. Financial liabilities measured at amortised cost	(212)	-		(212)	(165)
1.1 Payables to central banks	(13)	X	X	(13)	(8)
1.2 Payables to banks	(110)	X	X	(110)	(89)
1.3 Payables to customers	(89)	X	X	(89)	(68)
1.4 Outstanding securities	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(5)	-
Total	**(212)**	**-**	**-**	**(217)**	**(165)**
of which: interest expense for lease payables	**(2)**	X	X	**(2)**	**(2)**

1.4 Interest and similar expenses: other information

1.4.1 Interest expense on financial liabilities in other currencies

At the reporting date, there was no interest expense on financial liabilities in foreign currency.

1.5 Hedging differentials

During the year the Bank did not enter into hedging transactions; therefore, the relevant table is not filled out.

SECTION 2 – FEES AND COMMISSIONS - ITEMS 40 AND 50

2.1 Fees and commissions receivable: breakdown

(€/000)

Type of service/Values	TOTAL 2021	TOTAL 2020
a) Financial instruments	**23**	**31**
1. Placement of securities	19	23
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	19	23
2. Receipt, transmission and execution of orders on behalf of clients	4	8
2.1 Receipt and transmission of orders for one or more financial instruments	4	8
2.2 Execution of orders on behalf of clients	-	-
3. Other commissions related to financial instrument activities	-	-
of which: dealing on own account	-	-
of which: individual portfolio management	-	-
b) Corporate Finance	**-**	**-**
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment consulting services	-	-
d) Clearing and settlement	-	-
e) Custody and administration	**15**	**20**
1. Custodian Bank	-	-
2. Other commissions related to custody and administration activities	15	20
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary services	-	-
h) Payment services	**297**	**339**
1. Current accounts	175	209
2. Credit cards	-	-
3. Debit cards and other payment cards	36	38
4. Credit transfers and other payment orders	39	39
5. Other commissions related to payment services	47	53
i) Distribution of third-party services	**-**	**2**
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	-	2
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing for securitisation	-	-
l) Commitments to grant finance	-	-
m) Financial guarantees granted	-	-
of which: credit derivatives	-	-
n) Financing activities	-	-
of which: factoring	-	-
o) Trading of foreign currencies	-	-
p) Goods	-	-
q) Other commissions receivable	**10**	**22**
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**345**	**414**

2.2 Fees and commissions receivable: distribution channels of products and services

(€/000)

Channels/Values	TOTAL 2021	TOTAL 2020
a) at own branches:	**1**	**8**
1. portfolio management	-	-
2. placement of securities	1	8
3. third-party products and services	-	-
b) out-of-branch offer:	**18**	**17**
1. portfolio management	-	-
2. placement of securities	18	15
3. third-party products and services		2
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Commissions payable: breakdown

(€/000)

Type of service/Values	TOTAL 2021	TOTAL 2020
a) Financial instruments	**(644)**	**(1,013)**
of which: trading of financial instruments	(644)	(1,013)
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	**-**	**-**
c) Custody and administration	**(31)**	**(27)**
d) Collection and payment services	**(51)**	**(41)**
of which: credit cards, debit cards and other payment cards	-	-
e) Servicing for securitisation	-	-
f) Commitments to receive finance	-	-
g) Financial guarantees received	-	-
of which: credit derivatives	-	-
h) External placement of financial instruments, products and services	**-**	**-**
i) Trading of foreign currencies	**-**	**-**
j) Other commissions payable	**(31)**	**(29)**
Total	**(757)**	**(1,110)**

SECTION 3 – DIVIDENDS AND SIMILAR INCOME - ITEM 70

At the reporting date, there were no items to be reported in the tables of Section "E. Dividends and similar income - Item 70" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

SECTION 4 – NET INCOME ON TRADING ACTIVITY – ITEM 80

4.1 Net profit/(loss) from trading activities: breakdown

(€/000)

Transactions/Income items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**3,472**	**(1)**	**(347)**	**3,124**
1,1 Debt securities	-	3,471	(1)	(347)	3,124
1,2 Equity securities	-	-	-	-	-
1.3 UCIT units	-	-	-	-	-
1,4 Loans	-	-	-	-	-
1,5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2,1 Debt securities	-	-	-	-	-
2,2 Payables	-	-	-	-	-
2,3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	53
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4,1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and stock indexes	-	-	-	-	-
- On foreign currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4,2 Credit derivatives	-	-	-	-	-
of which: natural hedging connected with fair value option	X	X	X	X	-
TOTAL	**-**	**3,472**	**(1)**	**(347)**	**3,177**

The item includes:

a) the net profit (loss) on transactions classified as "financial assets held for trading" and "financial liabilities held for trading", including the results on the valuation of such transactions;

b) the "net result" of "financial assets and liabilities: exchange differences" includes the positive or negative balance of changes in the value of financial assets and liabilities denominated in foreign currencies; this includes profits and losses arising from currency trading.

SECTION 5 – NET INCOME/LOSS ON HEDGING ACTIVITY – ITEM 90

At the reporting date were no items to be reported in the tables of Section “5. Net income/loss on hedging activity – Item 90” envisaged by Banca d’Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Profits (losses) on disposal/repurchase: breakdown

(€/000)

Income items/breakdown	TOTAL 2021			TOTAL 2020		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost:	**21**	**-**	**21**	**-**	**-**	**-**
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	21	-	21	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**182**	**-**	**182**	**2**	**-**	**2**
2,1 Debt securities	182	-	182	2	-	2
2,2 Loans	-	-	-	-	-	-
Total assets (A)	**203**	**-**	**203**	**2**	**-**	**2**
Financial liabilities measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 – NET INCOME/LOSS ON THE OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

This item was not present at the reporting date.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown other financial assets mandatorily measured at fair value

(€/000)

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**4**	**-**	**-**	**-**	**4**
1,1 Debt securities	-	-	-	-	-
1,2 Equity securities	4	-	**-**	**-**	**4**
1.3 UCIT units	-	-	-	-	-
1,4 Loans	-	-	-	-	-
2. Financial assets in foreign currency: exchange rate differences	X	X	X	X	**-**
Total	**4**	**-**	**-**	**-**	**4**

SECTION 8 – NET ADJUSTMENTS/REVERSALS FOR CREDIT RISK – ITEM 130

8.1 Breakdown of net adjustments/reversals for credit risk relating to financial assets measured at amortised cost

(€/000)

Transactions/Income items	Adjustments (1)						Write-backs (2)						Total 2021	Total 2020
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage		Impaired acquired or originated			
			write-off	Other	write-off	Other			write-off	Other	write-off	Other		
A. Loans to banks	**(10)**	**-**	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	-	-	**2**	**2**
- Loans	(10)	-	-	-	-	-	12	-	-	-	-	-	2	**2**
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans to customers:	**(185)**	**(52)**	**(7)**	**(307)**	**-**	**-**	**57**	**98**	**318**	**-**	**-**	**-**	**(78)**	**(167)**
- Loans	(184)	(52)	(7)	(307)	-	-	56	98	318	-	-	-	(78)	(169)
- Debt securities	(1)	-	-	-	-	-	1	-	-	-	-	-	-	2
Total	**(195)**	**(52)**	**(7)**	**(307)**	**-**	**-**	**69**	**98**	**318**	**-**	**-**	**-**	**(76)**	**(165)**

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

At the reporting date there were no loans measured at amortised cost subject to Covid-19 support measures. Therefore the relevant table is omitted.

8.2 Breakdown of net adjustments/reversals for credit risk relating to financial assets measured at fair value through other comprehensive income

(€/000)

Transactions/Income items	Adjustments (1)						Write-backs (2)						Total 2021	Total 2020
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage		Impaired acquired or originated			
			write-off	Other	write-off	Other			write-off	Other	write-off	Other		
A. Debt securities	(20)	-	-	-	-	-	9	-	-	-	-	-	(11)	(4)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	(20)	-	-	-	-	-	9	-	-	-	-	-	(11)	(4)

8.2a Net adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

This item was not present at the reporting date.

SECTION 9 - PROFITS / LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITION - ITEM 140

9.1 Breakdown of profits (losses) from contractual changes

This item was not present at the reporting date.

SECTION 10 – ADMINISTRATIVE EXPENSES - ITEM 160

10.1 Staff expenses: breakdown

(€/000)

Type of expense/Values	Total 2021	Total 2020
1) Employees	(1,629)	(1,700)
a) wages and salaries	(1,215)	(1,246)
b) social security charges	(243)	(311)
c) employee severance indemnities	-	-
d) pension costs	-	-
e) provision for employee severance indemnities	(100)	(105)
f) provision for retirement benefit and similar liabilities:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution	-	-
- defined benefits	-	-
h) costs deriving from payment plans based on own equity instruments	-	-
i) other benefits in favour of employees	(71)	(38)
2) Other employed personnel	-	-
3) Directors and Auditors	(291)	(278)
4) Personnel in retirement	-	-
5) Recovery of expenses for employees in secondment at other businesses	-	-
6) Recovery of expenses for third-party employees in secondment at the company	-	-
Total	**(1,920)**	**(1,978)**

Sub-“item “e) provision for staff severance indemnity” consists of:
1) Service cost for € 95,930;
2) Net interest cost for € 3,920.

Sub-item "i) other employee benefits" is detailed in table 10.4 below.

Sub-Item “3) Directors and Auditors”, includes the remuneration paid to directors and statutory auditors, including social security contributions paid by the company.

10.2 Average number of staff by category

	Total 2021	Total 2020
Employees (a + b + c)	32	32
a) Managers	-	-
b) Middle managers	5	4
c) Remaining employed staff	27	28
Other staff	-	-

The average number of employees is calculated in terms of weighted average, where the weight is the number of months worked by each person during the year. Part-time employees are accounted for at 50%.

10.3 Defined-benefit company retirement funds: costs and revenue

At the reporting date, there were no defined-benefit company retirement funds.

10.4 Other benefits in favour of employees

(€/000)

	Total 2021	Total 2020
Miscellaneous personnel costs: provision for loyalty bonus	-	-
Miscellaneous personnel costs: accident insurance	-	-
Miscellaneous personnel costs: charges for leaving incentives	-	-
Miscellaneous personnel costs: meal vouchers	(7)	(5)
Miscellaneous personnel costs: training costs	-	-
Sundry personnel costs: other benefits	(64)	(33)
Other benefits in favour of employees	**(71)**	**(38)**

10.5 Other administrative expenses: breakdown

(€/000)

	Total 2021	Total 2020
Administrative expenses	**(1,220)**	**(1,281)**
General expenses	**(871)**	**(921)**
Expenses for electronic services	(683)	(750)
Postal and telephone expenses	(51)	(54)
Stationery and printed material	(10)	(7)
Membership and similar fees of which:	(106)	(93)
- *Resolution Fund Contributions (SRF)*	*(2)*	(2)
- *Contributions to deposit guarantee schemes*	*(44)*	(29)
Finance leases and rentals	(21)	(17)
Real estate expenses	**(124)**	**(107)**
Lease payable and condominium expenses	(6)	(8)
Energy costs	(51)	(37)
Cleaning of premises	(3)	(7)
Security and surveillance expenses	(10)	(9)
Maintenance and repairs	(54)	(46)
Professional and insurance expenses	**(178)**	**(207)**
Fees for professional services	(20)	(40)
Auditing fees	(67)	(67)
Legal and sundry consultancy	(69)	(78)
Insurance	(22)	(22)
Research and development costs	**(35)**	**(33)**
Research and development costs	(35)	(33)
Other administrative expenses - Other	**(7)**	**(10)**
Miscellaneous	(7)	(10)
Promotional and advertising expenses	**(5)**	**(3)**
Advertising and entertainment	(5)	(3)
Direct and indirect taxes	**(156)**	**(159)**
Other	(156)	(159)
Total administrative expenses	**(1,376)**	**(1,440)**

The sub-item "Membership and similar fees" - in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 21 "Levies" – around €2 thousand as ordinary and additional contributions to the Single Resolution Fund (SRF), and €44 thousand as ordinary contributions to the Interbank Deposit Protection Fund.

The item "Research and Development Costs" includes the costs incurred for the consulting services provided by a consulting firm with expertise in the industry, which supported the Bank in the implementation of technical-scientific projects for the development of software in support of business operations.

Short-term lease payments (contracts with a residual useful life of less than 12 months) and lease payments on low-value leases (less than € 5 thousand) are included in the sub-item "Lease and rental payments" for a negligible amount.

SECTION 11 – NET ALLOWANCES TO PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 170

11.1 Breakdown of net provisions for credit risk relating to commitments to grant finance and financial guarantees granted

(€/000)

Financial statement items	2021		
	Stage 1	**Stage 2**	**Stage 3**
	Provisions (Sign -)		
Commitments to grant finance			
- Commitments to grant loans	(6)	(5)	(3)
Financial guarantees granted			
- Finance Guarantee contracts	-	-	-
Total accruals (-)	**(6)**	**(5)**	**(3)**
	Reallocations (+ sign)		
Commitments to grant finance			
- Commitments to grant loans	5	6	2
Financial guarantees granted			
- Finance Guarantee contracts	-	-	-
Total reallocations (+)	**5**	**6**	**2**
	Net provision		
Total	**(1)**	**1**	**(1)**

11.2 Breakdown of net provisions for other commitments and other guarantees granted

At the reporting date, there were no net allocations relating to other commitments and other guarantees granted.

11.3 Net allocations to other provisions for liabilities and charges: breakdown

Items	2021			2020		
	Provision (with - sign)	**Reallocations (with + sign)**	**Net total**	**Provision (with - sign)**	**Reallocations (with + sign)**	**Net total**
Provisions and re-allocations to other provisions for liabilities and charges						
1. for claw-back risks	-	-	-	-	-	-
2. for charity and solidarity purposes	-	-	-	-	-	-
3. for personnel liabilities and charges	-	-	-	-	-	-
4. for legal and tax disputes	(341)	-	(341)	-	-	-
5. for other liabilities and charges	-	-	-	-	-	-
Total	**(341)**	**-**	**(341)**	**-**	**-**	**-**

Item "4. Legal and tax disputes" includes the provision set aside for a legal dispute, the details of which are described in the relevant section of Part B - Liabilities of these Financial Statements.

SECTION 12 – NET ADJUSTMENTS/REVERSALS ON TANGIBLE ASSETS - ITEM 180

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

(€/000)

Assets/Income itemsi	Depreciation (a)	Adjustments for impairment (b)	Reversals (c)	Net result (a + b + c)
A. Tangible assets				
1. Functional assets	(199)	-	-	(199)
- Owned	(152)	-	-	(152)
- Rights of use acquired through leases	(47)	-	-	(47)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(199)**	**-**	**-**	**(199)**

The result of the measurement of tangible assets classified as held for sale, pursuant to IFRS 5, is not significant.

SECTION 13 – NET ADJUSTMENTS TO/WRITE-BACKS ON INTANGIBLE ASSETS – ITEM 190

13.1 Net adjustments to intangible assets: breakdown

(€/000)

Assets/Income item	Depreciation (a)	Adjustments for impairment (b)	Reversals (c)	**Net result (a + b - c)**
A. Intangible assets	(211)	-	-	(211)
- of which software	(205)	-	-	(205)
A.1 Owned	(211)	-	-	(211)
- Internally generated	(205)	-	-	(205)
- Other	(6)	-	-	(6)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(211)**	**-**	**-**	**(211)**

As already explained in the Accounting Policies - Section 4 Other aspects, in the current year there was a change in accounting estimates, in accordance with IAS 8, para. 34, concerning the useful life of an internally generated software recognized in the Financial Statements, which resulted in lower amortisation of this asset of € 26 thousand.
For the additional information required by IAS 8, see the Accounting Policies.

SECTION 14 – OTHER OPERATING INCOME AND EXPENSES – ITEM 200

14.1 Other operating expenses: breakdown

(€/000)

	Total 2021	Total 2020
Non-recurring gains/losses that cannot be classified into a specific item	(110)	(9)
Other operating expenses - other	(7)	(20)
Total operating expenses	**(117)**	**(29)**

14.2 Other operating income: breakdown

(€/000)

	Total 2021	Total 2020
Recovery of expenses	110	129
Non-recurring gains/losses that cannot be classified into a specific item	3	-
Other operating income - other	252	241
Total other operating income	**365**	**370**

The item “Recovery of expenses” mainly relates to the recovery of stamp duties charged to customers, with offsetting entry in the sub-item “Taxes and duties” included under Other administrative expenses.

The item "Other operating income" includes the income related to the tax credit for research and development activities, amounting to €251 thousand which - in accordance with IAS 20 - is similar to an operating grant and was therefore recorded under other operating income. For more details, please see Part A - Section A.4 - Other Aspects.

SECTION 15 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – ITEM 220

15.1 Profits (losses) on equity investments: breakdown

(€/000)

Income item/Values	Total 2021	Total 2020
A. Income	**-**	**-**
1. Write-ups	-	-
2. Profits on disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	**(16)**	**-**
1. Write-downs	(16)	-
2. Net adjustments for impairment	-	-
3. Losses on disposals	-	-
4. Other expenses	-	-
Net result	**(16)**	**-**

SECTION 16 – NET RESULT OF TANGIBLE AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – ITEM 230

At the reporting date were no items to be reported in the tables of Section "16. Net result on tangible and intangible assets measured at fair value – Item 230" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

SECTION 17 – ADJUSTMENTS TO GOODWILL – ITEM 240

At the reporting date were no items to be reported in the tables of Section "17. Value adjustments on goodwill – Item 240" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 18 – Profits (losses) on investment disposal – Item 250

As at the reporting date, losses on investment disposals amounted to less than Euro one thousand- Therefore the relevant table is omitted.

SECTION 19 – INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS - ITEM 270

19.1 Income taxes for the year on current operations: breakdown

(€/000)

	Income items/Values	Total 2021	Total 2020
1.	Current taxes (-)	(72)	(26)
2.	Changes in current taxes for previous years (+/-)	-	-
3.	Reduction in current taxes for the period (+)	70	-
3.bis	Reduction in current taxes for the year for tax credits as per law no. 214/2011 (+)	12	-
4.	Change in prepaid taxes (+/-)	18	302
5.	Change in deferred taxes (+/-)	798	21
6.	**Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**826**	**297**

19.2 Reconciliation of notional and actual tax burden

(€/000)

INCOME ITEMS	Tax
Item/Values Pre-tax profit of current operations (item 270 income statement)	(515)
IRES income taxes - Notional tax burden	-
Decreases in the taxable base - Effects on IRES	165
Increases in the taxable base - Effects on IRES	-
A. Actual tax burden - current IRES tax	**-**
Increases in prepaid taxes	19
Decreases in prepaid taxes	-
Increases in deferred taxes	-
Decreases in deferred taxes	661
B. Total effects of deferred IRES taxation	**680**
C. Change in current taxes	**82**
D. Total IRES for the period (A+B+C)	**762**
IRAP theoretical tax charge with application of nominal tax rate (difference between brokerage margin and deductible costs):	-
Effect of decreases in value of production	-
Effect of increases in value of production	-
Change in current taxes for previous years	-
E. Actual tax burden - current IRAP tax	**-**
Increases in prepaid taxes	-
Decreases in prepaid taxes	(1)
Increases in deferred taxes	-
Decreases in deferred taxes	137
F. Total effects of IRAP deferred taxability	**-**
G. Total pertaining IRAP (E+F)	**136**
H. IRES/IRAP substitute tax on differences between statutory and tax values of assets	**(72)**
TOTAL CURRENT IRES - IRAP TAXES (A+C+E+H)	**10**
TOTAL IRES - IRAP TAXES FOR THE YEAR (A+C+E+H)	**826**

SECTION 20 – PROFIT (LOSS) OF DISCONTINUED OPERATIONS, AFTER TAXES – ITEM 290

At the reporting date were no items to be reported in the tables of Section "20. Profit (Loss) on discontinued operations, after taxes – Item 290" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 21 – Other information

At the reporting date, there was no further information to provide on the income statement.

Section 22 – EPS

22.1 Average number of ordinary shares with diluted capital earnings

At 31 December 2021 the Bank owned no ordinary shares with diluted capital earnings.

22.2 Other information

Earnings per share (basic and diluted) for 2021 amounted to € 0.04, calculated - as provided for by law - by dividing the result for the period by the average number of shares outstanding during the year.

Part D – COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

(€/000)

	Items	Total 2021	Total 2020
10.	**Profit (loss) for the year**	**310**	**600**
	Other income items not reversed to income statement		
20.	Equity securities designated at fair value through other comprehensive income	-	(457)
	a) Changes in fair value	-	(457)
	b) Transfers to other equity items	-	-
30.	Financial liabilities designated at *fair value* through profit or loss (changes of own creditworthiness):	-	-
	a) Changes in fair value	-	-
	b) Transfers to other equity items	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income:	-	-
	a) Changes in fair value (hedged tool)	-	-
	a) Changes in fair value (hedging tool)	-	-
50.	Tangible assets	-	-
60.	Intangible fixed assets	-	-
70.	Defined-benefit plans	(57)	(34)
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves for equity investments measured at equity	-	-
100.	Income taxes related to other income items not reversed to income statement	6	60
	Other income items reversed to income statement		
110.	Foreign investment hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result from net positions	-	-

140.	Hedging instruments (non designated items):	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(119)	185
	a) changes in fair value	(125)	183
	b) reversal to income statement	6	2
	- amendments for credit risk	6	2
	- profits/losses on disposal	-	-
	c) other changes	-	-
160	- Non-current assets and disposal groups:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves for equity investments measured at equity:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- adjustments due to impairment	-	-
	- profits/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes related to other income items reversed to income statement	42	(46)
190.	**Total of other income items**	**(128)**	**(292)**
200.	**Comprehensive income - (10 +190)**	**182**	**308**

Part E – INFORMATION ON RISKS AND HEDGING POLICIES

Recitals

The Bank pays special attention to the governance and management of risks and ensures that its organizational/procedural controls, methodological solutions and tools are kept constantly up to date to support effective and efficient risk governance and control, also in response to changes in the operational and regulatory environment.

The Bank's risk management strategy rests on a holistic view of business risks that takes into account both the macroeconomic scenario and the individual risk profile, by encouraging a growing risk control culture across the organization and by strengthening transparent and accurate representation of said risks.

The Bank's risk-taking strategies are summarized in the Risk Appetite Framework (RAF) approved by the Board of Directors. The latter defines the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies and the reference processes necessary to define and implement them, in line with the maximum acceptable risk, the business model and the strategic plan. The RAF, which was introduced to ensure that risk-taking activities are in line with management expectations and compliant with the overall regulatory and prudential framework, is defined in light of the overall risk position and financial situation and performance of the Bank.

Both the general principles, in terms of risk appetite, and the safeguards adopted regarding the overall risk profile and the main specific risks, are defined within the framework.

The general principles underlying the Bank's risk-taking strategy are summarized below:
- the Bank's business model is mainly focused on financial intermediation activities. The traditional lending activity is also carried out;
- the objective of the corporate strategy is not to eliminate risks but to ensure they are fully understood so that they can be knowingly assumed and they are properly managed so as to ensure sound, long-term business sustainability;
- limited risk-appetite, capital adequacy, income stability, sound liquidity position, attention to maintaining a good corporate reputation, strong control over the main specific risks to which the company is exposed, are key elements underlying all business operations;
- formal and substantial compliance with the rules in order to avoid sanction and maintain strong relationship of trust with all corporate stakeholders.

Therefore, the *Risk appetite framework* provides a framework for the overall management of risks assumed by the Bank and for the definition of general risk appetite principles and the consequent development of safeguards against corporate risk.

The monitoring of the overall risk profile is based on a structure of limits aimed at ensuring compliance, both in ordinary and stress conditions, with minimum required solvency, liquidity and profitability levels.
In particular, overall risk oversight aims to maintain adequate levels of:
- capitalization, with respect to first and second pillar risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, enabling the bank to face even prolonged periods of tension on the various funding markets both in the short-term and on a more structural basis, by monitoring the limits set under the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and loan collection gap;
- risk-adjusted profitability, by monitoring the Roa indicator.

Reporting to corporate bodies is defined within the same framework and aims to provide summary information on a periodic basis on the evolution of the Bank's risk profile, taking into account its defined risk appetite. This framework is designed to support the development of a holistic representation of the risks to which the Bank is exposed.

The RAF is defined through a structured and complex process, under the coordination of the company risk management in close interaction with the heads of the various business units, Administration, management control and other corporate control functions. This process is developed in line with the ICAAP / ILAAP processes and the development / updating of the recovery plan and provides the reference framework for the preparation of the annual budget and the business plan, ensuring consistency between risk-taking strategies and policies on the one hand and planning and budgeting processes on the other.

The Bank has also drawn up its recovery plan according to the indications of the relevant authorities; the plan outlines methods and measures to restore the company solvency profiles in the event of serious deterioration of the financial situation. To this end, stress scenarios were identified that reveal the main vulnerabilities of the Bank and help measure their potential impact on the Bank's risk profile.

The risk governance model, i.e. the set of corporate governance arrangements and management and control mechanisms designed to cope with the risks to which the Bank is exposed, is part of the broader framework of the Bank's internal control system, which has been defined in accordance with the regulations for the prudential supervision of banks set out in the 15th update to Banca d'Italia Circular No. 263/2006, subsequently merged into Circular no. 285/2013 (First Part, Title IV, Chapter 3).

Consistent with these guidelines, the risks to which the Bank is exposed are monitored within an organizational model based on a full separation of control and production functions, which integrates methods and controls at different levels such as to ensure the achievement of the following purposes, according to sound and prudent management:
- monitoring the implementation of company strategies and policies;
- risk containment within the limits defined in the Bank's RAF;
- safeguarding asset value and protection against losses;
- efficiency and effectiveness of the operating processes;
- reliability and security of business information and IT procedures;
- preventing the risk that the bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism;
- compliance of operations with the law and supervisory regulations as well as with policies, internal regulations and procedures.

The internal control system therefore involves the entire organization, starting from the corporate bodies and then extending to:
- line controls, whose main objective is to ensure operations are properly carried out with respect to external /internal regulations;
- second level controls, designed to implement risk management controls (under the responsibility of Risk Management) and controls on regulatory compliance (under the responsibility of Compliance). With respect to the management of the risk of money laundering and terrorist financing, in compliance with the relevant regulations and following an accurate organizational analysis that took into account the size of the Bank, its overall operations and staff, the Bank has taken steps to to establish a specific Anti-Money Laundering Function;
- third-level controls (assigned to Internal Auditing), designed to identify anomalous trends in procedures and regulations and to assess the operation of the overall internal control system.

In line with the provisions issued by Banca d'Italia, the model adopted by the Bank outlines the main responsibilities of its governing and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.
Through a combined analysis of supervisory regulations and the Bank's articles of association, it is clear that the Bank's strategic supervisory function and management function are exercised under the coordinated and integrated action of the Board of Directors. The Chief Executive Officer participates in the management function is his role as head of the Bank's internal organization.
The strategic supervisory function guides the management process through:
- preparation of the strategic plan, within shall encapsulate the system of risk objectives (RAF);
- approval of the ICAAP / ILAAP report and of the budget, ensuring they are consistent between each other and with the internal control system and the organization.

The management function, to be understood as the set of decisions made by a corporate body for "the implementation of guidelines issued by the strategic supervisory function", is the responsibility of the Board of Directors with the support of the Chief Executive Officer, who participates in Board of Directors' meeting as board member and who has been delegated powers by the Board.

The Board of Statutory Auditors is the body vested with the control function and, as head of corporate control, it monitors the correct application of the law and the articles of association and, specifically, the adequacy of the internal control system and the effectiveness of the control functions, taking also advantage of the information provided by said functions.

Section 1 – Credit risk

Credit risk, also known as counterparty risk, generally refers to the risk that the customer/counterparty does not perform its obligations in the manner and within the time provided for by the contract, due to lack of funds. It is specifically the risk that the customer-debtor fails to fulfil even a part of their obligation in a loan transaction to reimburse principal and pay interest.
Credit risk, therefore, includes solvency, concentration and Country risks[1].

Qualitative information

1. General aspects

The objectives and strategies of the Bank's lending activities are addressed to:
- efficient selection of counterparties to whom loans are granted, through accurate analysis of creditworthiness so as to contain insolvency risk;
- diversification, by limiting the concentration of exposures to single counterparties/groups or sectors of economic activity;
- constant monitoring of existing loans, both using IT procedures and through the monitoring of positions in order to promptly detect any symptoms of imbalance and take corrective actions aimed at preventing the deterioration of the loan.

The commercial policy of the Bank with respect to lending activities is oriented to providing financial support to the local economy and is characterized by a high propensity to maintain fiduciary and personal relations with all members of the community (households, small businesses and firms).
In sectoral terms, lending is mainly directed towards the branches of economic activity most consistent with the Bank's credit policies and with those positive economic dynamics that, historically and currently, characterise the territory in which the Bank operates (services, trade, manufacturing).
In addition to traditional lending activities, the Bank is exposed to position and counterparty risks with respect to its securities trading activities.
In compliance with its Business Plan, the Bank has for some time now undertaken a lending restriction policy; this has enabled it to mitigate the effects of the risks associated with the worsening macro-economic scenario that has affected the various production sectors across the board and which was exacerbated by the Covid-19 pandemic.

Securities trading involves limited exposure of the Bank to position risk as investments in financial instruments are, in general, oriented towards high issuers (central governments, financial intermediaries and non-financial companies) with high credit standing.
Concerning the disclosures provided for in the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis" issued by EBA (EBA/GL/2020/07), reference should be made to the Public Disclosure ("Third Pillar").

As noted in Part A section *4.Other aspects*, the economic system continued to be supported by measures in favour of households and businesses, through
moratoria under various regulations issued since 2020 (e.g. the 'Cura Italia', 'Liquidità', 'Sostegni bis' decrees, etc.), the use of which has been promoted by the Bank.
Again, in 2021, the Bank granted moratoria extended to 31/01/2021 and 31/03/2021 (for tourism/hospitality activities), with further extensions to 30/06/2021 and 31/12/2021 (for those expressly requested by companies).

[1] Country risk is the risk associated with international transactions, when the foreign customers-debtors do not fulfil their obligations, due to the macroeconomic conditions in the country in which they operate.

2. Credit risk management policies

2.1 Organisational issues

In light of legal provisions on "*Internal Control System"* (contained in circular letter No. 285/2013, Part One, Title IV, Chapter 3), the Bank's organizational structure has been shaped to facilitate an efficient and effective credit risk management and control process.
In addition to line controls, such as first-level activities, the functions responsible for monitoring the management of positions and those in charge of second-level and third-level control, measure and monitor risk performance and the correctness / adequacy of management and operational processes.

In terms of credit risk, the provisions describe a series of aspects and precautions that are already largely covered by process regulations, but which supplement these areas by requiring formalized criteria for the classification, assessment and management of impaired exposures.
The Credit Area, with its organizational units, is the body delegated to govern the review and approval stages of the lending process. The Credit and Litigation Control Office is the function delegated to monitor and manage disputes (as specified below).
The division of duties and responsibilities within this area is, as much as possible, designed to achieve the segregation of activities in conflict of interest, especially through appropriate levels of IT authorizations.
The entire credit management and control process is governed by an Internal Regulation *("Credit Regulation")* which, specifically:

- defines criteria and methods for assessing creditworthiness;
- defines criteria and methods for reviewing credit lines;
- defines criteria and methods for monitoring loan performance, and actions to be taken when anomalies are detected;
- defines loan approval powers.

In compliance with the Guidelines for Italian Less significant banks regarding the management of impaired loans published by Banca d'Italia on 30 January 2018, the bank adopted a specific policy for the management of impaired loans which, in addition to defining criteria for their classification and measurement, outlines specific strategies aimed at optimizing NPL management through the maximization of the present value of recoveries taking into account the Bank's management capabilities, the external environment, the characteristics of impaired portfolios, the costs associated with managing them and the indirect costs associated with maintaining a high level of NPLs.
The Bank has in place appropriate organizational arrangements that ensure the timely adoption of the most suitable measures for the classification, assessment and management of impaired positions.

The function in charge of the classification, measurement and management of NPLs is the Credit Control and Litigation Office. This function is separate from the Units involved in the loan approval phase and can request the support of external experts.

With regard to transactions with connected parties, the Bank has adopted specific decision-making procedures designed to manage the risk that the proximity of certain individuals to the decision-making bodies of the Banks may compromise the impartiality and objectivity of decisions. In this perspective, the Bank has also adopted tools and an IT procedure to ensure that connected parties are correctly and fully identified. These measures were supplemented through an updating, where deemed necessary, of the framework resolution and the regulations already in use within the bank. This set of documents, which make up the Policy, is thus made compliant with the regulations on connected parties.

Currently the Bank's organization comprises two branches.

The Bank did not grant anyloans pursuant to Art. 1, and especially Art. 13(1) of Decree Law 23/2020 ("Decreto Liquidità").

The control activity on the management of credit risks (as well as financial risks and operational risks) is performed by the risk control function (Risk Management), which directly reports to the Board of Directors, through a series of tasks arising from the responsibilities set out in the Supervisory Provisions on the internal control system.
Specifically, the function contributes in defining the RAF and the related risk governance policies and in setting the operating limits to the assumption of the various types of risk.
The function:

- is involved in the definition and implementation of the "Risk Governance Policy - RAF" and of the various
  steps that make up the risk management process, as well as in the setting of operating limits to the assumption of the various types of risk. In this respect, it is responsible, inter alia, for proposing the quantitative and qualitative parameters necessary to define the “Risk Governance Policy - RAF”, which also refer to stress scenarios and, in the event of changes in the operating environment both within and outside the bank, the adjustment of those parameters.
- monitors the adequacy of the “Risk governance policy - RAF”.
- monitors, on an ongoing basis, the adequacy of the risk management process and of operating limits.
- defines common assessment metrics for operational risks consistent with the "Risk Governance Policy - RAF ", in coordination with Compliance, and with the head of business continuity.
- defines evaluation and control systems for reputational risk, in coordination with the compliance function and the corporate functions more exposed to risk.
- supports the governing bodies in the evaluation of strategic risk by monitoring significant variables.
- ensures that risk measurement and control systems are consistent with the processes and methods in place to assess bank activities, in coordination with the organizational units involved;
- develops and applies indicators that can detect anomalies and inefficiencies in risk measurement and control systems.
- analyses the risks of new products and services and those arising from entering into new business segments and markets.
- provides preliminary advice on the level of consistency with the RAF of the most important transactions and, depending on the nature of the transaction, also seeks the opinion of other functions involved in the risk management process;
- constantly monitors the bank's risk profile and its consistency with the bank’s risk appetite as well as compliance with the operating limits assigned to operating structures in relation to the assumption of various types of risk.
- ensures the proper monitoring of individual credit exposures.
- monitors the adequacy and effectiveness of measures taken to address any deficiencies detected in the risk management process.
- assesses the bank activities and formalizes the results in a specific report.

2.2 Management, measurement and audit systems

The management of credit risk depends on lending policies. For this purpose, the Board of Directors establishes the general principles governing lending to customers, approves the strategic guidelines and policies for loan disbursement and risk management, through the definition of specific parameters (type of loans, percentage of funding to be used in lending).

The whole lending process, from the preliminary assessment to disbursement, as well as monitoring positions, reviewing credit lines and responding to abnormal situations, was formalised in the "Credit Regulations", approved by the Board of Directors and periodically audited.
The regulations cover: credit authorities, prudential limits, acceptable collateral, loans classification, credit monitoring, control and reporting system.

Consistent with these policies, the Bank has defined criteria for classifying, assessing and managing impaired positions as well as methods for monitoring credit risk; the above also with the objective of activating a systematic monitoring of positions allocated to network representative and coordinated by the Credit Control and Litigation Office.

Proper management of the credit process also requires an adequate risk measurement and control system.
In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.

The system is organised into the three levels outlined below:

1) line controls or first-level controls, to ensure that operations are properly carried out; these are performed by the branch staff;

2) second-level controls, which are the responsibility of:

- the Credit Control and Litigation department, which, as part of its ordinary activities, carries out checks with regard to loan applications, granting and classification as well as audits on any unusual use of funds in the early stages of the loan and on loans performing in anomalous ways and therefore impaired;
- the Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed, also in relation to loan performance;
- the Compliance department, which verifies compliance with internal and external regulations.

3) third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

Moreover, the following activities are carried out:
- preventive controls, which take place prior to granting the credit line and are specifically aimed at verifying compliance with credit authority limits, guarantee standards, the completeness and adequacy of all documents delivered to and/or signed by the customer;
- on-going controls, which take place after the loan has been granted and disbursed, involving monitoring of the positions in their various operating aspects, with particular reference to risk management (unauthorised overdrafts, compliance with guarantee margins, etc.), in order to verify the recoverability of the loan at all times.

Finally, the Bank uses a management tool to carry out first-level controls through which the Credit Control Office and the branches can periodically monitor existing positions; this procedure uses historical internal databases and assigns a risk rating to each customer. Ratings are determined at the NDG level and any anomalies and data that contributed to their formulation are logged.

The IT application adopted by the Bank enables it to periodically extrapolate, among others, all performing relationships for which there is an indication of anomalous performance, including for example, being reported as doubtful in the system, the presence of past due and overdrawn amounts, qualifying as forborne, etc. Therefore, through constant monitoring of the reports provided by the application it is possible to promptly deal with anomalies in the credit relationship and take appropriate measures for the loans in question.
Credit exposures, as mentioned, are also monitored using the information provided by the Central Credit Register.
All fiduciary positions are also subject to periodic review, which is carried out for each individual counterparty/group of connected customers by the departments in charge based on credit limit.

2.3 Expected losses measurment methods

IFRS 9 introduced, for instruments recognized at amortized cost and at fair value with contra entry to equity (other than equity instruments), a model based on the "expected loss" concept, replacing the current "incurred loss" model provided for IAS 39.
The changes introduced by IFRS 9 are characterized by a prospective view that, in certain circumstances, may require the immediate recognition of all expected losses during the life of a loan. In particular, unlike IAS 39, the initial amounts of expected future losses on the entity's financial assets have to be recorded immediately and independently of any trigger event and said estimate has to be continually adjusted also considering the counterparty credit risk. For the purpose of this estimate, the impairment model must consider not only past and current data, but also information relating to future events.
This forward-looking approach helps reduce the impact upon occurrence of the losses and allows the loan adjustments to be made in proportion to the increase in risk, thereby preventing any excessive burdening of the income statement upon occurrence of the loss events and reducing the pro-cyclic effect.

The new model for the measurement of expected credit losses on impaired loans and securities is applicable to financial assets (loans and debt securities), commitments to disburse funds, guarantees as well as to financial assets not measured at fair value through profit or loss. For credit exposures falling within the scope of application [2] of the new model, the accounting standard provides for the allocation of the individual positions to one of 3 stages according to changes in credit quality, defined based on a 12-month or lifetime (if there has

[2] The application segments are divided into ordinary customers, interbank segment and Securities Portfolio.

been a significant increase in risk) expected credit loss model. In particular, the stage allocation consists of three different categories which reflect the credit quality deterioration model from initial recognition:

- in stage 1, loans not showing a significant credit risk (SICR) at the assessment date or identifiable as Low Credit Risk;
- in stage 2, loans showing a significant credit risk at the assessment date or not being identifiable as Low Credit Risk;
- in stage 3, non-performing loans[3].

The estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss must be calculated over a 12 months' time horizon;[4];
- stage 2: the expected loss must be calculated considering all the losses that are expected to be sustained during the entire life of the financial asset (lifetime expected loss): therefore, compared to IAS 39, there is a transition from the incurred loss estimate over a 12 month time horizon to an estimate that takes into consideration the entire residual life of the loan; furthermore, since the IFRS 9 also requires the calculation of the expected lifetime loss to be made according to forward-looking estimates, it is necessary to consider the scenarios associated with macroeconomic variables (e.g. GDP, unemployment rate, inflation, etc.) that are capable of estimating forecasts for the entire residual term of the loan through a macroeconomic statistical model;
- stage 3: the expected loss must be calculated on a lifetime perspective but, unlike the positions in stage 2, the lifetime expected loss is calculated through an analytical method; for exposures classified as non-performing or unlikely to pay of an amount lower than € 30,000, for past due and/or overdrawn impaired exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using an individual-flat rate method.

Risk parameters (PD, LGD and EAD) are calculated based upon the impairment models. In order to improve the coverage of originally unrated loans originated after 2006, the default rates made available by the Bank of Italy were used[5]. The Bank calculates the ECL according to the allocation stage, for each exposure, with respect to on-balance sheet and off-balance sheet credit exposures.
For the purpose of calculating the expected loss as at 31 December 2021, the Bank incorporated into its IFRS 9 impairment model the macroeconomic scenarios that reflect the effects of the Covid-19 health emergency, as per instructions of the European Central Bank contained in the letter of 1 April 2020 and further letter of 4 December 2020. For further details, please refer to Part A "Accounting policies", section 4 "Other aspects", paragraph 4.6 - "Application of the international accounting standards in the context of the Covid-19 pandemic" of these Notes."

Ordinary customers segment

The drivers that are common to all the approaches identified for the construction of the PD input, concern:

- estimation of the 12-month PD developed through the construction of an appropriately segmented, statistical model based on the type of counterparty and on the geographical area where the Bank operates;
- the inclusion of forward looking scenarios, through the application to the PD Poin in Time (PiT) of multipliers defined by the "Satellite Model" and definition of a series of potential scenarios capable of incorporating current and future macroeconomic conditions;
- the transformation of the 12 month-PD into a lifetime PD, in order to estimate a term structure of the PD along the entire residual life class of the loans.

The drivers that are common to all the approaches identified for the construction of the LGD input, concern:

- a consortium-type model, properly segmented according to the geographical area where the Bank operates, that consists of two parameters: the Danger Rate (DR) and the Non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter is estimated starting from a set of administrative status transition matrices with a one year observation horizon. These matrices were calculated on a set of counterparties with a segmentation in line with that used for the development of PD models. The DR

[3] non-performing items concern: impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.
[4] The Expected Loss calculation for the purpose of calculating the collective write-downs on these exposures is made on a 12-month point-in-time basis.
[5] In 2018, the Bank of Italy made available a historical series of default rates starting from 2006, broken down by a number of drivers (region, amount range, economic sector ..) and developed based on a broader definition than just positions reclassified as non-performing.

parameter, like the PD, is conditional upon the economic cycle, based on possible future scenarios, so as to incorporate assumptions of future macroeconomic conditions;
- the nominal LGS parameter is calculated as the arithmetic average of the nominal LGS, segmented by type of guarantee, and subsequently discounted based on the average recovery times observed for clusters of loans consistent with those of the nominal non-performing LGD.

The adopted EAD IFRS 9 model differs according to the macro type of technical form and the stage where the exposure has been classified. In order to estimate the EAD parameter over the lifetime horizon of loans with repayment by instalment it is necessary to consider the contractual repayment flows, for each year of the residual life of the loan. A further element that influences the future values of the EAD, i.e. the progressive repayment of instalment loans according to their contractual amortization plan, is the prepayment rate (a parameter that reflects early and partial termination events with respect to the contractual expiration date).

The Bank has provided for the allocation of the individual on- and off-balance sheet exposures in one of the 3 stages listed below based on the following criteria:
- in stage 1, exposures with generation date prior than three months as of the measurement date or that do not have any of the characteristics described in the following paragraph;
- in stage 2, exposures that have at least one of the characteristics described below at the reference date:
  - exposures for which there has been a 200% increase in PD since origination;
  - presence of the 'Forborne performing' attribute;
  - presence of exposures that are past due and/or overdrawn for more than 30 days;
  - exposures (with no 'lifetime PD' on the date of disbursement) that do not have the characteristics to be identified as 'Low Credit Risk' (or performing exposures that at the valuation date have the following characteristics: no lifetime PD at the date of disbursement and rating class at the reporting date less than or equal to 4[6]).
- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

With regard to the allocation of performing loans to the "stages" required by IFRS 9, the breakdown of the performing loan portfolio, which accounted for 84.8% of total outstanding loans, was as follows in the financial statements at 31 December 2021:
- Stage 1: loans included in this risk stage, net of the associated value adjustments, accounted for 90% of the Bank's performing portfolio and 76.6% of total net loans.
- Stage 2: loans included in this risk stage, net of the associated value adjustments, accounted for 9.60% of the Bank's performing loans and 8.2% of total loans.

At 31 December 2021, the composition of the Bank's Stage 2 portfolio, essentially attributable to automatic classification triggers, was broken down as follows:
- 28.20% is attributable to exposures that recorded an increase in their Lifetime PD with respect to origination, for a gross amount of €298 thousand.
- 61.10% consists of forborne positions for a gross amount of € 645 thousand;
- the residual part (10.60%) consists of positions without rating as of their origination, for a gross amount of €112 thousand;

With regard to the new definition of default, i.e. implementation of Article 178 of Regulation (EU) No. 575/2013, which specifies the criteria for considering a debtor as in default, and subsequent rules (e.g. EBA/GL/2016/07 guidelines, Delegated Regulation (EU) No. 171/2018 and other Banca d'Italia's provisions); as of 1 January 2021, these rules are compulsorily applied by the entire banking system. In this respect, the Bank adjusted its internal credit risk models within the IFRS 9 scope of application, in order to ensure the computation of collective impairment provisions in compliance with the new definition of default. These adjustments were taken into account before the 1Q report by calibrating the above mentioned models.

[6] The rating model includes 13 classes.

Interbank segment
The Bank has adopted a model developed on a statistical basis. The PD parameter is provided by an external provider and extrapolated from listed credit spreads or quoted bonds.

The LGD parameter was prudently set by applying the 45% regulatory level for IRB.

For the EAD, logics similar to those applied for the ordinary customer model were applied. It should be noted that a prepayment parameter was applied to interbank loans, in line with the underlying technical forms and with regard to the specific nature of the relationships underlying this segment.

The Bank has provided for the allocation of the individual exposures to the 3 stages, in the same way as with loans to customers. The 'Low Credit Risk' status is defined for performing exposures which at the valuation date have the following characteristics: no "Lifetime PD" on the date of disbursement and PD Point in Time of less than 0.3%.

Securities portfolio
The PD parameter is provided by an external provider based on two approaches:
- point-in-time: the default probability term structure for each issuer is obtained from listed credit spreads (CDS) or listed bonds;
- comparable: where market data do not allow for the use of specific credit spreads, since there are none or they are illiquid or not significant, the default probability term structure associated with the issuer is obtained through a proxy method. This method compares the issuer in question to a comparable issuer for which specific credit spreads are available or to a reference cluster for which it is possible to estimate a representative credit spread.

The LGD parameter is assumed to be constant for the entire life of the financial asset under analysis and is obtained on the basis of 4 factors: issuer and instrument type, instrument ranking, instrument rating and issuer's country. The minimum level starts at 45%, with subsequent increases to take into account the different seniority levels of the securities.

The Bank has provided for the allocation of the individual purchased tranches of securities in 3 stages.
The first credit worthiness stage comprises: the tranches that can be classified as 'Low Credit Risk' (that is, those with PD at the reporting date below 0.26%) and those securities which had no significant increase in credit risk at the measurement date compared to the time of purchase;
The second stage include tranches which at the valuation date show an increase in credit risk compared to the date of purchase.
The third and final stage includes the tranches for which the ECL is calculated following the application of a 100% probability (i.e. in default).

2.4 Credit risk mitigation techniques

Risk mitigation techniques encompass instruments that contribute to reduce the loss the Bank would bear in the event of insolvency of the counterparty; they include, in particular, the guarantees and some contracts that determine a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most used by the Bank consists in obtaining different types of real, personal and financial guarantees.
These forms of guarantee are requested according to the outcome of the assessment of customer creditworthiness and the type of credit line requested by said customers. As part of the loan approval and management process, the presence of mitigating factors is encouraged for counterparties with a less favourable credit rating or for certain medium/long-term types of loans.

In order to limit the risks of the protection ceasing to exist or expiring, specific safeguards are in place such as: restoration of the pledge where the initial value of the assets has decreased or, for mortgage guarantees, obligation of insurance coverage against damage from fire, as well as adequate monitoring of the value of the property.

With respect to activities on securities markets, considering that the portfolio tends to be made up of major issuers with high credit standing, no special forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is linked to loans to retail customers (medium and long term).
The Bank established that lending transactions are backed by various types of guarantees according to the type of loan granted:
- personal guarantees;
- collateral (mortgages and other collateral).

The acquisition of guarantees requires careful evaluation, not only to determine the guarantees' value, on which the maximum amount of credit that can be extended is based, but also to verify any restrictions or impediments that might in some way limit their validity.

Guarantees secured by assets
With regard to collateral types, the Bank accepts the following guarantees:
- mortgages;
- pledge on deposits in euros or foreign currency;
- pledge on securities.

In terms of acquisition, assessment and management of the main forms of collateral, the company policies and procedures ensure that these guarantees are always obtained and managed in a way that ensures they are binding in all relevant jurisdictions and enforceable within reasonable time.
In this respect, the Bank abides by the following relevant principles:
- the property value does not depend to a significant extent on the debtor's creditworthiness;
- the independence of the expert in charge of carrying out the appraisal of the property;
- an insurance coverage has been taken out against the risk of damage to the property which is the object of the guarantee;
- adequate monitoring of the value of the property has been put in place, to verify that the requirements that permit the Bank to benefit from a lower capital absorption on guaranteed exposures are satisfied over time;
- the intended use of the property and the debtor's ability to repay.

The process of monitoring the value of the property which is the object of the guarantee is carried out using statistical methods.
In this regard, the assessment is carried out:
- at least every 3 years for residential properties;
- annually for non-residential properties.

For significant exposures (that is, for an amount exceeding € 3 million or 5 per cent of the Bank's own funds) the assessment is in any case reviewed by an independent expert at least every 3 years.

With regard to financial guarantees, the Bank, based on the policies and processes for managing credit risk and the defined limits and operating powers, directs the acquisition of these guarantees exclusively if the underlying financial assets are such that the company is able to calculate the fair value at least every six months (or whenever there are elements that suggest that a significant decrease in fair value has occurred).
A discount on market value is applied to the securities pledged as collateral, to an extent related to the nature of the securities. The Bank may accept securities as collateral at its own discretion, and can apply higher discounts to the securities it deems riskier.
The monitoring of financial collateral, in the case of pledges on securities, involves the continuous monitoring of the issuer's rating and the assessment of the fair value of the financial instrument given as collateral. An adjustment of the guarantee is requested when the market value is lower than the resolution value less the required discount.
The guarantee may also consist of a cash balance, in which case no discount is applied.

Personal guarantees
With regard to personal guarantees, sureties on first demand are accepted, issued by Italian and foreign banks or by natural or legal persons of proven solvency.

The main types of guarantors are entrepreneurs and company partners related to the debtor as well as, in the case of loans granted to sole proprietorships and / or natural persons (consumers and non-consumers), also relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies that are part of the same economic group of the debtor), or by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (small business owners, traders, etc.) the Bank obtains specific guarantees (first demand or ancillary guarantees) from Confidi (credit guarantee consortia registered in the special list pursuant to Article 107 of the TUB) and from Medio Credito Centrale.

If a financing proposal includes personal guarantees from third parties, the preliminary investigation also extends to the latter party. In particular, depending on the type and amount of the guaranteed loan, the following analysis and inquiries are made:

- the financial and income situation of the guarantor, including by consulting the appropriate databases;
- exposure to the banking system;
- the information in the bank's information system;
- whether the guarantor is part of a group and the group's overall exposure.

The Bank does not deal with OTC derivatives and has not entered into bilateral netting arrangements.

3. Impaired credit exposures

3.1 Management strategies and policies

The Bank has in place regulatory / IT structures and procedures for the management, classification and control of loans.
Consistently with IAS/IFRS regulations, at each reporting date any objective evidence of impairment is verified for each instrument or group of financial instruments.
Impaired financial assets include loans when there is any objective evidence of impairment as a result of circumstances occurring after initial recognition.
Based on the current regulatory framework, supplemented by the internal implementing provisions, impaired financial assets are classified according to the level of criticality in three categories:

- non-performing: credit exposures of the Bank vis-à-vis counterparties in a state of insolvency (including if insolvency is not legally ascertained) or in essentially equivalent situations, regardless of the existence of any guarantees to protect exposures or any loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing positions, for which it is considered unlikely that, without recourse to protection actions such as the enforcement of guarantees, the debtor will entirely fulfil - in terms of principal and/or interest - its credit obligations, regardless of the presence of any past due and unpaid amounts/instalments;
- impaired past due and/or overdrawn: exposures, other than those classified as non-performing or unlikely to pay, that show a past due and/or overdrawn position. The overall exposure to a borrower is recognised as impaired past due and/or overdrawn, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or commissions that is unpaid as at the date it was due exceeds both the following thresholds: a) absolute limit of Euro 100 for retail exposures and of Euro 500 for non-retail exposures; b) relative limit of 1% obtained as the ratio of the total amount past due and/or overdrawn at group level to the total amount of all credit exposures to the same debtor.

The further category of "forborne exposures" is also envisaged, which refers to exposures that are subject to renegotiation and/or refinancing due to manifest or forthcoming financial difficulty, as better explained in paragraph 4 “Financial assets subject to commercial renegotiations and forborne exposures”.

In keeping with the Guidelines for Italian Less significant banks regarding the management of impaired loans published by Banca d’Italia on 30 January 2018, the bank adopted a specific “Policy for the management of impaired loans” which, in addition to defining criteria for their classification and measurement, outlines a specific strategy aimed at optimizing NPL management through the maximization of the present value of recoveries taking into account the Bank’s management capabilities, the external environment, the characteristics of impaired portfolios, the costs associated with managing them and the indirect costs associated with maintaining a high level of NPLs.
This strategy comprises a short-term (1 year) and a medium/long term (3 years) operating plan in line with the strategic objectives set by the Bank.

The Credit Control and Litigation department has been tasked with the monitoring, classification, assessment and overall management of impaired loans.
That activity mainly consists in:

- monitoring the positions, supporting the branches that are in charge of 1st level controls;
- defining, in agreement with the Branch Manager, the actions necessary to bring the performing positions back to regular performance as soon as they show the first signs of anomaly;
- managing positions as soon as they qualify as "impaired exposures";
- Identifying and recommending adjustments to the exposures to the relevant bodies;
- register the positions as “unlikely to pay” and / or “non-performing” subject to prior authorization by the relevant bodies.

The classification is also implemented through automated procedures when predetermined default conditions are triggered, in particular as regards past due and/or overdrawn exposures, depending on the continuous past due and/or overdrawn amount and period.
The return to performing status of exposures classified as unlikely to pay and NPLs, governed by the Supervisory Authority and by specific internal regulations, is made upon recommendation of Credit Control and Litigation to the Chief Executive Officer, after verifying that the anomalies leading to the classification of exposures as impaired financial assets no longer apply and the stability of the new counterparty’s situation.

With regard to exposures classified as "Past due and overdrawn loans" the return to performing status takes place automatically when payment is received.
For the purposes of determining the recoverable value of impaired loans, the Bank has defined the valuation process within the aforementioned Policy, based on expected cash flows, expected recovery times and the estimated realizable value of the guarantees, if any, the modification of which may entail a change in recoverable value; this calculation is based on the information available as at the valuation date.
The adjustment for each loan is determined as difference between the carrying amount at the time of measurement (amortised cost) and the current value of estimated future cash flows, calculated by applying the original actual interest rate.
This assessment is made at the time the exposures are classified, when relevant events occur and is, however, reviewed periodically in accordance with criteria and procedures laid down by the credit policies adopted.
Specifically: impaired loans classified as unlikely to pay and non-performing loans are subject to an analytical assessment by the Credit Control and Litigation department.

Impaired overdue loans are subject to a flat-rate assessment, using the same methodology as for the impairment of "performing" receivables; if an actual loss is expected, a write-down of the individual account is carried out.

The management and recovery of non-performing loans is carried out by the Credit Control and Litigation Office, with the support of external legal advisors in order to pursue the best solutions for recovering the debt.

The loan assessment is subject to review whenever the Bank becomes aware of significant events that can alter the prospects of recovery.

With respect to the main management control processes, being aware that the cost of risk is one of the most significant variables in determining current and future economic results, special attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-year plan and the annual budget (developed on the basis of expected macroeconomic and market scenarios), of the ICAAP and the RAF and those taken as reference for determining accounting provisions.

The Risk Management Department is responsible for assessing the consistency of the classifications, the adequacy of provisions and the effectiveness of the recovery process; it also verifies the correct application of valuation parameters laid down by internal regulations for non-performing loans subject to individual assessment. More specifically, it verifies the correct application of the criteria envisaged for assessing:

- loans secured by real estate collateral;
- loans secured by lien;
- loans secured by guarantees provided by consortia /MCC;
- loans secured by principal obligor and/or by guarantors by way of surety who own real estate assets that may be seized (both in the case of classification as unlikely to pay and as non-performing);
- unsecured loans to individuals without seizable assets;
- unsecured loans to sole proprietorships, partnerships and companies.

3.2 Write-offs

The Bank's rules regarding write-offs are outlined in the Credit Regulation. When there are no longer any reasonable expectations of recovering a receivable, this must be "written off". The event that triggers the write-off may occur before the legal actions for non performing loan recovery have been completed and does not entail a waiver for the bank to recover its claim.

The write-off can concern the entire amount of the receivable or a portion of it and corresponds to:
- the reversal of total value adjustments, with contra-entry to the gross value of the receivable;
- the impairment loss on the receivable recognized directly in the income statement, for the amount exceeding the total value adjustments.

Any recoveries from collection after the write-off, are recognized in the income statement.

The Bank writes off uncollectible positions and recognizes the losses of the residual unadjusted amount in the following cases:
- the receivable is found to be uncollectible on the basis of certain and precise elements (such as, by way of example, the unknown abode or lack of means of the debtor, failed recoveries from levy of execution against land and chattels, failed foreclosures, insolvency proceedings closed with incomplete relief for the Bank, if there are no further enforceable guarantees, etc.);
- assignment of debt;
- waiver of receivable, as a result of unilateral relief of debt or residual amount on the basis of settlement agreements.

As regards the application of write-offs to non-performing loans, the Bank opted for this solution for the full amount of 1 position for which the non-recoverability of the receivable had become certain.
It should be noted that the position subject to write-off had already been largely written-down. The impact on the income statement amounted to €750.

3.3. Impaired financial assets acquired or originated

The acquisition of impaired financial assets is not part of the Bank's business model.

4. Financial assets subject to commercial renegotiations and forborne exposures

The impaired forborne exposure category (non-performing forborne exposures) is not a distinct or additional category of impaired exposures with respect to those previously mentioned (non-performing, unlikely to pay, past due) but it is a subset of each of them, which includes on-balance sheet exposures and commitments to disburse funds that are the subject of forbearance measures (forborne exposure), if they meet both of the following conditions:

a) - the debtor is in a situation of financial difficulty that prevents them from fully complying with the contractual commitments set out in their loan agreement and such as to amount to a "credit deterioration" (classified in one of the impaired exposure categories: non-performing, unlikely to pay, past due and/or overdrawn for more than 90 days),

b) and the bank agrees to amend the terms and conditions of the loan agreement, or to totally or partially refinance the loan, such that the debtor can comply with it (such concession would not have been granted if the debtor had not been in a state of difficulty).

Forborne exposures towards debtors who are in a difficult financial situation other than a “credit deterioration” are instead classified in the “other forborne exposure” category (“forborne performing exposure”) and are classified under “Other non-impaired exposures”, or under “Non-impaired overdue exposures” if they meet the requirements for this classification.

In terms of the Bank's internal regulations, after having ascertained that a forbearance measure appears to comply with the forbearance requirements, the forborne exposure attribute is assigned as follows:

- “forborne performing” when both the following conditions occur:
  - the debtor was classified as performing before the forbearance resolution;
  - the debtor has not been reclassified by the Bank among the non-performing counterparties due to the forbearance measures granted;
- “forborne non performing” when at least one of the following conditions occurs:
  - the debtor was classified as non-performing before the forbearance resolution;
  - the debtor has been reclassified under non-performing exposures, due to the forbearance measures granted, including the cases in which (in addition to the other regulatory cases), following the assessment, significant impairment losses have arisen.

For the purposes of the reclassification of forborne non-performing exposures, there must be compliance with a "cure period" of one year starting from the date the measures were granted together with the borrower’s conduct showing that there are no longer any critical issues concerning the full repayment of the debt. Therefore, the Credit and Litigation Control Office performs an analysis of the debtor to verify that all the following criteria are satisfied:

1) the exposure is not considered impaired or in default;

2) there is no evidence of overdue amounts;

3) the debtor has repaid, through regular payments, an amount equal to the total of all the amounts previously overdue (if any at the date of granting the forbearance measures) or equal to the amount written-off according to the forbearance measures (in the absence of overdue amounts), or has otherwise demonstrated their ability to comply with the conditions set for the period following the granting of the forbearance measures. In the latter case, for the purposes of the assessment, the presence of arrears with respect to other intermediaries should also be considered.

A credit exposure classified as forborne performing becomes forborne non-performing when even just one of the following conditions is met:

- the prerequisites for classifying the counterparty among impaired loans are met;
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, the conditions having been met, the counterparty was placed under observation (with simultaneous transfer of the credit line in question to forborne performing), but: i) during the period it qualified as forborne performing, one of the credit lines of the financed counterparty has become past due for more than 30 days; or ii) during the period it qualified as forborne performing, the counterparty holding the line in question is subject to the application of further forbearance measures.

In order for a credit exposure classified as “forborne performing” to lose this attribute, with consequent return to performing, the following conditions must be met simultaneously:

- an analysis of the debtor's financial situation shows that the transactions no longer meet the conditions that qualify them as impaired;
- at least two years have elapsed (*Probation period)* from the nearest of the date the forbearance measure was granted and the date of exit from the classification as impaired exposure;

- the debtor has made regular payments (both principal and interest) to an extent greater than an irrelevant aggregate amount of principal and interest for at least half of the observation period;
- with respect to the debtor, there are no transactions with amounts past due by more than 30 days at the end of the observation period.

In 2021 the Bank applied concessions in favour of 1 counterpart, already classified as impaired exposure. Overall, 1 credit line was affected. As at 31/12/2021, there were 11 forborne exposures, of which 6 were performing.

Quantitative information

A. Credit quality

Equity securities and UCITS units are excluded for the purpose of quantitative information on credit quality.
The term "on-balance-sheet exposures" means all on-balance-sheet financial assets held with respect to banks or customers, whatever their accounting portfolio allocation (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortized cost, financial assets held for sale).

The term "off-balance sheet credit exposures" means all financial transactions other than cash transactions (financial guarantees issued, revocable and irrevocable commitments, derivatives, etc.) that involve the assumption of credit risk, whatever the purpose of such transactions (trading, hedging, etc.). Off-balance sheet credit exposures also include the counterparty risk associated with securities lending transactions. Likewise, where necessary, they include the counterparty risk associated with exposures inherent in repurchase agreements, in the giving or taking of goods on loan, as well as in margin loans falling under the notion of “SFT Transactions” (Securities Financing Transactions) defined in prudential regulations.

Impaired credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore, conventionally, recognized among non-impaired credit exposures.

A.1 Impaired and non-impaired credit exposures: amount, value adjustments, changes and breakdown by type of business

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

(€/000)

Portfolio/Quality	Non-performing loans	Unlikely to pay	Impaired overdue exposures	Non-impaired overdue exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	709	822	277	89	12,994	**14,891**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	18,773	**18,773**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	**-**
5. Discontinuing operations	-	-	-	-	-	**-**
Total 2021	**709**	**822**	**277**	**89**	**31,767**	**33,664**
Total 2020	**971**	**885**	**327**	**783**	**29,657**	**32,623**

At the reporting date, the portfolio "1. Financial assets measured at amortized cost” included forborne exposures for approximately € 823 thousand (of which € 277 thousand impaired and € 596 thousand non-impaired), entirely attributable to credit loans and advances to customers.
In particular, the breakdown of forborne exposures according to credit quality was as follows:

- € 105 thousand included in the unlikely to pay category;
- € 122 thousand included in the impaired overdue exposures;
- € 596 thousand included in the other non-impaired exposures.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€/000)

Portfolio/Quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Overall adjustments	Net exposure	Overall partial write-offs (*)	Gross exposure	Overall adjustments	Net exposure	
1. Financial assets measured at amortised cost	3,095	1,287	1,808	-	13,374	291	13,083	14,891
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	18,789	16	18,773	18,773
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Discontinuing operations	-	-	-	-	-	-	-	-
Total 2021	**3,095**	**1,287**	**1,808**	**-**	**32,163**	**307**	**31,856**	**33,664**
Total 2020	**3,590**	**1,407**	**2,183**	**-**	**30,767**	**327**	**30,440**	**32,623**

Portfolio/Quality	Assets of manifest poor credit quality		Other assets
	Accrued capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	204
2. Hedging derivatives	-	-	-
Total 2021	**-**	**-**	**204**
Total 2020	**-**	**-**	**-**

** Value to be displayed for information purposes*

A.1.3 Breakdown of financial assets by past due ranges (book values)

(€/000)

Portfolios/risk stages	First stage			Second stage			Third stage			Impaired acquired or originated		
	1 to 30 days	**From over 30 to 90 days**	**Over 90 days**	**1 to 30 days**	**From over 30 to 90 days**	**Over 90 days**	**1 to 30 days**	**From over 30 to 90 days**	**Over 90 days**	**1 to 30 days**	**From over 30 to 90 days**	**Over 90 days**
1. Financial assets measured at amortised cost	86	-	-	3	-	-	126	39	1,494	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-
Total 2021	**86**	**-**	**-**	**3**	**-**	**-**	**126**	**39**	**1,494**	**-**	**-**	**-**
Total 2020	**172**	**-**	**-**	**275**	**296**	**39**	**3**	**183**	**1,804**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

(€/000)

Reasons/risk stages	Overall adjustments																							Total provisions on commitments to grant finance and financial guarantees granted				Total
	Assets falling in the first stage						Assets falling in the second stage						Assets falling in the third stage						Impaired financial assets acquired or originated									
	Loans to banks and to Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Loans to banks and to Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Loans to banks and to Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to grant finance and financial guarantees granted Impaired acquired	Total
Opening overall adjustments	13	117	10	-	140	-	-	187	-	-	-	187	-	1,407	-	-	-	-	-1,407	-	-	-	-	9	3	-	-	**1,747**
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	**-**
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-120	-	-	-	-	-120	-		-	-	-	-	-	-	**-120**
Net adjustments/ write-backs for credit risk (+/-)	-2	89	6	-	93	-	-	-103	-	-	-	-103	-	-5	-	-	-	-	-5	-	-	-	-	-	-1	1	-	**-15**
Contractual amendments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

not derecognised																												
Changes in the estimate methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	5	-	-	-	-	-	-	-	-	**5**
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Closing overall adjustments	11	206	16	-	233	-	-	84	-	-	-	84	-	1,287	-	-	-	-	1,287	-	-	-	-	9	2	1	-	**1,617**
Recoveries from collection of financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	**7**

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)

(€/000)

Portfolios/risk stages	Gross values/par value					
	Shifts between first and second stage		Shifts between second and third stage		Shifts between first and third stage	
	From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
1. Financial assets measured at amortised cost	187	795	254	44	78	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Discontinuing operations	-	-	-	-	-	-
3. Commitments to grant finance and financial guarantees granted	27	25	-	-	-	-
Total 2021	**214**	**820**	**254**	**44**	**78**	**-**
Total 2020	**999**	**840**	**100**	**315**	**166**	**86**

A.1.5a Loans subject to Covid-19 support measures: transfers between credit risk stages (gross values)

At the reporting date there were no outstanding loans subject to Covid-19 support measures.

A.1.6 On- and off-balance sheet exposures with banks: gross and net values

(€/000)

Type of exposure/amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Overall partial write-offs*
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON-BALANCE SHEET EXPOSURES												
A.1 On demand	**18,967**	**18,967**	**-**	**-**	**-**	**11**	**11**	**-**	**-**	**-**	**18,956**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	18,967	18,967	-	-	-	11	11	-	X	-	18,956	-
A.2 OTHER	**10,822**	**10,822**	**-**	**-**	**-**	**10**	**10**	**-**	**-**	**-**	**10,812**	**-**
a) Non-performing	**-**	**X**	**-**	**-**	**X**	**-**	**X**	**-**	**-**	**-**	**-**	**-**
of which: forborne exposures	-	X	-	-	X	-	X	-	-	X	-	-
b) Unlikely to pay	-	X	-	-	X	-	X	-	-	X	-	-
of which: forborne exposures	-	X	-	-	X	-	X	-	-	X	-	-
c) Impaired overdue exposures	-	X	-	-	X	-	X	-	-	X	-	-
of which: forborne exposures	-	X	-	-	X	-	X	-	-	X	-	-
d) Non-impaired overdue exposures	-	-	-	X	-	-	-	-	X	-	-	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	10,822	10,822	-	X	-	10	10	-	X	-	10,812	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**29,789**	**29,789**	**-**	**-**	**-**	**21**	**21**	**-**	**-**	**-**	**29,768**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
a) Non-impaired	97	97	-	X	-	-	-	-	X	-	97	-
TOTAL (B)	**97**	**97**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**97**	**-**

TOTAL (A+B)	**29,886**	**29,886**	-	-	-	**21**	**21**	-	-	-	**29,865**	-

** Value to be displayed for information purposes*

A.1.7 On- and off-balance sheet exposures with clients: gross and net values *(€/000)*

Type of exposure/amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Overall partial write-offs*
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON-BALANCE SHEET EXPOSURES												
a) Non-performing	1,160	X	-	1,160	-	451	X	-	451	-	709	-
of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	1,585	X	-	1,585	-	763	X	-	763	-	822	-
of which: forborne exposures	275	X	-	275	-	170	X	-	170	-	105	-
c) Impaired overdue exposures	350	X	-	350	-	73	X	-	73	-	277	-
of which: forborne exposures	147	X	-	147	-	25	X	-	25	-	122	-
d) Non-impaired overdue exposures	92	88	4	X	-	3	3	-	X	-	89	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	21,250	20,199	1,055	X	-	294	210	84	X	-	20,956	-
of which: forborne exposures	645	-	645	X	-	49	-	49	X	-	596	-
TOTAL (A)	**24,437**	**20,287**	**1,055**	**3,095**	**-**	**1,583**	**212**	**84**	**1,287**	**-**	**22,854**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	15	X	-	15	-	1	X	-	1	-	14	-
b) Non-impaired	972	871	101	X	-	11	9	2	X	-	11	-
TOTAL (B)	**987**	**871**	**101**	**X**	**-**	**12**	**9**	**2**	**1**	**-**	**3**	**-**
TOTAL (A+B)	**25,484**	**21,157**	**1,157**	**3,110**	**-**	**1,596**	**222**	**86**	**1,288**	**-**	**29,856**	**-**

** Value to be displayed for information purposes*

A.1.7a Loans subject to Covid-19 support measures: gross and net values

There were no Covid - 19 concession measures in place at the reporting date.

A.1.8 On-balance sheet credit exposures with banks: changes in gross impaired exposures

There were no impaired exposures with banks at the reporting date.

A.1.8bis On-balance sheet credit exposures with banks: changes in gross forborne exposures broken down by credit quality

At the reporting date, there were no on-balance-sheet forborne exposures to banks.

A.1.9 On-balance sheet credit exposures with customers: changes in gross impaired exposures

(€/000)

Transactions/Categories	Non-performing loans	Unlikely to pay	Impaired overdue exposures
A. Opening gross exposure	**1,737**	**1,489**	**364**
- of which: exposures disposed of (not derecognised)	-	-	-
B. Increases	**87**	**213**	**232**
B.1 transfers from non-impaired exposures	-	136	194
B.2 transfers from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other categories of impaired exposures	37	50	-
B.4 Contractual amendments not derecognised	-	-	-
B.5 other increases	50	27	38
C. Decreases	**664**	**117**	**246**
C.1 transfers to non-impaired exposures	-	-	66
C.2 write-offs	-	-	-
C.3 repayments	502	83	115
C.4 revenue from disposals	17	-	-
C.5 losses on disposals	28	-	-
C.6 transfers to other categories of impaired exposures	-	34	53
C.7 Contractual amendments not derecognised	-	-	-
C.8 other decreases	117	-	12
D. Closing gross exposure	**1,160**	**1,585**	**350**
- of which: exposures disposed of (not derecognised)	-	-	-

A.1.9bis On-balance sheet credit exposures with customers: changes in gross forborne exposures broken down by credit quality

(€/000)

Transactions/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	**530**	**915**
-	-	-
B. Increases	**34**	**51**
B.1 transfers from non-impaired non-forborne exposures	-	-
B.2 transfers from non-impaired forborne exposures	-	X
B.3 transfers from impaired forborne exposures	X	44
B.4 transfers from impaired non-forborne exposures	-	-
B.5 other increases	34	6
C. Decreases	**142**	**321**
C.1 transfers to non-impaired non-forborne exposures	X	10
C.2 transfers to non-impaired forborne exposures	65	X
C.3 transfers to impaired forborne exposures	X	-
C.4 Write-offs	-	-
C.5 repayments	72	309
C.6 revenue from disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	5	2
D. Closing gross exposure	**422**	**645**
- of which: exposures disposed of (not derecognised)	-	-

A.1.10: On-balance sheet impaired exposures with banks: changes in total value adjustments

There were no on-balance sheet impaired exposures with banks at the reporting date.

A.1.11 On-balance sheet impaired exposures with customers: changes in total value adjustments

(€/000)

Transactions/Categories	Non-performing loans		Unlikely to pay		Impaired overdue exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening overall adjustments	**766**	**-**	**604**	**122**	**37**	**25**
- of which: exposures disposed of (not derecognised)	-	-	-	-	-	-
B. Increases	**124**	**-**	**202**	**55**	**69**	**10**
B.1 Adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other adjustments	79	-	178	55	50	10
B.3 losses on disposal	25	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	20	-	2	-	--	-
B.5 Contractual amendments not derecognised	-	-	-	-	-	-
B.6 other increases	-	-	22	-	19	-
C. Decreases	**439**	**-**	**43**	**6**	**33**	**10**
C.1 write-backs from valuation	294	-	23	5	1	-
C.2. write-backs for repayments	-	-	-	-	3	-
C.3 profits on disposals	-	-	-	-	-	-
C.4 Write-offs	-	-	-	-	11	-
C.5 transfers to other categories of impaired exposures	-	-	20	1	3	-
C.6 Contractual amendments not derecognised	-	-	-	-	-	-
C.7 other decreases	145	-	-	-	15	10
D. Closing overall adjustments	**451**	**-**	**763**	**171**	**73**	**25**
- of which: exposures disposed of (not derecognised)	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external ratings (gross amounts)

(€/000)

Exposures	External rating classes						Unrated	Total
	Aaa/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	< B3		
A. Financial assets measured at amortised cost	**-**	**-**	**2,267**	**508**	**-**	**-**	**13,694**	**16,469**
- First stage	-	-	2,267	508	-	-	9,544	**12,319**
- Second stage	-	-	-	-	-	-	1,055	**1,055**
- Third stage	-	-	-	-	-	-	3,095	**3,095**
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**8,961**	**9,829**	**-**	**-**	**-**	**18,790**
- First stage	-	-	**8,961**	**9,829**	-	-	-	**18,790**
- Second stage	-	-	-	-	-	-	-	**-**
- Third stage	-	-	-	-	-	-	-	**-**
C. Discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	**-**
- Second stage	-	-	-	-	-	-	-	**-**
- Third stage	-	-	-	-	-	-	-	**-**
Total (A + B + C)	**-**	**-**	**11,228**	**10,337**	**-**	**-**	**13,694**	**35,259**
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-	**-**
D. Commitments to grant finance and financial guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**1,084**	**1,084**
- First stage	-	-	-	-	-	-	967	967
- Second stage	-	-	-	-	-	-	102	102
- Third stage	-	-	-	-	-	-	15	15
Total D	**-**	**-**	**-**	**-**	**-**	**-**	**1,084**	**1,084**
Total (A + B + C + D)	**-**	**-**	**11,228**	**10,337**	**-**	**-**	**14,778**	**36,343**

The risk classes for external ratings in this table refer to those used by the agency Moody's.

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by internal ratings (gross amounts)

This table is not provided, since the Bank used no internal rating models to manage credit risk.

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.1 On- and off-balance sheet guaranteed exposures with banks

This table is not provided, since the Bank has no secured on-balance sheet exposures with banks.

A.3.2 On- and off-balance sheet guaranteed exposures with customers

(€/000)

	Gross exposure	Net exposure	Guarantees secured by assets (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
			Properties - mortgages	Properties - loans in finance lease	Securities	Other real guarantees	Credit Linked Notes	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance sheet exposures:	**11,808**	**10,490**	**7,680**	**-**	**278**	**7**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**224**	**1.1893**	**10,096**
1.1 wholly secured	10,873	9,973	7,583	-	278	5	-	-	-	-	-	15	-	224	1,869	9,973
- of which impaired	1,941	1,289	991	-	-	-	-	-	-	-	-	4	-	-	294	1,289
1.2 partially secured	936	517	97	-	-	2	-	-	-	-	-	-	-	-	23	123
- of which impaired	817	399	-	-	-	-	-	-	-	-	-	-	-	-	23	23
2. Guaranteed off-balance sheet exposures:	**551**	**542**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27**	**515**	**542**
2.1 wholly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	551	542	-	-	-	5	-	-	-	-	-	-	-	27	515	542
- of which impaired	15	14	-	-	-	-	-	-	-	-	-	-	-	-	14	14

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

(€/000)

	Derecognized credit exposure	Gross value	Overall adjustments	Book value	
					of which obtained during the year
A. Tangible assets	**-**	**-**	**-**	**-**	**-**
A.1. Functional assets	-	-	-	-	-
A.2. Investment property	-	-	-	-	-
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets held for sale and disposal groups	**82**	**82**	**-**	**82**	**-**
D.1. Tangible assets	82	82	-	82	-
D.2. Other assets	-	-	-	-	-
Total 2021	**82**	**82**	**-**	**82**	**-**
Total 2020	**82**	**82**	**-**	**82**	**-**

At the reporting date, the assets acquired amounted to € 82 thousand.
In particular, the item "Tangible assets" refers to the enforcement occurred in 2018 of a mortgage on residential property securing a loan.

B. Breakdown and concentration of credit exposures

B.1 Segment distribution of on- and off-balance sheet exposures with clients

(€/000)

Exposures/ Counterparties	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	-	-	-	-	-	-	685	383	34	68
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	539	700	283	63
of which: forborne exposures	-	-	-	-	-	-	90	165	15	5
A.3 Impaired overdue exposures	-	-	-	-	-	-	127	23	150	50
of which: forborne exposures	-	-	-	-	-	-	111	23	11	2
A.4 Non-impaired exposures	5,915	1	3,380	4	-	-	6,659	204	5,091	88
of which: forborne exposures	-	-	-	-	-	-	14	3	578	50
Total (A)	**5,916**	**1**	**3,380**	**4**	**-**	**-**	**8,001**	**1,311**	**5,557**	**267**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	14	1	-	-
B.2 Non-impaired exposures	-	-	13	-	-	-	528	8	420	4
Total (B)	**-**	**-**	**13**	**-**	**-**	**-**	**542**	**9**	**420**	**4**
Total (A+B) 2021	**5,916**	**1**	**3,393**	**4**	**-**	**-**	**8,543**	**1,320**	**7,997**	**271**
Total (A+B) 2020	**6**	**1**	**4,116**	**3**	**-**	**-**	**8,356**	**1,425**	**7,221**	**297**

B.2 Geographical distribution of on- and off-balance sheet exposures with clients

(€/000)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	702	450	7	1	-	-	-	-	-	-
A.2 Unlikely to pay	822	763	-	-	-	-	-	-	-	-
A.3 Impaired overdue exposures	277	73	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	20,045	295	1,000	1	-	-	-	-	-	-
Total (A)	**21,847**	**1,581**	**1,007**	**2**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired exposures	14	1	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	961	11	-	-	-	-	-	-	-	-
Total (B)	**975**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2021	**22,822**	**1,593**	**1,007**	**2**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2020	**25,178**	**1,725**	**226**	**2**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Geographical distribution of on- and off-balance sheet exposures with banks *(€/000)*

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired overdue exposures	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	11,015	10	-	-	-	-	-	-	-	-
Total (A)	**11,015**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	97	-	-	-	-	-	-	-	-	-
Total (B)	**97**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2021	**11,112**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2020	**17,750**	**17**	**3,992**	**2**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

(€/000)

	2021	2020
a) Amount (book value)	34,188	25,898
b) Amount (weighted value)	24,788	17,304
c) Number	10	7

C. Securitization transactions

At the reporting date, there were no items to be reported in the tables of Section "C. Securitization transactions" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

D. Disclosure related to unconsolidated structured entities (other than special purpose vehicles for securitization)

At the reporting date, there were no items to be reported in the tables of Section "D. Disclosure related to unconsolidated structured entities (other than special purpose vehicles for securitization)" envisaged by Banca d'Italia Circular Circular no. 262 of 22 December 2005 as amended and supplemented.

E. Disposals

At the reporting date, there were no items to be reported in the tables of Section "E. Disposals" envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

F. Credit risk measurement models

The Bank does not use internal models for measuring credit risk.

Section 2 – Market risks

Market risk is the general risk associated with the unpredictable performance of macro-economic variables. Therefore, the development of operations on the financial markets and trading in securities and currencies may lead to increased risks associated with changes in market prices that result in:

- Interest rate risk
- Price/equity risk
- Exchange rate risk

Before analysing each risk category, please note that for the purposes of this Section, the quantitative and qualitative information is reported with reference to the "trading book" and the "banking book" as defined in the legislation governing supervisory reporting. In particular, the trading book comprises all the financial instruments subject to capital requirements for market risks.

2.1 – Interest rate risk and price risk – Regulatory Trading Book

Qualitative information

A. General aspects

Pursuant to the provisions of IFRS 9, the Bank has defined its business models for financial assets management. Therefore, the supervisory trading book for FY 2021 is made up of debt securities allocated to the HTS (Hold to Sell / Trading) business model. The aforementioned portfolio is held according to trading strategies and includes positions in financial assets held for the purpose of benefiting from differences between purchase and selling prices resulting from the materialization of expected short-term market movements and/or from arbitrage opportunities.
The management strategy is trading-oriented, with trading being carried out through the Trading Desk with the objective of achieving adequate profitability from opportunities offered by financial markets. Profit targets are mainly pursued through the change in the fair value of the instruments held in the portfolio.
The main risk associated with managing the Trading book is, in general, market risk and specifically, position risk, linked to potential losses resulting from fluctuations in the prices of the financial instruments that make up the Trading Book.
The associated capital absorption is measured according to the standardized approach.
The regulatory trading book is composed exclusively of Euro-denominated debt securities of issuers from Zone A countries. Furthermore, the Bank does not take speculative positions in derivatives and does not trade equities.

Impacts deriving from the Covid-19 pandemic
The strong market fluctuations and the increase in relative volatility brought about by the Covid-19 outbreak did not translate into an increase in regulatory risk measurement metrics, given the substantial margins of the trading book compared to the overall securities portfolio. As a result, there was no increase in RWAs in respect of market risk as determined by the standardised model pursuant to supervisory regulations.
Regulatory metrics are normally complemented by management metrics (e.g. VaR) to monitor both the generic and specific position risk of the regulatory trading book. These metrics are constantly monitored by the business and control functions. In 2021, operational limits were not stressed or exceeded to any notable extent.

B. Measurement and management of market rate risk and price risk

Interest rate risk is the effect on price due to changes in interest rates on financial markets. This effect depends on the characteristics of the instrument, such as, for example, its residual life, the coupon rate and any early repayment options.
Therefore, the risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the trading business, as the Bank's performance is affected by the fluctuations in interest rates in Europe and in the other markets where it carries out its business.
In view of this and given the impossibility to fully predict changes to securities and currency prices and, in general, the evolution of markets, the Bank implements management policies and control systems which ensure

sound and prudent management of market risks, in line with the general guidelines established by the Board of Directors.
They respond to the twofold need of:

- regulating operations in the financial markets area according to specific business objectives in terms of risk/return;
- complying with the directions given by Banca d'Italia, in terms of capital requirements.

In particular, in order to limit the risk of changes in interest rates and fluctuations in market prices, the activity on the regulatory trading book is governed by the operating limits established in the "Financial Markets Regulation", approved by the Board of Directors and regularly audited.
These limits were set with reference to the following control parameters, which are built into the Bank's IT system:

- "modified duration", an indicator generally used for bond-like instruments;
- "VAR", a model for evaluating the risk involved in a given financial portfolio;
- short sales;
- stop loss.

In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank itself; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.
The system is organised into the three levels outlined below:

1. first-level controls or line checks, aimed at ensuring that operations are properly carried out; these controls are carried out directly by operating managers, who, during daily operations, verify compliance with the limits set into the system. Moreover, with particular reference to financial activities, first-level controls are ensured automatically through the IT system on the basis of the control parameters set into the system;
2. second-level controls, which are the responsibility of:
   - ✓ Back Office which, in the ordinary course of transaction processing, verifies compliance with the system of limits and the proper exercise of authorities. It identifies any transactions not completed due to non-compliance with one or more of the control parameters established and requests their approval by the persons in charge;
   - ✓ Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed in relation to market trends, the nature of the instruments traded and the issuers and the counterparties involved;
3. third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

On the other hand, with respect to the method adopted to measure the risk in question, the Bank performs systematic stress tests through sensitivity analyses of the regulatory trading book following an hypothetical interest rate shock of +/- 100 bps.

Quantitative information

1. 1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)

(€/000)

Type/Residual term	Sight	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 to 10 years	Over 10 years	Unlimited term
1. On-balance sheet assets	**-**	**-**	**-**	**203**	**-**	**-**	**-**	**-**
1,1 Debt securities	-	-	-	203	-	-	-	-
- with option of early redemption	-	-	-	203	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-

+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the regulatory trading book an assumed shift of +/-100 bps in interest rates,
in accordance with Regulatory regulations.
The results of the stress test on the Bank's brokerage margin, profit for the year and shareholders' equity are summarized in the table below.

Assumed change in interest rates	∆ Brokerage margin	∆ Operating result	∆ Shareholders' equity
+100bps	-0.16%	-1.74%	-0.04%
- 100bps	0.16%	1.80%	0.05%

2. Regulatory trading book: breakdown of exposures in equity securities and equity indices by the major listing market Countries

The table in question is not filled out as the exposures in equity securities and share indices were lower than € one thousand at the reporting date.

3. Regulatory Trading book: internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

2.2 – Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, measurement and management of market rate risk and price risk

The risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the banking book.
Therefore, the sources of interest rate risk to which the Bank is exposed mainly consist in the assets and liabilities making up the banking book, namely:

- receivables;
- debt securities;
- various types of funding from customers.

Interest rate risk, essentially, arises from mismatches between asset and liability items sensitive to changes in interest rates in terms of amount, maturity, financial duration, and interest rate.
In line with the nature and complexity of its business, the Bank has put in place appropriate mitigation and control measures to contain the extent of this risk.
Specifically, from an organizational standpoint, the Bank has identified Risk Management as the unit in charge of overseeing the interest rate risk management process for the banking book, with the monitoring activity being performed quarterly.
In order to calculate the interest rate risk exposure of the banking book, the Bank measures potential changes in both economic value and interest margin by considering different scenarios of changes in the yield curve level and shape.

Impacts deriving from the Covid-19 pandemic
The analysis of the Covid-19 impact on interest rate risk should be read in conjunction with the analysis of liquidity risk in Section 4, to which reference should be made for more details

Change in economic value

As regards the method adopted to measure the risk in question, the Bank uses the methodological guidelines provided for in Banca d'Italia's Circular 285/2013, 32nd Update, Title III, for the implementation of the simplified approach to calculate own funds with respect to the interest rate risk of the banking book under ordinary and stressed conditions.

Thus, the application of these methodology guidelines assesses the impact of a hypothetical change in interest rates of +/- 200 basis points on the exposure to interest rate risk of the banking book.

Specifically, the application of the aforementioned simplified method is based on the following logical steps.

1. Defining the banking book: consisting of all assets and liabilities not included in the regulatory trading portfolio.
2. Determination of the "relevant currencies", i.e. currencies whose weight measured as a share of total assets or liabilities in the banking book is greater than 5%. Each relevant currency defines an aggregated position. Currencies whose weight is less than 5% are aggregated among them.
3. Classification of assets and liabilities in time brackets: 19 time brackets have been defined. Fixed rate assets and liabilities are classified according to their residual life, those with a floating rate based on the interest rate renegotiation date. Except for specific classification rules for certain assets and liabilities, assets and liabilities are included in the due date schedule according to the criteria set forth in Circular 272/2008 - as amended - "Manual for completing the Accounts Matrix" and in Circular 115 "Instructions for consolidated regulatory reporting by banks".
   Current accounts in the asset side of the balance sheet are classified in the "on demand" category, while the sum of current accounts and demand deposits in the liability side of the balance sheet is allocated according to the following indications: in the "on demand" category, a fixed portion (the so-called "non-core component") of 25% for retail counterparties and 50% for wholesale counterparties.
   The residual amount (the "core component") in the next ten time bands (from "up to 1 month" to "4-5 years") in proportion to the number of months within each band.
   Demand deposits (i.e. without specific repricing dates) from financial institutions are not classified according to behavioural patterns.

The Bank also considers impaired exposures (net of provisions) to be interest rate sensitive instruments, in particular as the NPL ratio is above 2%.

4. Calculation of weighted net exposures by band: within each band, the asset and liability positions are multiplied by weighting factors obtained as the product of a hypothetical change in interest rates and an approximation of the modified duration for each band. The weighting factors by band are calculated as the product of an approximation of the modified duration of the band for increasing yield rates and a hypothetical change in rates selected by the Bank in line with ABE guidance. To calculate the weighted net exposure by band, the weighted exposure of asset positions is netted against the weighted exposure of liability positions for each band.
5. The weighted exposures of the different bands are added together: the net weighted exposure so obtained approximates the change in present value of the items denominated in a certain currency in the event the assumed rate shock materializes.
6. Exposures in individual "relevant currencies" and in the aggregate of "non-material currencies" are added together: when making the aggregation, negative exposures are weighted at a 50% factor. Thus a value is obtained that represents the change in the bank economic value for the assumed interest rate scenario.

The Bank determines the risk indicator, which is the ratio of internal capital, quantified given the assumed interest rate scenario, to the value of own funds. The attention threshold was set at 20% by Banca d'Italia.
The Bank monitors compliance with the aforementioned threshold on a quarterly basis for internal management purposes. If the Bank's economic value decreases by more than 20% of its own funds, the Bank undertakes appropriate initiatives based on the actions defined by the Supervisory Authority.

With respect to current market conditions, the Bank considers the parallel shift of the curve of +/- 200 basis points for the purpose of determining the internal capital in ordinary conditions. This scenario corresponds to the Supervisory Test.

Further stress scenarios were defined as shown below in order to have additional indications for comparison purposes:

- Short Rates Up and Down: scenarios of falling or rising rates on the short part of the curve are assumed; the ups and downs are gradually decreasing or increasing along the curve, starting from +/- 250 points (sight range) and reaching 0 points (over 20-year range). Based on the modified duration envisaged by Bank of Italy Circular no. 285/2013, as amended, the weighting percentages to be applied are determined.
- Steepener-Flattener: scenarios are assumed in which there is a steepening or flattening of the curve; if there is a steepening, the shocks are negative on the first part of the curve in a decreasing way and then become positive on the rest of the curve. The flattener scenario is constructed in the opposite way: it starts with positive shocks on the initial part of the curve to then turn into negative shocks on the remaining part of the curve. Based on the modified duration envisaged by Bank of Italy Circular no. 285/2013, as amended, the weighting percentages to be applied are determined.

Change in interest margin

For purpose of estimating the impact of an adverse change in the interest rate curve on net interest income following a shock of *+/- 200 bps*, the methodology set out in Annex C-bis of Banca d'Italia Circular 285/13 is adopted.
The approach broadly follows the one adopted to estimate the change in economic value except that the reference time horizon T does not exceed 3 years.
The overall exposure is calculated as the sum of the exposures by band. The value thus obtained represents the change in interest margin for the assumed interest rate scenario.

Quantitative information

1. Banking book: breakdown of financial assets and liabilities by residual duration (by repricing date)

(€/000)

Type/Residual term	On demand	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 to 10 years	Over 10 years	Undetermined term
1. On-balance sheet assets	**19,707**	**12,615**	**5,020**	**2,269**	**10,650**	**177**	**117**	**-**
1,1 Debt securities	-	4,451	4,871	2,060	10,165	-	-	-
- with option of early redemption	-	-	-	1018	4,722	-	-	-
- other	-	4,451	4,871	1,042	5,444	-	-	-
1.2 Loans to banks	16,605	260	-	-	-	-	-	-
1.3 Loans to customers	3,102	7,904	149	209	485	177	117	-
- current accounts	1,457	2	101	38	20	-	-	-
- other loans	1,645	7,902	49	171	465	177	117	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	1,645	7,902	49	171	465	177	117	-
2. On-balance sheet liabilities	**27,926**	**2,108**	**2,589**	**10,432**	**4,254**	**-**	**-**	**-**
2.1 Payables to customers	24,183	108	2,589	4,436	4,254	-	-	-
- current accounts	23,420	-	-	-	-	-	-	-
- other payables	764	108	2,589	4,436	4,254	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	764	108	2,589	4,436	4,254	-	-	-
2.2 Payables to banks	3,743	2,000	-	5,996	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	3,743	2,000	-	5,996	-	-	-	-
2,3 Debt securities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-

- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the banking book an assumed shift of +/-100 bps in interest rates, in accordance with the regulatory rules in force. The results of the stress test on the Bank's brokerage margin, profit for the year and shareholders' equity are summarized in the table below.

Assumed change in interest rates	∆ Interest margin	∆ Operating result	∆ Shareholders' equity
+100bps	14.65%	19.57%	0.50%
- 100bps	-6.76%	-9.03%	-0.23%

The table below shows the capital requirement for interest rate risk.

In accordance with the applicable legislation, we also calculated the "Risk Index" (ratio of own funds for the risk in question to the Bank's own funds) which at 31 December 2021 was equal to 1.17%.

	31/12/2021 (€/000)
Capital requirement with respect to interest rate risk under ordinary conditions	133
Own funds	11,349
Risk Index (20% threshold)	1.17%

For the estimate of own funds under stressed conditions, the hypothetical changes in rates are determined on the basis of scenarios predefined by the Bank, which assume parallel and non-parallel shifts of the interest rate curve, as well as a parallel change of +/- 200 basis points.
By comparing the results obtained by applying the various alternative scenarios with the result obtained under ordinary conditions, as envisaged by prudential regulations, the Bank was found to be more vulnerable to the scenario built on a rate parallel change of -200bps.Therefore, the internal capital for the risk in question under stress does not change compared to ordinary conditions.

2. Banking book: internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

2.3 Exchange rate risk

Exchange rate risk is the risk of a loss in the purchasing power of a currency held and of an impairment in receivables resulting from adverse changes to the foreign exchange rates.

Qualitative information

A. General aspects, management and measurement of exchange rate risk

The exchange rate risk to which the Bank is exposed is assessed with reference to the receivables and payables denominated in foreign currencies. Receivables in foreign currency consist exclusively of deposits with clearing houses and/or banks, made up of commissions generated from securities trading on OTC markets (Eurobonds), which takes place in the instrument's currency of denomination.
The main balances generally consist of cash deposits in U.S. dollars, which are considered as a strategic currency from the point of view of volumes.
In order to limit exchange rate risk, the Bank has management policies and control systems in place which ensure sound and prudent risk management, in line with the general guidelines established by the Board of Directors.
In particular, the "Financial Markets Regulations" lay down limitations on the assumption of foreign currency positions both in terms of currency and volume. In addition, exposure to currency risk is measured through a method that reflects the requirements of the relevant supervisory regulations. This is based on the calculation of the "net foreign exchange positions", i.e. the net balance of all assets and liabilities (on and off balance-sheet) for each currency. The internal audit system previously described provides for the periodic verification of the adequacy of and compliance with the limits set by the Regulations.

B. Currency exchange hedge

At the reporting date of 31 December 2021 there were no outstanding foreign currency hedges.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(€/000)

Items	Currencies					
	US Dollar	British Pound	Yen	Canadian Dollar	Swiss Frank	Other currencies
A. Financial assets	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	-	-	-	-	-	-
A.4 Loans to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**734**	**1**	**-**	**-**	**-**	**-**
C. Financial liabilities	**116**	**-**	**-**	**-**	**-**	**-**
C.1 Payables to banks	-	-	-	-	-	-
C.2 Trade payables	116	-	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**734**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**116**	**-**	**-**	**-**	**-**	**-**
Imbalance (+/-)	**618**	**-**	**-**	**-**	**-**	

The Bank's overall exposure to exchange rate risk is very limited: therefore, the effects of changes in exchange rates on brokerage margin, profit for the year and shareholders' equity as well as the results of the scenario analysis are not reported.

The amounts in the table relate to:

- deposits with banks in foreign currencies for trading activities;
- cash balances in foreign currencies related to customer deposits.

2. Internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

Section 3 – Derivative instruments and hedging policies

At the reporting date were no items to be reported in the tables of this section, envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented.

Section 4 – Liquidity risk

It is the risk that:

- in relation to banking activities:
    1. in a lending transaction, the customer-debtor fails to fulfil their monetary obligations within the agreed time limits;
    2. the Bank is unable to fulfil its obligations as they fall due;
- in relation to financial brokerage activities, in a securities transaction, it is difficult to liquidate market positions within the desired time limits.

Qualitative information

A. General issues, management processes, and methods of measurement for liquidity risk

Banks are naturally exposed to liquidity risk – or rather, the risk of not being able to fulfil their payment obligations due to the inability to gather funding in the market (funding liquidity risk) or to ensure asset disposal (asset liquidity risk) – due to the transformation of maturities. Having access to an adequate system for regulating and managing this risk plays a fundamental role in maintaining stability not only for the individual bank, but also for the market in general, considering that the imbalances of a single financial institute may have repercussions across the board.
To this end, in line with prudential supervisory requirements, the Bank has adopted:

- a specific "Liquidity Risk Governance and Management Policy", for the management of liquidity in the "ordinary" course of business;
- a "Contingency Funding and Recovery Plan", which is an integral and substantial part of the policy as it governs the process, roles and responsibilities in case the Bank finds itself in a "liquidity stress" situation.

Impacts deriving from the Covid-19 pandemic
In 2021, the Bank's overall liquidity position remained consistently adequate, supported by abundant liquid reserves and significantly stable customer deposits. As mentioned in the previous paragraphs, since the beginning of the health emergency, the Bank has taken all necessary measures to counter any unexpected liquidity outflows or potential stress conditions in the financial system. As evidence of this, our regulatory operational and structural liquidity indicators LCR and NSFR were above both regulatory limits and management levels as determined by the Risk Appetite Framework thresholds.

1. Liquidity Risk Governance Policy

The liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished into the following macro-categories:

- internal: specific adverse events of the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence by creditors);
- external: when the origin of risk is attributable to negative events that cannot be directly controlled by the Bank (political crises, financial crises, catastrophic events, etc.) and lead to liquidity stress on the markets;
- combinations of the above factors.

The factors underlying liquidity risk are identified through the following process:

- analysis of the time distribution of cash flows from financial assets and liabilities and from off-balance sheet transactions;
- detection:
- of items that do not have a defined maturity (items "at sight and on demand");
- of financial instruments that incorporate (express or implied) options which can change the amount and / or the time distribution of cash flows (for example, early repayment options);
- of financial instruments which by their nature generate cash flows that vary depending on the performance of specific underlying assets (for example, derivatives);
- analysis of the seniority level of financial instruments.

The objective of the "Liquidity Risk Governance and Management Policy" is to establish internal guidelines and rules for the management of liquidity and funding to ensure the Bank maintains and manages an appropriate

liquidity level, including as part of the adequacy self-assessment under current, prospective and stressed conditions.
In particular, in compliance with the principle of proportionality and taking into account the operating size and organizational complexity of the Bank, the nature of its business and the type of services offered, we first defined the roles, tasks and responsibilities of the organizational units involved in the liquidity management process.

Subsequently, we identified the step that make up the "Liquidity risk management process", which is designed to ensure that a sufficient amount of liquid assets is maintained over time under stress scenarios relating to events that affect the bank and the market. These activities are:
1. Identification of risk factors and measurement of risk exposure;
2. Conducting stress tests;
3. Definition of mitigation tools;
4. Controls;
5. Reporting.

Consistent with legal provisions applicable to banks in Class 3 and with the principle of proportionality, the Bank carries out monthly stress tests in terms *of sensitivity analysis or "*scenario analysis". The latter, carried out according to a qualitative approach based on company experience and on indications provided by the regulations and supervisory guidelines, envisage two liquidity stress "scenarios": market/systemic and specific for the individual bank. In particular, the Bank carries out the stress test by extending the scenario envisaged by the LCR regulation, in order to assess the impact of adverse events on risk exposure and on the adequacy of "liquidity reserves" both from a quantitative and qualitative standpoint.
Through these tests, we assume that the Bank is facing difficulties or is unable to meet its commitments as they fall due unless it undertakes procedures and/or uses tools that, due to their intensity and/or method of application, deviate from ordinary management.
More specifically, the Bank's ability to cope with liquidity stresses using its own funds, is first and foremost assessed through ongoing monitoring, including on a prospective basis (when performing the "ICAAP-ILAAP" structured reporting), of compliance with the short-term minimum capital requirement indicator, namely the *Liquidity Coverage Ratio*" - "LCR".
In this regard it should be noted that the European Commission (EU) Delegated Regulation no. 61/2015 introduced the *Liquidity Coverage Requirement (LCR*) for credit institutions (hereinafter RD-LCR). The *Liquidity Coverage Requirement* - LCR is a short-term rule aimed at ensuring that each bank has available liquid assets enabling them to survive in the short/very short term in the event of acute stress, without resorting to the market. The indicator compares the liquid assets available to the bank with the net cash outflows (difference between gross outflows and inflows) expected over a period of 30 calendar days, the latter developed taking into account a predefined stress scenario.

Furthermore, with the same frequency, two additional stress tests on the regulatory "LCR" indicator - based upon the following scenarios - are performed:

1) MARKET CRISIS: a financial crisis external to the Bank that causes a general devaluation of the assets included in the Liquidity Buffer; because this buffer is made up almost exclusively of Italian government bonds, a value reduction of 5% is applied to the bond component; in the case of a financial crisis, the likely effect would be a greater use of the credit lines granted, as well as an increase in outflows related to products and services offered to customers. For the credit lines granted, the LIST methodology provided for in the February 2019 methodological document published by the ECB (ECB Sensitivity analysis of Liquidity Risk - Stress Test 2019 "LiST") was used by applying an outflow calculated over the indicator 30-day horizon with reference to the Adverse scenario. For outflows related to products and services offered to customers, on the other hand, an increase in the percentage of outflows of 5% is applied.

TYPE	ITEM	% ordinary	% stressed
Liquid assets	Securities issued or guaranteed by central governments	100%	95%
Outflows	Credit facilities granted	Regulatory	LiST methodology
Outflows	Estimated outflows for products and services	Monthly estimate	+5%

IDIOSYNCRATIC CRISIS: the onset of a crisis directly affecting the Bank (for example a crisis caused by a reputational event) that causes an increase in liquidity outflows due to the withdrawal of customer deposits. Again, the guidance in the ECB's February 2019 methodological note was used with respect to the adverse scenario and the 30-day horizon.

TYPE	ITEM	% ordinary	% stressed
Outflows	Stable retail deposits	5%	LiST methodology
Outflows	Less stable retail deposits	10%	LiST methodology
Outflows	Operational deposits (long-term relationships)	25%	LiST methodology
Outflows	Non-operational deposits with non-financial customers covered by DGS	20%	LiST methodology
Outflows	Non-operational deposits with non-financial customers not covered by DGS	40%	LiST methodology

In addition, where applicable, an additional stress test is performed on the LCR indicator, assuming the divestment of a portion of the time deposits obtained through fintech platforms.
Finally, depending on the macroeconomic situation, the Risk Management function may apply additional stress assumptions to the LCR indicator to ensure the significance of the tests performed.

The Bank intends to pursue a dual objective:
1. the management of **operational liquidity** aimed at verifying the Bank's ability to meet expected and unforeseen short-term cash payment commitments (up to 12 months);
2. the management of **structural liquidity** aimed at maintaining an adequate ratio of total liabilities to medium / long-term assets (over 12 months).

The Bank has set up two level of controls to monitor its short-term operational liquidity:
- the first level provides for the *daily/infra-monthly* monitoring of the treasury position;
- the second level provides for the monthly monitoring of the overall operational liquidity position.

With reference to the monthly monitoring of the overall **operational liquidity** position, the Bank uses the monthly analytical reports provided by Cassa Centrale Banca as part of its Management Consulting Service.

The monthly measurement and monitoring of the **operational liquidity** position is carried out through:
- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the RD-LCR and reported (according to the outline prepared by EBA) to the supervisory authority on a monthly basis;
- its liquidity position through the "Time To Survival" indicator, designed to measure the ability to cover the liquidity imbalance generated by the ordinary operation of balance sheet items;
- a set of summary indicators designed to detect vulnerabilities in the Bank's liquidity position with respect to the various significant risk factors, such as concentration of repayments, concentration of deposits, dependence on interbank funding;
- analysis of the asset encumbrance level and quantification of Readily Marketable Assets.

With reference to the management of the **structural liquidity**, the Bank uses the monthly analytical reports provided by Cassa Centrale Banca as part of its Management Consulting Service.

The “Transformation of Maturities” indicators measure the term and amount of loans to customers, of customer time deposits and of the available assets in order to assess the consistency and sustainability over time of the Bank's financial structure.

The “Net Stable Funding Ratio” indicator consisting of the ratio of stable funding sources to medium-long term assets was defined according to a logic similar to the structural liquidity rule established by the Basel 3 regulatory framework.
With specific reference to the audit phase, this aims to determine on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.
In order to guarantee a proper management of the liquidity risk for both short term (up to 1 year) and medium/long-term (over 1 year), integrated controls are performed and differently organized according to the various levels within the Bank, in order to prevent multiple audits of operating units.

In particular, audits are carried out by the following departments:

- *Treasury*
- *Risk Management*
- *Internal Audit*

The Treasury function is responsible for managing both short-term and structural liquidity and *funding.*
It carries out its activities in compliance with the authorizations and authorization procedures provided by the Board of Directors and with any other guidance provided by the Chief Executive Officer, by taking appropriate steps to secure the resources required to meet the Bank's payment commitments.

The *Risk Management* function, which is independent from the operational "liquidity risk management" functions, contributes to developing the "Liquidity Risk Governance and Management Policy", verifies compliance with the limits imposed and proposes risk mitigation initiatives to the Corporate Bodies.
It is in charge of measuring and controlling both "short term" and "structural” liquidity risk, under "normal" and "stressed" conditions, to verify the effectiveness of the bank's control measures and the adequacy over time of established operating limits.
More in detail, the *Risk Management* function monitors liquidity risk by:

- verifying that the bank has the “very short-term” liquidity (1 to 30 days) and "short-term” liquidity (up to 12 months) necessary to carry out operations, respectively on a daily and monthly basis;
- monitoring compliance with operational limits to the assumption of liquidity risks on a monthly basis, through the observation of early warning short-term and structural indicators;
- performing “stress tests” on a monthly basis;
- monitoring "systemic" and "specific" early warning indicators, respectively on a daily and monthly basis.

To this end, with the support of Cassa Centrale Banca, the Risk Management function adopts data collection and processing procedures at suitable intervals that ensure the production of reliable and timely information. Such information is incorporated in specific "reports” developed to support the measurement and control of liquidity risk which are submitted to the Board of Directors on a monthly basis.

The Internal Audit function also conducts regular audits on:

- the adequacy of the system for collection and verification of information;
- the system for measuring liquidity risk and the pertinent internal evaluation process, as well as the pertinent stress testing process;
- the process of reviewing and updating the Emergency Plan;

It also assesses the functioning and reliability of the overall control system in place for liquidity risk management and verifies that the corporate functions and bodies make full use of the information available.
Reviews and updates of the Policy are approved by resolution of the Board of Directors.

2. Contingency Funding Plan

To cope with adverse funding situations and to readily cover liquidity needs, a specific instrument has been put in place called "*"Contingency Funding and Recovery Plan" - "CFRP".*

The Plan's main objective is to protect the Bank's assets in situations of liquidity drain by putting in place crisis management strategies and procedures to be triggered in order to mitigate the negative impact and to obtain funding in the event of additional and/or alternative sources of financing.
In particular, the CFRP documents the management of any specific or systemic liquidity crisis in terms of mitigating actions available to the Bank and responsibilities assigned to the relevant corporate functions.
The Plan, therefore, responds to stress conditions, intended as situations other than ordinary business, in which the Bank is able to meet its liquidity requirements through its self-funding ability.
Reviews and updates of the Plan are approved by resolution of the Board of Directors.

The recourse to refinancing with the ECB amounted to € 8 million and consisted exclusively of funding from participation in Longer Term Refinancing Operations (LTRO).

Quantitative information

1. Time distribution by residual contract term of financial assets and liabilities

(€/000)

Items/Time frames	On demand	From over 1 day to 7 days	Form over 7 to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Undetermined term
A. On-balance sheet assets	**2,265**	**4**	**137**	**409**	**1,343**	**3,564**	**2,191**	**20,229**	**3,859**	**260**
A.1 Government securities	-	-	3	-	1	1,914	511	3,236	-	-
A.2 Other debt securities	-	-	-	6	713	1,130	575	13,008	500	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,265	4	135	404	629	520	1,105	3,985	3,359	260
- banks	-	-	-	-	-	-	-	-	-	260
- clients	2,322	3	130	246	447	598	1,731	5306	4,145	-
B. On-balance sheet liabilities	**23,095**	**-**	**31**	**51**	**125**	**7,409**	**10,192**	**40**	**-**	**-**
B.1 Deposits and current accounts	22,977	-	31	51	125	4,409	5,199	40	-	-
- banks	1,732	-	-	-	-	-	2,014	-	-	-
- clients	21,245	-	31	51	125	4,409	3,185	40	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	118	-	-	-	-	3,000	4,993	-	-	-

C. "Off-balance sheet" transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Loans and deposits to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

The measurement and control of both "short term" and "structural" liquidity risk, under "normal" and "stressed" conditions, intended to verify the effectiveness of the bank's control measures and the adequacy over time of established operating limits, led to the following outcome.

The daily checks on the very short-term liquidity (from 1 to 30 days) necessary for the Bank's operations never showed any deficiency in the bank's "liquidity buffers" to cover any negative daily prospective balance over the analysis horizon. Therefore, the Bank's "liquidity buffers" have always been sufficient to cover any net funding requirements.

The analysis of the Bank's short-term (up to 12 months) "Net Financial Position" and "liquidity buffers", carried out on a monthly basis, did not show any imbalance over the 12-month assessment horizon.

With specific reference to 31/12/2021, the "Time to Survival" is longer than 12 months. Therefore, the Bank is able to cover the cumulative liquidity gap resulting from the inertial operation of all financial statement items, through its own "liquidity buffers", without having to change its funding plan/asset disposal plan or having to resort to third-party sources.

The monitoring of "short-term" and "structural" early warning indicators carried out on a monthly basis showed full compliance with operational limits to the assumption of liquidity risks, as the threshold limits established by the Bank were never exceeded. Therefore, the Bank can cope with potential imbalance situations that may compromise its resilience to either "short-term" or "structural" liquidity risk.

The stress tests carried out monthly did not show any special vulnerability or the inadequacy of the "liquidity buffers" held by the Bank.
More specifically, the value of the short-term indicator "Liquidity Coverage Ratio" - "LCR" at 31/12/2021 was 376.01%, which is significantly higher than the 70% minimum requirement laid down by law for 2017 (100%).
Similarly, the results of the additional stress tests on the "LCR" regulatory indicator, also performed monthly, showed a stressed value of this indicator of 363.63% (market stress) and 307.89% (idiosyncratic stress), which are again considerably higher than the 70% minimum requirement laid down by law.

Therefore, the Bank is able to cope with short-term liquidity needs through its autonomous funding capacity, both in stress situations and in the event of an additional stress scenario compared to that envisaged by the legislation in force.

As regards the concentration of funding sources, as at 31 December 2021, funding from the first 10 counterparties accounted for 22.22% of total bank funding.
Lastly, the monitoring of "systemic" and "specific" early warning indicators carried out daily and monthly, respectively, never showed any breach of the threshold limits established by the Bank. Therefore, no situations outside the "ordinary course of business" were detected that might lead to the beginning of a "systemic" or specific crisis.

Section 5 – Operational risks

Operational risk, as defined by prudential regulations, is the risk of suffering losses due to the inadequacy or malfunction of procedures, human resources and internal systems, or due to external events.
This definition includes legal risk (i.e. the risk of suffering losses arising from the infringement of laws or regulations, from contractual or extra-contractual liability or other disputes), but does not consider reputational and strategic risk.

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk, inherent in banking activity, is generated across all company processes. In general, the main sources of operational risk are related to internal frauds, external frauds, labour relations and safety in the workplace, professional obligations to customers or the nature or characteristics of products, damage from external events and the malfunction of computer systems.

Operational risk, as such, is a pure risk as it is associated with events that have only adverse effects. It comprises all the anomalies that by affecting the company's output exclusively result in:

- financial loss;
- higher operating costs;
- lower revenue.

Because it is aware that operational risk is inherent in the banking business, the Bank pays close attention to controlling this type of risk.

For this purpose, the internal audit system that the company employs is based on principles of prudent and effective management. Furthermore, the system is periodically reviewed to determine whether it is adequate and functions properly in terms of efficacy (the system's capacity to achieve the goals) and efficiency (the system's capacity to achieve the above goals in terms of costs, risks and profitability consistent with those achieved by similar companies).
In this context, i.e. to ensure that risks are managed properly, the Bank has regulated every step of each process and established appropriate audit levels. It has also created specific units within its organisational structure in charge of overseeing these levels of control.
In order to evaluate risk exposure and the effects that adequate mitigation measures have on said exposure, qualitative and quantitative information must be appropriately combined. The qualitative component ("self-risk assessment") can be summarised as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of the control system and appropriate management of risk mitigation techniques. The quantitative component, on the other hand, is based mainly on the statistical analysis of historical loss data. As the available information on losses, with reference to certain types of events, is not always relevant, internal data can be supplemented with system data.

In the event of a loss resulting from one of the above events, the Bank will supply the internal database of incurred operating losses, to be used in the future when applying its internal risk calculation model.
As part of business continuity, the Bank has adopted a "business continuity management process" which prescribes the methods for analysing the impact on business and the criteria for drawing up the "Business Continuity Plan".

The "Plan" explains how to deal with emergencies, in order to ensure, where appropriate, the continuity of the bank's vital operations and the return to normal operation within a reasonable time.

Both documents were approved by the Bank's Board of Directors.

With reference to significant legal disputes, disclosure is provided below on threatened and/or ongoing litigation with third parties as at 31/12/2021:

- with reference to the writ of summons upon a customer's application, notified on 21 December 2016, seeking reimbursement of a cloned check for € 34 thousand and the related damage refund, the Judge of the Court of Naples, at the hearing of 10.09.2021, granted the court expert (CTU) the permit to proceed with the appraisal concerning the cheque located at the Procura in Milan, postponing the hearing of 17.06.2022. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

- with respect to the writ of summons served to the Bank by a customer who brought an action seeking to have the Bank's liability ascertained for the financial brokerage activity carried out on behalf of the plaintiff. More specifically, the customer sued the bank seeking the annulment of certain purchase orders amounting to Euro 52,000. The Bank promptly filed its appearance in the proceedings, asking the court to dismiss the plaintiff's claim in its entirety due to lack of grounds. The next hearing will be held on 16/12/2022. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

- by application under art. 414 of the Italian Code of Civil Procedure - filed on 14.05.2019, a former employee of the Bank, dismissed on 9.11.2018 for justified objective reason, pursuant to Law no. 300 of 1970, sued the Bank, asking the Court to establish the invalidity of the dismissal and, therefore, to order the Bank to reinstate the employee in her position and to pay all damages or, in case of refusal, to pay an indemnity equal to 36 monthly salaries. At the hearing on 24.02.2022, the court retired to deliberate. On the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- By application pursuant to Article 414 of the Italian Code of Civil Procedure, filed on 10.05.2021, a former employee of the Company, summoned the Bank seeking recognition of higher salary based on a higher contractual classification and for overtime work, amounting to Euro 172 thousand. At the hearing on 20.01.2022, the claims were reformulated and the magistrate retired to Chambers to consider them. Negotiations for an out-of-court settlement are still ongoing. On the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

- with regard to summons served on the Bank by a customer seeking a declaration of unlawfulness of the Bank's actions: namely, freezing the company's current account and reversing (after indemnification of a well-known Bank) amounts credited to the account in relation to an alleged fraud perpetrated by the customer against a well-known e-commerce company, with claim for restitution of Euro 552 thousand. At the hearing of 20.4.2021, the Bank asked for a suspension of proceedings pending the definition of the criminal proceedings or, alternatively, a change in the type of proceedings in order to carry out a more thorough investigation. At the hearing on 14.1.2022, the Court set the hearing for continuation of the proceedings on 04 October 2022. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely.

Impacts deriving from the COVID-19 pandemic
As detailed in the Report on Operations, in 2021 we continued to pursue all the initiatives taken since the beginning of the emergency, with a view to ensure continuity in business operations and to safeguard the health of customers, employees and suppliers.
We constantly reviewed and updated our internal measures and rules according to developments in the health situation and in regulatory requirements.
In terms of operational risks, security controls have become more complex owing to the acceleration of the digital transformation process, the expansion of services offered through the Internet and Mobile Banking, the increase in remote banking solutions and the increase in working from home (e.g. enhancement of security infrastructures for access to the corporate network and transaction monitoring systems, data protection measures).
This transformation actually reshaped some traditional risks, especially operational risks (including IT, cyber and third-party risk), which required the current risk management frameworks to be adjusted to the changing operating environment.

Quantitative information

With respect to the regulatory measurement of the prudential requirement for operational risks, the Bank, having considered its organizational, operational and dimensional features, opted for application of the Basic Indicator Approach - BIA.
According to this approach, the capital requirement for operational risks is measured by applying the 15% regulatory ratio to the average of the last three observations on an annual basis of an indicator of the volume of company operations ("relevant indicator") with reference to the year end (31 December).
At 31 December 2021 the capital requirement was € 566 thousand (€ 564 thousand at 31 December 2020).

In 2021 there were no events resulting in operating losses.

Operational risk	
Relevant indicator	**(€/000)**
Relevant indicator 2019	3,972
Relevant indicator 2020	4,051
Relevant indicator 2021	3,294

Part F – Information on Shareholders' Equity

SECTION 1 – CORPORATE EQUITY

A. Qualitative information

One of the Bank's well-established strategic priorities is to focus on adequate size of capital and its development over time. Equity is indeed the first defence against the risks associated with banking operations and the main benchmark for the assessments carried out by the supervisory authority and the market on the solvency of the intermediary.
The Bank's Shareholder's equity is calculated as the sum of the share capital, the share premium reserve, the profit reserves, the valuation reserves and the profit for the year, as indicated in Part B of this Section.
International and local supervisory bodies have established strict requirements for determining the regulatory capital and minimum capital requirements that banks are required to meet.
The notion of equity that the Bank uses in its assessments is based on the notion of "Own funds" as established by Regulation (EU) no. 575/2013 (CRR), and comprises the following elements:

- Tier 1, made up of Common Equity Tier 1 – CET 1 and Additional Tier 1 – AT1;
- Tier 2 – T2.

Equity thus defined is the main safeguard for business risks in accordance with regulatory provisions; it is indeed the best indicator of effective management, both strategically and in terms of current operations, as it is a financial resource capable of absorbing the potential losses the Bank may incur as a result of its exposure to all the risks assumed, and acts as a guarantee for depositors and creditors in general.
The supervisory regulations require that the Bank's overall capital adequacy, current, prospective and under stressed conditions, be measured using internal methodologies so as to ensure that there are sufficient financial resources to cover all risks, including in adverse economic conditions; the above with reference not only to "First Pillar" risks (i.e. credit and counterparty risks, market risks on the trading portfolio and operational risk), but also with regard to additional risk factors - "Second Pillar" risks - that affect the business activity (such as, for example, concentration risk, interest rate risk on the banking book, etc.).

The monitoring of the current and prospective capital adequacy is therefore developed in a dual perspective:

- regulatory capital with respect to Pillar I risks;
- total internal capital with respect to Pillar II risks, for the purposes of the ICAAP process.

With the aim of ensuring it has adequate capital on an ongoing basis, the Bank has put in place processes and instruments to determine an adequate level of internal capital capable of addressing every type of risk assumed, as part of an assessment of its current, prospective and "stressed" exposure that takes into account corporate strategies, development objectives, and the changes in the external environment.

For minimum capital requirements, please refer to the mandatory parameters provided for in the regulatory provisions in force (art. 92 of CRR), according to which CET 1 must satisfy at least the 4.5% requirement on total risk-weighted assets (CET1 capital ratio), Tier 1 must represent at least 6% of total risk-weighted assets (Tier 1 capital ratio) and the Bank's overall own funds must be at least 8% of total risk-weighted assets (Total capital ratio).

In this regard, Banca d'Italia annually issues a specific decision regarding the capital requirements of the Bank following the *supervisory review and evaluation process* (SREP) conducted pursuant to art. 97 et seq. of EU Directive 36/2013 (CRD IV) and in accordance with EBA provisions concerning the imposition of additional specific capital requirements set out in the document "Guidelines on common procedures and methodologies for the prudential review and evaluation process*",* published on 19 December 2014.
In particular, the aforementioned Article 97 of CRD IV establishes that Banca d'Italia must periodically review the rules, strategies, processes and mechanisms that the supervised banks put in place to face the complex risks to which they are exposed. Thus, through the SREP the Authority reviews and assesses the Bank's internal process for determining capital adequacy, analyses the risk profiles of the Bank both individually and in an aggregate perspective, including under stress conditions, and evaluates its contribution to systemic risk; it assesses the corporate governance system, the functions of the bodies, the organizational structure and the internal control system; it verifies compliance with the set of prudential rules.
At the end of this process, the Authority also has the power, pursuant to art. 104 of CRD IV, to request the intermediary to hold additional capital with respect to the minimum requirements mentioned above, to cover for its overall risk; quantified capital ratios that take into account the additional requirements are binding ("

target ratio").

Therefore, the capital requirements based on the Bank's risk profile, pursuant to Banca d'Italia measure of 19/06/2020, consist of mandatory capital requirements (i.e. the sum of the minimum requirements pursuant to Article 92 of the CRR and the additional mandatory requirements determined as a result of the SREP) and of the capital conservation buffer applicable under the current provisions of 2.5%, overall making up the *overall capital requirement ratio - OCR* , as indicated below:

- 8.25% with reference to CET 1 ratio (made up of 5.75% as binding amount and of the capital conservation buffer for the remainder);
- 10.17% with reference to TIER 1 ratio (made up of 7.67% as binding amount and of the capital conservation buffer for the remainder);
- 12.73% with reference to Total Capital Ratio (made up of 10.23% as binding amount and of the capital conservation buffer for the remainder.

The capital conservation buffer is fully covered by CET1.
In the event of decrease in capital ratios below the OCR, but above the binding measure, capital conservation measures must be activated. Should one of the ratios fall below the binding limit, initiatives must be taken to immediately restore the ratios to values above such limit.

In order to ensure that the mandatory measures are complied with even when the economic / financial situation deteriorates, the Bank is also subject to the following capital guidance measures as against a greater risk exposure under stress conditions:

- 10.25% with reference to CET 1 ratio (made up of an OCR CET 1 ratio of 8.25% and a Target amount, due to a higher risk exposure in stress conditions, of 2%);
- 12.17% with reference to TIER 1 ratio (made up of an OCR CET 1 ratio of 10.17% and a Target amount, due to a higher risk exposure in stress conditions, of 2%);
- 14.73% with reference to Total Capital ratio (made up of an OCR CET ratio of 12.73% and a Target amount, due to a higher risk exposure in stress conditions, of 2%).

These capital levels reflect an expectation of Banca d'Italia as to the additional reserves to be held by the Bank. Where even just one of the Bank's capital ratios falls below the levels, the Bank must inform Banca d'Italia and explain the reasons that led the Bank's capital ratios to fall below the levels required by the Regulatory Authority.
In determining the aforementioned requirements, Banca d'Italia took into account, among other things, the Bank's internal capital measures as estimated by the Bank through the ICAAP.

As at 31 December 2021, the Bank had a ratio of Common Equity Tier 1 - CET1 - to risk-weighted assets (CET 1 ratio) of 28.66%, above the binding CET1 ratio assigned to the Bank; a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 28.66%, above the binding Tier 1 ratio assigned to the Bank; a ratio of own funds to risk-weighted assets (total capital ratio) of 28.66%, above the total binding capital ratio assigned to the Bank.

The amount of own funds was, not only adequate to cover all three binding levels of capital, but also to cover the capital conservation buffer and the capital guidance. The capital surplus with respect to the total binding capital ratio amounted to € 8,181 thousand. The surplus with respect to the over-capital requirement and capital guidance amounted to € 5,516 thousand.

The Bank drafted and maintains its own Recovery Plan, in line with the pertinent statutory provisions and in compliance with the Risk Appetite Framework adopted.

B. QUANTITATIVE INFORMATION

B.1 Corporate equity: breakdown

(€/000)

Items/Values	**Amount 2021**	**Amount 2020**
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	4,090	3,490
- profit reserve	4,090	3,490
a) legal reserve	854	825
b) reserve pursuant to articles of association	-	-
c) treasury share reserve	-	-
d) other	3,236	2,665
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	-1,055	-927
- Equity securities designated at fair value through other comprehensive income	-837	-837
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income:	25	102
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investment hedging	-	-
- Cash flow hedging	-	-
- Hedging instruments (items non designated)	-	-
- Exchange rate differences	-	-
- Non-current assets and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes of own creditworthiness)	-	-
- Actuarial gains (losses) relating to defined benefits pension plans	-243	-192
- Shares of valuation reserves for subsidiaries measured at equity	-	-
- Special revaluation regulations	-	-
7. Profit (loss) for the year	310	600
Total	**12,156**	**11,974**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(€/000)

Assets/values	Total 2020		Total 2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	25	-	102	-
2. Equity securities	-	-837	-	-837
3. Loans	-	-	-	-
Total	**25**	**-837**	**102**	**-837**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: year-on-year changes

(€/000)

	Debt securities	Equity securities	Loans
1. Opening balance	**102**	**-837**	**-**
2. Positive changes	**181**	**-**	**-**
2.1 Fair value increases	117	-	-
2.2 Adjustments for credit risk	20	X	-
2.3 Reversal to the income statement of negative reserves due to disposal	2	X	-
2.4 Transfers to other equity items (equity securities)	-	-	-
2.5 Other changes	42	-	-
3. Negative changes	**258**	**-**	**-**
3.1 Fair value decreases	128	-	-
3.2 Write-backs for credit risk	14	-	-
3.3 Reversal to the income statement from positive reserves: - due to disposal	116	X	-
3.4 Transfers to other equity items (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Final inventories	**25**	**-837**	**-**

B.4 Valuation reserves relating to defined-benefit pension plans: year-on-year changes

(€/000)

	Total 2021
1. Opening amount	**-192**
2. Positive changes	**6**
2.1 Actuarial gains relating to defined-benefit pension plans	-
2.2 Other changes	6
2.3 Business combinations	-
3. Negative changes	**57**
3.1 Actuarial losses relating to defined-benefit pension plans	57
3.2 Other changes	-
3.3 Business combinations	-
4. Final inventories	**-243**

SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

With regard to the content of this section, please refer to the disclosure on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared pursuant to Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

Part H – Transactions with Related Parties

The notion of Related Party and Transaction with a Related Party is based on the concept contained in the International Accounting Standard IAS 24 "Related Party Disclosures", where a Related Party of a reporting entity is defined as a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity or as a party that exercises significant influence on the reporting entity, and where "Related Party Transactions" means "a transfer of resources, services or obligations regardless of whether a price is charged". The "Other Related Parties" category includes all those who are related to representatives of the companies in the banking group (close family members, parties controlled, including jointly, by the representatives, parties on which the representatives exercise significant influence or in which they hold a significant share of voting rights, parties controlled, including jointly, by close family members or over which the latter exercise significant influence or in which they hold a significant share of voting rights) and pension funds. "Close family members" means: a) the spouse (unless legally separated) and the cohabitant; b) the children and dependants of the related parties, of the spouse (not legally separated) or of the cohabitant.
In compliance with the regulatory framework introduced by Consob Resolution No. 17221 of 12 March 2010, as amended, in 2010 the Bank adopted a "Regulation for the management of related party transactions", in order to ensure transparency and substantive and procedural fairness of transactions with Related Parties, carried out directly or through the subsidiary.

1. Information on the remuneration of key management personnel

The 2021 emoluments pertaining to key management personnel, including directors and members of the Board of statutory auditors, can be summarised as follows:

(€/000)

Overall remuneration paid to Directors	Total 2021
- Salaries and other short-term benefits	341
- Post-employment benefits (social security, insurances, etc.)	-

(€/000)

Overall remuneration paid to Auditors	Total 2021
- Salaries and other short-term benefits	35
- Post-employment benefits (social security, insurances, etc.)	-

The values were determined as provided for in IAS 24 paragraph 17.

2. Information on transactions with related parties

(€/000)

	Assets	Liabilities	Guarantees granted	Guarantees received	Revenue	Costs
Directors and Managers	15	818	-	-	-	-
Auditors	-	7	-	-	-	-
Family members	1	265	-	-	-	-
Other related parties	-	1,600	-	-	-	-
Total	**16**	**2,690**	**-**	**-**	**-**	**-**

According to IAS 24, related parties can be summarised as directors, statutory auditors and key management personnel (members of the General Management), the immediate families of the above persons, and the subsidiaries, joint ventures and associates of any of the above entities.
Immediate family includes the person's cohabiting partner and children, the partner's children and other dependants of the person or partner.

PART M – DISCLOSURE ON LEASES

SECTION 1 – LESSEE

Qualitative information

The IFRS16 has unified the accounting treatment of operating and finance leases for lessees, requiring them to recognize:

- in the statement of financial position: i) a financial liability which is the present value of future lease payments that the company has undertaken to pay under the lease contract, and ii) an asset that represents the "right of use" of the leased asset;
- in the Income Statement: i) the financial charges associated with the aforementioned financial liability and ii) the depreciation associated with the aforementioned "right of use".

The interest arising from the lease liability and the depreciation of the right of use are recognized in the Income Statement of the lessee. The right of use is depreciated over the effective term of the underlying contract.
With respect to the accounting treatment just discussed, the Bank had 3 lease / rental contracts in place which fall within the scope of application of IFRS 16 as they refer to operating leases. The assets covered by the aforementioned contracts are intended to be used in the ordinary course of business and for this reason they are part of its tangible operating assets.

The options applied by the Bank
The Bank adopts the IFRS 16 according to the simplified prospective approach, which provides for recognition of a lease liability equal to the present value of future lease payments and a right of use for the same amount. This approach therefore has no impact on shareholders' equity.
By adopting the practical expedient referred to in Paragraph 6 of IFRS 16 the Bank excludes from the scope of application (i) contracts with a residual useful life on the date of first application of less than 12 months and (ii) contracts involving assets with a value of less than €5,000. For these two types of contract, lease payments were recorded under operating costs in the income statement.

Discounting rate
In accordance with IFRS 16, the Bank uses the internal transfer rate (ITR) for deposits at maturity.

Term of contract
The term of the contract corresponds to the non-cancellable period in which the individual company has an obligation towards the lessor and has the right to use the leased property. The term of the contract includes:

- the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise the option; and
- the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise the option.

The periods covered by a bilateral option to terminate the contract are not part of the contract term. In these cases, the term of the contract extends up to the notification period for exercising the option.
As regards the contractual term of property leases, the Bank considered the first renewal as being reasonably certain and to be included in the term of the contract unless there are special contractual clauses that lead to a different evaluation.

Therefore, based on the provisions of Law 392/1978, when signing a new lease contract with a contractual term of six years and the option to tacitly renew it every six years, the overall term of the lease will be at least twelve years. This general approach is overridden if there are new elements or specific situations within the contract.

Lease and non-lease components
The bank has decided not to separate the service components from the lease components and, consequently, to account for the entire contract as a lease, the service components being negligible.

Quantitative information
The quantitative information regarding the rights of use acquired through leases, lease payables and the related profit and loss components, has already been presented in the other sections of these Notes. Specifically:

- the information on the rights of use acquired through leases is contained in “Part B - Information on the Balance Sheet, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets;
- The information on lease payables is contained in “Part B - Information on the Balance Sheet, Liabilities, Section 1 - Financial liabilities measured at amortized cost”;
- the information on interest expense on lease payables and on depreciation of right-of-use assets is contained in "Part C - Information on the Income Statement", in the respective sections.

Reference is therefore made to the considerations set out in the information sections above.

As at the reporting date, the Bank had no formal commitments in respect of leases that have not yet been entered into.

With regard to the costs related to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference is made to comments in "Part C - Information on the Income Statement".

SECTION 2 – LESSOR

This case is not applicable to the Bank.

Annexes

Annexes

Audit and non-audit fees pursuant to paragraph 1, no.16, BIS, of article 2427 of the Italian Civil Code

The contractually agreed fees for FY 2021 with the auditing company KPMG SPA to audit the Bank's accounts and for the other services rendered to the Bank are broken down here below, VAT and expenses included.

(€/000)

Type of service	Fees' amount
Accounting audit of the Financial Statements which includes verifying the regular keeping of the accounts and the correct recording of the company's affairs, and the certification and signing of the Tax Returns.	29
Other services (*)	17
Annual report provided for by Article 23, paragraph 7, of the Regulation implementing Articles 4-undecies and 6, paragraph 1, b) and c-bis) of Legislative Decree no. 58 of 24 February (TUF), adopted by Banca d'Italia's order dated 5 December 2019	7

(*) The item includes services for the purpose of obtaining the tax credit under art. 3, of Law Decree no.145 of 23 December 2013 and the Decree of 27 May 2015; audit activities for the certification of receivables to be offset in the income tax and Irap tax returns and professional services for the Comfort Letter pursuant to art.26 Reg EU no.575/2013.

Country-by-Country Reporting

As set forth by Banca d'Italia Circular no. 285 of 17 December 2013 as updated, the information is published on the Bank's website at the following link: wwww.bancapromos.it/public/documenti.

IAS/IFRS ratified by the European Commission at 31 December 2021

IAS/IFRS	RATIFYING REGULATION
IAS 1 Presentation of financial statements	1126/2008mod., 1274/2008, 53/2009, 70/2009, 494/2009, 243/2010, 149/2011, 475/2012, 1254/2012, 1255/2012, 301/2013, 2113/2015, 2406/2015, 1905/2016, 2067/2016, 2075/2019, 2104/2019
IAS 2 Inventories	1126/2008mod., 70/2009, 1255/2012, 1905/2016, 2067/2016
IAS 7 Statement of cash flows	1126/2008mod., 1260/2008, 1274/2008, 70/2009, 494/2009, 243/2010, 1254/2012, 1174/2013, 1990/2017
IAS 8Accounting policies, changes in accounting estimates and errors	1126/2008mod., 1274/2008, 70/2009, 1255/2012, 2067/2016, 2075/2019, 2104/2019
IAS 10 Events after the reporting period	1126/2008mod., 1274/2008, 70/2009, 1142/2009, 1255/2012, 2067/2016
IAS 12 Income taxes	1126/2008mod., 1274/2008, 495/2009, 475/2012, 1254/2012, 1255/2012, 1174/2013, 1905/2016, 2067/2016, 1989/2017, 412/2019
IAS 16 Property, plant and equipment	1126/2008mod., 1260/2008, 1274/2008, 70/2009, 495/2009, 1255/2012, 301/2013, 28/2015, 2113/2015, 2231/2015, 1905/2016, 1080/2021 (*)
IAS 19 Employee benefits	1126/2008mod., 1274/2008, 70/2009, 475/2012, 1255/2012, 29/2015, 2343/2015, 402/2019
IAS 20 Accounting for government grants and disclosure of government assistance	1126/2008mod., 1274/2008, 70/2009, 475/2012, 1255/2012, 2067/2016
IAS 21 The effects of changes in foreign exchange rates	1126/2008mod., 1274/2008, 69/2009, 494/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 2067/2016
IAS 23 Borrowing costs	1126/2008mod., 1260/2008, 70/2009, 2113/2015, 2067/2016, 412/2019
IAS 24 Related party disclosures	1126/2208mod., 1274/2008, 632/2010, 475/2012, 1254/2012, 1174/2013, 28/2015
IAS 26 Accounting and reporting by retirement benefit plans	1126/2008
IAS 27 Separate financial statements	1126/2008mod., 1274/2008, 69/2009, 70/2009, 494/2009, 1254/2012, 1174/2013, 2441/2015
IAS 28 Investments in associates and joint ventures	1126/2008mod., 1274/2008, 70/2009, 494/2009, 495/2009, 1254/2012, 1255/2012, 2441/2015,

	1703/2016, 2067/2016, 182/2018, 237/2019
IAS 29 Financial reporting in hyperinflationary economies	1126/2008mod., 1274/2008, 70/2009
IAS 32 Financial instruments: presentation	1126/2008mod., 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 1293/2009, 475/2012, 1254/2012, 1255/2012, 1256/2012, 301/2013, 1174/2013, 1905/2016, 2067/2016
IAS 33 Earnings per share	1126/2008mod., 1274/2008, 494/2009, 495/2009, 475/2012, 1254/2012, 1255/2012, 2067/2016
IAS 34 Interim financial reporting	1126/2008mod., 1274/2008, 70/2009, 495/2009, 149/2011, 475/2012, 1255/2012, 301/2013, 1174/2013, 2343/2015, 2406/2015, 1905/2016, 2075/2019
IAS 36 Impairment of assets	1126/2008mod., 1274/2008, 69/2009, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 1374/2013, 2113/2015, 1905/2016, 2067/2016
IAS 37 Provisions, contingent liabilities and contingent assets	1126/2008mod., 1274/2008, 495/2009, 28/2015, 1905/2016, 2067/2016, 2075/2019, 1080/2021 (*)
IAS 38 Intangible assets	1126/2008mod., 1260/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 28/2015, 2231/2015, 1905/2016, 2075/2019
IAS 39 Financial instruments: recognition and measurement	1126/2008mod., 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 824/2009, 839/2009, 1171/2009, 243/2010, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1375/2013, 28/2015, 1905/2016, 2067/2016, 34/2020,25/2021
IAS 40 Investment property	1126/2008mod., 1274/2008, 70/2009, 1255/2012, 1361/2014, 2113/2015, 1905/2016, 400/2018
IAS 41 Agriculture	1126/2008mod., 1274/2008, 70/2009, 1255/2012, 2113/2015, 1080/2021 (*)
IFRS 1 First-time adoption of international financial standards	1126/2008mod., 1260/2008, 1274/2008, 69/2009, 70/2009, 254/2009, 494/2009, 495/2009, 1136/2009, 1164/2009, 550/2010, 574/2010, 662/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 183/2013, 301/2013, 1174/2013, 2173/2015, 2343/2015, 2441/2015, 1905/2016, 2067/2016, 182/2018, 1080/2021(*)
IFRS 2 Share-based payment	1126/2008mod., 1261/2008, 495/2009, 243/2010, 244/2010, 1254/2012, 1255/2012, 28/2015, 2067/2016, 289/2018, 2075/2019
IFRS 3 Business combinations	1126/2008mod., 495/2009, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1361/2014, 28/2015, 1905/2016, 2067/2016, 412/2019,

	2075/2019,551/2020, 1080/2021(*)
IFRS 4 Insurance contracts	1126/2008mod., 1274/2008, 494/2009, 1165/2009, 1255/2012, 1905/2016, 2067/2016, 1988/2017,2097/2020, 25/2021
IFRS 5 Non-current assets held for sale and discontinued operations	1126/2008mod., 1274/2008, 70/2009, 494/2009, 1142/2009, 243/2010, 475/2012, 1254/2012, 1255/2012, 2343/2015, 2067/2016
IFRS 6 Exploration for and evaluation of mineral assets	1126/2008, 2075/2019
IFRS 7 Financial instruments: disclosures	1126/2008mod., 1274/2008, 53/2009, 70/2009, 495/2009, 824/2009, 1165/2009, 574/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 1174/2013, 2343/2015, 2406/2015, 2067/2016, 34/2020, 25/2021
IFRS 8 Operating segments	1126/2008mod., 1274/2008, 243/2010, 632/2010, 475/2012, 28/2015
IFRS 9 Financial instruments	2067/2016, 498/2018, 34/2020, 25/2021, 1080/2021 (*)
IFRS 10 Consolidated Financial Statements	1254/2012mod., 313/2013, 1174/2013, 1703/2016
IFRS 11 Joint Arrangements	1254/2012mod., 313/2013, 2173/2015, 412/2019
IFRS 12 Disclosure of Interests in Other Entities	1254/2012mod., 313/2013, 1174/2013, 1703/2016, 182/2018
IFRS 13 – Fair value measurement	1255/2012mod., 1361/2014, 2067/2016
IFRS 15 – Revenue from Contracts with Customers	1905/2016, 1987/2017
IFRS 16 Leases	1986/2017, 1434/2020, 25/2021, 1421/2021
IFRS 17 Insurance contracts	2036/2021 (**)
SIC 7 Introduction of the Euro	1126/2008mod., 1274/2008, 494/2009
SIC 10 Government Assistance – No Specific Relation to Operating Activities	1126/2008mod., 1274/2008
SIC 25 Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	1126/2008mod., 1274/2008
SIC 29 Disclosure – Service Concession Arrangements	1126/2008mod., 1274/2008, 254/2009
SIC 32 Intangible Assets – Web Site Costs	1126/2008mod., 1274/2008, 1905/2016,

	2075/2019
IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008mod., 1260/2008, 1274/2008
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments	1126/2008mod., 53/2009, 1255/2012, 301/2013, 2067/2016
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008mod., 1254/2012, 2067/2016
IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7 Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008mod., 1274/2008
IFRIC 10 Interim Financial Reporting and Impairment	1126/2008mod., 1274/2009, 2067/2016
IFRIC 2 Service Concession Arrangements	254/2009, 1905/2016, 2067/2016, 2075/2019
IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008mod., 1274/2008, 633/2010, 475/2012
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	460/2009mod., 243/2010, 1254/2012, 2067/2016
IFRIC 17 Distributions of Non-cash Assets to Owners	1142/2009mod., 1254/2012, 1255/2012
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	662/2010mod., 1255/2012, 2067/2016, 2075/2019
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1255/2012, 2075/2019
IFRIC 21 Levies	634/2014
IFRIC 22 Foreign currency transactions and advance consideration	519/2018, 2075/2019
IFRIC 23 Uncertainty over income tax treatments	1595/2018

(*) Entities shall begin applying the provisions of this Regulation, at the latest on the first day of the first financial year beginning on or after 1 January 2022.
(**) Entities shall begin applying the provisions of this Regulation, at the latest on the first day of the first financial year beginning on or after 1 January 2023.

Informazioni generali sull'impresa

Dati anagrafici

Denominazione:	PROMOS CORPORATE CONSULTING SRL
Sede:	VIALE GRAMSCI 19 NAPOLI NA
Capitale sociale:	50.000,00
Capitale sociale interamente versato:	sì
Codice CCIAA:	NA
Partita IVA:	09023481212
Codice fiscale:	09023481212
Numero REA:	
Forma giuridica:	SOCIETA' A RESPONSABILITA' LIMITATA
Settore di attività prevalente (ATECO):	702209
Società in liquidazione:	no
Società con socio unico:	no
Società sottoposta ad altrui attività di direzione e coordinamento:	no
Denominazione della società o ente che esercita l'attività di direzione e coordinamento:	
Appartenenza a un gruppo:	no
Denominazione della società capogruppo:	
Paese della capogruppo:	
Numero di iscrizione all'albo delle cooperative:	

Bilancio al 31/12/2021

Stato Patrimoniale Abbreviato

	31/12/2021	31/12/2020
Attivo		
A) Crediti verso soci per versamenti ancora dovuti	**-**	**-**
B) Immobilizzazioni		
I - Immobilizzazioni immateriali	355	711
II - Immobilizzazioni materiali	-	-
III - Immobilizzazioni finanziarie	-	-
Totale immobilizzazioni (B)	*355*	*711*
C) Attivo circolante		

	31/12/2021	31/12/2020
I - Rimanenze	-	-
Immobilizzazioni materiali destinate alla vendita	-	-
II - Crediti	90.561	177.239
esigibili entro l'esercizio successivo	90.561	177.239
III - Attivita' finanziarie che non costituiscono immobilizzazioni	-	-
IV - Disponibilita' liquide	9.318	36.372
Totale attivo circolante (C)	*99.879*	*213.611*
D) Ratei e risconti	**-**	**3.984**
Totale attivo	*100.234*	*218.306*
Passivo		
A) Patrimonio netto		
I - Capitale	50.000	50.000
II - Riserva da soprapprezzo delle azioni	-	-
III - Riserve di rivalutazione	-	-
IV - Riserva legale	888	888
V - Riserve statutarie	-	-
VI - Altre riserve	1	-
VII - Riserva per operazioni di copertura dei flussi finanziari attesi	-	-
VIII - Utili (perdite) portati a nuovo	586	16.486
IX - Utile (perdita) dell'esercizio	(46.420)	(15.900)
Perdita ripianata nell'esercizio	-	-
X - Riserva negativa per azioni proprie in portafoglio	-	-
Totale patrimonio netto	*5.055*	*51.474*
B) Fondi per rischi e oneri	**-**	**-**
C) Trattamento di fine rapporto di lavoro subordinato	**-**	**-**
D) Debiti	**95.179**	**166.832**
esigibili entro l'esercizio successivo	95.179	166.832
E) Ratei e risconti	**-**	**-**
Totale passivo	*100.234*	*218.306*

Conto Economico Abbreviato

	31/12/2021	31/12/2020

	31/12/2021	31/12/2020
A) Valore della produzione		
1) ricavi delle vendite e delle prestazioni	10.000	55.875
2/3) variaz. rimanenze prodotti in corso di lavoraz., semilavorati, finiti e lavori in corso su ordinaz.	-	-
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati, finiti	-	-
3) variazioni dei lavori in corso su ordinazione	-	-
4) incrementi di immobilizzazioni per lavori interni	-	-
5) altri ricavi e proventi	-	-
contributi in conto esercizio	17.360	-
altri	-	-
Totale altri ricavi e proventi	*17.360*	*-*
Totale valore della produzione	*27.360*	*55.875*
B) Costi della produzione		
6) per materie prime, sussidiarie, di consumo e di merci	-	345
7) per servizi	9.049	59.309
8) per godimento di beni di terzi	3.984	10.072
9) per il personale	-	-
a) salari e stipendi	-	-
b) oneri sociali	64	67
c/d/e) trattamento di fine rapporto, trattamento di quiescenza, altri costi del personale	-	-
c) trattamento di fine rapporto	-	-
d) trattamento di quiescenza e simili	-	-
e) altri costi	-	-
Totale costi per il personale	*64*	*67*
10) ammortamenti e svalutazioni	-	-
a/b/c) ammortamento delle immobilizz.immateriali e materiali, altre svalutazioni delle immobilizz.	355	355
a) ammortamento delle immobilizzazioni immateriali	355	355
b) ammortamento delle immobilizzazioni materiali	-	-
c) altre svalutazioni delle immobilizzazioni	-	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilita' liquide	32.704	630
Totale ammortamenti e svalutazioni	*33.059*	*985*
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	-	-
12) accantonamenti per rischi	-	-

	31/12/2021	31/12/2020
13) altri accantonamenti	-	-
14) oneri diversi di gestione	27.624	861
Totale costi della produzione	*73.780*	*71.639*
Differenza tra valore e costi della produzione (A - B)	**(46.420)**	**(15.764)**
C) Proventi e oneri finanziari		
15) proventi da partecipazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi da partecipazioni	-	-
16) altri proventi finanziari	-	-
a) da crediti iscritti nelle immobilizzazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	-	-
b/c) da titoli iscr.nelle immob.che non costituisc.partecip.e da titoli iscr.nell'attivo circ.no partecip	-	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) proventi diversi dai precedenti	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi diversi dai precedenti	-	-
Totale altri proventi finanziari	-	-
17) interessi ed altri oneri finanziari	-	-
verso imprese controllate	-	-

	31/12/2021	31/12/2020
verso imprese collegate	-	-
verso imprese controllanti	-	-
verso imprese sottoposte al controllo delle controllanti	-	-
altri	-	136
Totale interessi e altri oneri finanziari	*-*	*136*
17-bis) utili e perdite su cambi	-	-
Totale proventi e oneri finanziari (15+16-17+-17-bis)	*-*	*(136)*
D) Rettifiche di valore di attivita' e passivita' finanziarie	**-**	**-**
18) rivalutazioni	-	-
a/b/c/d) rival.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale rivalutazioni	*-*	*-*
19) svalutazioni	-	-
a/b/c/d) sval.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale svalutazioni	*-*	*-*
Totale delle rettifiche di valore di attivita' e passivita' finanziarie (18-19)	*-*	*-*
Risultato prima delle imposte (A-B+-C+-D)	**(46.420)**	**(15.900)**
20) imposte sul reddito dell'esercizio, correnti, differite e anticipate	**-**	**-**
imposte correnti	-	-
imposte relative a esercizi precedenti	-	-
imposte differite e anticipate	-	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-	-
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	*-*	*-*
21) Utile (perdita) dell'esercizio	**(46.420)**	**(15.900)**

Informazioni generali sull'impresa

Dati anagrafici

Denominazione:	PROMOS FINTECH SRL
Sede:	VIALE ANTONIO GRAMSCI 19 NAPOLI NA
Capitale sociale:	75.000,00
Capitale sociale interamente versato:	sì
Codice CCIAA:	NA
Partita IVA:	09284551216
Codice fiscale:	09284551216
Numero REA:	
Forma giuridica:	SOCIETA' A RESPONSABILITA' LIMITATA
Settore di attività prevalente (ATECO):	620100
Società in liquidazione:	no
Società con socio unico:	no
Società sottoposta ad altrui attività di direzione e coordinamento:	no
Denominazione della società o ente che esercita l'attività di direzione e coordinamento:	
Appartenenza a un gruppo:	no
Denominazione della società capogruppo:	
Paese della capogruppo:	
Numero di iscrizione all'albo delle cooperative:	

Bilancio al 31/12/2021

Stato Patrimoniale Abbreviato

	31/12/2021	31/12/2020
Attivo		
A) Crediti verso soci per versamenti ancora dovuti	**-**	**-**
B) Immobilizzazioni		
I - Immobilizzazioni immateriali	2.713	3.450
II - Immobilizzazioni materiali	-	-
III - Immobilizzazioni finanziarie	-	-
Totale immobilizzazioni (B)	*2.713*	*3.450*
C) Attivo circolante		

	31/12/2021	31/12/2020
I - Rimanenze	-	-
Immobilizzazioni materiali destinate alla vendita	-	-
II - Crediti	5.279	1.090
esigibili entro l'esercizio successivo	5.279	1.090
III - Attivita' finanziarie che non costituiscono immobilizzazioni	-	-
IV - Disponibilita' liquide	69.290	41.085
Totale attivo circolante (C)	*74.569*	*42.175*
D) Ratei e risconti	**37**	**37**
Totale attivo	*77.319*	*45.662*
Passivo		
A) Patrimonio netto		
I - Capitale	75.000	50.000
II - Riserva da soprapprezzo delle azioni	-	-
III - Riserve di rivalutazione	-	-
IV - Riserva legale	-	-
V - Riserve statutarie	-	-
VI - Altre riserve	-	-
VII - Riserva per operazioni di copertura dei flussi finanziari attesi	-	-
VIII - Utili (perdite) portati a nuovo	(6.535)	(2.773)
IX - Utile (perdita) dell'esercizio	(3.779)	(3.762)
Perdita ripianata nell'esercizio	-	-
X - Riserva negativa per azioni proprie in portafoglio	-	-
Totale patrimonio netto	*64.686*	*43.465*
B) Fondi per rischi e oneri	**-**	**-**
C) Trattamento di fine rapporto di lavoro subordinato	**-**	**-**
D) Debiti	**9.513**	**117**
esigibili entro l'esercizio successivo	9.513	117
E) Ratei e risconti	**3.120**	**2.080**
Totale passivo	*77.319*	*45.662*

Conto Economico Abbreviato

	31/12/2021	31/12/2020

	31/12/2021	31/12/2020
A) Valore della produzione		
1) ricavi delle vendite e delle prestazioni	8.826	191
2/3) variaz. rimanenze prodotti in corso di lavoraz., semilavorati, finiti e lavori in corso su ordinaz.	-	-
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati, finiti	-	-
3) variazioni dei lavori in corso su ordinazione	-	-
4) incrementi di immobilizzazioni per lavori interni	-	-
5) altri ricavi e proventi	-	-
contributi in conto esercizio	-	-
altri	-	-
Totale altri ricavi e proventi	*-*	*-*
Totale valore della produzione	*8.826*	*191*
B) Costi della produzione		
6) per materie prime, sussidiarie, di consumo e di merci	-	-
7) per servizi	10.989	2.544
8) per godimento di beni di terzi	-	-
9) per il personale	-	-
a) salari e stipendi	-	-
b) oneri sociali	-	-
c/d/e) trattamento di fine rapporto, trattamento di quiescenza, altri costi del personale	-	-
c) trattamento di fine rapporto	-	-
d) trattamento di quiescenza e simili	-	-
e) altri costi	-	-
Totale costi per il personale	*-*	*-*
10) ammortamenti e svalutazioni	-	-
a/b/c) ammortamento delle immobilizz.immateriali e materiali, altre svalutazioni delle immobilizz.	811	811
a) ammortamento delle immobilizzazioni immateriali	811	811
b) ammortamento delle immobilizzazioni materiali	-	-
c) altre svalutazioni delle immobilizzazioni	-	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilita' liquide	-	-
Totale ammortamenti e svalutazioni	*811*	*811*
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	-	-
12) accantonamenti per rischi	-	-

	31/12/2021	31/12/2020
13) altri accantonamenti	-	-
14) oneri diversi di gestione	805	598
Totale costi della produzione	*12.605*	*3.953*
Differenza tra valore e costi della produzione (A - B)	**(3.779)**	**(3.762)**
C) Proventi e oneri finanziari	**-**	**-**
15) proventi da partecipazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi da partecipazioni	-	-
16) altri proventi finanziari	-	-
a) da crediti iscritti nelle immobilizzazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	-	-
b/c) da titoli iscr.nelle immob.che non costituisc.partecip.e da titoli iscr.nell'attivo circ.no partecip	-	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) proventi diversi dai precedenti	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi diversi dai precedenti	-	-
Totale altri proventi finanziari	-	-
17) interessi ed altri oneri finanziari	-	-
verso imprese controllate	-	-

	31/12/2021	31/12/2020
verso imprese collegate	-	-
verso imprese controllanti	-	-
verso imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale interessi e altri oneri finanziari	-	-
17-bis) utili e perdite su cambi	-	-
Totale proventi e oneri finanziari (15+16-17+-17-bis)	-	-
D) Rettifiche di valore di attivita' e passivita' finanziarie	**-**	**-**
18) rivalutazioni	-	-
a/b/c/d) rival.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale rivalutazioni	-	-
19) svalutazioni	-	-
a/b/c/d) sval.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale svalutazioni	-	-
Totale delle rettifiche di valore di attivita' e passivita' finanziarie (18-19)	-	-
Risultato prima delle imposte (A-B+-C+-D)	**(3.779)**	**(3.762)**
20) imposte sul reddito dell'esercizio, correnti, differite e anticipate	**-**	**-**
imposte correnti	-	-
imposte relative a esercizi precedenti	-	-
imposte differite e anticipate	-	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-	-
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	-	-
21) Utile (perdita) dell'esercizio	**(3.779)**	**(3.762)**