MEDIOCREDITO
INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

RIFUGIO
CONTO DEPOSITO

2021 ANNUAL REPORT

68TH FINANCIAL YEAR

ANNUAL REPORT AND ACCOUNTS AS AT 31 DECEMBER 2021

MEDIOCREDITO TRENTINO - ALTO ADIGE - S.P.A.

Fully paid-up capital €58,484,608

Fiscal code and Trento Register of companies no. 00108470220
Bank Register no. 4764
Parent company of Gruppo Bancario Mediocredito Trentino – Alto Adige
Registered with the Banking Group Register

www.mediocredito.it
mc@mediocredito.it

REGISTERED OFFICE AND GENERAL MANAGEMENT

38122 Trento, Via Paradisi 1
Tel. +39 0461/888511

SECONDARY HEADQUARTERS

39100 Bolzano, Via Alto Adige 60
Tel. +39 0471/305111

BRANCHES

Treviso
Piazza delle Istituzioni 27 - 31100 Treviso
Tel. +39 0422/216411

Bologna
Via del Lavoro 53 – 40033 Casalecchio di Reno
Tel. +39 051/3390711

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Via G. Gozzi 24 - 35131 Padua
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Brescia
Piazza Mons. Almici 23 - 25124 Brescia
Tel. +39 030/2284211

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KEY RATIOS[1]

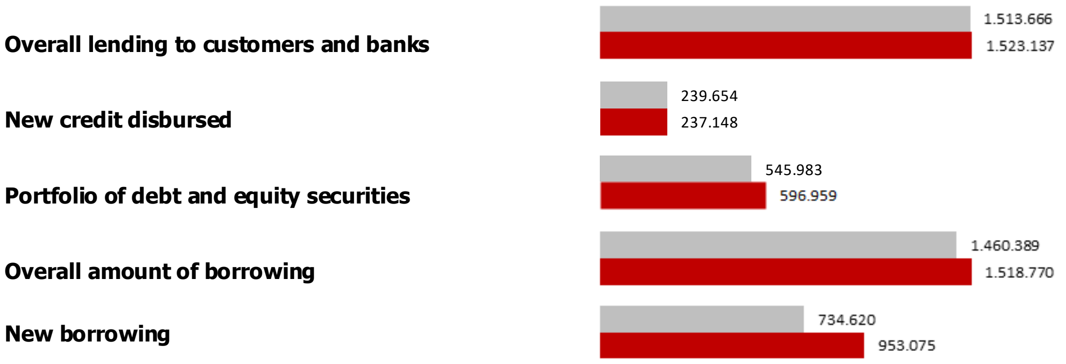
(Amounts are in thousands of Euro)

Rating

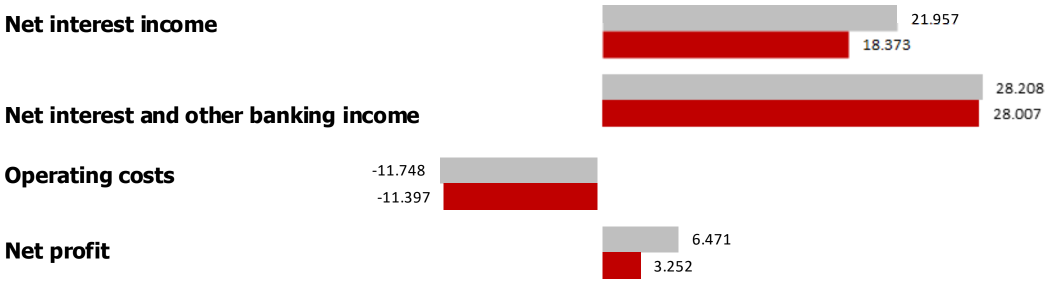
MOODY'S INVESTOR SERVICE	**2021**	**2020**
- Issuer Rating	**Ba1**	**Ba1**
- Bank Deposits	**Baa2 / P-2**	**Baa3 / P-3**
- Outlook	**Stable**	**Negative**

▨ 2021
🟥 2020

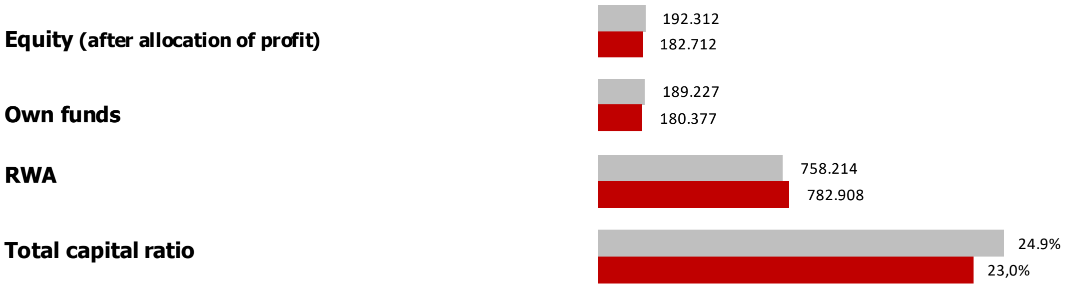
Data sheet and flow data



Reclassified income statement data



Capital and capital ratios



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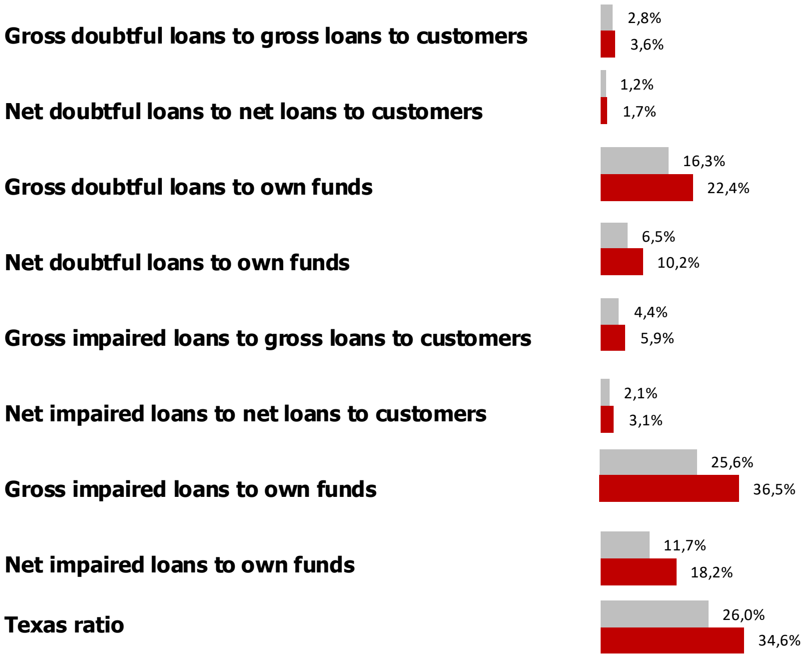
[1] All the ratios in the table are explained clearly in annex 3 "Glossary of ratios".

Risk ratios



Other ratios

SHAREHOLDERS

Public entities	
17.489%	AUTONOMOUS REGION OF TRENTINO SOUTH TYROL
17.489%	AUTONOMOUS PROVINCE OF TRENTO
17.489%	AUTONOMOUS PROVINCE OF BOLZANO
52.466%	

Co-operative banks	
35.292%	CASSE RURALI - RAIFFEISEN FINANZIARIA also referred to as CRR-
0.213%	BCC DI ROMA
0.192%	BCC DI VENEZIA, PADOVA E ROVIGO - BANCA ANNIA
0.231%	CENTROMARCA BANCA-CREDITO COOPERATIVO DI TREVISO E VENEZIA
0.178%	BANCA PER LO SVILUPPO DELLA COOPERAZIONE DI CREDITO S.p.A. E SOC.COOP. P.A.
0.149%	BVR BANCA CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA
0.078%	BANCA DEL VENETO CENTRALE CREDITO COOPERATIVO
0.071%	BANCA DELLA MARCA CREDITO COOPERATIVO
0.064%	CASSA PADANA BCC – SOCIETÀ COOPERATIVA
0.043%	BANCA VERONESE CREDITO COOPERATIVO DI CONCAMARISE
0.043%	BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO
0.043%	FEDERAZIONE TRENTINA DELLA COOPERAZIONE
0.043%	FEDERAZIONE DEL NORD-EST CREDITO COOPERATIVO ITALIANO
0.001%	CASSA CENTRALE BANCA CREDITO COOPERATIVO ITALIANO
0.001%	CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE SPA
36.641%	

Other	
7.802%	CASSA DI RISPARMIO DI BOLZANO SPA
2.895%	BANCA POPOLARE DELL'ALTO ADIGE SPA
0.196%	ITAS
10.893%	

STATUTORY BOARDS

Board of Directors

Chairman

Stefano Mengoni

Deputy Chairman

Hanspeter Felder

Directors

Cristiana Angeli
Paul Gasser
Zenone Giacomuzzi
Alessandro Lunelli
Markus Reichhalter
Katrin Teutsch
Emiliano Trainotti
Robert Zampieri
Marisa Zeni

Board of Statutory Auditors

Chairman

Patrick Bergmeister

Standing Auditors

Carlo Dellasega
Hildegard Oberleiter

Alternate Auditor

Hubert Berger
Klaus Steckholzer

Administration

General Manager

Diego Pelizzari

Other Positions

Manager responsible for preparing the company's financial reports

Leo Nicolussi Paolaz

Auditing Company

KPMG S.p.A.

SHAREHOLDERS' ORDINARY GENERAL MEETING

The Shareholders are requested to attend the Ordinary General Meeting on 27 April 2022 at 8.00 am for the first meeting date and if necessary **on 28 April 2022 as a second option at 11.00 am** at the Company Headquarters in Trento – via Paradisi 1, to deliberate upon the following:

Agenda

1) Annual Report as at 31 December 2021; report on operations by the Board of Directors and Independent Auditors report; report by the Board of Statutory Auditors; related and following resolutions.
2) Redefinition of remuneration for Directors.
3) Internal policies regarding controls on risk activities and conflicts of interest with regard to related parties.
4) Compliance with "Remuneration policies".

Pursuant to Article 9 of the Company By-laws, Shareholders have the right to attend the General Meetings and have the right to vote if, at least five days prior to the date on which the meeting is held, they lodged shares with the Company or affiliated Banks or, with reference to Public Entities, with their respective Treasurers. Holders of shares on which an uninterrupted series of endorsements appear also have the right to attend the General Meetings provided they lodged shares as specified above.

The procedures for the conduct of the shareholders' meeting will be in line with the indications of the national and local Authorities in relation to containment and management of the epidemiological emergency from COVID-19, adequate and proportionate to the development of the situation.

The Chairman
Stefano Mengoni

REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

Italian and international economic situation[2]

At the end of 2021, after a widespread slowdown in economic activity in the third quarter, signs emerged of a return to a more sustained recovery in the United States and in other advanced countries, against the prolonged weakness in emerging economies. Inflation further increased almost everywhere, mainly affected by the increase in the prices of energy, of those of intermediate inputs and of the recovery of domestic demand.

In the Eurozone, on the other hand, economic activity decelerated significantly at the end of the year, due to the rise in infections and the persistence of tensions in the supply chains that hindered manufacturing production. Inflation reached its highest value since the launch of the Monetary Union, due to exceptional increases in the energy component, in particular gas, which in Europe is also affected by geopolitical factors.

GDP in Italy in 2021 grew by 6.6%. ISTAT observed this and specified that in 2021 the Italian economy recorded a growth of significant intensity due to the strong recovery of production activity, after a 2020 characterised by the effects of the health emergency. The growth in GDP was mainly driven by domestic demand, while foreign demand and the change in inventories provided very limited contributions. In the third quarter, Italian exports continued to grow, supported by the recovery of international tourism. Inflation rose to high levels (4.2% in December), driven by energy prices.

Focusing on the economic activity of companies, the 2021 trend data on national industrial production show a very positive year that ends with an increase of 11.8% compared to the previous year, which had instead reported a decline of 11.4%. The annual growth is spread over all the main industry sectors and is more marked for intermediate goods and capital goods.

The economic activity sectors that recorded the greatest trend increases are the manufacturing of basic pharmaceutical products and pharmaceutical preparations (+25.4%), the wood, paper and printing industries (+18.7%) and coke and refined petroleum products production (+16.5%). Declines were recorded in mining activities (-13.9%), in the manufacture of transport vehicles (-3.7%) and in metallurgy and metal products manufacturing (-3.4%).

These analyses reveal a total 2021 growth beyond all expectations, which brought debt to 150.4% of GDP, with a reduction of 4.9 points in a year, never equalled in the history of recent decades.

In the analysis of February 2022, however, ISTAT placed year-on-year inflation at 5.7%, against 4.8% calculated in January, levels that our country has not recorded for over 20 years.

This picture is in conflict with the risks of a new shock on growth caused by the effects of the war in Ukraine and the sanctions against Russia.

Trends in credit, mini-bonds and the *Euronext Growth Milan* (formerly AIM Italia) market

After the significant growth in 2020 due to the pandemic, the expansion curve of credit to Italian companies gradually normalised over the course of 2021 with the gradual recovery of the national economy.

According to the latest available data, the positive trend of loans to the non-financial private sector continues (+1.8% in the last three months) from +0.7% in August. In its two components, the persistence of a sustained increase in loans to households (4.1% over three months) is in contrasts with a trend in credit to non-financial corporations which, although recovering, remains stagnant (0.2%, from -1.8%). Despite the recovery in economic activity, the dynamics of this latter component is still influenced by the abundant liquid assets set aside by companies during the pandemic crisis.

In the last months of the year, the increase in bank deposits slowed down, reflecting the deceleration of resident customers' deposits to 5.3%: both the slowdown in household deposits and that of corporate deposits contributed to this. The cost of funding has risen, but it remains at moderate levels.

As regards the minibond market[3], in 2021 there were 219 issues of bonds of up to €50m denomination, throughout Italy, for a value of approximately €1,067m, up both in number (+14.7%) and in the total nominal value (€903m in 2020). There were 200 issuers (of which 163 entering the market for the first time), an

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[2] Economic Bulletin, Bank of Italy - January 2022; ISTAT data analysis 2021 – March 2022 update

[3] 8th Italian Report on minibonds – Mini-Bond Observatory Politecnico of Milan – March 2022.

increase compared to 173 in 2020. Issuers were SpA companies for 52.0%, Srl companies for 45.0% (this type is showing a strong growth) and cooperative companies for 3.0%. 41.5% of these companies were in the manufacturing sector.

The average value of issues was about €4.9m. As regards maturities, the average duration is around 5.6 years (down compared to 2020). In 2021, remuneration rose on average to 3.9%. As regards the issuers' profile, the SpAs, accounting for about 65%, and the Srls (for over 30%) stand out from the total. More than 50% of the issuing companies have a turnover of between €2m and €50m.

The numbers of the Euronext Growth Milan (EGM) market[4], formerly AIM Italia, with a new IPO record of 44 admissions in the year 2021, demonstrate a growing propensity of SMEs to listing, a sign of a cultural development in favour of Equity which is affecting all sectors, from technology to industry, finance and services. In the course of 2021, these 44 IPOs (more than double compared to the 21 IPOs in 2020) bring listed companies to 174, a number 126% higher compared to the 77 of 31 December 2016. The size of the market in terms of capitalisation has also significantly improved: €11.5b as at 31 December 2021, quadrupled compared to €2.9b as at 31 December 2016. The average +18% performance of the 2021 IPOs is a sign of the strong appreciation on the part of investors for the innovative business models and strategic projects presented. Significant growth is expected for the next three years, with a pipeline of companies from traditional sectors, such as industry and finance, and innovative sectors such as alternative medicine and technologies applied to sustainability.

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[4] PmiNews.it - IR TOP Consulting - EGM Analyses (formerly AIM Italia) Jan 2022.

THE BANK IN 2021

The trend in the disbursement of credit recorded an organic slowdown in the first part of 2021, after the significant liquidity support measures implemented in 2020 by the Bank and the entire financial system, but experienced a significant recovery in the latter part of the year thanks to an extensive commercial effort and to the financing of important investments related to the economic recovery and to a renewed confidence of economic operators. In this context of strong recovery of the real economy, the volume of new credit disbursed therefore touched €240m, with a slightly positive difference (+1.1%) compared to 2020.

This made it possible to keep the overall stock of performing loans substantially stable compared to 31 December 2020, despite the always significant phenomenon of early repayment, linked to various factors including strong competitive pressure on some names.

The almost total exhaustion of moratoria, which at the end of the year were limited to less than 15 positions for a total exposure of approximately €14m compared to 443 positions for €254m recorded at 31 December 2020. The timely resumption of payments at contractual maturities has not revealed, up to now, significant increases in past due exposures.

Furthermore, credit lines recorded a more marked increase - around 14% compared to the final balance of 2020 - the result of the robust recovery of the economy and of lending activities to cover multi-year investment programs with consequent finalisation of disbursements also in the next few years, partly through capital goods lease contracts for recently launched businesses. A total of around €281m was awarded to customers, compared to €246m in 2020, with an increase in the number of transactions granted (331 against 293 in the previous year), with a substantial stability in the average amount approved (around €850 thousand) therefore confirming the already high and traditional risk selection and spreading policy.

The portfolio of non-performing loans recorded a further significant improvement, compared to 31 December 2020, both in gross (-26.5%) and net (-32.6%) terms, reaching an incidence of 4.4% on the total of gross receivables and 2.1% of total net receivables. The flow of new impaired loans from performing loans also remains at low levels (equal to approximately €4.6m), helping to support the risk reduction process together with the internal recovery and valorisation of impaired exposures.

The degree of coverage of the impaired portfolio, which has constantly improved in recent years, is also confirmed to be in line with expectations and is strengthening (54.4%) compared to the end of 2020 (50.3%).

On the liabilities side, the bank continued on the path of gradual consolidation of the liability profile by maturity also with reference to the necessary and stable compliance with liquidity indicators, in addition to the progressive diversification of sources and funds providers: it anticipated the coverage of the financial requirements through bond issues for about €75m, mostly subscribed by the South Tyrol Raiffeisen system, as well as through the collection of deposits from retail and corporate customers for an additional €137m, of which €69m relating to the *Conto Rifugio* online deposit account. In addition, a further drawdown on the refinancing transaction of the Central Bank (TLTRO-III) was added for €44m. The Bank's overall financial management generated an average positive treasury balance of approximately €86m, strengthening the liquidity safeguards mostly represented by large volumes of securities and credit assets that can be allocated as collateral for refinancing with the Bank Central. During the year, the encumbrance ratio remained on average around 46% with constant compliance with the short-term and structural liquidity indicators.

From an economic point of view, the net interest income is showing a significant recovery compared to the previous year (+19.5%), linked to the growth of the money management spread (1.32% compared to 1.15%), thanks above all to the best conditions on ECB refinancing and the good contribution of the Government bond portfolio. Comprehensive income remains still affected, as for the entire banking system, by the persistent maintenance of very low rate benchmarks and the competitive pressure on the spreads applied to the best customer counterparties, as well as by the difficulty of triggering a solid growth in the average balances of the loan portfolio.

The operating margin - which includes higher revenues from commissions and dividends on equity investments - also recorded a significant increase close to 25% while the net interest and other banking income was substantially stable compared to the 2020 result, as it was less supported by non-typical revenues from the sale of securities.

Downstream of operating costs - which amounted to around €11.7m (+3%) - the gross operating result is equal to that of the previous year, positioning itself at €16.5m, expressing a cost to income indicator of 41.6% compared to 40.7% at the end of 2020.

Gross and net profit are also substantially strengthened (+93% and +99% respectively) after the recognition of lower value adjustments (-36.0%), mostly influenced by significant gains on disposal of loans but maintained, moreover, at prudentially higher levels with respect to the improved macroeconomic scenario. In fact, with adjustments expensed during the year, for approximately €7m, the coverage of the performing loans

portfolio goes from 0.9% at the end of 2020 to 1.6%, positioning itself at particularly virtuous levels in the banking scene.
From the point of view of corporate assets, the Tier1 and Total Capital Ratio solidity indicators are further strengthened, reaching the 25% threshold - also supported by the valuation component of the securities portfolio - and the Texas Ratio virtuously drops to 26.0% compared to the 34.6% observed in December 2020.

From an operational and organisational point of view, in line with system indications, agile work with flexible management of services were continued, also inspired by the strengthening of models based on objectives and trust in employees. Furthermore, the ongoing training work continued and some commercial and technical-IT structures were strengthened - with new hires - in relation to the Bank's digital development projects and the change in the banking information system planned for the end of 2022. In this regard, the Bank completed the special project - supported by a qualified consultancy firm - with the identification and choice of the new IT outsourcing platform.

In summary, despite a complex but opportunity-rich macroeconomic context, the Bank was able to improve the economic and equity fundamentals under the guidance of the renewed Board of Directors, obtaining, among other things, the recognition of the Moody's rating agency which recently raised its rating on deposits and assigned a stable (from negative) outlook to future prospects.

BUSINESS REVIEW

LENDING OPERATIONS

Outline of lending operations (thousands of Euro)

Surveyed activities		2021	2020	% Chg.
credit granted	number	331	293	+13.0
	amount	280,911	245,692	+14.3
credit disbursed	amount	239,654	237,148	+1.1

	31 Dec 2021	31 Dec 2020	% Chg.
Total lending	1,056,782	1,071,058	-1.3
- loans and advances to banks	2,837	2,424	+1.9
- loans and advances to customers[5]	1,053,945	1,068,634	-1.4
impaired	*22,072*	*32,760*	*-32.6*
performing	*1,031,873*	*1,035,873*	*-0.4*

Credit granted

The granting of credit in 2021 recorded a significant recovery thanks to the commercial effort of the structure which intercepted significant customer investment programs in a climate of strong economic recovery after a 2020 financial year strongly influenced by the pandemic and related support measures. In terms of volumes, the credit granted amounted to €280.9m, an increase of 14.3% compared to 2020. The number of customers with credit lines increased by 13.0%; the average amount approved remains stable at €0.8m.

As part of the actions to combat the pandemic and support businesses, loans totalling €25.6m were in any case granted (€104.0m were granted in 2020) pursuant to the "Cura Italia" Decree or the "Ripresa Trentino" and "Alto Adige Riparte" protocols.

At product level, it should be noted that the capital goods lease offer, which in 2021 reached €24.9m of forbearance measures relating to 64 contracts (€5.2m for 25 contracts in 2020) is fully operational.

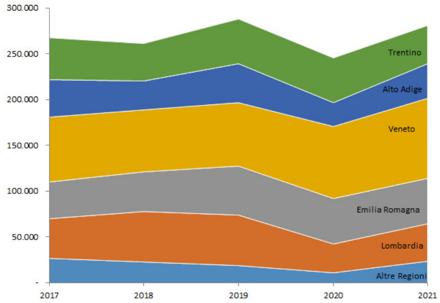
From a territorial point of view, the credit lines are mostly concentrated in Veneto (31.2%), followed by Trentino-South Tyrol with 28.2%, Emilia Romagna (17.6%), Lombardy (14.7%) and the Other Regions with a residual 8.3%. Trentino - South Tyrol saw an overall growth in forbearance measures, a summary of the contraction recorded in the province of Trento (-€7.7m, -15.6%) largely offset by the growth of the South Tyrol area (+€12.2 m, +48.0%), the result of the renewed synergy with local cooperative credit. Significant increases were also recorded in the other areas (partly in companies in the energy sector headed by regional entrepreneurs), while in Emilia Romagna credit lines remained stable.

Breakdown of credit granted by area (thousands of Euro)

	2021	%	2020	%	Chg.	% Chg.
Trentino	41,615	14.8	49,306	20.1	-7,690	-15.6
South Tyrol	37,652	13.4	25,438	10.4	+12,214	+48.0
Veneto	87,602	31.2	78,911	32.1	+8,691	+11.0
Emilia Romagna	49,577	17.6	49,515	20.2	+62	+0.1
Lombardy	41,278	14.7	32,061	13.0	+9,217	+28.7
Other Regions	23,187	8.3	10,462	4.3	+12,725	+121.6
Total	**280,911**	**100.0**	**245,692**	**100.0**	**+35,219**	**+14.3**

The data include receivables for cash reserves relating to securitisations and/or self-securitisations that did not pass the SPPI test and that, therefore, are shown under item 20.c of the financial statement assets (€1.3m in both 2021 and 2020).

Trend in credit granted by area 2017-2021



With regard to the granting of loans to non-financial corporations (up by €19.4m; +8.4%), the most significant increases were recorded in the commercial services sectors (+€11.8m; +35.6%) and transport (+€10.0m; +130.4%) and, to a lesser extent, in energy (+€5.8m; +23.5%) and agriculture (+€3.2m; +106.8%). The other services and construction sectors remained substantially stable. On the other hand, decreases were recorded in other sectors, in particular in the tourism sector (-€4.9m; -40.0%) and real estate activities (-€2.7m; -87.8%). There was also a significant increase in the area of loan forbearance measures to financial corporations (+€14.3m; +1,102.8%), largely directed to local companies and counterparties.

Breakdown of credit granted by counterparty and economic sector (thousands of Euro)

	2021	%	2020	%	Chg.	% Chg.
Non-financial corporations	**250,274**	**89.1**	**230,883**	**94.0**	**+19,392**	**+8.4**
Manufacturing	101,236	36.0	105,226	42.8	-3,990	-3.8
Market services	44,815	16.0	33,051	13.5	+11,765	+35.6
Other services	30,841	11.0	30,247	12.3	+594	+2.0
Energy	30,220	10.8	24,460	10.0	+5,760	+23.5
Transport services	17,746	6.3	7,702	3.1	+10,044	+130.4
Building industry	11,573	4.1	11,905	4.8	-332	-2.8
Hospitality	7,327	2.6	12,205	5.0	-4,878	-40.0
Agriculture	6,136	2.2	2,967	1.2	+3,169	+106.8
Real Estate	380	0.1	3,120	1.3	-2,740	-87.8
Government Agencies, families and others	**15,037**	**5.4**	**13,512**	**5.5**	**+1,525**	**+11.3**
Financial corporations and banks	**15,600**	**5.6**	**1,297**	**0.5**	**+14,303**	**+1,102.8**
Total	**280,911**	**100.0**	**245,692**	**100.0**	**+35,220**	**+14.3**

Credit disbursed

The disbursements recorded in 2021 were overall stable compared to 2020; the total volume of €239.7m includes, as mentioned, €25.6m of disbursements relating to national and local interventions to support the economy following the pandemic.

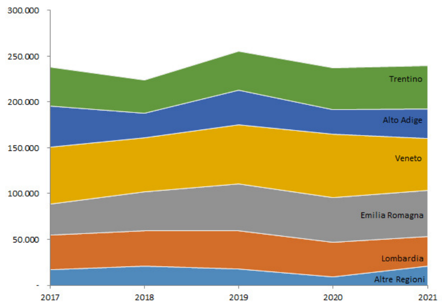
Also in terms of disbursements, the performance of capital goods leases should be noted, which in 2021 reached €17.4m (56 contracts) against €4.5m in 2020 (20 contracts).

From a territorial point of view, the increase in Trentino-South Tyrol (+€7.6m; +10.5%) is highlighted, with both provinces growing albeit at different rates, contractions in Veneto (-€12.9m; -18.7%) and Lombardy (-€4.9m; -13.4%), rises in Emilia Romagna (+€1.2m; +2.5%) and more markedly the Other Regions which mainly include special purpose vehicles dedicated to the energy sector, partly headed by regional entrepreneurs (+€11.6m; +123.5%).

Breakdown of credit disbursed by area (thousands of Euro)

	2021	%	2020	%	Chg.	% Chg.
Trentino	47,436	19.8	45,165	19.0	+2,271	+5.0
South Tyrol	32,391	13.5	27,097	11.4	+5,294	+19.5
Veneto	56,354	23.5	69,280	29.2	-12,926	-18.7
Emilia Romagna	50,316	21.0	49,090	20.7	+1,226	+2.5
Lombardy	32,146	13.4	37,117	15.7	-4,971	-13.4
Other Regions	21,011	8.8	9,399	4.0	+11,612	+123.5
Total	**239,654**	**100.0**	**237,148**	**100.0**	**+2,506**	**+1.1**

Trend in credit disbursed by area 2017-2021



As regards the distribution of disbursements by counterparty and economic sector, the significant increase in the financial sector is confirmed, for similar reasons, mainly with local counterparties (+€12.0m; +520.9%). With regard to disbursements to non-financial corporations, increases were recorded for the energy and agriculture (jointly +€9.8m; +34.5%) and transport (+€4.5m; +44.4%) sectors; disbursements decreased for the manufacturing (-€10.3m; -9.9%), tourism and other services (jointly -€10.3m; -25.2%) and construction and real estate (jointly -€4.1m; -24.6%) sectors; however, they remained stable for commercial sectors and public bodies.

Breakdown of credit disbursed by counterparty and economic sector (thousands of Euro)

	2021	%	2020	%	Chg.	% Chg.
Non-financial corporations	**223,228**	**93.1**	**232,602**	**98.1**	**-9,375**	**-4.0%**
Manufacturing	94,138	39.3	104,483	44.1	-10,345	-9.9
Market services	33,397	13.9	32,324	13.6	+1,072	+3.3
Energy	32,844	13.7	23,733	10.0	+9,112	+38.4
Other services	23,017	9.6	28,271	11.9	-5,254	-18.6
Transport services	14,551	6.1	10,077	4.2	+4,474	+44.4
Building industry	-11,379	4.7	13,148	5.5	-1,769	-13.5
Hospitality	7,515	3.1	12,539	5.3	-5,024	-40.1
Agriculture	5,261	2.2	4,597	1.9	+663	+14.4
Real Estate	1,126	0.5	3,430	1.4	-2,304	-67.2
Government Agencies, families and others	**2,081**	**0.9**	**2,235**	**0.9**	**-153**	**-6.9**
Financial corporations and banks	**14,345**	**6.0**	**2,310**	**1.0**	**+12,034**	**+520.9**
Total	**239,654**	**100.0**	**237,148**	**100.0**	**+2,506**	**+1.1**

Synergy with co-operative credit

Operations recorded an increase: when considering, in addition to direct presentations, participations in syndicated loans linked to the co-operative system or in which it is involved, the percentage of disbursements was 13.2% of the total compared to 10.1% of 2020, essentially due to the increased activities in the collaboration with the Raiffeisen system in South Tyrol.

Minibonds

In 2021 the subscription of minibonds issued by companies was lower than in previous year (from €10.2m in 2020 to €7.2m in 2021) and involved 7 bonds (9 in 2020); for 5 of these, in particular, the Bank also acted as arranger and advisor, underwriting the entire amount issued.

Performing loans[6]

Typical performing loans to customers remained stable compared to 2020 (+0.4%) and above €1b. The most significant increases were recorded in Emilia Romagna (+€9.7m; +7.2%) and in the Other Regions (+€6.5m; +9.2%), while in Trentino (+€6.1m; +2.6%) and in Lombardy (+€2.9m; +1.9%) increased to a lesser extent. However, decreases were recorded in South Tyrol (-€12.0m; -5.9%) and in Veneto (-€9.2m; -3.7%), in both cases due for about 40% to reimbursement of bullet operations.

Breakdown of typical gross performing loans and advances by area (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Trentino	236,395	22.6	230,324	22.1	+6,071	+2.6
South Tyrol	190,637	18.3	202,680	19.5	-12,044	-5.9
Veneto	241,957	23.2	251,166	24.1	-9,210	-3.7
Emilia Romagna	143,913	13.8	134,238	12.9	+9,676	+7.2
Lombardy	154,437	14.8	151,565	14.6	+2,873	+1.9
Other Regions	76,598	7.3	70,140	6.7	+6,458	+9.2
Total typical loans and advances	**1,043,937**	**100.0**	**1,040,113**	**100.0**	**+3,824**	**+0.4**
Loans and advances from SPV securitisations	*4,627*		*5,496*		*-869*	*-15.8*
Total performing loans and advances	**1,048,564**		**1,045,608**		**+2,954**	**+0.3**

Overall, it should be noted that 40,9% of the performing loans portfolio remains allocated to lending operations in Trentino-South Tyrol.

Loans and advances to non-financial corporations amounted to €947m against €940m at the end of 2020: the increase was focused particularly on commerce (+€12.0m; +12.5%) and constructions (+€5.1m; +15.9%) sectors. On the other hand, the real estate sector (-€13.4m; -15.4%) and agriculture (-€5.9m; -13.7%) fell. As regards the financial sector, an increase was recorded (+€6.1m; +19.5%).

Typical performing loans and advances by counterparty and economic sector (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Non-financial corporations	**947,252**	**90.7**	**939,748**	**90.4**	**+7,503**	**+0.8**
Manufacturing	334,049	32.0	330,218	31.7	+3,830	+1.2
Energy	133,866	12.8	127,121	12.2	+6,745	+5.3
Market services	107,351	10.3	95,393	9.2	+11,957	+12.5
Hospitality	81,160	7.8	86,613	8.3	-5,452	-6.3
Other services	73,688	7.1	72,949	6.3	+739	+1.0
Real Estate	73,405	7.0	86,793	8.3	-13,389	-15.4
Transport services	69,346	6.6	65,484	7.0	+3,862	+5.9
Building industry	37,277	3.6	32,169	3.1	+5,108	+15.9
Agriculture	37,110	3.6	43,008	4.1	-5,898	-13.7
Government Agencies, families and others	**59,297**	**5.7**	**69,086**	**6.6**	**-9,789**	**-14.2**
Financial corporations and banks	**37,388**	**3.6**	**31,279**	**3.0**	**+6,109**	**+19.5**
Total	**1,043,937**	**100.0**	**1,040,113**	**100.0**	**+3,824**	**+0.4**

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[6] Loans and advances are shown in the tables relative to overall amounts are shown gross of value adjustments but net of exposures to securitisations.

Typical performing loans and advances by counterparty and economic sector (no. of customers)

	31 Dec 2021	Average amount	31 Dec 2020	Average amount
Non-financial corporations	**1,414**	**669.9**	**1,435**	**654.9**
Manufacturing	453	737.4	443	745.4
Energy	95	1,409.1	93	1,366.9
Market services	155	692.6	140	681.4
Hospitality	110	737.8	118	734.0
Other services	92	801.0	86	848.2
Real Estate	67	1,095.6	73	1,188.9
Transport services	54	1,284.2	58	1,129.0
Building industry	57	654.0	53	607.0
Agriculture	331	112.1	371	115.9
Government Agencies, families and others	**162**	**336.0**	**174**	**397.0**
Financial corporations and banks	**14**	**2,670.6**	**11**	**2,843.5**
Total	**1,590**	**656.6**	**1,620**	**642.0**

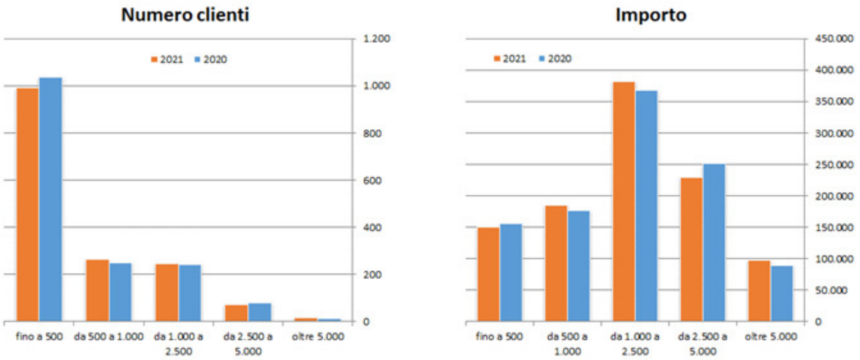
In terms of concentration, the average amount of performing loans increased (from €642 thousand to €657 thousand); in particular, the following phenomena are highlighted:

- one customer out of 5 is in the agricultural sector which, in terms of amount, includes less than 4% of performing loans;
- among non-financial corporations, the energy, real estate and transport sectors show the greatest concentration, with average amounts exceeding €1m;
- loans to financial corporations, numerically negligible (less than 1% of customers) are characterised by tranches that are on average four times greater compared to the rest of the portfolio.

Typical performing loans and advances: breakdown of customers by amount loaned (thousands of Euro)

	No. of customers	Amount	Customer %	Amount %	Average amount
up to 500	992	150,529	62.4	14.4	151.7
from 500 to 1,000	265	185,412	16.7	17.8	699.7
from 1,000 to 2,500	247	380,969	15.5	36.5	1,542.4
from 2,500 to 5,000	71	229,162	4.5	21.9	3,227.6
above 5,000	15	97,865	0.9	9.4	6,524.4
Total	**1,590**	**1,043,937**	**100.0**	**100.0**	**656.6**

Distribution by loan amount – 2021/2020 comparison by number and amount



In relation to the indices of the performing loans portfolio, worth mentioning are the following events:

- the overall amount of transactions with borrowers, with an overall exposure exceeding €2.5m was equal to 31.3% of the total, slightly down compared to the situation at the end of 2020 (32.7%);
- the incidence on the total of the loans for the top transaction increased slightly (from 0.8% to 1.0%) as did that for the top 20 transactions (from 8.8% to 9.0%); that for the top 100 transactions, however, was stable (28.2%).

Typical gross performing loans and advances: top exposures (thousands of Euro)

	Dec 2021	%	Dec 2020	%
Top transaction	10,003	1.0	7,954	0.8
Top 20 transactions	93,476	9.0	91,325	8.8
Top 100 transactions	293,840	28.2	292,790	28.2

With regard to the concentration of individual borrowers, the performing loans portfolio shows that:

- overall exposure to the top borrower was up (from 0.8% to 1.0%);
- overall exposure to the top 20 borrowers increased from 11.3% to 11.6%, as did the exposure to the top 100 borrowers, from 34.4% to 34.5%);
- overall exposure to the top group of borrowers dropped from 1.3% to 1.2%; the top 20 groups amounted to 14.4% of the total (13.9% at the end of 2020) and the top 100 groups was 38.6% (38.8% at the end of 2020).

Typical gross performing loans and advances: top customers (thousands of Euro)

	Dec 2021	%	Dec 2020	%
Top borrower	10,003	1.0	8,083	0.8
Top 20 borrowers	120,635	11.6	117,054	11.3
Top 100 borrowers	360,475	34.5	357,608	34.4

Typical gross performing loans and advances: top groups of borrowers (thousands of Euro)

	Dec 2021	%	Dec 2020	%
Top group of borrowers	12,655	1.2	13,173	1.3
Top 20 groups of borrowers	149,979	14.4	144,467	13.9
Top 100 groups of borrowers	402,716	38.6	403,327	38.8

Note that the exposure of the top group in both years is related to a customer mainly active in the energy sector.

High exposures

With regard to «high exposures», in accordance with current legislation we can report the following situation as at 31 December 2021:

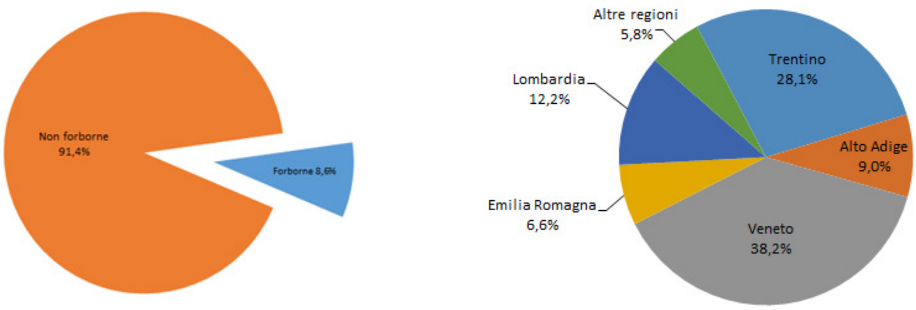
	Dec 2021		Dec 2020	
Counterparty	**Nominal**	**Weighted**	**Nominal**	**Weighted**
Governments	439,847	-	501,980	-
Bank of Italy	20,000	20,000	-	-
Banks	62,468	62,468	37,923	37,923
Ordinary customers	-	-	-	-
Total	**522,315**	**82,468**	**539,903**	**37,923**

Exposures to Governments refer for the entire amount to securities eligible for refinancing with the European Central Bank. The exposure to the Bank of Italy represents an equity investment in the share capital of the same. The Bank has no large exposures to ordinary customers.

Performing loans subject to forbearance measures – "Forborne"

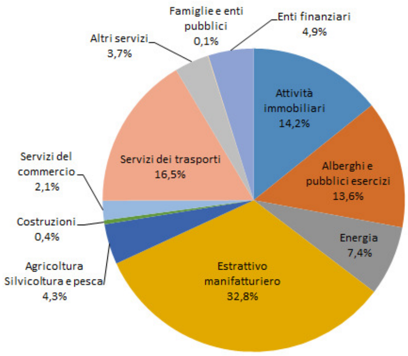
Performing loans subject to forbearance measures amounted to €89.9m, equal to 8.6% of the total, and are mainly concentrated in Veneto (38.2%) and in the province of Trento (28.1%). In the other areas of the Bank's business, the phenomenon represents values between 5.8% and 12.2%.

Performing loans subject to forbearance measures (forborne) by geographical area

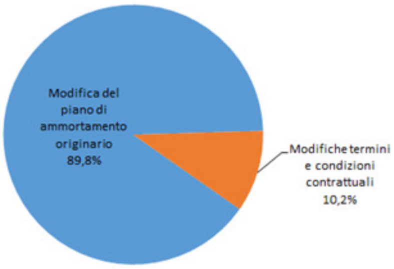


Performing loans subject to forbearance measures (forborne) by counterparty and economic sector

At sector level, 32.8% of forbearance measures benefited mining/manufacturing companies, while the transport (16.5%), real estate (14.2%), hospitality (13.6%) and energy (7.4%) sectors were less favoured. All other sectors include less than 5% of forborne loans.



Performing loans subject to forbearance measures (forborne) by type of forbearance measure



Depending on the type of forbearance measure, 89.8% of loans benefited from the change in the original amortisation plan and 10.2% from the amendment to some contractual terms and/or conditions.

Impaired loans

The amount of gross impaired loans is further down with a change, compared to the end of 2020, of €17.5m (-26.5%): in detail, the doubtful portfolio decreased by €9.6m (-23.7%) and unlikely to pay loans fell by €7.7m (-30.7%).
The following tables show the situation of impaired loans and a comparison with 31 December 2020.

Loans and advances to customers (thousands of Euro)

Dec 2021	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans	**48,408**	**26,336**	**22,072**	***4.4***	***2.1***	**54.4**
- doubtful	30,897	18,577	12,320	*2.8*	*1.2*	60.1
- unlikely to pay	17,332	7,747	9,585	*1.6*	*0.9*	44.7
- past due	179	12	167	*0.0*	*0.0*	6.5
Performing loans[7]	**1,048,563**	**16,691**	**1,031,872**	***95.6***	***97.9***	**1.6**
Total loans	**1,096,971**	**43,027**	**1,053,944**	***100.0***	***100.0***	**3.9**

Dec 2020	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans	**65,897**	**33,137**	**32,760**	***5.9***	***3.1***	**50.3**
- doubtful	40,491	22,059	18,433	*3.6*	*1.7*	54.5
- unlikely to pay	25,002	11,048	13,954	*2.2*	*1.3*	44.2
- past due	403	30	373	*0.0*	*0.0*	7.5
Performing loans[7]	**1,045,608**	**9,735**	**1,035,873**	***94.1***	***96.9***	**0.9**
Total loans	**1,111,506**	**42,872**	**1,068,634**	***100.0***	***100.0***	**3.9**

% change 2021/2020	Gross exposure	Overall adjustments	Net exposure
Impaired loans	**-26.5**	**-20.5**	**-32.6**
- doubtful	-23.7	-15.8	-33.2
- unlikely to pay	-30.7	-29.9	-31.3
- past due	-55.6	-61.7	-55.1
Performing loans	**+0.3**	**+71.4**	**-0.4**
Total loans	**-1.3**	**+0.4**	**-1.4**

The situation outlined above, in the presence of substantial stability in gross performing loans to customers (+0.3%), shows a decrease in the incidence of impaired loans compared to the total of the overall loan portfolio, which goes from 5.9% at the end of 2020 to 4.4%. The figure net of value adjustments decreased from 3.1% to 2.1%, while the degree of coverage of the overall portfolio was further strengthened (from 50.3% to 54.4%): in particular, the coverage of doubtful loans rose from 54.5% to 60.1% and that of unlikely to pay loans from 44.2% to 44.7%. The situation of past due exposures remains, in fact, irrelevant and confirms the improvement in the quality of assets.
The hypothesis of retaining the macroeconomic scenarios used for the 2020 budget and not adopting the improved ones developed during 2021, for a prudential internal assessment linked to the persistence of uncertainties on the evolution of the macroeconomic scenario conditioned by the pandemic still in progress and geopolitical and market imbalances, consequently resulted in the strengthening of hedges linked to the implicit riskiness in the performing portfolio (mostly stage 2), which went from 0.9% to 1.6%, on levels above the average of the Italian banking system.

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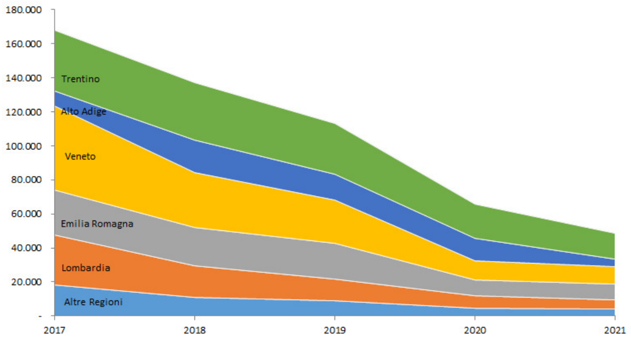
[7] The data include receivables for cash reserves relating to securitisations that did not pass the SPPI test and that are shown in the balance sheet under item 20.c of assets for €1.3m both in 2020 and in 2021.

Gross impaired loans by area (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Trentino	15,069	31.1	20,042	30.4	-4,973	-24.8
South Tyrol	4,182	8.6	13,248	20.1	-9,066	-68.4
Veneto	10,197	21.1	11,558	17.5	-1,361	-11.8
Emilia Romagna	9,750	20.1	9,276	14.1	+474	+5.1
Lombardy	5,308	11.0	7,082	10.7	-1,774	-25.0
Other Regions	3,902	8.1	4,691	7.1	-789	-16.8
Total impaired loans	**48,408**	**100.0**	**65,897**	**100.0**	**-17,489**	**-26.5**

Trend in gross impaired loans by area 2017-2021

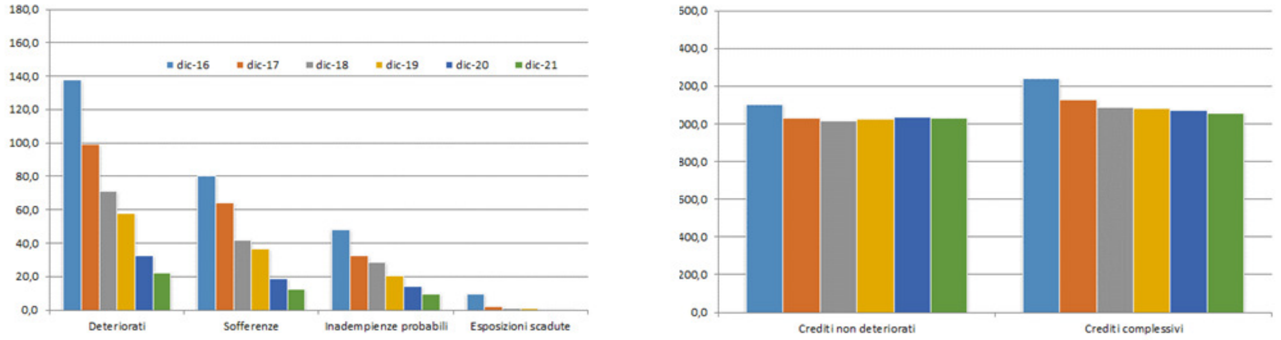


Impaired loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Non-financial corporations	**47,023**	**97.1**	**55,430**	**84.1**	**-8,407**	**-15.2**
Manufacturing	10,091	20.8	11,131	16.9	-1,040	-9.3
Building industry	8,460	17.5	14,930	22.7	-6,470	-43.3
Hospitality	8,071	16.7	5,885	8.9	2,186	37.1
Real Estate	7,938	16.4	11,013	16.7	-3,075	-27.9
Agriculture	4,549	9.4	6,134	9.3	-1,585	-25.9
Transport services	3,748	7.7	3,857	5.9	-109	-2.8
Energy	2,382	4.9	0	0.0	+2,382	
Other services	1,076	2.2	1,073	1.6	+3	+0.3
Market services	708	1.5	1,407	2.1	-699	-49.6
Government Agencies, families and others	**624**	**1.3**	**989**	**1.5**	**-365**	**-36.9**
Financial corporations and banks	**761**	**1.6**	**9,478**	**14.4**	**-8,717**	**-92.0**
Total	**48,408**	**100.0**	**65,897**	**100.0**	**-17,489**	**-26.5**

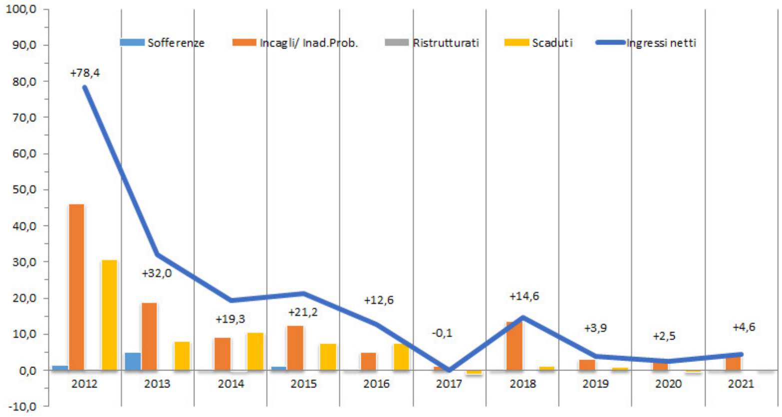
The decrease in the stock of impaired loans with financial counterparties is due to the sale of a single transaction classified as unlikely to pay.

Trend in net loans (millions of Euro)

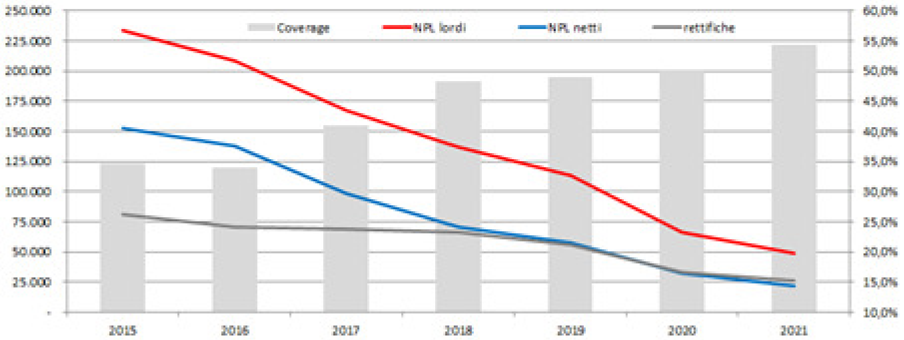


The net flow of new impaired loans shows new unlikely to pay loans for €4.1m, new doubtful loans for €0.4m and new impaired past due loans for €0.1m.

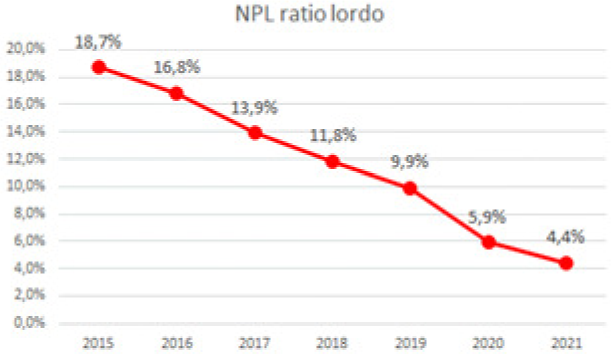
Net flow of new impaired loans coming from performing loans (millions of Euro)



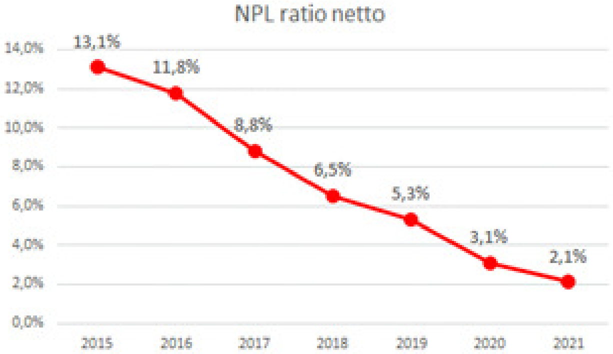
Gross and net NPLs, adjustments and coverage: 2015-2021 performance



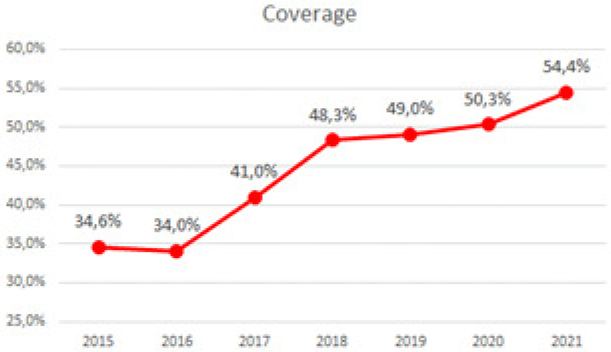
Gross NPL ratio: 2015-2021 performance



Net NPL ratio: 2015-2021 performance



NPL coverage ratio: 2015-2021 performance

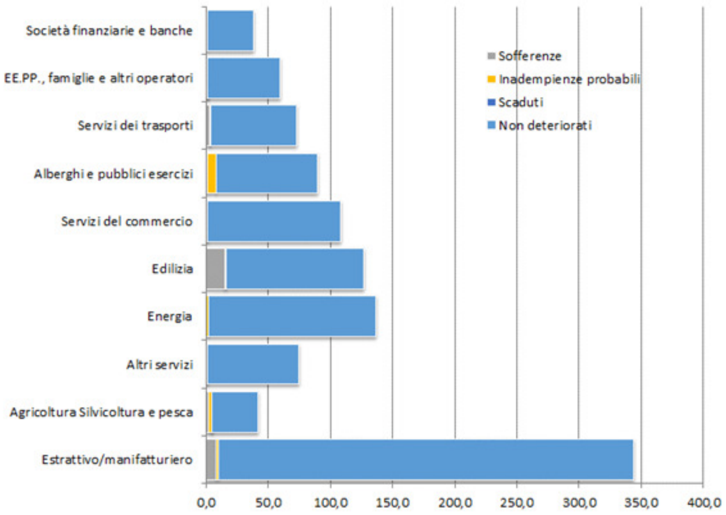


At a sector level, the incidence of impaired loans on total typical loans portfolio is particularly evident in the construction sector, in relation to which 18.5% of loans are impaired although the figure is a clear improvement on that of the previous year (31.7%). Furthermore, 10.9% of loans to companies operating in the agricultural sector and 9.8% of loans to companies operating in the real estate sector are impaired (12.5% and 11.3% respectively in 2020).

Gross impaired loans: incidence of each status by counterparty and economic sector (data in %)

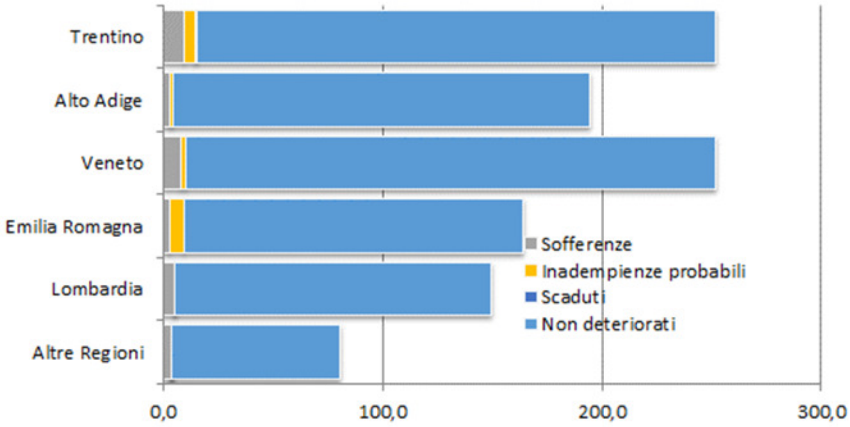
	Doubtful loans	Unlikely to pay	Past due	Total
Non-financial corporations	**3.1**	**1.6**	**0.0**	**4.7**
Manufacturing	2.3	0.7	0.0	**3.0**
Agriculture	5.7	4.8	0.4	**10.9**
Other services	0.5	0.9	0.0	**1.4**
Energy	0.0	1.7	0.0	**1.7**
Real Estate	9.0	0.8	0.0	**9.8**
Building industry	17.8	0.7	0.0	**18.5**
Market services	0.5	0.1	0.0	**0.6**
Hospitality	0.9	8.1	0.0	**9.0**
Transport services	4.4	0.7	0.0	**5.1**
Government Agencies, families and others	**0.6**	**0.4**	**0.0**	**1.0**
Financial corporations and banks	**0.0**	**2.0**	**0.0**	**2.0**

Gross impaired loans: overall incidence by counterparty and economic sector (millions of Euro)



As regards the geographical distribution, it can be noted how the incidence of impaired loans is more evident, although on security levels, in the Trentino-South Tyrol area which in the past had only marginally been affected by disposals.

Gross impaired loans: overall incidence by geographical area (millions of Euro)



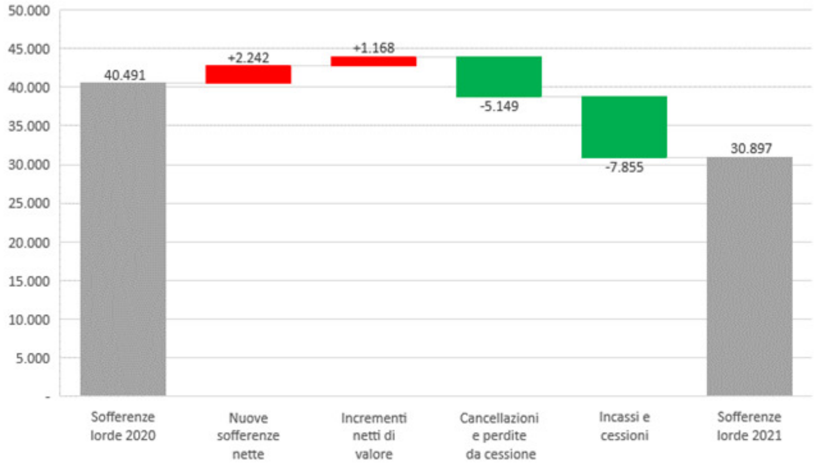
Gross impaired loans: incidence of each status by area (data in %)

	Doubtful loans	Unlikely to pay	Past due	Total
Trentino	3.6	2.3	0.1	**6.0**
South Tyrol	1.4	0.7	0.0	**2.1**
Veneto	3.1	1.0	0.0	**4.0**
Emilia Romagna	1.6	4.3	0.0	**5.9**
Lombardy	3.5	0.0	0.0	**3.5**
Other Regions	4.2	0.7	0.0	**4.9**

Doubtful loans

Doubtful loans gross of write-downs amounted to €30.9m, down by €9.6m in comparison to 2020. The trend is characterised by approximately €2.2m of new doubtful loans, €5.1m of write-offs and €7.9m of collections and disposals.

Trend in gross doubtful loans 2020-2021 (thousands of Euro)

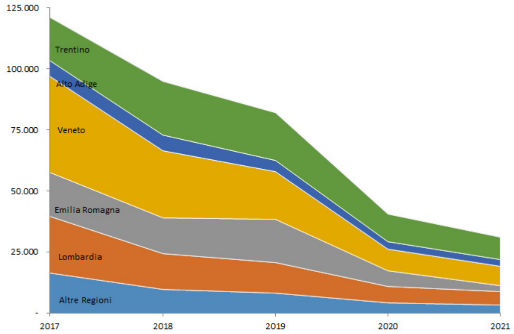


Geographically speaking, doubtful loans are mostly concentrated in Trentino and Veneto (29.6% and 25.1%, respectively); followed by Lombardy (17.0%) and Other Regions (10.8%). There was, however, a significant transversal decrease in all areas: the most significant reductions were found in Emilia Romagna (-€3.6m; -57.1%). South Tyrol remained almost stable (-€0.1m; -3.8%), while in other areas there were reductions of between 14.5% and 22.7%.

Breakdown of gross doubtful loans by area (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Trentino	9,136	29.6	11,446	39.4	-2,310	-20.2
South Tyrol	2,730	8.8	2,837	9.8	-107	-3.8
Veneto	7,751	25.1	9,063	31.2	-1,312	-14.5
Emilia Romagna	2,688	8.7	6,265	21.6	-3,577	-57.1
Lombardy	5,246	17.0	6,790	23.4	-1,544	-22.7
Other Regions	3,345	10.8	4,090	14.1	-745	-18.2
Total	**30,896**	**100.0**	**40,491**	**100.0**	**-9,595**	**-23.7**

Trend in gross doubtful loans by area 2017-2021



The sectors related to the building industry - constructions and real estate - with almost €15.4m (49.9% of the portfolio) remained the top collectors of delinquent loans despite the continuing downward trend (-€7.9m). There was also a significant contraction in the agricultural sector, while there were no significant changes in the other sectors.

Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Non-financial corporations	**30,515**	**98.8**	**39,792**	**98.3**	**-9,277**	**-23.3**
Building industry	8,123	26.3	12,819	31.7	-4,696	-36.6
Manufacturing	7,763	25.1	8,115	20.0	-352	-4.3
Real Estate	7,292	23.6	10,470	25.9	-3,178	-30.4
Transport services	3,206	10.4	3,313	8.2	-107	-3.2
Agriculture	2,359	7.6	3,368	8.3	-1,009	-30.0
Hospitality	831	2.7	515	1.3	+316	+61.4
Market services	556	1.8	807	2.0	-251	-31.1
Other services	385	1.2	385	1.0	0	0.0
Energy	0	0.0	0	0.0	0	0.0
Government Agencies, families and others	**382**	**1.2**	**699**	**1.7**	**-317**	**-45.4**
Financial corporations and banks	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Total	**30,897**	**100.0**	**40,491**	**100.0**	**-9,594**	**-23.7**

Doubtful loans, net of value adjustments, amounted to €12.3m, down €6.1m compared to the figure in December 2020.

The ratio of net doubtful loans to total net loans to customers was 1.2%, down compared to 1.7% at the end of the previous financial year; the ratio gross of value adjustments went from 3.6% in 2020 to 2.8%. The level of coverage of doubtful loans was 60.1%, up on the percentage at the end of 2020 (54.5%).

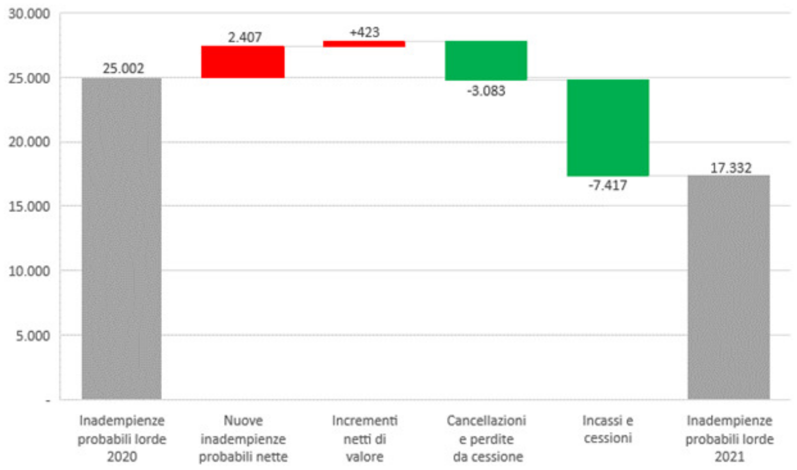
Key ratios relative to doubtful loans

in %	Dec 2021	Dec 2020
Gross doubtful loans / gross loans to customers	2.8	3.6
Gross doubtful loans / own funds	16.3	22.4
Net doubtful loans / net loans to customers	1.2	1.7
Net doubtful loans / own funds	6.5	10.2

Unlikely to pay loans

The unlikely to pay category gross of write-downs amounted to €17.3m, a decreased volume compared to that at the end of 2020 (-€7.7m, -30.7%). The trend is characterised by a net outflow to doubtful loans of €1.7m, €4.6m of new unlikely to pay loans and approximately €10.5m of collections and write-offs.

Trend in gross unlikely to pay loans 2020-2021 (thousands of Euro)

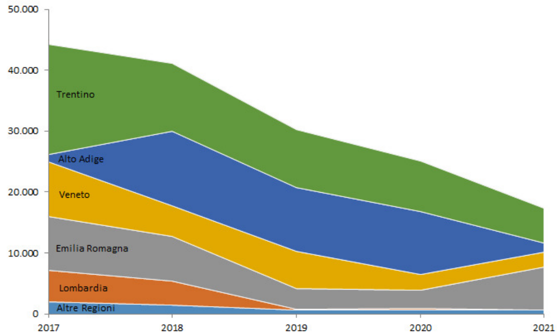


At geographical level, generalised decreases are highlighted, particularly significant in Trentino-South Tyrol (-€11.4m; -61.2%). In contrast to the trend, only Emilia Romagna showed an increase (+€4.1m; +134.5%) linked to the deterioration of two positions of significant amount, one active in the hotel sector and the other in the renewable energy sector.

Breakdown of gross unlikely to pay loans by area (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Trentino	5,760	33.2	8,192	32.8	-2,432	-29.7
South Tyrol	1,452	8.4	10,411	41.6	-8,959	-86.1
Veneto	2,446	14.1	2,495	10.0	-49	-2.0
Emilia Romagna	7,062	40.7	3,012	12.0	+4,050	+134.5
Lombardy	62	0.4	292	1.2	-230	-78.7
Other Regions	550	3.2	600	2.4	-50	-8.3
Total	**17,332**	**100.0**	**25,002**	**100.0**	**-7,670**	**-30.7**

Trend in gross unlikely to pay loans by area 2017-2021



Breakdown of gross unlikely to pay loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2021	%	31 Dec 2020	%	Chg.	% Chg.
Non-financial corporations	**16,335**	**94.2**	**15,234**	**60.9**	**+1,101**	**+7.2**
Hospitality	7,240	41.8	5,370	21.5	+1,870	+34.8
Energy	2,382	13.7	0	0.0	+2,382	-
Manufacturing	2,328	13.4	3,016	12.1	-688	-22.8
Agriculture	2,017	11.6	2,637	10.5	-620	-23.5
Other services	691	4.0	688	2.8	+3	+0.4
Real Estate	646	3.7	370	1.5	+276	+74.8
Transport services	541	3.1	543	2.2	-2	-0.4
Building industry	337	1.9	2,011	8.0	-1,674	-83.2
Market services	153	0.9	600	2.4	-447	-74.5
Government Agencies, families and others	**236**	**1.4**	**291**	**1.2**	**-55**	**-18.8**
Financial corporations and banks	**761**	**4.4**	**9,478**	**37.9**	**-8,717**	**-92.0**
Total	**17,332**	**100.0**	**25,002**	**100.0**	**-7,670**	**-30.7**

The unlikely to pay category, net of value adjustments, totalled €9.6m, down by 31.3% compared to 31 December 2020. The ratio of net unlikely to pay loans to total net loans to customers was 0.9% compared to 1.3% at the end of the previous period.

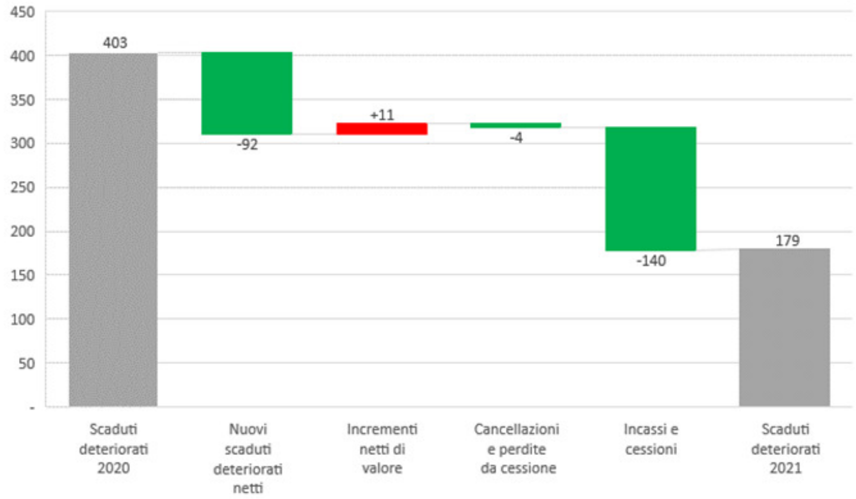
Key ratios relative to unlikely to pay loans

in %	Dec 2021	Dec 2020
Gross unlikely to pay loans / gross loans to customers	1.6	2.2
Net unlikely to pay loans / net loans to customers	0.9	1.3

Past due loans

This item is made up of all cash loans to borrowers (not included in the other categories of impaired loans) whose debts are overdue by more than 90 days according to the criteria established by the Supervisory Authority. Net of value adjustments, these loans totalled €0.2m, more than halved compared to 31 December 2020 (-55.1%). The ratio of past due loans to total net loans is immaterial.
This category of impaired loans is characterised by changes of a limited amount (€87 thousand of reclassifications from performing loans offset by transfers to unlikely to pay loans for €179 thousand, collections for €140 thousand and derecognitions for €4 thousand).

Trend of gross past due loans 2020-2021 (thousands of Euro)



COVID-19 moratoria analyses

The table below shows the amounts of the COVID-19 moratoria granted to customers pursuant to law (mainly Law Decree 18 of 17 March 2020), in application of industry agreements (ABI Agreements) or on the initiative of the Bank.

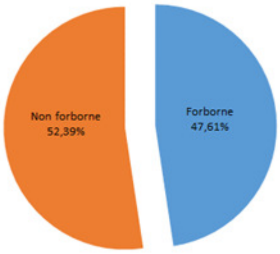
Moratoria in place	31.12.2021	31.12.2020	% Chg.
No. Relationships	13	443	-97.1
Exposures	13,975	253,645	-94.5

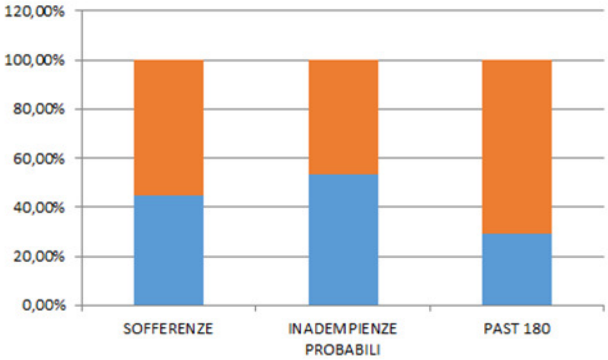
It should also be noted that at the date of approval of these financial statements there are still 5 moratoria in place for an overall exposure of €6.6m (-53%) and that, against their progressive exhaustion, no significant increase in past due exposures was observed.
Furthermore, the constant monitoring of the positions in question continues, as well as of the entire performing portfolio, with particular attention to the sectors deemed most vulnerable.

Impaired loans subject to forbearance measures – "Forborne"

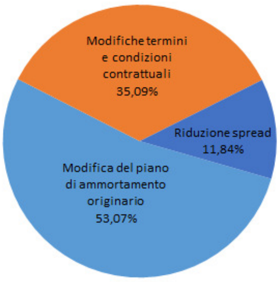
Impaired loans subject to forbearance measures amounted to €23.0m, equal to 47.6% of the total; approximately 44.5% of doubtful loans, 53.3% of unlikely to pay loans and 28.9% of past due loans benefited from forbearance measures.

Impaired loans subject to forbearance measures (forborne) by status





Impaired loans subject to forbearance measures (forborne) by type of forbearance measure



Depending on the type of forbearance measure, approximately 53.1% of impaired loans benefited from a change in the original amortisation plan, 35.1% benefited from an amendment to some contractual terms/conditions, while the remaining 11.8% from rate reductions.

EQUITY INVESTMENT ACTIVITIES

Equity Investment

Equity investment activities, both direct and through participation in closed-end securities investment funds, showed overall amounts of approximately €71.0m, up by 22% (+€12.9m) compared to 31 December 2020.

The most significant investments made in 2021 on the portfolio in question are:
- shares of the Bank of Italy for €5m;
- T5 S.r.l. for €1.6m against a total commitment of €2m;
- OneOsix S.r.l. for €333 thousand;
- Finanziaria Trentina for a further €203 thousand;
- Jonix S.p.A. for €199 thousand;
- Casasold S.p.A. for €51 thousand;

while disposals during the year were as follows:
- SWS S.p.A. at a value of €1.7m;
- Guala Closures S.p.A. for €1.6m;
- Green Hunter at a value of €1.6m.

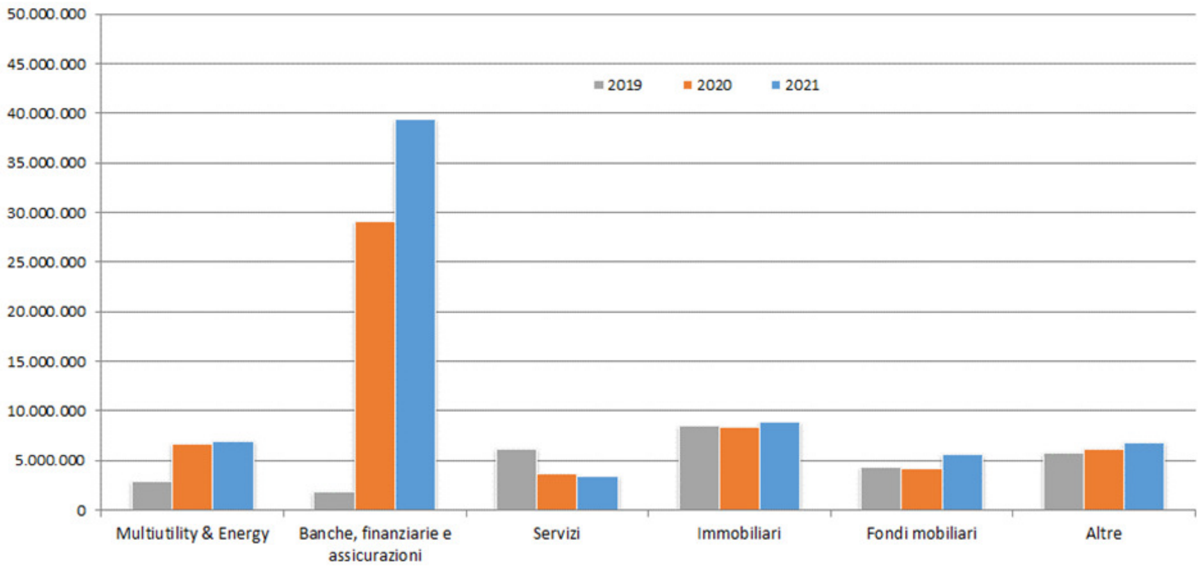
The Bank also acquired shares in two new closed-end securities investment funds - Sustainable Securities Fund and Sviluppo PMI 2, with payments of €12 thousand and €112 thousand respectively against a commitment of €1m for both - and made payments in some funds already in the portfolio for a net total of €1.5m.

It should be noted that treasury investments, during the half-year, recorded positive changes in fair value, recognised in equity, for a total of €4.0m, due to the positive trend in stock market prices.

Equity Investments (thousands of Euro)

	Dec 2021				Dec 2020			
	FVTPL	OCI Option	Equity investments	Total	FVTPL	OCI Option	Equity investments	Total
Investments in UCITS	14,106	-	-	14,106	12,231	-	-	12,231
Institutionals and debt recovery	-	3,532	336	3,867	-	2,896	336	3,232
Other investments	-	12,465	-	12,465	-	11,046	-	11,046
Treasury	-	40,592	-	40,592	-	31,585	-	31,585
Total	**14,106**	**56,589**	**336**	**71,031**	**12,231**	**45,527**	**336**	**58,094**
of which: level 1	**-**	**28,200**	**-**	**28,200**	**-**	**22,359**	**-**	**22,359**

Equity investments by economic sector (millions of Euro)



Equity investments (amounts in thousands of Euro)

Paradisidue S.r.l. – Trento

The real estate company, established in 2003 and wholly controlled by the Bank, allows it to participate directly - where appropriate - in judicial auctions of real estate properties as collateral for disputed financing transactions. At the balance sheet date, the company owns four properties at a value that is consistent with the appraisal value and a photovoltaic barrier in Oppeano (VR). In particular, a property was valued in 2014 and the placement on the real estate market of the related real estate portions is still in progress; two properties are leased, while the photovoltaic plant was acquired during an auction in 2020, deriving from an impaired loan to the Bank. Following the income contribution of this latter investment, the company closed the 2021 financial year with a profit of approximately €22 thousand, maintaining the equity funds substantially stable compared to 2020.

Balance as at 31/12/2020	**335.7**
Purchases	-
Sales/Redemptions	-
Gains	-
Losses	-
Balance as at 31/12/2021	**335.7**
Stake held	**100.000**

Note on investments in UCITS

Closed-end real estate investment fund Finint Fenice

The Fund was set up by Finint Investments SGR of the Finanziaria Internazionale group. The Fenice fund consists of contributions from banks and leasing companies through the purchase and valuation of buildings already repurchased by banks, buildings under auction or bankruptcy proceedings, as well as impaired loans backed by a mortgage guarantee. The Bank granted certain positions by subscribing units for a total amount of approximately €9.3m. The good management of the fund is allowing a gradual recovery of value, expressing a positive change in fair value of €457 thousand. The fund's recovery of profitability is also expected to continue in the near future.

Balance as at 31/12/2020	**7,974.8**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+456.6
Balance as at 31/12/2021	**8,431.4**

Securities investment fund Industry 4.0 Sicav

This is a Private Equity fund reserved for institutional investors, which aims at investing and enhancing SMEs strongly oriented towards innovation and technological interconnection, considered preparatory elements for the acceleration of business and competitiveness. The fund is aimed at leading companies in the reference market, with a vocation for internationalisation and a strong propensity to digitalise the production chain. The large number of Italian SMEs, in which there is the lowest level of investment compared to the European scenario, constitutes a large audience of opportunities and high potential for development in the frontier technology sector.

The unit value of the shares - determined by the asset management company as at 30 June 2021 - was €576.4083, generating a positive change in fair value of €114 thousand.

Balance as at 31/12/2020	**612.5**
Purchases	+1,002.6
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+114.1
Balance as at 31/12/2021	**1,729.2**

Closed-end securities investment fund Assietta Private Equity III

This is a Private Equity fund reserved for institutional investors, which aims at investing with majority stakes in small and medium Italian enterprises characterised by a good positioning in the reference sector, operating in well-established sectors, with steady cash generation, a defensible competitive positioning and good economic performance. The fund is managed by Assietta Private Equity SGR. In 2021, the Bank paid the call relating to the 60 shares subscribed of €29 thousand and their unit value - estimated on the basis of underlying investments as at 31 December 2021 - amounted to €15,275.31, generating a negative change in fair value of €379 thousand.

Balance as at 31/12/2020	**1,266.7**
Purchases	+28.9
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-379.1
Balance as at 31/12/2021	**916.5**

Closed-end securities investment fund Assietta Private Equity IV

This is a Private Equity fund reserved for institutional investors, which aims at investing with majority stakes in small and medium Italian enterprises characterised by a good positioning in the reference sector, operating in well-established sectors, with steady cash generation, a defensible competitive positioning and good economic performance.

The fund is managed by Assietta Private Equity SGR. In 2021, the Bank paid the call relating to the 40 shares subscribed of €112 thousand whose unit value - determined by the asset management company as at 30 September 2021 - amounted to €20,399.095, generating a negative change in *fair value* of €47 thousand.

Balance as at 31/12/2020	**751.2**
Purchases	+111.5
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-46.8
Balance as at 31/12/2021	**815.9**

Closed-end securities investment fund PMI Italia II

It is an Italian closed-end alternative investment fund reserved for professional investors that invests in bonds and other secured or unsecured debt instruments and/or debt securities, including those of an equity nature. Investments are dedicated to the sectors of mechanical engineering, manufacturing, infrastructure and transport, food & beverage, travel & leisure, services, pharmaceutical and biomedical industry, automotive excluding start-ups. The aim is to support investments or support working capital in the context of business volume development and debt sustainability, therefore aimed at companies with significant actual and/or expected growth rates and very limited financial exposure. It is managed by FININT SGR, one of the main independent managers in Italy.

In 2021, the Bank paid the call relating to the one million shares subscribed of €64 thousand whose unit value - determined by the asset management company as at 30 September 2021 - amounted to €0.59742, generating a negative change in fair value of €21 thousand.

Balance as at 31/12/2020	**554.3**
Purchases	+64.0
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-20.9
Balance as at 31/12/2021	**597.4**

Closed-end securities investment fund HAT Technology & Innovation

Italian closed-end alternative investment fund reserved for professional investors who invest in minority equity shareholdings or, in co-investment with other specialised funds, in debt instruments, in leading companies in the reference market, characterised by a significant technological content or a high level of process, product or service innovation, favouring an industrial approach with the aim of strengthening the competitiveness of the Italian industrial system. It is promoted and managed by HAT SGR, activated by subjects of considerable and proven experience. The bank joined the fund in question in 2017 with the subscription of 100 units - against which, during the year, further calls for €420 thousand were paid - whose unit value - valued by the asset management company as at 31 December 2020 - is equal to €5,702.23090, generating a positive change in fair value of €86 thousand. During the month, the Bank subscribed a further 50 units.

Balance as at 31/12/2020	**63.7**
Purchases	+420.5
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+86.0
Balance as at 31/12/2021	**570.2**

Equita Private Debt II closed-end securities investment fund

It is an Italian closed-end alternative investment fund reserved for professional investors that invests in *unitary* instruments (hybrid product between senior loan and subordinated loan), subordinated loans or even in bonds. To a lesser extent, minority share capital interventions can also be made.

Aimed at medium-sized companies, with stabilised or growing production values, with a good capacity to generate cash flow and a well-defined market position, based mainly in Italy.

It is managed by EQUITA Capital SGR, one of the main independent managers in Italy.

During 2021, the fund returned to the Bank by way of equalisation, net of the calls paid relating to the one million subscribed units, the amount of €106 thousand; the unit value, determined by the asset management company as at 30 June 2021, was equal to €0.33417, generating a positive change in fair value of €22 thousand.

Balance as at 31/12/2020	**418.5**
Purchases	-
Sales/Redemptions	-106.1
Gains/Losses on disposal	-
Fair value changes	+21.8
Balance as at 31/12/2021	**334.2**

SME 2 Development Fund

Italian closed-end alternative investment fund reserved for professional investors, which invests in small/medium-sized companies in the Triveneto area - with the specific exclusion of the real estate, financial/insurance and unethical sectors - characterised by growth prospects in terms of markets, products, technologies, by a potential market positioning and which may benefit from governance improvement actions, operational optimisations, and improvement in funding sources.

It is managed by FVS SGR S.p.A., an emanation of the sole shareholder Veneto Sviluppo S.p.A., a financial company of the Veneto Region and well-established in the territory, with a consolidated and active network for the development of the economic excellence of the territory also through private equity initiatives.

In 2021, the Bank paid the call relating to the 200 shares subscribed for €112 thousand, the value of which is aligned with the purchase cost.

Balance as at 31/12/2020	**-**
Purchases	112.2
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Balance as at 31/12/2021	**112.2**

Sustainable Securities Fund

This is an Italian closed-end alternative investment fund reserved for professional investors, managed by ACP SGR (Alternative Capital Partner): it is the first Italian thematic reserved private-debt fund dedicated to "green" energy infrastructures, whose projects will be carried out mainly by SMEs, with investments and assets located in Italy, as part of the energy transition in four main investment areas: energy efficiency, distributed generation and sustainable mobility, circular economy and large renewables.

In 2021, the Bank paid the call relating to the one million shares subscribed of €12 thousand whose unit value - determined by the asset management company as at 31 December 2021 - amounted to €0.01002, generating a negative change in fair value of €2 thousand.

Balance as at 31/12/2020	**-**
Purchases	11.8
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-1.8
Balance as at 31/12/2021	**10.0**

	Real estate investment fund Leopardi - Milan	Value Italy Credit 3 fund	Closed-end real estate investment fund Clesio
Balance as at 31/12/2020	**89.2**	**500.0**	**-**
Purchases	-	-	-
Sales/Redemptions	-	-	-
Gains/Losses on disposal	-	-	-
Fair value changes	-	-	-
Balance as at 31/12/2021	**89.2**	**500.0**	**-**

Notes on other investments in equity securities under the OCI Option

Enercoop S.r.l. – Trento (TN)

This company is a subsidiary of Fincoop S.p.A. (co-operative financial corporation in Trentino) and was set up in 2009 to purchase and manage a minority shareholding in Dolomiti Energia Holding S.p.A. Dolomiti Energia is currently one of the most important Italian *multi-utility* companies in relation to its size characterised by a stable *business*. Enercoop holds a 1.8% stake in Dolomiti Energia Holding S.p.A. for around €11m. Mediocredito purchased a 15% of Enercoop S.r.l. for €1.6m. The valuation as at 31 December 2021 expresses a positive change in fair value of €657 thousand with respect to 2020.

Balance as at 31/12/2020	**1,917.2**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+657.3
Balance as at 31/12/2021	**2,574.6**
Stake held	**15.000%**

GPI S.p.A. - Trento

The GPI group, which is headed by the Trentino entrepreneur Fausto Manzana, is one of the leading operators in the management of IT systems for healthcare, ranging from administrative software to maintenance up to the management of single booking centres. It is constantly growing and, in order to nourish the plan for future expansion, it entered the Italian Stock Exchange (MTA) through a SPAC (Special Purpose Acquisition Company) vehicle, in which the Bank participated with an investment of €1m, paid during 2016. In 2017, warrants were converted for a capital amount of €285 thousand. For the Bank, joining GPI represents, in addition to supporting an important local reality, an investment opportunity with good profitability prospects in the medium term. In 2021, there was a positive change in fair value of €1.2m.

Balance as at 31/12/2020	**966.7**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+1,157.5
Balance as at 31/12/2021	**2,124.2**
Stake held	**0.817%**

Fine Foods & Pharmaceuticals NTM SpA – Zingonia (BG)

The equity investment in the company followed the listing and business combination process of the SPAC Innova Italy 1 in the AIM sector of the Italian Stock Exchange, activated during 2018. The company produces and develops on behalf of third parties generic drugs, supplements and medical devices in the form of granules, powders and pills and operates in an innovative way in the substitute meals sector. In the medium term, the bank is expected to achieve good profitability, considering its business sector, its management capacity and the presence of warrants accompanying the shares purchased. The year-end listing shows a positive change in fair value of €633 thousand.

Balance as at 31/12/2020	**1,043.7**
Purchases	+0.8
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+633.1
Balance as at 31/12/2021	**1,677.7**
Stake held	**0.391%**

T5 S.r.l. - Milan

The equity investment in T5 S.r.l., carried out in 2021 in partnership with the Industry 4.0 Fund (of which the Bank is also a unit holder) with a 4.17% share, was established for the acquisition, first of all, of the majority stake in Texbond S.p.A. - a Rovereto company leader in the production of the "non-woven fabric" for different markets in the hygiene/sanitary sector - and, subsequently in December 2021, with synergistic objectives, of the majority interest in Soft NW S.p.A. - a company from Biella operating in the same product sector but in different application areas which, to a greater extent, concern construction and agriculture.

The Bank participated in the transaction by investing a total of €1.6m, which also represents the fair value as at 31 December 2021.

Balance as at 31/12/2020	-
Purchases	+1,608.8
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2021	**1,608.8**
Stake held	**6.875%**

Gibus S.p.A. – Saccolongo (PD)

Gibus - a leading company at national and European level - operates in the high-end Outdoor Design sector, designing, manufacturing and distributing 100% made in Italy products for Ho.Re.Ca and Residential customers, exporting Italian Lifestyle throughout the world. The partnership agreement signed with IR Top Consulting, Partner Equity Markets of the Italian Stock Exchange for the development of companies in the area in which the Bank operates, in particular through access to risk capital, led to a favourable assessment of the entry into the Gibus SpA's capital in 2019, through participation in the Initial Public Offering (IPO) which allowed the company to be listed on the AIM segment of the Italian Stock Exchange.

In 2021, there was a positive change in fair value of €873 thousand.

Balance as at 31/12/2020	**485.7**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+873.4
Balance as at 31/12/2021	**1,359.1**
Stake held	**1.246%**

Iniziative Bresciane S.p.A.

The company operates in the renewable energy sector, mainly hydroelectric, with plant located in Lombardy and is listed on the Milan Stock Exchange – AIM segment. The shareholders include Istituto Atesino di Sviluppo Spa and in 2017 the bank subscribed to a stake of approximately €1m. The company is characterised by excellent profitability margins and constant growth, also considering the recent projects in the start-up phase: in the medium term, the bank's profitability is expected to be good, given its business sector and management capacity. The year-end listing resulted in a positive change in fair value of €187 thousand to be recorded.

Balance as at 31/12/2020	**1,032.6**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+187.0
Balance as at 31/12/2021	**1,219.6**
Stake held	**1.082%**

Aquafil S.p.A. – Arco (TN)

The investment in Aquafil Spa derives from the listing and Business Combination process of the SPAC Space 3 vehicle in the STAR segment of the Italian Stock Exchange, activated by Space Holding Srl during 2017. The company is one of the main international players in the production and marketing of synthetic fibres used in the textile flooring sectors for the contract and residential markets, as well as the automotive, fashion and sports markets. It is also a pioneer in the regeneration of nylon waste with the Econyl system and the prospects for development and growth are based above all on this type of *green* product. In the medium term, the bank is expected to achieve good profitability, considering its business sector, its management capacity and the presence of warrants accompanying the shares purchased. The year-end listing resulted in a positive change in fair value of €343 thousand to be recorded.

Balance as at 31/12/2020	**591.8**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+343.4
Balance as at 31/12/2021	**935.2**
Stake held	**0.237%**

Hotel Lido Palace S.p.A. – Riva del Garda (TN)

The company was established to build a luxury hotel on the well-known tourist destination overlooking Lake Garda encouraging the involvement - alongside the public entity - of private shareholders with proven experience in this sector and adequate financial partners. Mediocredito supported this initiative acting as managing bank in the context of a financial operation and purchased a 4.84% *equity* investment. The past seasons were weighed down by the pandemic with the consequent loss of presences and turnover, but 2021 recorded a good recovery in revenues. The fair value as at 31 December 2021 does not, however, express any changes with respect to the previous value, also with reference to the recent enhancement of the ownership structure.

Balance as at 31/12/2020	**674.0**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2021	**674.0**
Stake held	**4.840%**

Jonix S.p.A. – Tribano (PD)

It is an innovative SME and Benefit Company that designs, manufactures and distributes a broad portfolio of 100% Made in Italy products and services for indoor air sanitisation based on NTP (Non-Thermal Plasma) technology capable of attacking and neutralising living microorganisms (viruses, bacteria, spores and moulds) and polluting chemical molecules (VOC: volatile organic compounds, particulate matter). The company is included in the AIM segment of the Italian Stock Exchange (now Euronext Growth Milan) and enjoys good economic and financial fundamentals with excellent prospects for development and value creation. During the year, the bank participated in the Initial Public Offer (IPO) by purchasing shares for €199 thousand, whose value at the end of the year led to the recognition of a positive change in fair value of €55 thousand.

Balance as at 31/12/2020	-
Purchases	+199.4
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+54.8
Balance as at 31/12/2021	**254.1**
Stake held	**0.761%**

Casasold S.p.A. - Verona

The company - listed on Euronext Growth Milan (formerly AIM) and founded in 2018 in Verona, but with operational headquarters in Trento - operates in the real estate services sector through a proprietary software platform and optimises the restructuring and sale process of apartments, medium and large offices and condominiums. As part of the listing of Casasold S.p.A., which took place in March 2021, the Bank subscribed shares for a total of €51 thousand.

The year-end listing shows a negative change in fair value of €13 thousand.

Balance as at 31/12/2020	-
Purchases	+50.7
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-13.2
Balance as at 31/12/2021	**37.5**
Stake held	**0.660%**

Green Hunter Group S.p.A. – Milan

The stake in the company - operating in the renewable energy sector and in which the bank invested €1m, also in combination with project finance, in 2010 in connection with the construction of a group of photovoltaic plants for approximately 20 MWp - was sold in 2021 generating a gain of €599 thousand.

Balance as at 31/12/2020	**986.7**
Purchases	-
Sales/Redemptions	-1,585.5
Gains/Losses to reserve on disposal	+598.8
Fair value changes	-
Balance as at 31/12/2021	-
Stake held	-

S.W.S. Group S.p.A. – Trento

Through the subsidiary SWS Engineering S.p.A., the company operates in the area of engineering and design. Through the subsidiary Enginsoft S.p.A., it operates in automation and control engineering, specialising in consultancy, research and development of advanced applications of simulations with mathematical models. The entry of Mediocredito in the company's share capital was finalised in 2011 in order to continue the process of exploitation and development of the company launched by the MC^2 Impresa closed-end securities investment fund.

Following the intention of the two founding shareholders to acquire the entire shareholding for strategic reasons, the investment was sold - in January 2021 - at a price of €1.7m.

Balance as at 31/12/2020	**1,700.0**
Purchases	-
Sales/Redemptions	-1,700.0
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2021	-
Stake held	-

Guala Closures S.p.A. (Spac Space 4 S.p.A.) – Alessandria (AL)

The company - operating in the aluminium and non-refillable caps production sector - was listed in the STAR segment of the Italian Stock Exchange following the incorporation by business combination into SPAC Space 4 S.p.A. The Bank subscribed a value of €2m, equal to 200,000 shares to which 80,000 warrants in total were assigned.

In June 2021, the Bank adhered to the public purchase offer of Guala Closures S.p.A. by Investindustrial for €8.20 per share, which in any case incorporated a premium compared to the value the shares listed on the MTA had achieved for some time.

The equity investment was therefore sold, collecting €1.6m in addition to €24 thousand for the sale of the warrants.

Balance as at 31/12/2020	**1,647.8**
Purchases	-
Sales/Redemptions	-1,640.0
Gains/Losses to reserve on disposal	-7.8
Fair value changes	-
Balance as at 31/12/2021	-
Stake held	-

Notes on investments in institutional equity securities under the OCI Option

La Finanziaria Trentina S.p.A. – Trento (TN)

It is an industrial holding established in 2004 by a group of entrepreneurs from Trentino bringing together subjects operating in various sectors in order to converge major investments in a single independent entity. In addition to the main corporate mission, private equity operations have been added to support entrepreneurs who have started processes of growth or generational change. The company's operations are carried out mainly in the energy, industry, infrastructure, real estate and venture capital sectors. The Bank's entry into the ownership structure, made up of leading entrepreneurs and economic representatives of the provincial territory, took place in 2016 and, in the course of 2021, a stake of additional 119,119 shares was acquired at a price of €203 thousand. Consequently, at the balance sheet date, a positive change in fair value of €106 thousand was recognised compared to the previous year.

Balance as at 31/12/2019	**804.9**
Purchases	+202.5
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+106.4
Balance as at 31/12/2020	**1,113.8**
Stake held	**1.455%**

Istituto Atesino di Sviluppo S.p.A. – Trento (TN)

It is a finance company set up in 1929, which is owned by clerical bodies, operating mainly within the Province of Trento: it invests, mainly by acquiring minority shareholdings, in companies with interesting development potential, with the aim of creating a medium/long-term relationship with the entrepreneur and achieving satisfactory results for the shareholders. The Bank's entry into the company, managed by leading economic representatives of the provincial territory, took place in 2016 with the purchase of a minority stake of 0.5% for a value of approximately €1m. The current fair value is unchanged from the previous year.

Balance as at 31/12/2020	**979.7**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2021	**979.7**
Stake held	**0.503%**

	Sviluppo Aree Sciistiche Srl	Oneosix S.p.A. – Verona	Cassa Centrale Banca S.p.A. - Trento	Funivie Madonna di Campiglio S.p.A. – Pinzolo (TN)
Balance as at 31/12/2020	**1.000.0**	**-**	**50.2**	**25.4**
Purchases	-	+332.5	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	-	-	-	-
Balance as at 31/12/2021	**1,000.0**	**332.5**	**50.2**	**25.4**
Stake held	**3.030%**	**9.500%**	**0.004%**	**0.033%**

	Funivie Folgarida Marilleva S.p.A. – Pinzolo (TN)	Federazione Trentina delle Cooperative Scarl - Trento	Allitude S.p.A.	Trentino Volley S.r.l. Trento
Balance as at 31/12/2020	**23.3**	**5.1**	**1.6**	**-**
Purchases	-	-	-	+35.9
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	-	-	-	-35.9
Balance as at 31/12/2021	**23.3**	**5.1**	**1.6**	**-**
Stake held	**0.027%**		**0.000%**	**13.331%**

	Lineapiù S.p.A. Prato	AEDES SIIQ SpA - Milan	Restart SIIQ SpA (ex Aedes SIIQ SpA) – Milan
Balance as at 31/12/2020	**-**	**3.2**	**2.3**
Purchases	-	-	-
Sales/Redemptions	-	-1.2	-1.9
Gains/Losses to reserve on disposal	-	-2.0	-0.4
Fair value changes	-	-	-
Balance as at 31/12/2021	**-**	**-**	**-**
Stake held	**1.668%**		

The equity investments in Funivie Madonna di Campiglio S.p.A., Funivie Folgarida Marilleva S.p.A., Lineapiù S.p.A. and Fondo Immobiliare Leopardi derive from the restructuring of impaired loans. The equity investment in Sviluppo Aree Sciistiche Srl derives from the participation in the competitive procedures called for the bankruptcy of Aeroterminal Venezia SpA for the purchase, together with other local financial shareholders and Trentino Sviluppo, of the stake of Funivie Folgarida Marilleva contributing, thanks to the progressive aggregation with Funivie Madonna di Campiglio SpA, to the establishment of the largest and most profitable ski resort in the Alps located in the Autonomous Province of Trento.

Summary of investments in treasury equity securities under the OCI Option

	Bank of Italy	Generali	Intesa San Paolo	Mediobanca
Balance as at 31/12/2020	**15,000.0**	**5,012.0**	**5,447.4**	**1,743.6**
Purchases	+5,000.0	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	-	+1,521.6	+1,016.4	+580.5
Balance as at 31/12/2021	**20,000.0**	**6,533.6**	**6,463.8**	**2,324.1**

	ENI	A2A	Enel	Poste Italiane
Balance as at 31/12/2020	**1,233.8**	**1,080.1**	**1,450.9**	**617.5**
Purchases	-	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	+527.6	+342.2	-217.7	+236.3
Balance as at 31/12/2021	**1,761.4**	**1,422.3**	**1,233.2**	**853.9**

SECURITIES PORTFOLIO

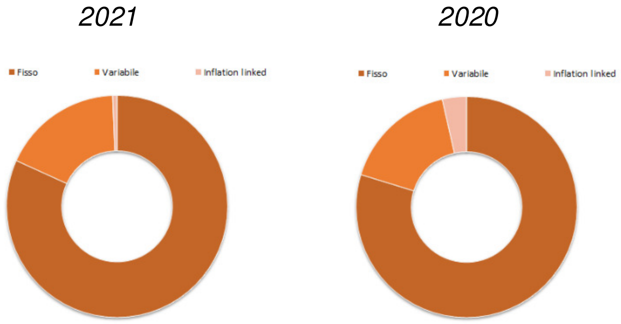
The portfolio of debt securities is made up as follows:

Amounts of portfolio of debt securities (thousands of Euro)

Issuer	2021			2020		
	Nominal Value	Amortised cost	Fair Value	Nominal Value	Amortised cost	Fair Value
***Hold to Collect* Business model**	**409,972**	**424,698**	**434,387**	**414,972**	**432,954**	**455,389**
Governments	381,972	396,336	405,256	391,972	409,655	431,452
Banks	23,000	23,363	24,137	23,000	23,299	23,937
Finance companies	5,000	4,999	4,994	-	-	-
***Hold to Collect & Sell* Business model**	**45,000**	**46,923**	**47,908**	**93,400**	**100,747**	**103,509**
Governments	40,000	42,737	43,577	82,500	89,655	92,409
EIB	5,000	4,186	4,331	-	-	-
Banks	-	-	-	10,900	11,092	11,100
Total	**454,972**	**471,621**	**482,295**	**508,372**	**533,701**	**558,898**

The bonds issued by banks have a residual average life of 2.0 years, the bond loan issued by the EIB (in USD) has a residual life of 9.1 years while government securities (Italian State bonds) have a residual average life of 6.2 years. 82% of the portfolio is represented by fixed rate securities, 18% by floating rate securities and 1% by inflation-linked securities.

Allocation of securities portfolio by interest rate type


2021
2020

Amounts of portfolio of mandatory FVTPL securities (thousands of Euro)

Issuer	2021			2020		
	Nominal Value	Amortised cost	Fair Value	Nominal Value	Amortised cost	Fair Value
***FVTPL Mandatory* Business model**	**1,542**	**1,555**	**1,521**	**1,542**	**1,585**	**1,554**
Insurance policies	1,500	1,543	1,508	1,500	1,543	1,543
SPV	42	13	13	42	42	12
Total	**1,542**	**1,555**	**1,521**	**1,542**	**1,585**	**1,554**

The bonds shown in the table are mandatorily classified in the FVTPL portfolio as they have not passed the SPPI test required by IFRS9 for classification in the HTC and HTCS business models; it is a security issued by an insurance company purchased as part of the treasury activity and two tranches (mezzanine and junior) issued by an SPV as part of an NPL sale transaction in which the Bank participated as transferor at the end of 2021.

HEDGING TRANSACTIONS AND DERIVATIVES

Cap options

The Bank offers its customers cap options to hedge loans sold to them. Concurrently with the sale of individual contracts, the Bank has been purchasing symmetrical cap options to cover the risks of the operations.
During the year, 2 new contracts with symmetrical coverage were signed for a total of €3.0m.
The table below compares overall nominal amounts as at 31 December 2021 with 2020.

Financial derivatives – cap options (in thousands of Euro)

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2021	2020	Dec 21	Dec 20
- sales (customers)	1,500	1,500	38,478	41,704
- purchases (banks)	1,500	1,500	38,478	41,704
TOTAL	**3,000**	**3,000**	**76,956**	**83,408**

Warrants

As part of the acquisition of certain equity investments, the Bank was assigned the following warrants, on a free basis, listed on the Italian Stock Exchange and recognised at *fair value* (market value).

Issuer	Dec 2021		Dec 2020	
	Quantity (no.)	Fair value (€/thousand)	Quantity (no.)	Fair value (€/thousand)
Aquafil S.p.A	20,300	14.8	20,300	3.5
Guala Closures S.p.A.	-	-	80,000	24.6
Fine Foods & Pharmaceuticals NTM S.p.A.	-	-	30,000	46.5
Total	**20,300**	**14.8**	**130,300**	**74.6**

BORROWING OPERATIONS AND TREASURY MANAGEMENT

The most significant borrowing flows are represented by bond issues for €76m and deposits from corporate and retail customers for €137m, with predetermined maturity for €110m (of which €64m relating to the Conto Rifugio accounts). Furthermore, in December 2021, a new TLTRO-III drawdown was finalised which made it possible to replace the previous stocks maturing in 2023 with an increase in exposure of €44m and an extension of the maturity to December 2024.

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2021	%	2020	%	% Chg.
BONDS	**75,500**	**10.3**	**150,000**	**15.7**	**-49.7**
FUNDS FROM BANKS	**522,048**	**71.1**	**644,330**	**67.6**	**-19.0**
- EIB funds	88	0.0	39,600	4.2	-99.8
- ECB funds	519,460	70.7	472,230	49.5	+10.0
- other medium/long-term bonds	2,500	0.3	132,500	13.9	-98.1
- current accounts and short-term deposits	-	0.0	-	0.0	-
FUNDS FROM CUSTOMERS	**137,072**	**18.7**	**158,745**	**16.7**	**-13.7**
- CDP funds	250	0.0	30,985	3.3	-99.2
- funds from third parties	-	0.0	120	0.0	-100.0
- corporate/retail demand deposits[1]	26,934	3.7	35,310	3.7	-23.7
- corporate/retail time deposits[2]	109,888	15.0	92,330	9.7	+19.0
TOTAL	**734,620**	**100.0**	**953,075**	**100.0**	**-22.9**

1 The amount includes €4.8m relating to the Conto Rifugio online account.
2 The amount includes €64.4m relating to the Conto Rifugio online account.

In terms of amounts, there was an increase in bond collections (+18.6%) as well as in deposits from customers with demand and time deposits, which rose by a total of €52m to €365m.
Total funding amounts to €1,460m (-3.8%).

Overall amounts of borrowing operations (in thousands of Euro)

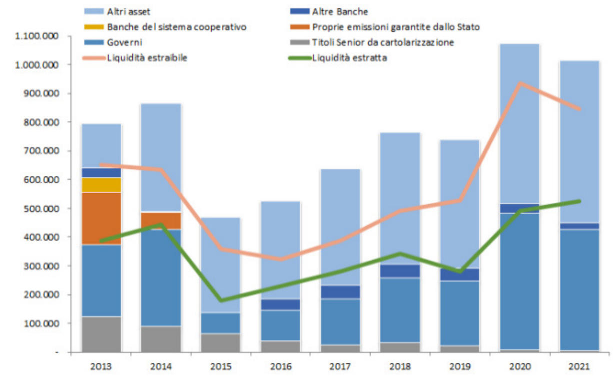
TYPE	OVERALL AMOUNTS				
	Dec 21	%	Dec 20	%	% Chg.
BONDS	**322,396**	**22.1**	**271,847**	**17.9**	**+18.6**
FUNDS FROM BANKS	**705,545**	**48.3**	**847,149**	**55.8**	**-16.7**
- EIB funds	76,768	5.3	87,123	5.7	-11.9
- ECB funds	519,384	35.6	471,722	31.1	-10.1
- other medium/long-term bonds	84,099	5.8	228,153	15.0	-63.1
- current accounts and short-term deposits	25,294	1.7	60,151	4.0	-57.9
FUNDS FROM CUSTOMERS	**432,447**	**29.6**	**399,774**	**26.3**	**+8.2**
- CDP funds	43,978	3.0	58,730	3.9	-25.1
- funds from third parties	23,407	1.6	28,315	1.9	-17.3
- corporate/retail demand deposits and c/a[1]	171,335	11.7	183,242	12.1	-6.5
- corporate/retail time deposits[2]	193,727	13.3	129,487	8.5	+49.6
TOTAL	**1,460,388**	**100.0**	**1,518,770**	**100.0**	**-3.8**

1 The amount includes €9.2m relating to the Conto Rifugio online account.
2 The amount includes €80.4m relating to the Conto Rifugio online account.

With regard to the reserves of liquid assets, in the portfolio for an amount of approximately €1,015m (-€59m compared to 31 December 2020), the residual liquid assets available from the ECB and other counterparties as at 31 December 2021 amounted to approximately €321m, thanks also to the contribution by collateralised banking assets (approximately €407m).

Breakdown of eligible securities (thousands of Euro)

Issuer	Eligible	Potential liquidity
Governments	421,972	414,837
Banks	5,378	4,991
Securitisation senior bonds	23,000	19,009
Total bonds	**450,350**	**438,838**
Other collateralised assets	564,364	406,653
Total bonds and other assets	**1,014,714**	**845,491**
Liquidity already drawn		524,395
Residual available liquidity		**321,096**



PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are functional investments that amount to approximately €8.3m, mainly buildings where the Trento headquarters and the Treviso, Bologna, Brescia and Padua branches are located.

Electronic systems recorded an increase, net of depreciation, due to the residual investments made for remote working technological preparation, as a response to operational continuity upon the emergence of restrictions on the free movement of people resulting from the COVID-19 pandemic.

All other asset categories are affected by the decrease resulting from the depreciation process.

	Dec 2021	%	Dec 2020	%	% Chg.
Functional assets	**8,277**	**98.6**	**8,684**	**98.7**	**-4.7**
- *Land and buildings*	7,547	89.9	7,837	89.1	-3.7
- *Furnishing*	280	3.3	307	3.5	-8.8
- *IT equipment*	98	1.2	91	1.0	+7.7
- *Other equipment*	279	3.3	353	4.0	-21.0
- *Vehicles*	-	-	5	0.1	-100.0
- *Software*	74	0.9	91	1.0	-18.7
Investment land	**116**	**1.4**	**116**	**1.3**	**-**
Total	**8,393**	**100.0**	**8,800**	**100.0**	**-4.6**

Pursuant to IFRS 16 - Leases, the Bank recognises under property, plant and equipment, the value of the right of use relating to lease contracts that fall within the scope of application of the standard.

The Bank identified as such long-term car rental contracts and real estate leases relating to the Bolzano branch office; the following table summarises the effects of the above.

	Dec 2021	%	Dec 2020	%	% Chg.
Rights of use	**106**	**100.0**	**152**	**100.0**	**-30.3**
- *Buildings*	75	70.8	115	75.7	-34.8
- *Vehicles*	31	29.2	37	24.3	-16.2
Total tangible and intangible assets	**8,499**	**100.0**	**8,952**	**100.0**	**-2.8**

During 2021, the Bank continued to implement some technical and organisational measures in connection with workplace safety regulations with the purpose of minimising the risk of accidents and mitigating environmental risks.

In 2021, the Bank resolved on the adequacy of its operational continuity plan as well as on testing the effectiveness of the Disaster Recovery Plan with the outsourcer of the IT System managed by Allitude S.p.A. The result of the test was positive, which means that should the need arise, it would be possible to maintain a sufficient level of business continuity for the Bank, characterised by low average levels of operational risk.

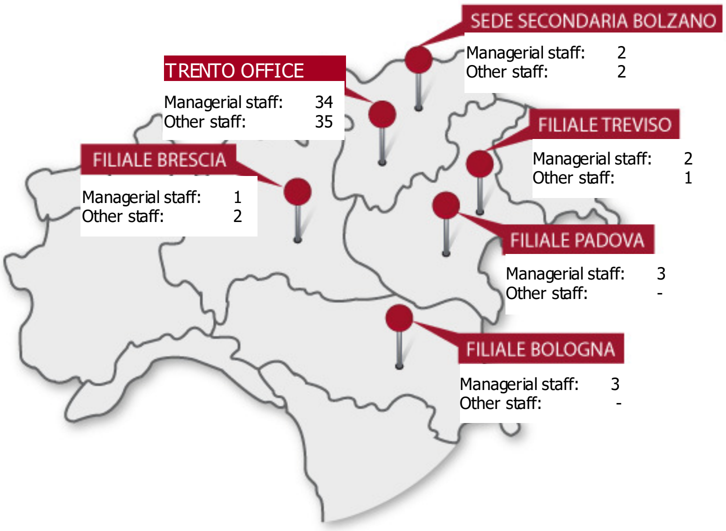
OPERATIONAL STRUCTURE

As at 31 December 2021, the number of employees increased by 3 units compared to 31 December 2020 There were 85 employees, of which 2 on a fixed-term contract: 69 full-time contracts and 16 part-time contracts.

Position and movement of employees[8]

	31/12/2020 situation	Resignations	Recruitments	Change of positions	31/12/2021 situation
Managerial staff (Executives)	6	-1	-	-	5
Managerial staff	40	-2	+2	-	40
Other staff	36	-4	+8	-	40
Total	**82**	**-7**	**+10**	**-**	**85**

Breakdown by area



Breakdown by age

	Men	Women	Total
≤ 30 years	7	3	10
> 30 years ≤ 45 years	12	7	19
> 45 years ≤ 55 years	18	13	31
> 55 years	15	10	25
Total	**52**	**33**	**85**

Breakdown by length of service

	Men	Women	Total
≤ 5 years	12	5	17
> 5 years ≤ 10 years	3	-	3
> 10 years ≤ 20 years	10	7	17
> 20 years	27	21	48
Total	**52**	**33**	**85**

A total of 3.562 hours was dedicated to staff training; the following table shows a breakdown of "classroom days":

	Planned training		Required training	
Area / Services	**Days**	**No. of attendees**	**Days**	**No. of attendees**
Control functions	18.2	5	2.6	3
Management and Staff	101.3	20	11.8	5
Market Area	166.9	20	-	-
Credit area	69.6	13	0.6	1
Legal area	37.8	9	14.4	4
Admin. and Finance Area	72.0	18	12.8	5
Total	**465.7**	**85**	**42.2**	**18**

The Administrative Board carried out their activities through 17 meetings of the Board of Directors, 11 meetings of the Board of Statutory Auditors and 2 Ordinary Shareholders' Meeting.

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[8] The item "Other staff" includes employees belonging to professional areas.

PRINCIPAL TRENDS IN THE FINANCIAL STATEMENTS AND STATE OF AFFAIRS

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (ABRIDGED)

(in thousands of Euro)

Assets	31.12.2021	31.12.2020	Chg.	% Chg.
CASH AND CASH EQUIVALENTS	32,306	19,222[9]	+13,083	+68.1
DERIVATIVES	405	189	+216	+114.3
EQUITY SECURITIES	70,695	57,758	+12,937	+22.4
DEBT SECURITIES	474,010	537,923	-6,914	-11.9
LOANS AND ADVANCES TO BANKS	2,837	2,424[9]	+413	+1.9
LOANS AND ADVANCES TO CUSTOMERS	1,053,945	1,068,634	-14,688	-1.4
EQUITY INVESTMENTS	336	336	-	-
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	8,499	8,952	-453	-5.1
TAX ASSETS	13,755	15,911	-2,155	-13.5
OTHER ASSETS	14,771	5,163	+9,608	+186.1
TOTAL ASSETS	**1,671,558**	**1,716,512**	**-44,954**	**-2.6**

Equity and liabilities	31.12.2021	31.12.2020	Chg.	% Chg.
DUE TO BANKS	705,545	847,149	-141,604	-16.7
DUE TO CUSTOMERS	432,447	399,774	+32,673	+8.2
DEBT SECURITIES IN ISSUE	322,396	271,847	+50,549	+18.6
FINANCIAL LIABILITIES HELD FOR TRADING	380	110	+270	+245.5
TAX LIABILITIES	5,920	5,985	-65	-1.1
OTHER LIABILITIES	8,976	7,763	+1,213	+15.6
VALUATION RESERVES	13,506	7,010	+6,496	+92.7
CAPITAL AND RESERVES	175,916	173,622	+2,294	+1.3
NET INCOME FOR THE PERIOD	6,471	3,252	+3,219	+99.0
TOTAL EQUITY AND LIABILITIES	**1,671,558**	**1,716,512**	**-44,954**	**-2.6**

Each amount reported is rounded: any possible discrepancies are due to rounding.

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[9] The figure as at 31 December 2020 has been modified to incorporate the provisions of the 7th update of Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statement information to the FINREP reports, that loans to banks and central banks on demand are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks". The reclassification concerned the amount of €19,218,860.

RECLASSIFIED ABRIDGED INCOME STATEMENT[10]

(in thousands of Euro)

Items	2021	2020	Chg.	% Chg.
NET INTEREST INCOME	**21,957**	**18,373**	**+3,584**	**+19.5**
Net fee and commission income	1,901	1,442	+459	+31.8
Dividends	2,608	1,370	+1,238	+90.4
OPERATING MARGIN	**26,466**	**21,185**	**+5,281**	**+24.9**
Revenues from sale	1,587	6,821	-5,234	-76.7
Net fair value results	155	1	+154	-
NET INTEREST AND OTHER BANKING INCOME	**28,208**	**28,007**	**+201**	**+0.7**
OPERATING COSTS	(11,748)	(11,397)	-351	+3.1
GROSS OPERATING INCOME	**16,461**	**16,610**	**-149**	**-0.9**
NET IMPAIRMENT ADJUSTMENTS	(7,738)	(12,092)	+4,354	-36.0
PROFIT (LOSS) BEFORE INCOME TAXES	**8,722**	**4,518**	**+4,204**	**+93.1**
INCOME TAXES	(2,251)	(1,265)	-986	+77.9
NET INCOME FOR THE PERIOD	**6,471**	**3,252**	**+3,219**	**+99.0**

Each amount reported is rounded: any possible discrepancies are due to rounding.

COMPOSITION OF INTERIM RESULTS WITH RESPECT TO NET INTEREST AND OTHER BANKING INCOME

(data in %)	2021	2020
Net interest income / Net interest and other banking income	77.8	65.6
Gross operating income / Net interest and other banking income	58.4	59.3
Profit (loss) before income taxes / Net interest and other banking income	30.9	16.1
Net income for the period / Net interest and other banking income	22.9	11.6

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[10] The half-yearly results of the reclassified income statement are presented here to highlight the gross operating income by separating the components related to the business from those arising from impairment processes. This result was obtained by reclassifying time reversal write-backs on loans from "interest income" to "net impairment adjustments" of €0.668m in 2021 and €1.124m in 2020, profits/losses from the sale of loans from net interest and other banking income to "net impairment adjustments" of €1.147m (profits) in 2021 and €0.712m (losses) in 2020, the net positive result of financial assets mandatorily measured at fair value of €0.196m (€1.188m in 2020) and the provisions for legal risks relating to disputes on loans from "operating costs" to "net impairment adjustments" of €20 thousand (adjustments) in 2021 and €30 thousand (write-backs) in 2020. Moreover, net losses on equity investments of €470 thousand (2020, absent in 2021) were reclassified under net impairment adjustments and the effects of applying IFRS 16 were neutralised by reclassifying under other administrative costs both interest expense on the payable to lessees (€1.3 thousand in 2021 and €2.0 thousand in 2020) and amortisation of rights of use (€67.6 thousand in 2021 and €70.6 thousand in 2020). Finally, interest income includes interest expense on assets of €151 thousand in 2021 and €64 thousand in 2020 and interest expense includes interest income on liabilities of €5.012m in 2021 and €1.671m in 2020.

INCOME STATEMENT DYNAMICS

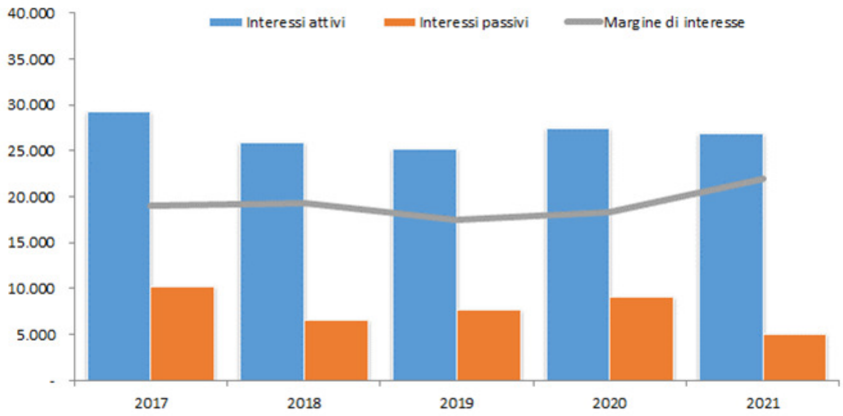
Net interest income

Breakdown of the net interest income (thousands of Euro)

Items	2021	2020	Chg.	% Chg.
INTEREST INCOME AND SIMILAR REVENUES	26,919	27,435	-516	-1.9
INTEREST EXPENSE AND SIMILAR CHARGES	(4,962)	(9,062)	+4,100	-45.2
NET INTEREST INCOME	**21,957**	**18,373**	**+3,584**	**+19.5**

The net interest income is up by 19.5% compared to that of 2020: overall, the spread of money management (net interest income, net of interest on arrears and doubtful loans) goes to 1.32% from the 1.15% recorded by the Bank in the previous year. In particular, there were decreases in the average cost of funding (0.33% vs 0.64%; -0.30%), linked to the further improvement of the conditions on TLTRO-III refinancing transactions, with a simultaneous increase in the average balances of 4.5% (the combined effect produced lower interest expense for €4.1m) and the average return on the interest-bearing asset (1.65% vs 1.79%; -0.14%) combined with a significant increase in average balances of 7.2% (loans +2.4%; securities +6.8%) with a combined effect of lower interest income for €360 thousand. There was also an improvement in the average return for the collection of default interest on arrears and doubtful loans, which rose to 1.02% compared to 0.72% in 2020 combined with the essential halving of average balances (-48%) with a negative effect on margins of approximately €156 thousand.

Trend in net interest income (thousands of Euro)



Operating margin

Net commissions, amounting to €1.901m, increased by €459 thousand (+31.8%) compared to 2020, due to higher commissions for early repayment (+€422 thousand) and the recovery of the component linked to the disbursement of credit. There was also an increase in commission expense on guarantees received, in particular on the hedges of the European Investment Fund (EIF) and on the - contingent - ones for the recognition of the GACS guarantee to the advisors on the "*Buonconsiglio 3*" securitisation transaction of NPLs.

Net revenue from services (thousands of Euro)

Items	2021	2020	Chg.	% Chg.
FEE AND COMMISSION INCOME	**2,549**	**1,906**	**+643**	**+33.7**
- survey and investigation	1,026	941	+85	+9.0
- corporate finance	680	626	+54	+8.6
- contractual	183	130	+53	+40.8
- administrative	105	73	+18	+43.6
- early termination	509	87	+422	+486.8
- others	46	48	-2	-4.9
FEE AND COMMISSION EXPENSE	**(648)**	**(463)**	**-185**	**+40.0**
- brokerage of applications for credit lines	(42)	(83)	+41	-49.4
- guarantees on lending / borrowing	(579)	(354)	-225	+63.6
- others	(27)	(26)	-1	+3.8
NET COMMISSIONS	**1,901**	**1,442**	**+459**	**+31.8**

In 2021, dividends of €2,608 thousand were collected (€1.370m in 2020, +90.4%) of which €2.2m came from the share portfolio (Bank of Italy shares and shares of listed companies).
These income, together with the result from net commissions, brought the operating margin to €26.466m (+€5.281m; +24.9%).

Dividends (thousands of Euro)

	2021	2020	Chg.	% Chg.
Institutionals and debt recovery	131	42	+89	+211.9
Other investments	276	265	+11	+4.2
Treasury	2,200	1,063	+1,137	+107.0
Total	**2,608**	**1,370**	**1,238**	**+90.4**

Net interest and other banking income

Debt securities portfolio management generated capital gains of €1.6m (compared to €6.8m in 2020). The net result of assets and liabilities measured at fair value included capital losses of €20 thousand as a result of changes in the fair value of cap options and warrants and of exchange gains of €176 thousand deriving from the valuation of securities in foreign currencies.
The above-mentioned results bring net interest and other banking income to €28.208m, up by 0.7% (+€201 thousand) with respect to the comparative data of the previous year.

Operating costs

Administrative costs amounted to €11.023m, an increase of €402 thousand compared to the previous year (€10.620m), as a result of the increase in personnel costs (+€190 thousand), contributions to the banking crises resolution fund and the interbank deposit protection fund (+€174 thousand) and, more marginally, other administrative costs (+€37 thousand). With reference to the latter component, we note the increase in IT expenses (+€245 thousand) and in professional and credit recovery expenses (+€62 thousand), offset in part by savings on advertising expenses (-€247 thousand) and, to a lesser extent, on other operating items.

Operating costs (thousands of Euro)

Items	31.12.2021	31.12.2020	Chg.	% Chg.
ADMINISTRATIVE COSTS:	(11,023)	(10,620)	-402	+3.8
a) payroll:	(7,474)	(7,283)	-190	+2.6
- employees costs	*(6,990)*	*(6,793)*	*-197*	*+2.9*
- directors and auditors costs	*(484)*	*(490)*	*+6*	*-1.2*
b) other administrative costs[11]	(2,554)	(2,517)	-37	+1.5
c) contribution to the banking crisis resolution fund[12]	(995)	(821)	-174	+21.3
NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES	(379)	(239)	-141	+58.9
NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	(463)	(496)	+33	-6.6
OTHER OPERATING CHARGES/INCOME	118	(42)	+160	-380.4
OPERATING COSTS	**(11,748)**	**(11,397)**	**-350**	**+3.1**

Net allocations to provisions for risks and charges concern, for €339 thousand, the forecasts of incentive bonuses for employees and, for €40 thousand, ongoing legal disputes.
Amortisation and depreciation for the period totalled €463 thousand, down by €33 thousand compared to December 2020. Taking into consideration other net income of €118 thousand, operating costs recorded an

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[11] Recoveries from customers for indirect expenses and taxes incurred by the Bank (+€530 thousand in 2021, +€445 thousand in 2020) were reclassified, as a direct adjustment of the same, from the item "Other operating charges/income" to the item "Administrative costs". The item "Gains (losses) on disposal of investments" (-€1.2 thousand in 2021, -€1.6 thousand in 2020) was reclassified to the item "Net adjustments to property, plant and equipment and intangible assets". Moreover, the effects of applying IFRS 16 were neutralised by reclassifying under other administrative costs both interest expense on the payable to lessees (€1.3 thousand in 2021, €2.0 thousand in 2020) and amortisation of rights of use (€67.6 thousand in 2021, €70.6 thousand in 2020).

[12] The amount relating to the contribution to the banking crisis resolution fund and the interbank deposit protection fund was split off from the item "other administrative costs" for a better understanding of their trend.

increase of €350 thousand, bringing the cost to income ratio to 41.6%, compared to 40.7% in 2020; net of the extraordinary components, the ratio increased to 40.9% from 40.0% in December 2020.[13]

Efficiency indices

Items	2021	2020	Chg.
Operating costs/Net interest and other banking income (%)	41.6	40.7	+1.0
Payroll/Net interest and other banking income (%)	26.5	26.0	+0.5
Average cost per employee (thousands of Euro)	87.4	86.0	+1.5
Net interest and other banking income/average number of employees (thousands of Euro)	352.7	354.3	-1.7
Positive total/average number of employees (thousands of Euro)	20,898.2	21,717.0	-818.8

Net of the operating costs shown above, the Gross operating income stood at €16.461m, slightly down (-€149 thousand; -0.9%) compared to the result in the previous year.

Value adjustments and net income from financial activities

The analytical valuation of impaired loans produced value adjustments of €5.834m and write-backs of €3.399m, as well as recoveries of €512 thousand from collections on doubtful loans classified as loss-generating in previous periods.
On the other hand, the collective valuation process of the loans portfolio produced total net adjustments of €7.096 thousand. The collective valuation of HTC securities - minibonds, government securities and securities issued by a finance company classified as loans and advances to customers and bank securities classified as loans and advances to banks - generated net write-backs of €116 thousand, while the analytical valuation of an unlikely to pay minibond generated write-backs of €47 thousand. During the period, losses of €207 thousand were charged directly to the income statement.
Furthermore, the sale of doubtful loans generated net gains amounting to €1,147 thousand.
The collective valuation of HTCS securities - government securities and securities issued by banks - generated net write-backs of €10 thousand.
The collective valuation of the guarantees issued and the available margins generated adjustments of €9 thousand.
These reclassified financial statements also include provisions for legal disputes on loans and advances for €20 thousand, net positive changes in fair value on UCITS units for €230 thousand and net negative changes in fair value on debt securities of the FVTPL portfolio for €34 thousand.
Overall, total net value adjustments on financial and investment assets are modest and stood at €7.738m, compared to €12.092m in the previous year.

The measurement of the financial statement assets is summarised in the table below:

(thousands of Euro)

Items	31.12.2021	31.12.2020	Chg.	% Chg.
Value adjustments on HTC loans and advances (see part C tab.	(9,063)	(9,715)	+652	-6.7
Net gains/losses on the sale of HTC loans and advances (see	1,147	(712)	+1,859	-261.1
Provisions for legal disputes on loans and advances (see	(20)	30	-50	-166.7
Value adjustments on HTCS debt securities (see part C tab. 8.2)	10	21	-11	-52.4
Change in FV investments in UCITS (see part C tab. 7.2)	230	(1,157)	+1,387	-119.9
Change in FV debt securities FVTPL (see part C tab. 7.2)	(34)	(31)	-3	+9.7
Value adjustments on equity investments (see part C tab. 15.1)	-	(470)	+470	-100.0
Value adjustments on other fin. transactions (see part C tab. 11.1)	(9)	(58)	+49	-84.5
Write-down of receivables, securities and equity	**(7,738)**	**(12,092)**	**+4,354**	**-36.0**

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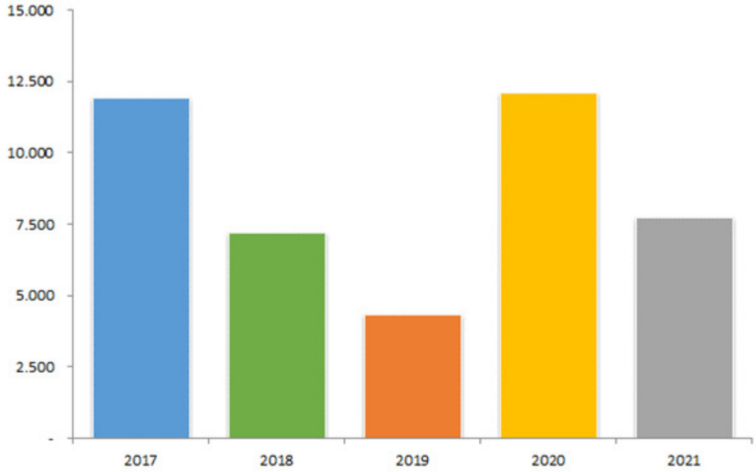
[13] The extraordinary contribution to the banking crisis resolution fund (€216 thousand in 2021, €191 thousand in 2020) and early retirement incentives (absent in both financial years) are considered extraordinary components, if present.

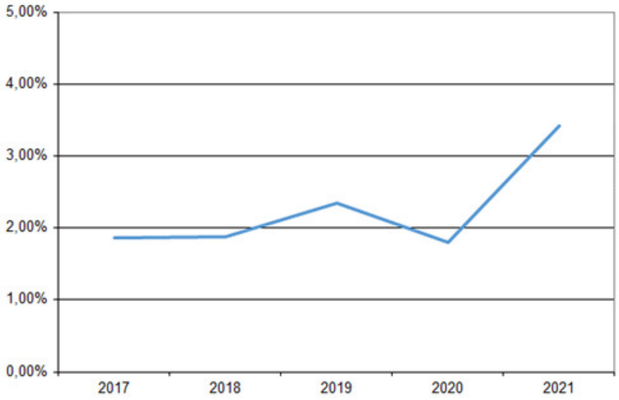
Trend in adjustments to loans and advances (thousands of Euro)



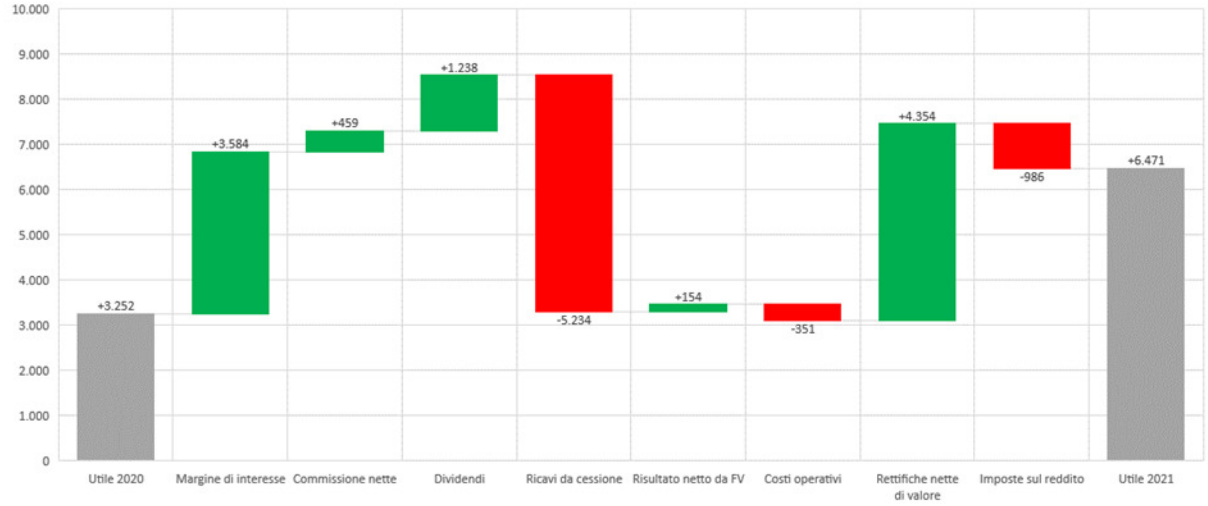
Profit (loss) for the year

The profit on current operations before taxes was €8.722m, marking an increase by 93% compared to the previous year (+€4.205m). Lastly, the net profit for the period, doubling the 2020 result, amounts to €6.471m, after the calculation of the tax burden of €2.251m, which expresses a tax rate of 25.8%.

Trend for ROE



Comparison of net profit 2020/2021



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Valuation reserves increased by €6.497m due to the adjustment of the value of financial assets measured at fair value through other comprehensive income and defined benefit plans (actuarial gains/losses). On the other hand, capital reserves increased by €2.080m due to the allocation of the 2020 profit and by €214 thousand as a result of the positive reserves relating to equity securities under the OCI option regime sold in 2021.
As shown in the table below, after taking into account the net income for the period, equity amounted to €195.894m, up by €12.010m.

(in thousands of Euro)

Items		Dec 2021	Dec 2020	Chg.
110.	Valuation reserves	13,506	7,010	+6,497
140.	Reserves	87,590	85,296	+2,294
150.	Additional paid-in capital	29,841	29,841	-
160.	Share capital	58,485	58,485	-
180.	Profit for the period	6,471	3,252	+3,219
	Total equity	**195,894**	**183,884**	**+12,010**

Own funds and capital adequacy

Own funds as well as the capital adequacy ratios were calculated on the data taken from the financial statements prepared in application of the international accounting standards IAS/IFRS and the supervisory regulations.
It should be noted here that on 12 December 2017, the European Parliament and the Council issued Regulation (EU) 2017/2395 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds" that updates CRR Regulation 575/2013, introducing the new article 473 bis "Introduction of IFRS 9", which offers banks the possibility of mitigating the impact on own funds deriving from the introduction of IFRS 9 in a transitional period of 5 years (from March 2018 to December 2022) by sterilising the impact in CET1 with the application of decreasing percentages over time. The Bank chose not to adopt this approach by calculating the entire effect due to the higher impairment, net of the tax component, in its own funds in 2018. Similarly, the Bank has not made use of the option to adopt the options provided for by the changes to the CRR introduced by the "quick fixes" regarding the IFRS 9 transitional regime envisaged by the new art. 473 bis of paragraph 9.

Common Equity Tier 1 capital – CET1

Common Equity Tier 1 capital consists of the share capital (€58.485m), additional paid-in capital (€29.841m), the reserves (the aggregate of the legal reserve, the extraordinary reserve, the reserves of special revaluation laws, those formed at the time of application/review of IAS/IFRS and that originated during the year from the sale of equity securities under the OCI Option) for an overall amount of €91.908m.[14]

It includes also the valuation reserves related to the equity securities under the OCI Option and the debt securities managed in the HTC&S business model amounting to €9.664m (positive) and reserves from actuarial gains/losses related to defined benefit plans (severance indemnities) amounting to €476 thousand (negative). It is adjusted by negative elements attributable to intangible assets of €74 thousand and by supplementary value adjustments to regulatory capital of €122 thousand.

2. Additional Tier 1 capital (Additional Tier 1 - AT1)

The capital structure of the Bank does not present elements included in the Additional Tier 1 capital.

3. Tier 2 capital (TIER 2 - T2)

The capital structure of the Bank does not present elements included in the Tier 2 capital.

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[14] The calculation of CET1 does not include the profit for the year in that the requirements set forth in article 26, paragraph 2 of Regulation (EU) 575/2013 as specified by Decision (EU) 2015/656 of 4 February 2015 are not complied with.

	2021	2020
A1. CET 1 before the application of prudential filters	**189,422**	**180,632**
of which CET1 instruments subject to transitional provisions	-	-
B. CET 1 prudential filters (+/-)	-122	-164
C. CET1 gross of the elements to be deducted and of the effects of the transitional regime (A+/-B)	**189,300**	**180,468**
D. Elements to be deducted from CET1	**+74**	**+91**
E. Transitional regime – Impact on CET1 (+/-)	**-**	**-**
F. Total CET 1 (C-D+/-E)	**189,227**	**180,377**
G. AT1 gross of the elements to be deducted and of the effects of the transitional regime	-	-
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime - Impact on AT1 (+/-)	**-**	**-**
L. Total AT1 (G-H+/-I)	**-**	**-**
M. T2 gross of the elements to be deducted and of the effects of the transitional regime	-	-
of which T2 instruments subject to transitional provisions	-	-
N. Elements to be deducted from T2	**-**	**-**
O. Transitional regime - Impact on T2 (+/-)	**-**	**-**
P. Total T2 (M-N+/-O)	**-**	**-**
Q. Total own funds (F+L+P)	**189,227**	**180,377**

The Own Funds are the first safeguard against risks that a bank has to deal with and, looking forward, the level of capitalisation is a crucial lever for developing the typical business of the Bank whilst simultaneously preserving its stability.

The statement included in part B. details the single items that contribute to determining the "risk-weighted assets" for the purposes of calculating the "solvency ratios", applying the standard method, as per the rules laid down by Basel III regulations; in particular:

- CET1 ratio: CET1 data / risk-weighted assets;
- T1 ratio: Tier 1 capital data / risk-weighted assets;
- Own funds ratio: Own funds data / risk-weighted assets.

With the acknowledgement in Italy of Directive 2013/36/EU (CRD IV) and in compliance with the provisions of the EBA with the Guidelines on common SREP, the Bank of Italy – in conclusion of the regular supervisory review process (SREP) – revised the bank's capital ratios, requesting additional capital with respect to the minimum regulatory requirements.

Moreover, from 1 January 2019, the minimum requirements will increase by 0.625% as a result of the end of the transitory period for the gradual introduction of the Capital Conservation Buffer measure envisaged by CRD IV.

Starting from 1 January 2019, the Bank is required to constantly meet the following capital requirements:

- CET1 ratio of 7.38%, including capital conservation buffer of 2.50%. This ratio is binding at 4.88% (minimum of 4.50% and 0.38% of additional SREP requirements);
- Tier 1 ratio of 9.01%, including capital conservation buffer of 2.50%. This ratio is binding at 6.51% (minimum of 6.00% and 0.51% of additional SREP requirements);

Total Capital ratio of 11.19%, including capital conservation buffer of 2.50%. This ratio is binding at 8.69% (minimum of 8.00% and 0.69% of additional SREP requirements).

(in thousands of Euro)

Categories/amounts	Non-weighted amounts		Weighted amounts	
	2021	2020	2021	2020
Credit risk and counterparty risk	**1,693,965**	**1,736,916**	**710,495**	**742,095**
1. Standardised approach	1,689,298	1,731,967	710,400	736,480
2. Internal ratings-based approach				
3. Securitisation	4,667	4,949	95	5,614
Market risk and settlement risk			**4,351**	**-**
Operational risk			**43,868**	**40,814**
Other specific risk			**-**	**-**
Risk-weighted assets			**758,714**	**782,908**
Regulatory capital requirements			60,697	62,633
CET1/Risk-weighted assets (CET1 capital ratio)			24.94	23.04
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			24.94	23.04
Total own funds/Risk-weighted assets (Total capital ratio)			24.94	23.07

Own funds amounted to €189.2m; net of the minimum regulatory requirements, their residual value was as follows:

- €152.2m with respect to the 4.88% threshold set for CET1, reduced to €133.2m to take into account the additional conservation buffer;
- €120.9m with respect to the 9.01% threshold set for total Tier 1 capital; and
- €104.3m with respect to the 11.19% threshold set for own funds;

which are considered adequate to ensure the development of the business activity and future compliance of the minimum equity requirements established by Basel III.

Trend in own funds

	2021	2020
Opening Tier 1 capital	**180,377**	**170,868**
Share capital increase (+)	-	-
Share capital reduction (-)	-	-
Non-distributed income (-)[15]	+2,294	+3,995
Change in Bank's creditworthiness (-)	-	-
Change in comprehensive income:	+6,497	+5,498
Assets through other comprehensive income	+6,515	+5,511
Defined benefit plans	-18	-13
Other	-	-
Changes in goodwill and other intangible assets	+17	+41
Changes in deferred tax assets that depend on future profitability and do not derive from temporary differences	-	-
Changes in the impact of the transitional regime	-	-
Losses in the current year	-	-
Unrealised losses measured at fair value	-	-
Unrealised gains measured at fair value	-	-
Deduction of deferred tax assets that depend on future profitability and do not derive from temporary differences	-	-
Deferred tax assets that depend on future profitability and derive from temporary differences existing as at 1 January 2014	-	-
Variation in surplus elements to be deducted from Additional Tier 1 capital with respect to Additional Tier 1 capital	-	-
Other changes	+42	-26
Changes in Additional Tier 1 capital (AT1)	-	-
Losses in the current year	-	-
Variation in surplus elements to be deducted from Additional Tier 1 capital with respect to Additional Tier 1 capital	-	-
Closing Tier 1 capital	**189,227**	**180,377**
Opening Tier 2 capital	**-**	**-**
Share capital increases that cannot be included in Tier 1 capital (+)	-	-
Share capital decreases that cannot be included in Tier 1 capital (-)	-	-
Changes in the impact of the transitional regime	-	-
Amortisation/Depreciation changes	-	-
Other changes	-	-
Closing Tier 2 capital	**-**	**-**
Own funds	**189,227**	**180,377**

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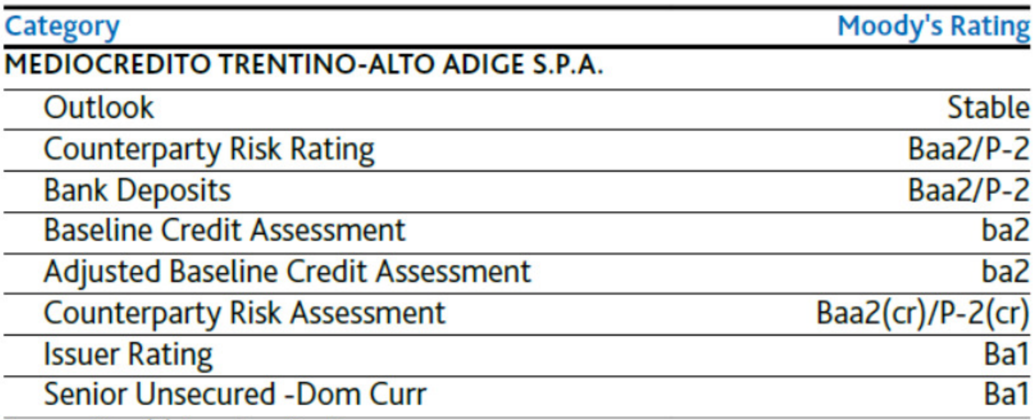
[15] The amount also includes the profit or losses deriving from the sale of equity securities held under the OCI option.

Rating

In January 2022, Moody's improved the Bank's deposit rating level from Baa3 to Baa2. On the same occasion, the outlook on the issuer rating (Ba1) was changed from negative to stable.

Moody’s Investor Service



Category	Moody's Rating
MEDIOCREDITO TRENTINO-ALTO ADIGE S.P.A.	
Outlook	Stable
Counterparty Risk Rating	Baa2/P-2
Bank Deposits	Baa2/P-2
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Issuer Rating	Ba1
Senior Unsecured -Dom Curr	Ba1

Source: Moody's Investors Service

THE SYSTEM OF INTERNAL CONTROLS, COMPLIANCE WITH LAWS AND REGULATIONS AND RISK MANAGEMENT

In spite of the fact that the Bank, given its size and business model, operates in a moderate risk context, which remained essentially stable also during 2021, it attaches great importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk, protecting its financial soundness and reputation.

The departments involved in Risk Management and internal controls i.e. Internal Auditing, Compliance and Risk Management, regularly discuss the issues with the General Management and with the Manager responsible for preparing the company´s financial reports directly and through several committee meetings, which have been entrusted with the task of monitoring the different risk profiles and the correct functioning of the control system. These committees include the ALCO Committee, for financial risks, the Credit Risk Management Committee, the Investment Committee for the management and evaluation of venture capital investments as well as the Control Committee that is entrusted with the supervision of the overall system of control and risk management.

For more in-depth information relating to tasks, missions and characteristics of the departments and committees involved, please see the relevant sections in Part E - Notes to the Financial Statements.

AUDITING ACTIVITY

Internal Auditing responsibility is entrusted to the Auditing department that constantly monitors company processes and activities to ensure that they comply with regulations and assess the effectiveness of the overall system of internal controls.

The Internal Control System has been monitored by the Internal Auditing Office that, in the reports prepared at the end of the various checks carried out in the course of the year, has always given a focus to such an important aspect. During 2021, Internal Auditing activities were also focused on controlling the correct functioning of I- and II-level controls within the Bank. Shortcomings, where encountered and in particular when considered significant, have been promptly referred to the relevant Operational Unit indicating possible solutions to be adopted, aimed at improving the complex system of internal controls. The Internal Auditing Service monitors that requested changes and the adaptation of the relative process are implemented in the course of its follow-up activity and highlights the results in special reports.

A Service Agreement is in effect between the internal auditing function and the compliance function of the Bank in order to avoid duplication in their monitoring responsibilities and obtain better efficiency in the control process. To this end, an IT tool (Allitude/SIC platform) is in place, which includes specific functionalities dedicated to the control system and, also in 2021, work continued on the review and continuous updating of 1st level controls and their simultaneous replication on the mentioned platform.

Moreover, the Internal Auditing Service reports on a regular basis to the Board of Directors, the Board of Statutory Auditors, the Control Committee and the General Management on the annual and multiannual work programme in advance and with regard to the final results of all the activities carried out, highlighting structural critical points, the most suitable improvements and providing an overall assessment of the internal control system.

COMPLIANCE ACTIVITY

The management of non-compliance risk is assigned to the Compliance and Risk Management Department whose activities consist of identifying and assessing non-compliance risks, proposing organisational changes to mitigate them, providing support and advice to senior management and business units on all matters on which non-compliance risk is significant, assessing the Bank's new areas of operation, in order to identify and define the necessary regulatory compliance processes, monitoring (also together with the other company control functions) to ensure that compliance continues and promoting a business culture characterised by an observance for integrity and law.

The work method adopted was based on a "risk-based" approach – giving priority and structuring compliance activities in relation to the level of exposure to risk – and involved the use of documentary sources and extensive interaction with internal and external stakeholders who, in various capacities, contribute to the management of non-compliance risk.

In 2021, the traditional activities of controlling the risk of non-compliance and verification and updating of the internal control system concerned the following aspects:

- strengthening of activities to combat money laundering and the financing of terrorism (Directive no. 2018/843 of the European Parliament and of the Council, of 30 May 2018 - the "V Anti-Money Laundering Directive");
- EBA guidelines on risk factors for customer due diligence;
- provisions on Product Oversight and Governance (POG) of banking products;
- provisions on corporate governance;
- EBA guidelines on loan granting and monitoring;
- analysis of the new operating areas of the Bank.

Moreover, the compliance function focused on the following specific issues:

- ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process);
- remuneration and incentive policies;
- organisational procedures for the provision of investment services and activities to the public;
- risk assets and conflicts of interest;
- anti-money laundering;
- operational continuity;
- transparency of customer relations;
- process for managing targeted longer-term TLTRO-III refinancing operations.

RISK MANAGEMENT ACTIVITY

The management and monitoring of the overall risks for the Bank is entrusted to the "Risk Management" function that, in the organisational chart, reports directly to the Board of Directors - responsible for the overall monitoring of the risk management and control system – with a reporting line into the General Management. The "Risk Management" function attends the board committees in charge of assessing and managing risks and, in particular, is part of the Credit Risk Management Committee and the ALCO Committee for financial risks, and the Control Committee, of which it is the secretary.

The Bank's system of internal controls is based on a model that ensures the organisational separation of the control functions from the business, guaranteeing its independence.

The "Risk Management" function aims to identify, assess and monitor the overall risk of the Bank through the integrated coordination of the various risk profiles (credit, financial, etc.), by offering support to the General Management and the Board of Directors in defining the decisions regarding sustainability and risk tolerance, the policies for the assumption, governance and significant risks for the Bank, in application of the regulatory framework set forth by the Supervisory Authorities.

In 2021, the main areas of intervention of the "Risk Management" department concerned:

- activities in terms of contribution to the definition and implementation of the Risk Appetite Framework (RAF) and Statement (RAS), and the associated risk governance policies and monitoring and control of these risks and subsequent management reporting;
- risk measurement, assessment and control system correlated to the obligations and compliance with the Internal Capital Adequacy Assessment Process (ICAAP), and the quarterly monitoring of the Bank's significant risks;
- for credit risk, activities relating to the monitoring of the performance of credit exposures, risk concentrations, the assessment of the consistency of asset classifications and the adequacy of provisions for IFRS 9 compliant impaired and non-impaired exposures ; in this context, it reiterated the assessment of the risk profiles of the sectors potentially subject to impairment as a result of the ongoing pandemic context, with particular reference to customers belonging to the segment of cableways, hotels and tourism in the context of the wider analysis of customers beneficiaries of moratoria; the function has also examined and assessed the credit quality of positions acquired through other bank intermediaries with which the bank entertains strong relationships;
- preventive analysis of new regulations/policies and related organisational procedures, as well as their updates in accordance with internal regulations;
- monitoring the risks on public investment services.

Impacts deriving from the COVID-19 pandemic

In terms of credit risk, the Risk Management Department carried out an in-depth analysis of the portfolio in terms of risk by segment, focusing on the Bank's lending operations in the forborne category and, in the context of this transversal analysis, a specific assessment of the phenomenon in the sectors most exposed to the consequences of the COVID-19 pandemic crisis, identified - in consideration of the area of operation of the Bank and the economy of the reference territories - in those related to tourist flows, first of all that of Hospitality and that of Cableways.

This activity was carried out with the aim of providing the Management and the Board of Directors with a snapshot of the scope and the current composition of the portfolios under analysis, showing the breakdown in terms of customers' operating segments, geographical location, degree of risk and presence of collateral guarantees; some monitoring indicators were also used (such as, for example, the Rating classes of the IFRS 9 Impairment Model) with the aim of identifying transactions with potential critical areas to be monitored. No particular risk phenomena emerged from the analyses.

Please refer to the sections of Part E for further details.

COMPLIANCE WITH REGULATIONS

V Anti-Money Laundering Directive (Legislative Decree 125/2019)

During 2021, processes for the customer due diligence pursuant to the "V Anti-Money Laundering Directive" (Directive no. 2018/843 of the European Parliament and of the Council of 30 May 2018) on preventing the use of the financial system for money laundering purposes and terrorist financing (transposed into Italian law with Legislative Decree no. 125 of 4 October 2019) were enhanced. The Italian Legislative Decree had introduced amendments and additions to the previous Legislative Decree no. 231/2007 as amended by Legislative Decree no. 90/2017 (which in 2017 transposed the fourth EU directive).

The main interventions adopted during the year are shown below.

1. *New IT tools*

a) VISIUS: the current legislation on the fight against money laundering and the financing of terrorism places a series of particularly stringent duties and obligations on the part of bank intermediaries in terms of customer due diligence and identification of the beneficial owner. This is required both in the establishment of a new relationship, and in the constant monitoring of the same over time. In order to improve and strengthen the safeguards currently in place and to ensure greater certainty and reliability in the verification and control activities, the Bank has identified the IT product called "VISIUS" as a useful and easy support tool. The platform compares lists of companies and their beneficial owners identified in the Cerved databases with customers' declarations and that resulting from the company information system. The application is also able to detect the changes filed in Chambers of Commerce on a daily basis relating to companies and their respective associates and to include them in the daily monitoring process.

b) COMPLIFY: for a correct identification of Beneficial Owners, the anti-money laundering provisions require a complete and verifiable examination of the entire customer ownership chain also with regard to foreign companies. In order to fully implement these provisions, the Bank has decided to add a new service - COMPLIFY by eSQuaD - to the instruments already active, which allows to investigate the Beneficial Owners of any foreign companies present in the corporate structure of its customers. The service uses official data deriving from world public sources by extrapolating, according to the criteria indicated by the reference legislation (Article 20, paragraph 1 and following, of Legislative Decree 231/2007), the Foreign Beneficial Owner.

2. *EBA guidelines on risk factors for customer due diligence*

In line with the assessment obligations established by Directive 2015/849, the EBA highlighted that banking and financial intermediaries must carry out both an assessment at company level, i.e. an assessment of the risk deriving from the nature and complexity of their business (the business-wide risk assessment), and an assessment of individual risks, i.e. those connected to ongoing established relationships or to occasional transactions carried out by customers (the individual risk assessments). Each of the assessments mentioned is divided into two distinct but correlated phases: i) identification of the ML/TF risk factors; ii) the ML/TF risk assessment.

As specified by the EBA, the calculation of the residual risk, both corporate and individual, understood as the downstream risk of mitigation activities, is the result of the combination of three elements, such as the level of intrinsic risk, i.e. the "pre-mitigation" risk, the quality of the controls and the possible presence of other circumstances capable of mitigating the risk.

Provisions on Product Oversight and Governance of banking products - POG

With the Measure of 5 December 2018, the Bank of Italy adopted additions and amendments to its Measure of 29 July 2009 on the subject of "Transparency of banking and financial transactions and services. Regularity of the relationships between intermediaries and customers".

The intervention is aimed at implementing the Guidelines of the European Banking Authority on governance and control mechanisms for retail banking products. Issued for the purpose of protecting consumers in relations with intermediaries, the Guidelines provide that banking products are designed and marketed in line with the interests, objectives and characteristics of the customer classes for which they are intended ("target market", or "reference market"), and provide for the need to define and manage the entire process of conception, design and distribution of the products themselves.

With the aforementioned intervention by the Bank of Italy, the regulation of banking products was improved with a new and important element represented by the rules dictated in terms of governance and control over products.

In this regard, it is important to point out that this discipline does not represent an absolute novelty since, even before this intervention, the issue had been dealt with. In particular, it is noted that:

- the Provisions on Transparency (Section XI) already required banks and intermediaries to adopt internal procedures aimed at regulating the phases of structuring and distribution of banking and financial products;
- the Supervisory Provisions for Banks (Circular 285/2013) and the EBA Guidelines on internal governance envisaged specific provisions dedicated to the conception and distribution of new products and services.

Although in line with these provisions, the new provisions are innovative from a strategic and operational point of view, bringing amendments and additions to the Provisions on Transparency (Sections VIII Credit brokers and XI Organisational requirements). Furthermore, the same are strongly connected with the rules on:

- transparency and fairness in relations with customers ("rules of conduct");
- adequate knowledge and skills of the personnel involved in the design and distribution of products ("suitability of relevant personnel");
- remuneration and incentive systems;
- conflicts of interest;

thus creating a connection with the provisions already in place in the field of investment products and services.

The new provisions thus further promote the process of gradual coming together of the disciplines of financial, insurance and banking products, whose rules on product governance represent, to date, one of the points of greatest convergence.

In this context, Mediocredito has developed a specific regulatory compliance project in order to ensure - through the definition of a new company policy - full compliance with the new provisions.

Corporate governance provisions (Bank of Italy Circular 285/2013)

With the 35th update of Circular 285/2013 of 30 June last year, the Bank of Italy introduced specific aspects aimed at strengthening, in line with CRD V, the governance structures of banks and at improving the link of current provisions with the evolution of the national and European regulatory framework.

Through a specific project, the Bank carried out an in-depth examination of the new regulations and has implemented interventions aimed at incorporating the innovations introduced into its self-regulation framework. In particular:

- the introduction of a minimum gender quota of 33% in the administrative and control bodies;
- the inclusion in the issues of strategic importance for decisions on some subjects such as Fintech; environmental, social and governance factors - ESG; funding policies;
- the provision of ethical standards for all personnel;
- the strengthening of some control measures;
- the provision of policies for managing the dialogue between directors and shareholders.

EBA guidelines on loan granting and monitoring (EBA/GL/2020/06)

On 29 May 2020, the EBA (European Banking Authority) published the final version of the new *Guidelines on Loan Origination and Monitoring* - EBA/GL/2020/06, hereinafter LOM or Guidelines.

After years of attention to the reduction of the stock of impaired loans (consequent to the serious financial crisis of 2008), the European Regulator has begun to study regulations aimed at making the lending activity of credit institutions less "risky", paying great attention to both the granting of loans and their subsequent monitoring. Furthermore, unlike the Guidelines on Non-Performing Loans published by the Regulator in 2017, the approach adopted in the LOMs covers all the operational areas of credit institutions (such as, for example, Information Technology for the development of automatic tools ever more advanced for creditworthiness assessment) and the introduction of automatic processes for "particular" contexts such as ESG (Environmental, Social and Governance). Specifically, the Guidelines concern:

- the devices, processes, internal governance mechanisms and credit and counterparty risk requirements, pursuant to Articles 74, paragraph 1 and 79, of Directive 2013/36/EU (CRD IV);
- the requirements relating to the assessment of consumer's creditworthiness, governed by Chapter 6, of Directive 2014/17/EU (Mortgage Credit Directive — MCD) and by art. 8 of Directive 2008/48/EC (Consumer Credit Directive — CCD).

With a note dated 20 July 2021, the Bank of Italy communicated the transposition of the Guidelines into national law (the Guidelines apply to banks, banking groups and, in part, to financial intermediaries pursuant to Article 106 of the Consolidated Law on Banking - TUB).

The key aspects that differentiate the new Guidelines are highlighted below:

- <u>financial sustainability of the customer</u>: both in the granting and monitoring phase, the Guidelines require the introduction of standards based on the concept of affordability, or financial sustainability of the customer in the medium-long term. This valuation approach must be used for both consumers and corporate customers. For example, for households, ability to save indicators are envisaged, such as loan to income or loan service to income, while for companies, indicators related to the ability to generate flows, to the inexperience/competence of the entrepreneur (including risk of generational change), etc. In this context, both in the granting and monitoring phase, the Guidelines require the evaluation of macroeconomic and industry scenarios and the development of sensitivity analyses, providing for stress tests to be carried out on the entire portfolio used, even if differentiated according to the customer and the nature of the relationship;
- <u>sustainability of the business model</u>: the LOMs are not limited to intervention on the granting and monitoring phases but require the sustainability of the bank's business model, highlighting the need for a loan pricing model that ensures the generation of value at customer and credit line level;
- <u>data infrastructure</u>: in parallel with the indications on processes and procedures, the Guidelines require that the granting and monitoring phases are supported by a greater completeness and soundness of the data infrastructure, managing all the information collected as part of the investigative activities;
- <u>early warning systems</u>: the Guidelines also require the refinement of the early warning systems with:
  - information sets (e.g. performance of guarantors and the value of the guarantees, commercial and financial covenants, etc.);
  - target events (expanding, for example, the concept of deterioration with respect to mere default);

  and integrating them into the credit granting and management process;
- <u>specialisation of decision-making policies and processes</u>: LOMs require specialisation of decision-making policies and processes, effectively overcoming the concept of "general credit chain";
- <u>supervision of credit skills</u>: specialisation is accompanied by a request for supervision of the credit skills of the actors involved in the granting and monitoring process (managers, decision-making structures, managers of high-risk positions, etc.). For these purposes, national and EU best practices provide for the breakdown of the actors involved on the basis of knowledge and expertise, especially in terms of predictive capacity, in order to define suitable delegated powers and dedicated training and career paths.

Some deadlines relating to the transitional regime granted by EBA by virtue of the pandemic emergency in progress are reported below:

- 21/07/2021 → entry into force of the LOMs on loans disbursed after that date;
- 30/06/2022 → LOMs applied also to loans and advances already existing as at 30 June 2021 if their terms and conditions were amended after 30 June 2022, provided that the changes follow the approval of a specific credit decision, and if their implementation requires a new loan agreement with the customer or an addendum to the existing agreement.
- 30/06/2024 → by this deadline, credit institutions must have filled any data gaps (through a regular review of borrowers' creditworthiness) and adjusted their monitoring structures and IT infrastructures.

In this context, the Bank has launched a specific company project aimed at integrating its operating processes in order to make them compliant with the new requirements. Below are the guidelines followed in the realisation of the project:

- strengthening of strategic credit planning processes by strengthening the framework for defining and monitoring credit policies;
- review of credit granting processes to optimise creditworthiness assessment mechanisms;
- introduction of innovative credit monitoring models, both at counterparty and portfolio level, using increasingly predictive logic in order to intercept the first signs of credit deterioration and activate the appropriate management actions;

- provision of operational and organisational models adapted to the new methods of origination and monitoring of credit in all its life stages;
- introduction of an enhanced IT architecture to manage credit granting and monitoring processes, also through the use of innovative tools and the creation of structured information databases on credit;
- continuous training of personnel involved in credit processes.

Basel III (Bank of Italy Circular no. 285/2013)

Regulation (EU) no. 575/2013 ("CRR"), which introduces the rules defined by the Basel Committee on banking supervision regarding capital adequacy (First Pillar) and public disclosure (Third Pillar) (known as Basel III) applies since 1 January 2014. The CRR is integrated by Directive 2013/36/EU ("CRD IV"), the Regulatory Technical Standards (RTS) and the Implementing Technical Standards (ITS).
With regard to liquidity risk, in compliance with the EBA guidelines, the internal liquidity adequacy assessment process (ILAAP) was carried out and the related report produced. Further details are provided in the relevant section of Part E of the Notes to the Financial Statements.

First Pillar

Regarding the first pillar, the Bank continued to adopt a simplified version of the Standardised Approach. Such methodology foresees sub-divisions in "portfolios" regarding the exposure of the bank and the application of a specific weighting factor to each portfolio.
As part of its basic guidelines, the Bank continued to perfect measures of Credit Risk Mitigation (CRM) in relation to the "exposures secured by property" portfolio. The related monitoring activity carried out in particular on non-performing positions was systematically implemented.
The structure comprises organisational controls - activities aimed at identifying and implementing the process stages, and procedural/operational controls. These consist of ways to activate an automated system for appraising the value of real estate (a service offered by an external provider), which is used in conjunction with real estate estimates carried out by the internal experts (belonging to an organisational unit that is autonomous and independent from the main businesses).

Second Pillar

The Risk Management supervised the capital adequacy assessment process (ICAAP) by reiterating the process at quarterly intervals to check and possibly improve the overall assessment structure, test the methodologies used to quantify measurable risks and to assess the results of the process both in terms of overall capital absorption and in terms of individual risk. This was done to verify that capital resources are able to cover the unexpected losses deriving from risks for which minimum capital requirements needs have not been established. The basic purpose of ICAAP is to determine Total Capital and check its capacity (in current terms - also introducing stress hypotheses - as well as prospective terms) to cover all relevant risks to which the Bank is exposed.
Out of these activities, the following conclusions have been made for 2021:

- confirmation of the procedure for the ICAAP Process and relative regulations both in terms of sphere of competence assigned to bodies and corporate functions, and of operational stages and information flow in relation to the size and nature of Bank activities;
- the consistency between ICAAP, RAF and Recovery Plan;
- confirmation of current and future capital adequacy.

Third Pillar

During 2021, the Public Disclosure as at 31 December 2020 was prepared and published.
The choices made by the Bank to comply with the disclosure requirements were approved by its supervisory body, which also performs the task - with the participation of the General Management - of adopting the necessary measures to comply with the requirements. Finally, the Board of Statutory Auditors – as body with control function - verifies the adequacy of the procedures adopted.
In particular, the disclosure presents, among other things, the composition of Own Funds with an indication of the capital requirements (including additional capital with respect to the minimum regulatory requirements) that the Bank is required to apply following the conclusion of the regular supervisory review process (SREP) by the Supervisory Body;
Also note that the other mandatory relevant information required by art. 432 of the CRR, namely:

- information pursuant to letter c), paragraph 2 of art. 435 of the CRR in relation to the corporate governance provisions contained in the "Report on corporate governance and ownership structures";
- information pursuant to art. 450 of the CRR regarding the implementation of the "General remuneration and incentive policies";

is published on the Bank's website.

New definition of default

As from 1 January 2021, the new European rules on the definition of "default" came into force, with which all financial intermediaries (banks and otherwise) have been aligned, pursuant to Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies and related provisions of the European Banking Authority (EBA) and the European Commission. The aforementioned Regulation (see in particular art. 178), in defining the essential conditions in the presence of which a debtor must be considered in a state of default, delegates:

- the EBA to carry out the task of defining the guidelines on the application of the definition of default as well as the technical regulations on the so-called "materiality thresholds" (see the "Guidelines on the application of the definition of default pursuant to art. 178 of the EU Regulation no. 575/2013" and "New regulatory techniques relating to the materiality threshold of past due loans");
- the European Commission has the task of quantitatively determining the extent of these thresholds.

In view of this renewed regulatory framework, the main changes that have occurred are shown below.

1. *Objective default.*

The new definition of default did not change the time limits for triggering the classification of past due positions (the limit of 90 days remained unchanged); the element on which the regulators intervened is the so-called "materiality threshold", i.e. the exemption that allowed banks - within certain limits - not to classify a position as default (set until 31/12/2020 in the 5% of total exposure).

On the basis of the new regulations, there will be an objective default (past due) after 90 days from the maturity date of the obligation (instalment payment), without the debtor having fulfilled it, in the presence of both of the following conditions (new "materiality thresholds"):

- the unpaid portion must be at least 1% of the debtor's total exposure (this component - valid for all types of counterparties - is defined as the "relative component");
- the total value of the past due exposure must be at least €100 for retail exposures / retail customers and €500 for other exposures / non-retail customers (so-called "absolute component").

2. *Subjective default.*

In any case it is still possible to classify a customer in default subjectively, or in the opinion of the bank, if this is not deemed able to fulfil the obligations assumed (if not through the enforcement of the guarantees given to cover the credit), or, in the case of unsecured credit positions, is not deemed able to promptly fulfil the obligations undertaken.

In this regard, it should be noted that in its Guidelines, in order to harmonise the discretion granted to intermediaries in the classification of customers, the EBA considered it appropriate to define a series of triggers in the presence of which the position must be qualified as in default. In particular: a) in the case of disposal of loans for which there has been a "distressed restructuring" (of the debt) that entailed a substantial remission of the same or a deferral of payments of principal, interest or commissions with a loss higher than 1% of the original debt; b) in case of bankruptcy of the borrower; c) in the event of specific provisions on the exposure in accordance with IFRS 9; d) in the event of loss of sources of income and increase in the level of financial leverage.

Upon the occurrence of the above conditions, all exposures to the debtor must be considered in default.

3. *Default contagion.*

The new regulation also introduces another important aspect called "default contagion", by virtue of which:

- if the joint account is in default, the contagion applies to the exposures of the individual joint holders;
- if all the joint holders are in default, the contagion is automatically applied to the exposures of the joint account.

In this regard, it points out that this new provision applies only to joint transactions and not to legal and/or economic links between parties (companies belonging to the same group).

On the other hand, within banking groups, the classification of a default position with one company of the group will entail the extension of this classification to all the companies of the same group.

4. *Offsetting between exposures.*

A further change related to the new definition of default is that it is no longer possible to apply the offsetting of past due amounts with any other available funds on unused or partially used credit lines, consequently classifying the customer as in default even in the presence of other available credit lines.

5. Restructuring of credit lines.

The regulations also introduce a new threshold for the classification as default in cases of credit line restructuring due to financial difficulties of the customer. If, as a result of the remodulation (forborne), a loss of more than 1% occurs, the Bank is required to classify the customer in a state of default (known as Diminished financial obligation).

6. Disposal of loans through securitisations.

The new EU provisions also apply to the disposal of loans through securitisations ("traditional securitisations", i.e. those that transfer ownership of the loans to the special purpose vehicle). In particular, the EBA Guidelines identify the cases in which the disposal of loans must be considered an indication of default with consequent classification of the customer. In particular:

- position without default index: if the disposal takes place for corporate policy reasons, or to increase liquidity, the loss resulting from it is not to be considered an indicator of default if the bank is able to document that the loss itself does not derive from an impairment of the possibility of debt recovery;
- position with default index:
  - individual position: if the sale takes place due to the decrease in the possibility of credit recovery and the loss incurred by the bank is greater than 5% of the value of the receivable gross of value adjustments, the transaction will give rise to a default ratio with consequent classification of the position (and any other related positions) in default status;
  - loan portfolio: in the event of disposal of a loan portfolio, if its price is determined by applying a discount to the total value of the loans (gross of value adjustments) that is such to entail a loss of more than 5%, it will be necessary to extend the default status to the entire portfolio (i.e. to all individual positions). The extension of the status should not be applied if the portfolio price was determined by specifying the discount rate applied to the individual positions.

7. Exit from default classification.

The provisions in question also introduce new conditions to "exit" the default condition; in particular, the transition to performing status will take place after the cure period that is three months after the position is settled (i.e. from the moment in which the conditions set forth in art. 178 of the CRR cease), or one year with reference to the customers that benefited from debt restructuring.

In these cases, the new provisions require that an important role is played by the bank's assessment of the customer's overall financial situation. The return to a performing status will in fact be possible only if the financial situation of the customer is considered stable in an effective and permanent manner.

ESG factors and corporate social responsibility

A few years after the Paris Agreement on climate change and the formalisation of the United Nations 2030 Agenda, sustainability has assumed an increasingly central role in the development projects of European institutions and in the future of the main companies as confirmed by the ambitions and objectives of the European Green Deal.

We are also witnessing this development at the Italian level and non-financial information is becoming increasingly important, stimulating and supporting a transition towards a way of doing business that is increasingly attentive to environmental, social and governance aspects.

Aware of the importance of social responsibility in doing business, the Bank has included some sustainability objectives in the 2020-2022 Business Plan, leading to some interventions being adopted and planned, the most significant of which are illustrated below.

1. Businesses, innovation and infrastructures.

Some financial transactions have been structured in the context of:

- sustainable loans - Welfare km 0 project of Fondazione Caritro - financial evaluation of territorial projects of social enterprises;
- support to social enterprises, with social purposes linked to sustainability, through traditional financing or with innovative tools such as social minibonds;
- loans to the energy sector, in particular the green sector of energy production from renewable sources.

Furthermore, during the pandemic crisis, all available tools were activated to enhance the resilience of economic activities, businesses and the infrastructure system of our territory, also by drawing on European funds. As is known, the use of European resources, in particular EIF InnovFin COVID-19 and EIF Pan European

Guarantee Fund, requires both the bank and the financed companies to adopt factors that comply with certain sustainability criteria.

2. Health and well-being.

The Bank is very attentive to the protection of health and safety in the workplace and in the life of its collaborators. In particular, during the COVID emergency with the lockdown of March 2020, remote work was activated for all staff of the Headquarters and Branches, without interrupting operations. After the most restrictive period, most of the collaborators continued to work in smart mode, compatibly with their different professional profiles, in order to:

- safeguard the health of collaborators, in particular those in the vulnerable categories;
- promote a better work-family balance;
- make mobility more sustainable, at a particular time of great stress in the use of public transport.

All this was possible thanks to the enhancement of videoconferencing tools, IT equipment to support smart working operations and the constant and precise verification of safety measures for workers in attendance.

3. Clean and accessible energy.

Approximately 97% of the electricity purchased by the Bank derives exclusively from certified renewable sources. With the aim of maintaining these excellent levels and covering 40% of own needs through self-production from renewable sources, in 2021 the Bank commissioned a feasibility study for the construction of a photovoltaic system on the roof of the Trento office combined to an overall intervention to improve the building's energy efficiency.

4. Sustainable cities and communities.

With the aim of reducing greenhouse gas emissions, the Bank has undertaken a process of gradual replacement of diesel-fuelled company vehicles with electric or at least hybrid vehicles.

5. Responsible consumption and production.

In this context, the Bank has always been committed to adopting measures and technologies aimed at reducing paper consumption. In particular, also following the introduction of remote work, the dematerialisation of documentation archiving processes, the introduction of the digital signature which allowed the electronic sending of correspondence, the use of information sources (newspapers, banking system information, etc.) with access to the respective web portals were all encouraged. In addition, the Bank has activated a program to replace laser printers with the latest generation inkjet systems that allow to eliminate harmful ozone and fine dust emissions, while reducing the unit cost of prints.

6. Governance.

With regard to the issue of governance, it should be noted that in 2021 the bank adopted a policy for regulating donations, in line with the guidelines of many financial institutions, including the Bank of Italy. In particular, this policy has defined some objectives aimed at:

- promote associations and the third sector (non-profit);
- introduce the rotation principle in order to promote the largest number of beneficiaries;
- encourage supports of small entity, also defining a maximum contribution limit for each beneficiary;
- promote associations and organisations mainly operating in the Trentino South Tyrol Region.

Still on the subject of governance, at the same time as the inauguration of the new Board of Directors and for a duration of approximately eight months, a training course was undertaken for directors and statutory auditors on specific issues relating to the management of the bank and the related risk controls.

The Bank also constantly monitors the application of the following regulations previously in force:

- Circular no. 285 of 17 December 2013 - 1st Update – First Part, Title IV, Chapter 1 "Corporate governance": the updated version of the Corporate Governance Project is published on the Bank's website (www.mediocredito.it);
- Public system for preventing, from an administrative point of view, fraud in the consumer credit sector, with specific reference to identity theft (Legislative Decree no. 141 of 13 August 2010) – A specific agreement is in place with the managing body (CONSAP) for membership of the system in question;
- Database of Relations (Presidential Decree 605/1973): the submission to the Inland Revenue of the reports as at 31 December 2021 was carried out on 7 February 2022, as prescribed in the regulations in force;
- *Foreign Account Tax Compliance Act* (FATCA);
- Tax identification of holders of financial accounts (CRS – Law no. 95/2015 – Directive 2014/107/EU)
- Legality rating (Ministerial Decree no. 57 of 20 February 2014);
- Internal regulations on the Companies' administrative responsibility (Legislative Decree no. 231/2001) supervised by the Supervisory Body assigned to the Board of Statutory Auditors;

- Provisions on "Transparency of operations and banking and financial services; regularity of the relationships between intermediaries and customers";
- Usury regulations (Law no. 108 of 7 March 1996);
- Measure containing implementing provisions with respect to customer due diligence (art. 7, paragraph 2, of Legislative Decree no. 231 of 21 November 2007);
- Regulations on the Mortgage Credit Directive (2014/17/EU and Legislative Decree no. 72/2016) on consumer credit agreements relating to residential real estate;
- Compound interests (Legislative Decree no. 385/93 - Consolidated Law on Banking", art. 120 par. 2) on the procedures and criteria for the production of interests in transactions put in place in the course of banking activities;
- Investment services and EMIR Regulation (Regulation (EU) no. 648/2012);
- Regulation governing transparency of financial information (Legislative Decree no. 195/2007 and articles 154-bis and 154-ter of the Consolidated Law on Finance) - the Bank, issuer of securities listed on regulated European markets, maintained Italy as a member State of origin;
- Risk assets and conflicts of interest in respect of related parties (Bank of Italy Circular no. 263/2006, 9th update): the OPC Committee, appropriately established to express the relevant preventive opinions, expressed 2 non-negative opinions;
- Bank of Italy Circular no. 285/2013 – Title IV Chapter 4 "The information system": the bank's policy is to define an annual operating plan of the IT initiatives, which sets out the contents of the strategic plan in clear and practical actions; the Plan is approved by the Board of Directors on an annual basis as part of the RAF;
- Bank of Italy Circular no. 285/2013 – Title IV Chapter 5 "The operational continuity": the Board of Directors examines on an annual basis the management of operational continuity in the event of an emergency, the adequacy tests of the continuity procedures and updates the related plan;
- Safety regulation (Legislative Decree no. 81/2008) – an assignment was conferred by the Bank relating to the PPSM function and the "employer" function was outsourced in accordance with art. 16 of Legislative Decree no. 81/2008;
- Internal system for reporting violations - Whistle-blowing (Legislative Decree 385/93 - Consolidated Law on Banking, articles 52-bis and 52-ter) set up on an independent and autonomous digital platform and such as to guarantee the confidentiality of the whistle-blower and of the alleged person responsible for the violation.
- MiFID 2 (Directive 2014/65/EU) and MiFIR (Regulation 600/2014/EU);
- European "BRRD" Directive on Recovery plans ("Bank Recovery and Resolution Directive" 2014/59/EU);
- European Directive on data protection and movement (Directive 2016/680/EU);
- Market abuse regulation (Regulation (EU) 596/2014);
- Guidance on the management of non-performing loans for Italy's Less Significant institutions (NPL);
- Remuneration and incentive policies;
- Calendar provisioning (EU Regulation 2019/630).

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

(Legislative Decree 58/1998, Article 123-bis and "Supervisory Provisions Concerning Banks' Organisation and Corporate Governance" issued by the Bank of Italy on 4 March 2008)

Article 123-bis of the Consolidated Law on Finance specifies that the report on operations of companies issuing securities, admitted to trading on a regulated market, contains a specific section on corporate governance and ownership structures. Paragraph 5 of the same article allows companies not issuing shares that are admitted to trading on a regulated market or in multilateral trading systems, to omit the publication of information regarding paragraphs 1 and 2, excepting those of paragraph 2, letter b). Mediocredito Trentino-Alto Adige S.p.A. falls within the bounds of paragraph 5 and, therefore, provides, in line with the Bank's size and operational and organisational characteristics, the information required as per paragraph 2, letter b), regarding the main characteristics of the risk management and internal control systems in relation to the financial disclosure process. We want to stress that the Bank has a specific process in place for corporate governance whose review has implemented the new regulations introduced by the Bank of Italy Circular no. 285/2013 and, as far as the Bank is concerned, mainly refers to the criteria for the composition and self-assessment of the Administrative Board.

In more details, the project for corporate governance is based on the necessary statutory provisions and regulations and the drawing up of a "Corporate Governance Project" document, which is inspired by the traditional model of governance in function of reduced complexity and costs and organisational impacts related to it. In this "project" are established the rights of the shareholders, the proprietary structure, the statutory and internal regulations pertaining to the Board of Directors and the Board of Statutory Auditors, the System of Internal Controls and Risk Management, remuneration and compliance policies, the role of the Manager responsible for preparing the company's financial reports and the Organisational model as for Legislative Decree 231/2001.

The Bank has also enforced a prudent delegation system in order to encourage maximum involvement of the Board of Directors (Institution of strategic supervision) in the operational management of the Bank.

a) "Corporate Governance Plan": information on the ownership structures.

INFORMATION ON OWNERSHIP STRUCTURES Pursuant to Article 123 bis of the Consolidated Law on Finance (TUF)		
1.	Share capital structure	Ordinary shares
2.	Restrictions on the transfer of securities	No
3.	Major shareholdings	Yes
4.	Securities giving special rights	No
5.	Employee equity participation: mechanism for exercising voting rights	No
6.	Restrictions on voting rights	No
7.	Shareholder agreements	Yes
8.	Appointment and replacement of the Directors and statutory amendments	Yes
9.	Delegations of powers to increase share capital and authorisations of share buyback	No
10.	Change-of-control clauses	No
11.	Indemnities for Directors in the case of resignation, dismissal or cessation of relations	No

b) Update and review of the internal regulations and the internal control and risk management system also with respect to the financial reporting process (paragraph 2, letter b) of Article 123-bis of Legislative Decree no. 58/1998)

With respect to the provisions of paragraph 2, letter b) of Article 123-bis of Legislative Decree 58/1998 (Consolidated Law on Finance), in which the Bank is required to document information regarding the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process, the following is detailed.

The risk management and internal control system used in relation to the financial reporting process refers to administrative and accounting procedures (and to relative controls), which feed into/relate to the financial statements and fall under the competence of the manager in charge. The role of the manager in charge, jointly with the definition of the respective tasks, powers and means, is governed by the internal regulations of the Bank that has inserted this body in the wider system of internal controls in which other units of control and management operate in synergy, such as the Board of Statutory Auditors, the Internal Audit department, the Control Committee, the Credit Risk Management Committee, the ALCO Committee, the Investment Committee as well as the Compliance and Risk Management Functions.

In keeping with its own size and operational features, the Bank prepares and applies traditional administrative and accounting procedures that are deemed adequate for allowing the monitoring and mitigation of accounting risks, i.e. risks linked to specific events and transactions that could generate a mistake in accounting data from which accounting reports and financial statements originate. The integrated system of control functions (within which a significant portion of qualified and professionally trained personnel operates) and the presence of regulations and operating procedures provide an adequate safeguard for reaching the objectives of reliability and compliance of the financial disclosures.

In particular, the system in question is affected by a simple organisational Bank structure characterised by limited size and by territorial and economic sector concentration of the business: the organisational structure, in fact, makes provision for a substantial concentration of middle and back-office activity in the administrative area in which the monitoring and accounting control function operates, under the direction of the appointed manager. For key and non-key processes, this means a series of accounting and quality checks (adequately documented), arranging a sequence of functions (mostly automated) for the survey of accounting anomalies that are monitored on a daily basis and corrected in close partnership with the Planning and Control function, which operates with the respective systems for checking and viewing information. The monitoring function therefore prepares the appropriate documentation in support of the accounts and accounting entries at the time of preparation of the financial statements and report on operations, verifying that the information deriving from the other areas of the bank (business and legal) are appropriately validated by authorised managers. The same functions routinely carry out control and validation activities on an ongoing basis, mostly on the key processes of disbursement, re-payment and credit valuation within the finance department (liquidity, funding and derivatives). The activities of monitoring and control are shared by the manager in charge with the departments of Internal Auditing, Compliance and Risk Management along with the Board of Statutory Auditors. Finally, the General Management carries out the function of organisational intervention, arranging new control points or operational/functional strengthening where shortcomings are highlighted as part of the risk monitoring process. The formalisation and circulation of information relating to the controls carried out and to any shortcomings noticed is mostly concentrated (for reasons of operative efficiency in a small sized bank) in the Internal Auditing function.

Following the organisational and statutory adjustments linked to the appointment of the Manager in charge, in application of the Savings Law (Law no. 262/05), the Bank refers to the models generally recognised and accepted at international level (CoSO Framework and CObiT) for the design and ongoing review of the procedural and control structure.

With regard to the adequacy assessment of the information system, the IT Audit service is performed by the internal control function, through the specialist consultancy support of Cassa Centrale Banca, which carries out ICT audits. CCB's support is provided through a specific team, set up as part of the organisational structure of the new cooperative banking group and has adequate resources specialised in the area and ensures compliance of its analysis and assessment methods with the CObiT standard issued by the international Information Systems Audit and Control Association (ISACA).

EXPECTED BUSINESS TREND AND R&D ACTIVITIES

Before the outbreak of the conflict in Ukraine, the prospects for the scenario of the Bank of Italy[16]still remained dependent both on the evolution of the pandemic, seen in gradual attenuation, and on the outlook for inflation, particularly influenced by increases in energy goods. In summary, they were the following:

Macroeconomic projections for the Italian economy *(percentage changes on the previous year unless otherwise indicated)*[17]

	2021	2022	2023	2024
GDP	+6.3	+3.8	+2.5	+1.7
Household consumption	+5.1	+4.4	+2.2	+1.5
Investments in operating assets	+11.4	+7.2	+6.9	+5.3
Building investments	+20.6	+3.2	+4.9	+1.7
Total exports	+12.4	+4.8	+6.0	+3.5
Total imports	+12.7	+5.1	+6.3	+3.4
Consumer prices (HICP)	+1.9	+3.5	+1.6	+1.7
Unemployment rate (*)	9.4	9.0	8.9	8.7
3-month Euribor rate (*)	-0.5	-0.4	0.0	0.2
Ten-year BTP (*)	0.8	1.4	1.7	1.9

(*) Annual average percentages

However, it is clear that the current geopolitical situation makes these scenarios particularly susceptible to influence with impacts on economic growth and on various indicators that are not easily measurable.

In this complex scenario full of unknown quantities, the Bank will have to direct its commercial activity by adequately balancing risks and returns and identifying the most appropriate financial structures for its customers, trying to avoid particular sector risk concentrations and accentuating the already strong corporate risk spreading culture.

In this prudential context, credit flows and stock dynamics are not expected to undergo significant changes compared to the past, while the trend in impaired loans - which has been steadily improving for years now - may reverse in the event of a further worsening of the geopolitical scenario with strong repercussions on the imbalances in the raw materials markets and on the inflation bubble. The first quarter of 2022 is, however, closing in a particularly positive way in terms of the emergence of new impaired loans.

As regards the coverage of financial requirements, the bank will continue to strengthen the diversification of sources with the intention of containing liquidity risk and improving funding stability: in this area, please note the recent return to the collection of private savings with the "Conto Rifugio" online account and the reopening, in January 2021, of the consulting office at the Trento headquarters, as well as the start of an important collaboration with the fintech Raisin, functional to the extension of retail funding also outside national borders, particularly in Germany and Austria. Furthermore, during 2022, the Bank will return to appear on the European bond issuance market with the renewal of the EMTN program: this will allow for the planning of the roll-over of interbank bonds and deposits due to expire.

In terms of the 2022 economic forecasts, notwithstanding what has already been highlighted in terms of scenarios, the net interest income is expected to continue to benefit from the profitability and size of the securities portfolio as well as from the level of the best rates applied by the ECB on long-term refinancing operations (TLTRO-III), although it will still remain under pressure, due to the worsening of the competitive environment and the persistence of the low level of market rates.

Net interest and other banking income may undergo a contraction due to the probable loss of revenues from the sale of securities, which had instead benefited it in the last few years, in the presence of substantial stability in terms of commission income and dividends on equity investments.

Operating costs are expected to slightly increase, due to the effect of new investments in the banking information system, while gross and net profitability for the year could be positively influenced by a significant containment of loan adjustments. The latter are not, to date, easily quantifiable, but the deterioration dynamics of the first part of 2022, as already highlighted, show still very limited incidences, considering the policies of strengthening provisions in recent years and the limited rates of decay as well as the presence of a portfolio characterised by very limited moratoria.

From an organisational point of view, agile work in the provided procedures after the extraordinary phase and the flexible management of services also inspired by the strengthening of models based on objectives and

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[16] Bank of Italy. *Macroeconomic projections for the Italian economy*, 17 December 2021.

[17] Economic Bulletin, January 2022.

trust in employees are expected to continue. Furthermore, the constant training and growth of collaborators is expected to continue.
2022 is also expected to be affected by the construction and approval process of the new multi-year strategic plan which will contain the development profiles of the Bank's new governance course which was launched in the spring of the year just ended.

With respect to the regulatory adjustments of the Legislator and the Supervisory Authority as well as to compliance measures in relation to the development of new products, the Bank will be committed to the following issues with the greatest impact:

- activation of the process of preparing the non-financial statement on a voluntary basis with the implementation of the indications contained in the 2020-2022 strategic plan on ESG sustainability with important repercussions on environmental, social and governance aspects; in particular - as a banking institution - an action plan for sustainable finance must be developed with the aim of creating long-term value for all stakeholders and considering ESG factors within the governance and (credit, financial and operational) risk management processes as well as improving the corporate reputation;
- provisions of the Bank of Italy on "Capital reserves and macroprudential instruments based on the characteristics of customers and loans";
- changes to the Instructions for the identification of APRs pursuant to the usury law;
- provisions on recovery plans, application of Delegated Regulation (EU) No. 348/2019 of the European Commission of 25 October 2018;
- updates to reports from banks and other supervised intermediaries.

PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

Dear Shareholders,

the net profit for 2021 amounted to €6,471,387.18, entirely distributable.
Having said this, considering the level of capitalisation and the overall risk profiles of the Bank, the following allocation is proposed for the profit for the year.

Profit for the year	**6,471,387.18**
- non-distributable reserves under article 6, paragraph 2 of Legislative Decree no. 38/2005 freed during the year	-
- allocation to non-distributable reserves under article 6, paragraph 2 of Legislative Decree no. 38/2005	-
- 5% to the legal reserve	323,000.00
Distributable amount	**6,148,387.18**
- at the disposal of the Board of Directors for initiatives as per article 21 of the By-laws	320,000.00
- dividend to distribute to shareholders (€0.029 for the 112,470,400 shares, which correspond to 5.577% of their nominal value)	3,261,641.60
- further allocation to the extraordinary reserve	2,566,745.58

During 2021, the Bank sold/disposed of 6 equity investments held under the OCI option without recycling the gains/losses in the income statement; it is hereby proposed to allocate the positive net balance of these capital gains/losses, equal to €213,919.85 to the extraordinary reserve.

Net realised capital gains (losses) on equity securities	**213,919.85**
- capital gains	571,379.53
- capital losses	(357,459.68)

It is also proposed to begin paying dividends starting from 9 May 2022.
In case of approval of the aforementioned distribution, the Company equity as at 31 December 2021 as specified above, is as follows:

- capital	58,484,608.00
- additional paid-in capital	29,841,458.06
- legal reserve	20,091,007.66
- statutory reserves	58,544,191.24
- valuation reserves	13,506,467.18
- OCI option reserves on disposal (without recycling)	-
- reserve from the reclassification of risk provisions	18,936,305.62
- reserve from the FTA as per Legislative Decree 38/2005	2,273,855.22
- reserve from the IFRS 9 FTA	(9,746,345.90)
- reserve under IAS 8	380,695.00
- non-distributable reserve under article 6, paragraph 2 of Legislative Decree 38/2005	-
Total	**192,312,242.08**

CERTIFICATION PURSUANT TO ARTICLE 81-TER OF CONSOB ISSUERS' REGULATION

Certification of the Financial Statements pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999 and its subsequent amendments and additions.

1. The undersigned Stefano Mengoni, Chairman of the Board of Directors and Leo Nicolussi Paolaz, Manager responsible for preparing the Mediocredito Trentino-South Tyrol S.p.A.'s financial reports, in consideration of the requirements of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998 herewith attest to:
   - the adequacy in relation to the characteristics of the business and
   - the actual application

   of the administrative and accounting procedures for the preparation of financial statements during 2021.

2. No significant matters arose in this respect. It should be pointed out that the bank is now subject to the obligation pursuant to Article 154-bis of Legislative Decree 58/98 to establish the role of "Manager responsible for preparing the company's financial reports", given that the Bank, in the context of the issues of bonds on the Euromarket (EMTN Programme - *European Medium Term Notes Programme*) has issued bonds that are listed on the Luxembourg stock exchange by choosing Italy as member State of origin.
   The assessment of the administrative and accounting procedure for preparing the financial statements for the year ended 31 December 2021 has been based on procedures consistent with the reference standards adopted by the Bank for the internal control system.

3. It is also hereby certified that:
   - 3.1. the financial statements:
     - a) have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union under EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
     - b) correspond to the results of the books and accounting records;
     - c) are suitable to provide a true and fair view of the statement of financial position, income statement and financial position of the Issuer;
   - 3.2. the report on operations includes a reliable analysis of the performance and the operating result as well as the position of the issuer together with a description of the main risks and uncertainties it is exposed to.

Trento, 10 March 2022

The Chairman of the Board of Directors	Manager responsible for preparing the company's financial reports
Stefano Mengoni	Leo Nicolussi Paolaz

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Mediocredito Trentino-Alto Adige S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Mediocredito Trentino-Alto Adige S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Mediocredito Trentino-Alto Adige S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the separate financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost"

Notes to the separate financial statements "Part C - Information on the income statement": paragraph 8.1 "Net impairment losses for credit risk on financial assets at amortised cost: breakdown"

Notes to the separate financial statements "Part E - Information on risks and related hedging policies": section 1 "Credit risk"

Key audit matter	**Audit procedures addressing the key audit matter**
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €1,454 million at 31 December 2021, accounting for 87.0% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €9.7 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, the borrower's estimated repayment ability, an assessment of any	Our audit procedures included: — gaining an understanding of the banks' processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the effects of the Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network;

Key audit matter	Audit procedures addressing the key audit matter
guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. The complexity of the directors' estimation process is influenced by the persistence of the Covid-19 emergency which continues to affect the current economic conditions and potential future macroeconomic scenarios, requiring an adjustment to the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	— selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the financial asset categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the bank's shareholders appointed us to perform the statutory audit of its separate financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Verona, 4 April 2022

KPMG S.p.A.

(signed on the original)

Massimo Rossignoli
Director of Audit

BOARD OF STATUTORY AUDITORS' REPORT

(pursuant to the second paragraph of Article 2429 of the Civil Code)

Dear Shareholders,

Mediocredito Trentino – Alto Adige S.p.A. prepared the annual report for the financial year 2021 in accordance with Legislative Decree No. 38 of 28 February 2005, adopting the international accounting standards outlined for drafting the individual annual report of listed companies and banks.

The 2021 annual report for your Bank is composed of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the financial statements. It is also accompanied by the report on operations of the Board of Directors.

Finally, the tables and the notes to financial statements were prepared according to instructions issued by the Bank of Italy, as established under Circular no. 262 of 22 December 2005 and subsequent clarifications and updates. The Board of Directors forwarded the annual report to the Board of Statutory Auditors in a timely manner.

The Board of Statutory Auditors states that the Bank, as an Entity of Public Interest, is subject to external auditing according to Decree No. 39 of 27 January 2010, implementing Directive 2006/43/EC, by KPMG S.p.A. pursuant to art. 2409 bis et sequitur of the Italian Civil Code. This company has been entrusted with the task of auditing the annual report of the Bank for the nine-year period 2019-2027, under a resolution of the Shareholders' Meeting of 18 April 2019.

1. We have conducted our audit of the annual report in accordance with the code of conduct of the Board of Statutory Auditors as laid down by the National Institute of Certified Public Accountants and Bookkeepers and under said principles we referred to all the laws currently in force in Italy that regulate the annual report that now includes the new international accounting standards.
2. In the preparation of the annual report, the Board of Directors made no allowances for exceptions to the application of the new IAS/IFRS principles and therefore a "statement of conformity" is included in the general part of the notes to the financial statements. In particular, the directors have adequately illustrated, in the financial statements, the impacts linked to the COVID-19 pandemic.
3. For comparative purposes, the financial statements present the corresponding figures for 2021 summarised as follows:

Statement of financial position

Total assets			Euro	1,671,558,263.13
Payables and provisions	Euro	1,475,664,379.45		
Share capital and reserves	Euro	189,422,496.50	Euro	1,665,086,875.95
Profit for the year			Euro	6,471,387.18

Income statement

Net interest and other banking income	Euro	30,238,051.61
Value adjustments	Euro	(9,740,599.29)
Operating costs	Euro	(11,774,123.09)
Revenues from equity investments, property, plant and equipment and intangible assets	Euro	(1,241.75)
Income taxes on current operations	Euro	(2,250,700.30)
Profit for the year	Euro	6,471,387.18

4. During the course of 2021, there were changes to the Bank's equity owing to:
   - the recognition of €2,080,154.83 in reserves of part of the profit in 2020 (portion not distributed);

- the allocation to the extraordinary reserve of net losses from the sale of equity investments held under the OCI option, suspended in the realisation reserve, for a total of €301.129,06;
- the recognition using the valuation reserves of a positive €6,496,757.95 due to the adjustment of the value of financial assets measured at fair value through other comprehensive income and defined benefit plans (actuarial gains/losses);
- the recognition using the realisation reserves of a positive €213,919.84 deriving from the sale of equity investments held under the OCI option regime;
- the allocation to the fund as per Article 21 of the By-laws of €160,000.00;
- the distribution of dividends to shareholders for €1,012,233.60;
- a net profit of €6,471,387.18 was also recorded for the year 2021.

The equity of the Bank as at 31 December 2021 amounted therefore to €195,893,883.68, composed of:

- Share Capital - item 160:	€	58,484,608.00
- Additional paid-in capital – item 150:	€	29,841,458.06
- Reserves - item 140:	€	87,589,963.26
- Valuation Reserves – item 110:	€	13,506,467.18
- Profit for the year - item 180:	€	6,471,387.18

5. Own Funds entered into the financial statements as at 31 December 2021 were calculated applying the regulations introduced by Directive no. 2013/36/EU related to the prudential supervision of banks (CRD IV - known as Basel III).

   The result achieved shows how, on the whole, own funds increased by €8,850,081.58 as at 31 December 2021, compared to 31 December 2020, therefore standing at €189,226,655.66: the Total Capital Ratio stood at 24.94% as at 31 December 2021 compared to 23.04% in 2020. The Board of Statutory Auditors considers this equity adequate in terms of amount and quality, with respect to total risks assumed and suitable for allowing future growth of the Bank.

6. The Board of Statutory Auditors acknowledges the disclosures provided by the Board of Directors in relation to the adoption of the going concern assumption in preparing the financial statements, the illustration of risk measurement and management systems and the level of risk exposure, the testing of assets for impairment and uncertainties in the use of estimations of the values booked to the financial statements. More specifically, it verified that the method used for the valuation of financial assets is adequate in measuring the Bank's credit risk and that the loan adjustments coherently reflect the current risk with particular reference to the prospective effects of the current crisis. The Board of Statutory Auditors considers this disclosure and related processes adequate to the transparency needs, also in relation to the indications included in the documents issued by the Italian Supervisory Authorities.

   In particular, the valuation process of financial assets, guarantees issued and commitments to disburse funds produced the following results in relation to the income statement:

	Adjust.	Write-backs	Net effect
Loans (analytical adjustments)	(6,030,227.36)	3,223,490.45	(2,806,736.91)
Loans (net collective adjustments)	(7,096,260.45)	-	(7,096,260.45)
HTC debt securities	(89,537.31)	252,452.98	162,915.67
HTCS debt securities	(429.50)	10,688.06	10,258.56
Total item 130.	**(13,216,454.62)**	**3,486,631.49**	**(9,729,823.13)**
Profits/losses from contractual changes - item 140.	**(32,152.70)**	**21,376.54**	**(10,776.16)**
Other components of the reclassified financial statements:			
"Time reversal" write-backs - item 10.	-	688,053.70	688,053.70
Net gains on the sale of loans and advances	(143,064.35)	1,290,504.24	1,147,439.89
Fair value change of investments in UCITS	(448,507.36)	678,611.42	230,104.06
Changes in fair value of FVTPL debt securities	(34,459.95)	114.86	(34,345.09)
Provisions for legal disputes on loans and advances	(20,000.00)	-	(20,000.00)
Provisions for commitments and guarantees issued - item 170.a	(9,128.26)	-	(9,128.26)
Value adjustments on equity investments - item 220.	-	-	-
Total	**(13,903,767.24)**	**6,165,292.25**	**(7,738,474.99)**

7. The Board of Statutory Auditors approved the criteria adopted for determining the amounts of IRES (Corporate income tax) and IRAP (Regional business tax) relating to the year in application of the current tax regulations. The Board of Statutory Auditors acknowledges that in compliance with the new rules, the financial statements show current and deferred taxes in relation to the temporary differences between the book value of an asset or liability and its value for tax purpose, as better explained in the notes to the financial statements.
8. In application of the reference regulations and provisions, the Bank has adopted regulations aimed at governing the investments held by banks, the risk assets and the conflicts of interest in respect of related parties (Bank of Italy Circular no. 285/13, Third Part, Chapter 1) as well as personal cross investments (known as *interlocking* prohibition to protect competition, pursuant to article 36 of Law Decree no. 201/2011). The Board of Statutory Auditors considers the organisational and risk safeguards identified by the Bank to be appropriate.
9. In compliance with the Bank of Italy's provisions on *business continuity* and *disaster recovery*, the Bank punctually updated internal regulations and run functionality tests of *disaster recovery* with the outsourcer of the IT system managed by Allitude, which gave a positive outcome.
10. Information pursuant to Article 10 of Law no. 72/83 on the subject of monetary revaluation of property, plant and equipment is provided in the notes to financial statements relative to revalued assets.
11. During the year, the Board of Statutory Auditors, in fulfilment of its duties, controlled the Bank's administration in the year under review. In 2021, the Board of Auditors held 11 meetings and oversaw the observance of the laws and By-laws governing all Shareholders' and Board of Directors meetings. The meetings were held in compliance with the statutory requirements, laws and regulations governing their operation. The Board of Statutory Auditors also verified that no imprudent or hazardous transactions were carried out, or transactions involving a potential conflict of interests, contrary to the resolutions passed by the Shareholders' Meeting, or which may compromise the integrity of the company's assets and minority rights.

   It also verified the correct application of the Bank of Italy Circular no. 285/2013 regarding corporate governance, with reference to the adequacy of the quali-quantitative composition of the company bodies, the self-assessment of the latter and public disclosure.
12. The Board of Statutory Auditors oversaw the adequacy of the organisational structure, limited to those aspects within its competence, of the internal control system and of the administrative-accounting system and the reliability of the latter in giving a true and fair view of the operations of the Bank. In this regard, the Board of Statutory Auditors acknowledges the report written by the Manager responsible for preparing the company's financial reports of 10 March 2022, which was submitted to the Board of Directors prior to the issuing of the Certification pursuant to article 81-ter of the Consob Issuers' Regulation.

   The Board of Statutory Auditors oversaw the observance of the Bank's sound management principles, also carrying out an assessment of the organisational system during the year under review, which was used by the offices in charge of monitoring credit, market, interest rate, liquidity, legal and compliance risks that are specific to banking activities. The Board of Statutory Auditors followed the ICAAP process in relation to risk control and management, which shows that the Company's capital is adequate even in a stress scenario; the ILAAP process, which points out the gradual reduction in the concentration of fund providers and sources of funding. It assessed regulatory compliance and consistency with the strategies and reference framework for the risk of the Restructuring Plan and of the Multi-annual plan for the management of NPLs.

   As Supervisory Body, it monitored the observance of the regulation pursuant to Legislative Decree no. 231/2001 regarding the administrative liability of legal entities and the regulation pursuant to Legislative Decree no. 231/2007.

   Lastly, it monitored compliance with the regulations governing professional services and investment activities with the public, and the overall adequacy of the controls of the risk of money laundering, for which no acts or events were highlighted, which came to light during the performance of their duties, which may represent a breach of the regulatory provisions.

13. In 2021 no complaints (reprehensible acts) were submitted to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code.
14. The Board of Statutory Auditors has constantly kept in touch with the person in charge of external auditing, during which no relevant data or information came to light.
15. The report on operations that accompanies the financial statements is drafted in compliance with the current regulations. In the opinion of the Board of Statutory Auditors, the annual report provides as a whole a correct representation of the statement of financial position, the financial situation, the equity situation and the economic result of the Bank for the year ended 31 December 2021 in compliance with the regulations governing the financial statements. This was illustrated in detail by the Board of Directors in the report on operations and in the notes to the financial statements, providing Shareholders and third parties with adequate information in relation to the Bank's transactions, including transactions with related parties. The Board of Statutory Auditors can also confirm that the annual report includes a description of the main risks and uncertainties to which the company is exposed. The report on operations by the Board of Directors includes all the main events that characterised the year and it focuses on expected business trends with a special reference to the effects that the current crises may have on the Bank's economic performance and prospective financial results.
17. The Board of Statutory Auditors acknowledged the report of the independent auditors KPMG S.p.A. of 4 April 2022 for the financial statements as at 31 December 2021, which contains no significant observations. Based on the work done as independent auditors of the financial statements as at 31 December 2021, no elements have come to the attention of the auditors to date that suggests that there are significant deficiencies in the internal control system in relation to the financial reporting process as at said date.

Dear Shareholders,

As a result of the above and considering the information provided by the independent auditors KPMG S.p.A., the Board of Statutory Auditors states that there were no occurrences of infringements or non-compliance to the law and expresses its positive opinion to the approval of both the financial statements and the proposal for the allocation of the profit for the year expressed by the Board of Directors. With particular reference to the allocation of profit for the year, the Board of Statutory Auditors considers the proposed distribution of dividends to shareholders as prudent and compatible with the recommendations of the Supervisory Body of 14 March 2022.
Finally, it also informs the Shareholders' Meeting, despite the costs relating to intangible assets recorded under assets in the accounts still not having been fully amortised, there are still ample reserves to cover the amount of these costs.

Trento, 4 April 2022

Patrick Bergmeister Chairman	Hildegard Oberleiter Standing auditor	Carlo Dellasega Standing auditor

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION – ASSETS

	Assets	31.12.2021	31.12.2020
10.	CASH AND CASH EQUIVALENTS [18]	32,305,793	19,222,439
20.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	17,310,506	15,252,070
	a) FINANCIAL ASSETS HELD FOR TRADING	405,053	189,053
	b) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	-	-
	c) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	16,905,453	15,063,017
30.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	104,496,962	149,036,253
40.	FINANCIAL ASSETS MEASURED AT AMORTISED COST	1,480,084,585	1,502,640,063
	a) LOANS AND ADVANCES TO BANKS[18]	26,189,176	25,713,525
	b) LOANS AND ADVANCES TO CUSTOMERS	1,453,895,409	1,476,926,538
70.	EQUITY INVESTMENTS	335,700	335,700
80.	PROPERTY, PLANT AND EQUIPMENT	8,424,968	8,861,617
90.	INTANGIBLE ASSETS	73,655	90,692
	of which:		
	- goodwill	-	-
100.	TAX ASSETS	13,755,478	15,910,899
	(a) current	145,200	1,655,267
	(b) deferred	13,610,278	14,255,632
	pursuant to Law no. 214/2011	9,090,329	9,309,881
110.	NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE	-	-
120.	OTHER ASSETS	14,770,617	5,162,623
	TOTAL ASSETS	**1,671,558,263**	**1,716,512,355**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded. The algebraic sum of discrepancies due to rounding off of assets is equal to +€1 and is booked to "other operating charges/income".

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	Equity and liabilities	31.12.2021	31.12.2020
10.	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,460,388,687	1,518,769,842
	a) DUE TO BANKS	705,544,894	847,148,568
	b) DUE TO CUSTOMERS	432,447,344	399,774,363
	c) DEBT SECURITIES IN ISSUE	322,396,449	271,846,911
20.	FINANCIAL LIABILITIES HELD FOR TRADING	380,130	110,012
60.	TAX LIABILITIES	5,919,717	5,985,001
	(a) current	137,250	-
	(b) deferred	5,782,467	5,985,001
80.	OTHER LIABILITIES	5,218,695	4,038,707
90.	PROVISION FOR SEVERANCE INDEMNITIES	1,294,388	1,436,702
100.	PROVISIONS FOR RISKS AND CHARGES	2,462,763	2,288,039
	(a) commitments and guarantees issued	86,104	76,976
	(b) pension fund and similar provisions	-	-
	(c) other provisions	2,376,659	2,211,063
110.	VALUATION RESERVES	13,506,467	7,009,709
140.	RESERVES	87,589,963	85,295,889
150.	ADDITIONAL PAID-IN CAPITAL	29,841,458	29,841,458
160.	SHARE CAPITAL	58,484,608	58,484,608
180.	NET PROFIT (LOSS) FOR THE PERIOD (+/-)	6,471,387	3,252,388
	TOTAL EQUITY AND LIABILITIES	**1,671,558,263**	**1,716,512,355**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded.

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[18] The figure as at 31 December 2020 has been modified to incorporate the provisions of the 7th update of Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statement information to the FINREP reports, that loans to banks and central banks on demand are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks". The reclassification concerned the amount of €19,218,860.

INCOME STATEMENT

	Items	31.12.2021	31.12.2020
10	INTEREST INCOME AND SIMILAR REVENUES	32,769,893	30,294,991
	of which interest income calculated with the effective interest method	32,361,782	29,740,510.37
20	INTEREST EXPENSE AND SIMILAR CHARGES	(10,124,177)	(10,799,872)
30	**NET INTEREST INCOME**	**22,645,716**	**19,495,119**
40	FEE AND COMMISSION INCOME	2,549,220	1,905,578
50	FEE AND COMMISSION EXPENSE	(650,033)	(463,204)
60	**NET FEE AND COMMISSION INCOME (EXPENSE)**	**1,899,187**	**1,442,374**
70	DIVIDENDS AND SIMILAR INCOME	2,607,614	1,369,994
80	NET TRADING INCOME	155,398	629
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	2,734,378	6,109,149
	a) financial assets measured at amortised cost	2,095,873	4,002,788
	b) financial assets measured at fair value through other comprehensive income	1,190,009	2,090,056
	c) financial liabilities	(551,504)	16,305
110	NET CHANGE IN OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	195,759	(1,187,793)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	195,759	(1,187,793)
120	**NET INTEREST AND OTHER BANKING INCOME**	**30,238,052**	**27,229,472**
130	NET ADJUSTMENTS DUE TO CREDIT RISK TO:	(9,729,823)	(10,776,523)
	a) financial assets measured at amortised cost	(9,740,082)	(10,797,971)
	b) financial assets measured at fair value through other comprehensive income	10,259	21,448
140	Profits/losses from contractual changes without derecognitions	(10,776)	(41,577)
150	**NET INCOME FROM FINANCIAL ACTIVITIES**	**20,497,453**	**16,411,372**
160	ADMINISTRATIVE COSTS:	(11,483,344)	(10,993,079)
	a) payroll	(7,473,557)	(7,282,506)
	b) other administrative costs	(4,009,787)	(3,710,573)
170	NET PROVISIONS FOR RISKS AND CHARGES	(408,557)	(267,109)
	a) commitments and guarantees issued	(9,128)	(58,377)
	b) other net accruals	(399,429)	(208,732)
180	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(503,104)	(524,120)
190	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(26,674)	(41,168)
200	OTHER OPERATING CHARGES/INCOME	647,555	403,216
210	**OPERATING COSTS**	**(11,774,124)**	**(11,422,260)**
220	PROFIT (LOSS) FROM EQUITY INVESTMENTS	-	(470,000)
250	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	(1,242)	(1,566)
260	**PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES**	**8,722,087**	**4,517,546**
270	INCOME TAXES ON CURRENT OPERATIONS	(2,250,700)	(1,265,158)
280	**PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX**	**6,471,387**	**3,252,388**
290	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS AFTER TAX	**-**	**-**
300	**PROFIT (LOSS) FOR THE YEAR**	**6,471,387**	**3,252,388**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded. The algebraic sum of discrepancies due to rounding off of income statement items is equal to -€2 and is booked to "other operating charges/income".

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2021	31.12.2020
10.	NET PROFIT (LOSS) FOR THE PERIOD	**6,471,387**	**3,252,388**
Other income components net of taxes without reversal to income statement			
20.	EQUITY SECURITIES DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	+8,064,440	+3,187,024
70.	DEFINED BENEFIT PLANS	(18,477)	(12,801)
Other income components net of taxes with reversal to income statement			
120.	CASH FLOW HEDGES	-	-
140	FINANCIAL ASSETS (OTHER THAN EQUITY SECURITIES) MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(1,335,286)	+2,189,905
170.	**TOTAL OTHER INCOME COMPONENTS NET OF TAXES**	**6,710,678**	**+5,364,128**
180.	**COMPREHENSIVE INCOME (Item 10+170)**	**13,182,065**	**8,616,516**

STATEMENT OF CHANGES IN EQUITY 31/12/2020 - 31/12/2021

	Balance as at 31.12.2020	Changes in opening balance	Balance as at 1.1.2021	Allocation of the previous year's result		Change for the year								Equity as at 31.12.2021
				Reserves	Dividends and other allocations	Changes in reserves	Transaction booked to equity						Comprehensive income 2021	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**58,484,608**	-	**58,484,608**	-	-	-	-	-	-	-	-	-	-	**58,484,608**
a) ordinary shares	**58,484,608**	-	**58,484,608**	-	-	-	-	-	-	-	-	-	-	**58,484,608**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	**29,841,458**	-	**29,841,458**	-	-	-	-	-	-	-	-	-	-	**29,841,458**
Reserves:	**85,295,889**	-	**85,295,889**	+2,080,155	-	-	-	-	-	-	-	-	+213,920	**87,589,964**
a) profit	**85,295,889**	-	**85,295,889**	+2,080,155	-	-	-	-	-	-	-	-	+213,920	**87,589,964**
- legal reserve	**19,606,008**	-	**19,606,008**	+162,000	-	-	-	-	-	-	-	-	-	**19,768,008**
- statutory reserves[19]	**53,544,242**	-	**53,544,242**	+2,219,284	-	-	-	-	-	-	-	-	-	**55,763,526**
- other profit reserves[20]	**12,145,639**	-	**12,145,639**	-301,129	-	-	-	-	-	-	-	-	213,920	**12,058,430**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**7,009,709**	-	**7,009,709**	-	-	-	-	-	-	-	-	-	+6,496,758	**13,506,467**
a) at FV through OCI	**3,148,839**	-	**3,148,839**	-									+6,515,235	**9,664,074**
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) others	**3,860,870**	-	**3,860,870**	-	-	-	-	-	-	-	-	-	-18.477	**3,842,392**
- Severance indemnities	**-457,462**	-	**-457,462**	-	-	-	-	-	-	-	-	-	-18,477	**475,940**
- property reval. Law no. 413/91	**745,631**	-	**745,631**	-	-	-	-	-	-	-	-	-	-	**745,631**
- property reval. Law no. 342/2000	**3,572,701**	-	**3,572,701**	-	-	-	-	-	-	-	-	-	-	**3,572,701**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the period	**3,252,388**	-	**3,252,388**	-2,080,155	-1,172,234	-	-	-	-	-	-	-	6,471,387	**6,471,387**
Equity	**183,884,052**	-	**183,884,052**	-	**-1,172,234**	-	-	-	-	-	-	-	**13,182,065**	**195,893,882**

STATEMENT OF CHANGES IN EQUITY 31/12/2019 - 31/12/2020

	Balance as at 31.12.2019	Changes in opening balance	Balance as at 1.1.2020	Allocation of the previous year's result		Change for the year								Equity as at 31.12.2020
				Reserves	Dividends and other allocations	Changes in reserves	Transaction booked to equity						Comprehensive income 2019	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**58,484,608**	-	**58,484,608**	-	-	-	-	-	-	-	-	-	-	**58,484,608**
a) ordinary shares	**58,484,608**	-	**58,484,608**	-	-	-	-	-	-	-	-	-	-	**58,484,608**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	**29,841,458**	-	**29,841,458**	-	-	-	-	-	-	-	-	-	-	**29,841,458**
Reserves:	**81,300,500**	-	**81,300,500**	+3,694,260	-	301,129	-	-	-	-	-	-	-	**85,295,889**
a) profit	**81,300,500**	-	**81,300,500**	+3,694,260	-	301,129	-	-	-	-	-	-	-	**85,295,889**
- legal reserve	**19,405,008**	-	**19,405,008**	+201,000	-	-	-	-	-	-	-	-	-	**19,606,008**
- statutory reserves[19]	**50,050,983**	-	**50,050,983**	+3,493,260	-	-	-	-	-	-	-	-	-	**53,544,242**
- other profit reserves[20]	**11,844,509**	-	**11,844,509**	-	-	301,129	-	-	-	-	-	-	-	**12,145,639**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**1,511,757**	-	**1,511,757**	+133,824	-	-	-	-	-	-	-	-	+5,364,128	**7,009,709**
a) at FV through OCI	**-2,361,914**	-	**-2,361,914**	+133,824									+5,376,929	**3,148,839**
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) others	**3,873,671**	-	**3,873,671**	-	-	-	-	-	-	-	-	-	-12,801	**3,860,870**
- Severance indemnities	**-444,661**	-	**-444,661**	-	-	-	-	-	-	-	-	-	-12,801	**-457,462**
- property reval. Law no. 413/91	**745,631**	-	**745,631**	-	-	-	-	-	-	-	-	-	-	**745,631**
- property reval. Law no. 342/2000	**3,572,701**	-	**3,572,701**	-	-	-	-	-	-	-	-	-	-	**3,572,701**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the period	**4,028,083**	-	**4,028,083**	-3,828,084	-200,000	-	-	-	-	-	-	-	3,252,388	**3,252,388**
Equity	**175,166,407**	-	**175,166,407**	-	**-200,000**	**301,129**	-	-	-	-	-	-	**8,616,516**	**183,884,052**

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19 The item includes the non-distributable reserve under article 6, paragraph 2 of Legislative Decree no. 38/2005.

20 "Other profit reserves" include the reserve from the first-time adoption of IAS/IFRS (including therein provisions for general bank risks and loan risks) and the reserve from the first-time adoption of IFRS 9.

CASH FLOW STATEMENT (INDIRECT METHOD)

A.	OPERATING ACTIVITIES	2021	2020
1.	**Operations**	**+21,432,945**	**+15,592,993**
-	profit (loss) for the year	+6,471,387	+3,252,388
-	capital gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value through profit or loss	-212,672	+1,201,064
-	capital gains/losses on hedging activities	-	-
-	net adjustments due to credit risk	+10,854,198	+10,585,256
-	net adjustments/write-backs to property, plant and equipment and intangible assets	+529,778	+566,854
-	net provision for risks and charges and other costs/revenues	+26,343	+14,529
-	unpaid duties, taxes and tax credits	+2,235,719	+1,265,158
-	other adjustments	+1,528,192	-1,292,256
2.	**Cash flow generated/absorbed by financial assets**	**+52,080,549**	**-278,671,350**
-	financial assets held for trading	+71,146	-
-	financial assets designated at fair value	-	-
-	other financial assets mandatorily measured at fair value	-1,646,791	+7,587,874
-	financial assets measured at fair value through other comprehensive income	+52,339,155	-25,598,561
-	financial assets measured at amortised cost[21]	+10,925,034	-259,713,302
-	other assets	-9,607,994	-1,908,631
3.	**Cash flow generated/absorbed by financial liabilities**	**-59,181,813**	**+264,552,869**
-	financial liabilities measured at amortised cost	-58,734,802	+267,021,516
-	financial liabilities held for trading	-	-
-	financial liabilities designated at fair value	-	-
-	other liabilities	-447,011	-2,468,647
	Net cash flow generated/absorbed by operating activities[21]	**+14,331,681**	**+512,340**

B.	INVESTING ACTIVITY	2021	2020
1.	**Cash flow generated by**	**+602**	**+6,029**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of property, plant and equipment	+602	+6,029
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-76,694**	**-1,279,114**
-	purchase of equity investments	-	-500,000
-	purchase of property, plant and equipment	-67,056	-779,114
-	purchase of intangible assets	-9,638	-
-	purchase of company divisions	-	-
	Net cash flow generated/absorbed by operating activities	**-76,092**	**-1,273,085**

C.	FINANCING ACTIVITY	2021	2020
-	issue/purchase of treasury shares	-	-
-	issue/purchase of equity instruments	-	-
-	distribution of dividends and other objectives	-1,172,234	-200,000
	Net liquidity generated/absorbed by financing activities	**-1,172,234**	**-200,000**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD[21]	**+13,083,354**	**-960,748**

RECONCILIATION

Statement of financial position items	2021	2020
Cash and cash equivalent at the beginning of the period[21]	**19,222,439**	**20,183,187**
Net liquidity generated/absorbed during the period	+13,083,354	-960,748
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year[21]	**32,305,793**	**19,222,439**

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[21] The figure as at 31 December 2020 has been modified to incorporate the provisions of the 7th update of Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statement information to the FINREP reports, that loans to banks and central banks on demand are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks".

NOTES TO THE FINANCIAL STATEMENTS

PART A ACCOUNTING POLICIES

A.1 GENERAL PART

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The separate financial statements of Mediocredito Trentino-Alto Adige S.p.A. have been prepared in compliance with the applicable International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board® and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission under EU regulation no. 1606/2002.

They were prepared according to instructions issued by the Bank of Italy in the exercise of its power, as these were established with Article 9 of Legislative Decree no. 38/2005, with Circular no. 262 of 22 December 2005 and subsequent amendments. The seventh update is currently in force, issued on 2 November 2021 and integrated with the Communication of 21 December 2021 of the Bank of Italy concerning the impacts of COVID-19 and measures to support the economy.

SECTION 2 – GENERAL PRINCIPLES OF PREPARATION

General aspects

The financial statements comprise the Statement of financial position, the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Cash flow statement[22] and Notes to the financial statements. They are also accompanied by a Board of Directors' report on operations, the economic results and the Bank's financial position.

The financial statements are drawn up in Euro, while data in the Notes to the financial statements are expressed in thousands of Euro, based on the application of the general principles set forth by IAS 1: to this end, we refer to the prospective of the company as a going concern (par. 23), the accrual basis of accounting (par. 25 and 26), the consistency in the presentation and classification of items (par. 27), the relevance and aggregation of items, the prohibition regarding offsetting, comparative information as well as the specific accounting principles illustrated in Part A.2 in these Notes to the financial statements.

The Communication of 21 December 2021 of the Bank of Italy concerning the impacts of COVID-19 and measures to support the economy was considered.

It should be noted that, in the valuation of company assets as at 31 December 2021 and with particular reference to unlisted financial assets, in accordance with the most recent recommendations of the *regulators*, all available information regarding the implications of the COVID-19 pandemic on the significant factors that influence its value was taken into account.

There were no departures from the application of the IAS/IFRS.

For completeness, with regard to the formats defined by the Bank of Italy, the Notes to the financial statements sometimes contain the titles for the sections that relate to the items that are not accompanied by an amount, either for the year the financial statements cover or for the previous year, whichever is deemed important for providing better information.

Going concern assumption

The international accounting standards - recalled by the coordination table with the Bank of Italy, Consob and Isvap joint coordination forum on applying IAS/IFRS with document no. 2 of 6 February 2009 "Disclosure in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties on the use of estimations", and also with document no. 4 of 3 March 2010 "Disclosure in financial reports on impairment test of assets, clauses in financial debt contracts, debt restructuring and on the «fair value hierarchy» - require Directors to make an especially accurate assessment of whether the going concern assumption is appropriate.

To this end, paragraphs 23-24 of IAS 1 state that: "When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements must be prepared on a going concern basis unless management either intend to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In making its assessment, when management is aware 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 must be disclosed. When financial statements are not prepared on a going concern basis, that fact must 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".

The economic growth forecast and the performance of financial markets that are still uncertain in the light of the still ongoing spread of the COVID-19 virus and of the recent geopolitical and conflict tensions between Russia and Ukraine, as well as the difficulty of central banks in the management of inflation peaks and the support of a real economy that is not yet self-sufficient still require a very accurate assessment of the existence of the going concern basis.

Relating to this, the directors of Mediocredito Trentino-Alto Adige S.p.A., after examining the risks and uncertainties that are correlated to the current macroeconomic context, confirm that they are reasonably certain that the Company will continue its operational existence in the near future. Consequently, they have prepared the financial statements as at 31 December 2021 based on the going concern assumption.

They also confirm that they have not observed any symptom that might cast doubts on the ongoing concern assumption and the actual income generating capacity, either in the economic and financial structure or in the business trend.

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[22] The cash flow statement is drawn up by applying the "indirect" method on the basis of which the cash flows from operating activities are represented by the result for the year adjusted for the effects of non-monetary transactions. The cash flows are subdivided into those deriving from operating, investing and financing activities.

SECTION 3 – EVENTS AFTER THE REPORTING DATE

In the period between 31 December 2021 and the date of approval of these financial statements, there were no new internal material events that have occurred such as to appreciably impinge on the Bank's activities, economic results and portfolio risk. However, with respect to the gradual return of the impacts of the COVID-19 pandemic, it should be noted that the recent geopolitical and war events between Russia and Ukraine, which are dramatically involving not only the interested populations but also the entire Western world, as well as the aforementioned upsurge in commodity prices, may in the near future have negative effects on the economy and on the financial and equity situation of the banking system, in general, and of the Bank, in particular. These effects are not currently foreseeable from a quantitative point of view but the Bank is promptly carrying out the necessary analyses of the components of the customer portfolio that are most exposed and/or vulnerable with respect to the critical issues in progress.

During the first two months of 2022, the aforementioned events have already affected the financial markets and, consequently, the prices of the assets held by the bank in the HTCS bond and OCI Option equity portfolios: the price cuts have generated a negative impact on capital ratios estimated at around 0.4 percentage points.

SECTION 4 – OTHER ASPECTS

Parent company

Exemption from the obligation to prepare consolidated financial statements: the Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (financial statements assets as at 31 December 2021 of €7.9m) is not deemed significant to the improvement of the disclosures provided *(IAS 8 and paragraphs 26, 29, 30 and 44 of the "Systematic Framework for the Preparation and Presentation of Financial Statements" or "Framework").* The subsidiary owns buildings, whose value, appropriately estimated, corresponds to market values and the equity investment is booked in the financial statements of the Bank at equity.

Auditing

The Bank as an Entity of Public Interest is subject to statutory auditing according to Legislative Decree No. 39 of 27 January 2010, in implementation of directive 2006/43/EC, and the appointed auditing company is KPMG S.p.A. Said company had been entrusted with the task of auditing the financial statements of the Bank for the nine-year period 2019-2027, by means of resolution of the Shareholders' Meeting of 18 April 2019.

Pursuant to art. 2427, paragraph 1, 16-bis, the agreed fees for 2021 are indicated below:

- Statutory audit of annual accounts (including limited audit of the condensed half-yearly financial statements): €48,672 plus VAT, including expenses and Consob contribution up to 10% of the fees;
- National guarantee fund: €608 plus VAT.

Risk and uncertainties due to the use of estimates

The Bank has completed the estimation processes that support the book value of the most significant valuation-related items booked to the financial statements as at 31 December 2021, as set out in the current accounting standards and reference regulations. These processes are largely based on the estimated future possible recovery concerning the values recorded in the financial statements in accordance with the rules laid down by the current regulations and are carried out based on the going concern assumption, i.e. leaving aside hypotheses regarding forced liquidation of the items being measured. For this information we refer you to the report on operations and the Notes to the financial statements, Part E.

The checks carried out by internal operational and control functions as well as the control body support the book values of the items mentioned as at 31 December 2021.

Changes in accounting estimates

In March 2021, the collective impairment calculation model pursuant to IFRS 9 was revised by the supplier Allitude/CRIF to offer the possibility of applying a prudential treatment to customers with at least one relationship with an active moratorium. This change meant that for customers with at least one relationship with an active moratorium, the PD relating to the maximum class between the reporting date and the pre-pandemic rating class (class of February 2020) is applied to all relationships, in the calculation of the expected loss.

On the same occasion, refinements were also made to the LGD calculation model.

In December 2021, the software supplier made further refinements with reference to the method of discounting the LGD and the application of the LGD itself, for performing exposures partially covered by several types of guarantees (state, real, personal). This intervention allows the correct application of the floor envisaged by the model in the event of a state guarantee.

In relation to the application of the model - given the persistence of the situation of uncertainty regarding the evolution of the pandemic and the ongoing geopolitical and war complications and the relative short-term consequences of the evolution of the economic cycle - the Bank decided to adopt a prudent approach and not to adopt the macroeconomic scenarios updated in 2021, which are better than those used as at 31 December 2020, which were instead retained.

This decision is in line with the letter of the ECB of 4 December 2020, "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", in the part in which the same recommends avoiding excessive procyclicality in the risk measurement (see below, paragraph "Risks, uncertainties and impacts of the COVID-19 epidemic").

Disclosure pursuant to paragraphs 125, 126 et sequitur of Law no. 124/2017.

With reference to the disclosure pursuant to paragraphs 125, 126 et seq. of Law 124/2017, in 2021 the Bank received a contribution relating to advertising investments pursuant to Law 50/2017, Article 57 bis, paragraph 1, in the form of a tax credit for a total of €11,584, used for offsetting purposes on F24 on 16 June 2021.

Apart from the above, it did not receive any other grants, contributions, paid assignments or economic benefits of any kind from public administrations or companies directly or indirectly controlled or invested in by the same.

The guarantee granted on behalf of the Bank and in favour of the EIB by the Autonomous Region of Trentino-South Tyrol (shareholder of the bank) is remunerated at market price and do not constitute State aid.

Note that, in compliance with the provisions laid down for the compilation of this disclosure, transactions carried out with Central Banks for financial stability purposes or transactions designed to facilitate the transmission mechanism of monetary policy are excluded.

Disclosure required by IFRS 7 related to the interest rate benchmark reform

On 15 January 2020, Regulation (EU) no. 34, which endorsed the amendments to IFRS 9, IAS 39 and IFRS 7, was issued by the IASB on 26 September 2019, as part of the project for the "Interest rate benchmark reform". The aforementioned amendments are aimed at seeking solutions to reduce the effects on the financial statements of the interest rate reform, with particular reference to the potential impacts before the replacement of the benchmarks.
In this regard, please note that the Bank does not have any hedging transactions in place and therefore does not apply the exceptions set forth in paragraphs 6.8.4 - 6.8.12 of IFRS 9, or paragraphs 102D – 102N of IAS 39.

Risks, uncertainties and impacts of the COVID-19 epidemic

During 2020 the European regulatory and supervisory bodies, as well as the standard setters, have published a series of interventions aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the current context of the COVID-19 pandemic.
In particular, the ECB drew attention to the need to assess the significant increase in credit risk on a collective basis if the entity is not able to identify the credit risk indicators with reference to individual financial instruments, thus seeking, in accordance with the provisions of the accounting standard (IFRS 9 B5.5.1-6), to best approximate the effects that would have been obtained with a specific valuation. With reference to the definition of macroeconomic scenarios for the purposes of forward-looking conditioning of the expected loss, the ECB highlighted the need to extend the historical time horizon on the basis of which the macroeconomic forecasts are formulated to reduce the distorting effect of the recent period, identify an appropriate weighting factor in order to reflect in the model the probability of occurrence of each scenario used ("mild", "baseline", "adverse") and apply a higher weighting to the short-term prospects to then reduce it systematically and progressively as a function of the loss of relevance over more distant time horizons.
In particular, with the letter "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic" of 4 December 2020, addressed to "significant institutions", the ECB stressed that, in the context of the COVID-19 pandemic, it is becoming increasingly important to ensure that credit risk is adequately assessed, classified and measured in banks' balance sheets. To this end, it is essential that banks strike the right balance between avoiding excessive procyclicality and ensuring that the risks they are (or will be) exposed to are adequately reflected in their internal risk measurement and management processes, financial statements and regulatory reporting.

Contractual changes resulting from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

Based on the indications provided by the European Banking Authority in the document "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*" of 4 April 2020 (EBA/GL/2020/02), moratoria granted to customers pursuant to law (mainly Law Decree 18 of 17 March 2020) and in application of the industry agreements (ABI Agreements)[23], were not considered as an expression of the financial difficulty of the debtor, for all cases granted by 30 September 2020. Therefore, the aforementioned positions were not classified as *forborne* exposures.
With communication dated 21 September 2020, the EBA then declared the interruption as at 30 September 2020 of the exemptions previously arranged for the moratoria granted as a result of the health emergency, thus for the similar forbearance measures resolved after 1 October 2020, the Bank instead carried out a specific assessment on the possible satisfaction of the requirements envisaged to qualify as *forborne*.
The subsequent worsening of the pandemic, however, led EBA to a new change of direction, expressed in the *Amendment* of 2 December 2020, from when the moratoria granted by law or in application of national agreements were able to further benefit from the exemption from the obligation to assess the state of difficulty of the counterparty. This benefit therefore refers to the moratoria granted between 2 December 2020 and 31 March 2021, fully assimilating them to those granted before 30 September 2020.
In relation to this *Amendment*, the Bank applied for the possibility, set out in the same document, of adopting the guidelines also to positions classified as *forborne* on the basis of moratoria granted by law or in application of sector agreements between 1 October 2020 and 01 December 2020 by retroactively reclassifying these relationships from "*forborne performing*" to "*performing*" in cases where the changes to the payment plan did not exceed 9 months.
Therefore, in relation to the above, all the moratoria granted to customers were not treated according to the *modification accounting* as they cannot be classified as *forbearance* measures.
For all other moratoria granted by the Bank on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements envisaged by law or general agreements, the criteria for identifying forbearance measures (*forborne*) were applied, as required by the "Policy for the management of non-performing loans - NPLs".

The aforementioned facilitation framework envisaged by the EBA Guidelines on the subject of moratoria expired on last 31 March and, therefore, it is no longer possible to use the simplified prudential treatment envisaged for the classification of moratoria ("EBA compliant" moratoria). In this new context, which also includes the latest extension relating to the "Sostegni bis" Law Decree, it was therefore necessary to analyse the positions individually to verify whether the extensions were to be considered forbearance measures (i.e. linked to a financial difficulty), with consequent classification to Stage 2. Therefore, in relation to the above mentioned extension measure, the Bank's choice was to classify the relationships subject to extension (86 relationships) as forborne.

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[23] Mediocredito Trentino-Alto Adige, at the end of an analysis carried out internally and subject to the positive opinion of the Compliance function, considered that the moratoria granted on the basis of the "Ripresa Trentino" protocols (signed between the Autonomous Province of Trento, Cassa del Trentino SpA and banks, financial intermediaries and the Confidi of the province of Trento) and "Alto Adige Riparte" (signed between the Autonomous Province of Bolzano, Confidi, Garfidi and banking institutions with headquarters or branches in South Tyrol) meet the requirements of the EBA Guidelines (EBA/GL/2020/02) and therefore fall within the scope of application of the provisions contained therein.

2) Amendment to IFRS 16

According to Regulation (EU) no. 1434/2020 the lessee may, in the presence of forbearance measures on rentals that are a direct consequence of the COVID-19 pandemic and that meet certain conditions, make use of the practical expedient of not assessing whether a forbearance measure is a modification of the lease, accounting for any change in the payments due for the lease in the same way it would account for the change if it did not constitute a change in the lease.
The Bank has neither requested nor benefited, with respect to the lease agreements in which it is involved as a lessee, from changes in the fees that are a direct consequence of the COVID-19 pandemic and, therefore, has not exercised the right to adopt the practical expedient envisaged by Regulation (EU) no. 1434/2020.

Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO-III)

On 9 February 2021, ESMA submitted a question to the IFRS Interpretations Committee (IFRS-IC) regarding the accounting methods for TLTRO-III (Targeted Longer-Term Refinancing Operations) transactions with particular reference to the following aspects:

- applicability to the transactions in question of IFRS 9 or IAS 20,
- interest accounting methods in the "special interest period"; and
- accounting treatment of estimate changes (both as a result of contractual changes and in relation to the achievement of benchmarks that allow to benefit from improved rates)

on which the IFRS-IC has not yet given a definitive opinion.
For the purpose of preparation of the financial statements, in consideration of the lack of precise and definitive indications from the Regulators regarding the accounting of TLTRO-III transactions, the praxis used to date has continued to be used, considering that such transactions cannot be compared to loans at an interest rate lower than the market rate, as there is no reference market where financing transactions with comparable characteristics can be negotiated and as the ECB defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

As at 31 December 2021 the Bank had an outstanding refinancing transaction in place through the Eurosystem connected to the TLTRO-III program for a book value of €519.4m, which in December replaced, increasing the amount and extending their duration, the two previous transactions for a total of €472.2m started in 2020. Together, these transactions resulted in a positive contribution to the net interest income of €4.920m during the year.

As at 31 December 2021, since this date coincides with the end of the new time window for monitoring disbursements for the purpose of achieving the performance objectives of credit disbursements envisaged by the TLTRO-III program, the Bank has carried out the activities to verify the achievement of these objectives. Given the positive outcome of this activity, the Bank decided to apply the most favourable rate available until 23 June 2022 to the aforementioned transaction[24].
The above has led to the recording of the drawdown at amortised cost at an IRR equal to -0.596%.

A.2 ILLUSTRATION OF THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

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

1.1 Classification criteria

This category includes financial assets other than those recognised as Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost. In particular, the item includes:

- financial assets held for trading, mainly represented by debt and equity securities and by the positive value of derivative contracts held for trading as well as derivative instruments with a positive fair value that are related to assets or liabilities measured at fair value;
- other financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not exclusively envisage capital repayments and interest payments on the amount of capital to be repaid (known as "SPPI test" not passed) or that are not held within the framework of a business model whose objective is the possession of assets aimed at collecting contractual financial flows ("Hold to Collect" Business model) or whose objective is achieved both through the collection of contractual financial flows and through the sale of financial assets ("Hold to Collect and Sell" Business model);
- financial assets designated at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

Therefore, this item includes:

- debt securities and loans that are included in an Other/Trading business model (therefore not attributable to the "Hold to Collect" or "Hold to Collect and Sell" business models) or that do not pass the SPPI test, including the portions of syndicated loans subscribed that, from the outset, are intended for sale and are not attributable to a Hold to Collect and Sell Business model;
- equity instruments that do not qualify as establishing control or joint control over or association with companies and held for trading or for which the option to be designated at fair value through other comprehensive income was not exercised;
- investments in UCITS.

The item also includes derivative contracts, recorded under financial assets held for trading, which are represented as assets if the fair value is positive and as liabilities if the fair value is negative. Positive and negative current values deriving from transactions in place with the same counterparty can be offset only if there is a current legal right to offset the recognised amounts and the intention is to settle the positions to be offset on a net basis.

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[24] The rates applied are -1.00% from the date of each drawdown until 23 June 2022 and 0.00% from 23 June 2022 to the expiry date of each drawdown.

Derivative contracts also include those embedded in combined financial contracts - in which the host contract is a financial liability - which have been recognised separately because:
- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- embedded derivatives, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are not measured at fair value with the related changes recognised in the Income Statement.

According to the general rules envisaged by IFRS 9 on 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 permitted unless the entity modifies 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 measured at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

1.2 Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity securities, on the disbursement date for loans and on the subscription date for derivative contracts.
Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

1.3 Measurement criteria

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, values posted in recent comparable transactions, etc. For equity securities and derivative instruments regarding equity securities, not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above, or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.
For further information on the criteria for determining fair value, please refer to section "A.4 Fair value disclosure" in Part A of the Notes to the Financial Statements.

1.4 Derecognition criteria

Financial assets are derecognised only when the transfer resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above mentioned flows without significant delay.

1.5 Income component recognition criteria

Interest income on securities and differentials and spreads on derivative contracts classified to this category, but which are linked to other assets/liabilities measured at fair value for management purposes, are recognised on an accrual basis to the income statement items for interest, accounting for any commissions (up-front fees) paid or collected early in a lump-sum.
Profits and losses realised on the disposal or redemption and unrealised profits and losses on changes in the fair value of the trading portfolio are classified to item "80 Net trading income", except for the share relative to derivative contracts that are linked to assets or liabilities measured at fair value for management purposes, which are entered to item "110 Net income/loss from financial assets and liabilities measured at fair value through profit or loss".

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

2.1 Classification criteria

This category includes financial assets that meet both of 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 sale ("Hold to Collect and Sell" Business model), and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as “SPPI test” passed).

The item also includes capital instruments, not held for trading, for which the option to be designated at fair value through other comprehensive income was exercised at the time of initial recognition.
In particular, this item includes:
- debt securities that are part of a Hold to Collect and Sell business model and passed the SPPI test;
- equity investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option to be designated at fair value through other comprehensive income was exercised;

- loans that are attributable to a Hold to Collect and Sell business model and passed the SPPI test, including the portions of syndicated loans subscribed that, from the outset, are intended for sale and are not attributable to a Hold to Collect and Sell business model.

According to the general rules envisaged by IFRS 9 on 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 permitted unless the entity modifies 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 measured at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.

For further information on the classification criteria of financial instruments, refer to the following chapter "Classification criteria of financial assets".

2.2 Recognition criteria

Upon initial recognition, assets in this category are entered at cost, which is defined as the fair value of the instrument, including transaction costs and income directly attributable to the instrument. If recognition occurs subsequent to reclassification from Assets at amortised cost, the value of initial recognition is equal to the fair value at the time of transfer.

2.3 Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income are measured at fair value determined on the basis of the criteria already illustrated for Financial assets measured at fair value through profit or loss.

For equity securities included in this category not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above, or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.

For further information on the criteria for determining fair value, please refer to section "A.4 Fair value disclosure" in Part A of the Notes to the Financial Statements.

Financial assets measured at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to checking the significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.

Vice versa, equity securities are not subject to impairment.

For further details, refer to the next chapter "Impairment of financial assets".

2.4 Derecognition criteria

Financial assets are derecognised only when the transfer resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.

Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above mentioned flows without significant delay.

2.5 Income component recognition criteria

Debt securities

Interest income, calculated according to the effective interest rate method, is entered to item 10. "interest income and similar revenues" whereas valuation profit and loss, with the exception of impairment profit and loss, are recognised, net of any tax effect, in item 110. of shareholders' equity "Valuation reserves".

If the financial asset is derecognised (transferred), the cumulative gain or loss previously recognised in the reserve is reclassified to the income statement (item 100.b "Gains (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income").

Impairment profit and losses are recognised in item 130.b "Net adjustments due to credit risk to financial assets measured at fair value through other comprehensive income"; however, the provision to cover losses must be recognised in other comprehensive income (item 110. of shareholders' equity "Valuation reserves") and must not reduce the book value of the financial asset in the asset side of the statement of financial position.

Equity securities

Dividends are entered to item 70. "dividends and similar income" whereas valuation profit and loss, including impairment profit and loss, are recognised, net of any tax effect, in item 110. of shareholders' equity "Valuation reserves".

If the financial asset is derecognised (transferred), the cumulative profit or loss previously recognised in the reserve must not be reclassified to the income statement, although the Bank may transfer these amounts to shareholders' equity (item 140. "Reserves").

SECTION 3. FINANCIAL ASSETS MEASURED AT AMORTISED COST

3.1 Classification criteria

This category includes financial assets (in particular, loans and debt securities) that meet both of 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 ("Hold to Collect" Business model), and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as “SPPI test” passed).

More specifically, this item includes:

- loans with banks in different technical forms meeting the requirements set out in the previous paragraph;
- loans with customers in different technical forms meeting the requirements set out in the previous paragraph;
- debt securities meeting the requirements set out in the previous paragraph.

This category also includes operating loans related to the provision of financial activities and services as established by the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (for example for the distribution of financial products and servicing activities).

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies 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 measured at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through other comprehensive or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised in the income statement in the event of reclassification as a financial asset measured at fair value through profit or loss and equity, in the specific valuation reserve, in the event of reclassification as a financial asset measured at fair value through other comprehensive income.

Loans generated by finance lease transactions are included.

3.2 Recognition criteria

If the asset is entered to this category upon reclassification from “financial assets measured at fair value through other comprehensive income”, the amount of the previously accumulated valuation reserve is eliminated from shareholders’ equity, reducing the fair value of the asset at the reclassification date; consequently, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. Moreover, with the same adjustment for credit risk, it is necessary to recognise a provision to cover losses as an adjustment to the gross book value of the financial asset from the reclassification date.

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, with regard to loans, the date of disbursement normally coincides with the date of signing of the agreement. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.

Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

3.3 Measurement criteria

Subsequent to initial recognition, financial assets in question are measured at amortised cost using the effective interest rate method, adjusted by any provision to cover losses. The effective interest rate is the rate that exactly discounts estimated future cash flows of the asset (principal and interest) to the amount disbursed including costs/income related to the financial asset itself. This accounting method, which is based on a financial approach, allows the economic impact of costs/income directly attributable to a financial asset to be distributed throughout its expected residual life.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.

The measurement criteria, as better described in the chapter on "Impairment of financial assets", are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (stage 3) includes impaired financial assets and the remaining (stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:

- upon initial recognition, for an amount equal to the 12-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for losses expected in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where – after a significant increase in credit risk since initial recognition – the “significance” of this increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a 12-month expected credit loss.

If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from AIRB models and properly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the income statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.

Impaired assets include financial instruments that have been granted the status of doubtful, unlikely to pay or past due by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.

The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.

The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.

If the reasons for the loss of value no longer apply as a result of an event that occurs after impairment has been recorded, write-backs are carried out and entered to the income statement. The amount of write-backs may not exceed the amortised cost that the instrument would have had in the absence of previous adjustments.

Value readjustments related to the passage of time are recognised in net interest income.

In some cases, during the life of the financial assets in question and, in particular, of loans, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements (derecognition) and a new financial instrument must be recognised.

In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative considerations. In fact, in some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and check the need to derecognise or not the asset and the recognition of a new financial instrument.

Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset, will have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:
  - the first, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. This case study includes all the renegotiation operations that are aimed at adjusting the cost of the debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the debtor, which concerns aspects related to the cost of the debt, with a consequent economic benefit for the debtor. In general, it is considered that whenever a bank renegotiates in order to avoid losing its customer, such renegotiation should be considered as substantial in that, if it is not renegotiated, the customer could finance itself from another intermediary and the bank would suffer a decrease in expected future revenues;
  - or the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for what will be said below on the subject of objective elements), is that made through "modification accounting" - that implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate - and not through "derecognition";
- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

3.4 Derecognition criteria

Financial assets are derecognised only when the transfer resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.

Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above mentioned flows without significant delay.

3.5 Income component recognition criteria

Interest income on loans and securities is entered to item 10. "interest income and similar revenues".

Profits and losses on the disposal of loans and securities are entered to item 100. "Gains (losses) on disposal or repurchase of financial assets measured at amortised cost". Impairment losses and value readjustments to loans and securities are entered to item 130. "Net adjustments due to credit risk to financial assets measured at amortised cost".

SECTION 4. HEDGING TRANSACTIONS

The Bank avails itself of the possibility, at the time of introduction of IFRS 9, of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge (both for specific hedges and for macro hedges).

4.1 Classification criteria

The purpose of hedging operations is to neutralise potential losses that may be incurred on a certain element or group of elements and is attributable to a certain risk by means of profits earned on a different element or group of elements in the event that the risk in question should actually present itself.

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged element is formally documented, if it is effective when hedging begins, and, prospectively, over the entire life of the hedge.

Consequently, it becomes necessary to verify that the hedge of the derivative instrument is highly effective in offsetting changes in the fair value or expected cash flows of the hedged element both at the beginning of the operation and throughout its duration.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged instrument and the relative expected cash flows are offset by the respective values of the hedging instrument. Effectiveness may therefore be evaluated by comparing the above-mentioned changes, while taking into account the aim pursued by the company when the hedge was created. A hedge is considered effective (within the limits set by the interval 80-125%) if the changes in the fair value of the hedging instrument almost completely neutralise the changes in the hedged instrument for each risk element hedged against.

Given the Group's decision to continue to apply IAS 39 in full to hedging transactions, it is not possible to designate equity securities classified as Financial assets measured at fair value through other comprehensive income (FVOCI) as hedged items for price or foreign exchange risk, since these instruments do not impact the income statement, even in the event of a sale (except for dividends that are recognised in the income statement).

4.2 Recognition criteria

There are two types of hedges:

- fair value hedges, which aim to cover the exposure to changes in the fair value of hedged assets or liabilities attributable to a specific risk. This type of hedge may be used to hedge against market risks inherent in fixed-rate bond issues;
- cash flow hedges, which aim to cover the exposure to the risk of changes in the expected future cash flows attributable to specific risks associated with items on the financial statements. This type of hedge is specifically used to stabilise floating-rate interest flows on deposits.

The items, "Hedging derivatives" under assets (Item 80.) and liabilities (Item 60.) of the statement of financial position correspond to the positive and negative values, respectively, of derivatives that are part of effective hedges.

4.3 Measurement criteria

Hedging derivatives are measured at fair value, specifically:

- in fair value hedges, the change in the fair value of the hedged element is offset by the change in the fair value of the hedging instrument. This offset is recognised by entering the changes in value in both the hedged element (as regards changes produced by the underlying risk factor) and the hedging instrument to the income statement. Any difference, which represents the partial ineffectiveness of the hedge, is consequently considered the net economic effect;
- in cash flow hedges, the hedged item continues to be measured according to the original method, whereas changes in the fair value of the derivative are entered to equity for the effective portion of the hedge, and to the income statement, for the ineffective portion of the hedge.

The effectiveness of hedges is verified at the outset and when the financial statements for the period are prepared. If a hedge ceases to be effective, the related derivative contracts are classified as instruments held for trading and entered to Item 20. "Financial assets held for trading" or Item 40. "Financial liabilities held for trading", whereas changes in fair value are entered to Item 80. of the income statement "Net trading income". The hedged financial instrument is measured according to the method used for the category in which it is classified.

4.4 Derecognition criteria

Hedged financial assets and liabilities are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets/liabilities are disposed of with a substantial transfer of the relative risks and rewards. Furthermore, operations cease to be regarded as hedges and be accounted for accordingly if the hedge carried out through the derivative ceases or is no longer highly effective, or if the derivative expires, is sold, rescinded or exercised, or the hedged element is sold, expires or redeemed.

4.5 Income component recognition criteria

Income components are allocated to the relative items on the income statement according to the following indications:

- Accrued differentials on derivative instruments hedging against the interest rate risk (as well as interest on the hedged positions) are allocated to item 10. "Interest income and similar revenues" or 20. "Interest expense and similar charges";
- Capital gains and losses on the valuation of hedging derivatives and the positions covered by fair value hedges (which may be attributed to the risk covered) are allocated to item 90. "Net hedging gains (losses)".
- Capital gains and losses deriving from the valuation of derivative instruments used in cash flow hedges (for the effective portion) are allocated to a specific valuation reserve (item 130. "Valuation reserve") in equity, net of the deferred tax effect. The ineffective portion of said capital gains and losses is entered to item 90. "Net hedging gains (losses)" of the income statement.

SECTION 5. EQUITY INVESTMENTS

5.1 Classification criteria

According to IAS, the item "Equity investments" includes equity investments in subsidiaries, affiliates and jointly-controlled companies.

Subsidiaries are defined as companies for which more than half the voting rights are held either directly or indirectly, unless it may be shown that the possession thereof does not constitute control; control is defined as wielding the power to determine financial and management policies.

Jointly-controlled companies are defined as those for which control is shared with other parties according to a contract. Affiliates are defined as companies, for which at least 20% of voting rights are held either directly or indirectly, or over which significant influence is possessed despite holding a lesser share of voting rights; significant influence is defined as the power to participate in determining financial and management policies, without having control or joint control.

Certain equity investments of more than 20%, in which the Bank only holds rights over a portion of the returns on investment, do not have access to management policies and can exercise limited governance rights to safeguard its economic interests, are not considered to be subject to significant influence. The remaining equity investments, i.e. not in subsidiaries and affiliates, are classified as financial assets (FVTPL or FVTOCI) and treated accordingly.

5.2 Recognition criteria

Equity investments are entered at cost, including accessory charges, when acquired.

5.3 Measurement criteria

Subsidiaries and affiliates are measured according to the equity method and the impact thereof is entered to the income statement: according to this method, equity investments are initially entered at cost and the book value is increased or decreased to account for the Bank's share in the investee company's profits or losses realised after the date of acquisition. The Bank's share of the investee's profits for the year is entered to the income statement. Dividends received from an investee are entered against the book value of the equity investment. It may become necessary to make adjustments to the book value of equity investments when the share of the Bank's interest in an affiliate is modified.

If there is evidence that the value of an equity investment may have decreased, an estimate of the recovery value of the equity investment is made. If the recovery value is less than the book value, the relative difference is entered to item 220. "Profit (loss) from equity investments". This item also includes any future write-backs where the reasons for the previous write-downs no longer apply.

5.4 Derecognition criteria

Equity investments are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets are disposed of with a substantial transfer of the relative risks and benefits.

5.5 Income component recognition criteria

Profits and losses realised by investee companies, impairment losses and the effects of measurement according to the equity method are allocated in the income statement to item 220. "Profit (loss) from equity investments", whereas dividends collected are entered against the book value of the equity investments.

SECTION 6 – PROPERTY, PLANT AND EQUIPMENT

6.1 Classification criteria

Property, plant and equipment include land, instrument real estate, real estate investments, plant, fixtures and furnishings, and all types of equipment. This category consists of property, plant and equipment held for use in the production or provision of goods and services, to be leased to third parties, or for administrative purposes, and which are believed likely to be used for more than one accounting period. Rights of use acquired under leases and relating to the use of property, plant and equipment are also included.

6.2 Recognition criteria

Property, plant and equipment are initially entered at cost, which includes the price of purchase and any accessory charges that may be directly attributed to the acquisition and commissioning of the assets.

Extraordinary maintenance expenses that entail increase in the future economic benefits of the asset are added to the book value of the asset, whereas other ordinary maintenance costs are entered to the income statement.

Leases, in accordance with IFRS 16, are recognised based on the right-of-use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term.

When the asset is made available to the lessee for use (starting date), the lessee recognises both the liability and the asset consisting of the right of use.

6.3 Measurement criteria

Property, plant and equipment, including non-instrumental real estate, are measured at cost, once any depreciation and impairment have been deducted. Upon first application, real estate is entered at cost, which is defined as past book value adjusted accordingly to specific monetary revaluation laws.

Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life. The buildings are depreciated for a portion considered adequate to represent the depreciation of the assets over time following their use, taking into account the extraordinary maintenance expenses, which are added to the value of the assets. Land is not depreciated and is entered separately even when acquired with annexed buildings.

IAS 16 does not provide for depreciation:

- depreciation of land since land is an asset with an indefinite useful life; for fully owned properties (from the ground up), this has led to the need to separate the value of land from the annexed buildings by commissioning an expert appraisal;
- the valuable artistic heritage, the other historical, artistic and decorative assets in that their useful life cannot be estimated and their value is normally destined to increase over time;
- investment properties that, as required by IAS 40, are measured at fair value with contra-entry to the income statement and therefore must not be depreciated.

If there is any evidence that shows that a property, plant and equipment measured at cost has undergone impairment, its book value is compared with its recovery value. Any adjustments are entered to the income statement. If the reasons that led to the recording of the loss cease to exist, a value re-adjustment is made, the amount of which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment. Property, plant and equipment recognised in accordance with IAS 2 are measured at the lower of cost and net realisable value, it being understood that a comparison is made between the book value of the asset and its recovery value where there is any indication that the asset may have suffered a loss in value. Any adjustments are entered to the income statement.

With reference to the asset consisting of the right of use, recognised in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated and tested for impairment in case of impairment indicators.

6.4 Derecognition criteria

Property, plant and equipment are derecognised when they have been disposed of, or when the assets have been permanently taken out of use and no future economic benefits are expected from disposal.

6.5 Income component recognition criteria

Income components are entered to the relative items on the income statement according to the following indications:
- periodic depreciation, accumulated impairment losses, and value re-adjustments are allocated to item 180. "Net adjustments to property, plant and equipment".
- profits and losses on the disposal of assets are allocated to item 250. "Gains (losses) on disposal of investments".

SECTION 7 – INTANGIBLE ASSETS

7.1 Classification criteria

The portfolio of intangible assets includes intangible factors of production with a useful life of several years, mainly represented by application and system software.

7.2 Recognition criteria

Said assets are entered at the price of purchase including accessory charges and increased by expenses incurred at a later date to raise their value or initial production capacity.

7.3 Measurement criteria

Intangible assets are amortised according to the straight-line method based on the estimated residual useful life of the assets. If evidence is found indicating the existence of accumulated losses, intangible assets are tested for impairment and any losses in value are recorded; later write-backs may not exceed the amount of the previously recorded impairment losses.

7.4 Derecognition criteria

Intangible assets are derecognised when their economic function has been fully exhausted.

7.5 Income component recognition criteria

Periodic amortisation, accumulated impairment losses, and value re-adjustments are allocated to item 190. "Net adjustments to intangible assets".

SECTION 8. OTHER ASSETS

Other assets essentially include items awaiting settlement and items not attributable to other statement of financial position items, including receivables arising from the supply of non-financial goods and services, tax items other than those recognised under a specific item (for example, related to withholding tax), gold, silver and precious metals and accrued income other than those that should be capitalised on the related financial assets, including those arising from contracts with customers pursuant to IFRS 15, paragraphs 116 et seq.

SECTION 9 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets or groups of assets/liabilities for which a disposal process has been initiated and their sale is considered highly probable are classified as assets under "Non-current assets and groups of assets held for sale" and are classified as liabilities under "Liabilities associated with assets held for sale". These assets/liabilities are measured at the lower of its book value and its fair value less costs to sell, with the exception of certain types of assets (e.g. financial assets within the scope of IFRS 9) for which IFRS 5 specifically requires that the measurement criteria of the relevant accounting standard be applied.

The balance of income and charges (dividends, interest, etc.), whether positive or negative, and the measurements of said assets/liabilities according to the above methods, net of the relative current and deferred taxes, is entered to item "290. Profit (loss) from discontinued operations after tax" of the income statement.

SECTION 10. CURRENT AND DEFERRED TAXATION

Income taxes, calculated in compliance with national tax regulations, are recognised as a cost on an accrual basis, consistent with the recognition of the costs and revenues that generated them in the financial statements. Therefore, they represent the balance of current and deferred taxes related to the income for the year. Current tax assets and liabilities include the net balance of the company's tax positions with the Italian and foreign Tax Authorities. In particular, these items include the net balance between current tax liabilities for the year, calculated on the basis of a prudent forecast of the tax burden due for the year, determined on the basis of current tax regulations, and current tax assets represented by advances and other tax credits for withholding taxes incurred or other tax credits from previous years for which the bank requested offsetting with taxes from subsequent years.

Current tax assets also include tax credits for which the bank has requested a refund from the competent tax authorities, while current tax liabilities also cover the risk of charges due to tax disputes.

Deferred tax entries are calculated according to temporary differences, without time limits, between the value attributed to an asset or liability according to statutory standards and the corresponding tax values resulting in future taxable amounts or tax deductions. For this

purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts.
Deferred taxation is calculated based on the applicable rates, with respect to, (i) the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and (ii) the temporary deductible differences, with respect to which there is the reasonable certainty that there will be future taxable amounts at the time when the related tax deductibility becomes apparent (known as probability test).
Prepaid and deferred taxes are recognised at the level of equity with no offsetting entries.
If the deferred tax assets and liabilities refer to income statement items, the contra-entry is represented by income tax.
In cases where deferred tax assets and liabilities concern transactions that directly affected shareholders' equity without affecting the income statement (such as first-time adoption adjustments of IAS/IFRS, the measurements of financial instruments recognised at fair value through other comprehensive income or derivative contracts hedging cash flows, actuarial gains/losses on defined benefit plans (severance indemnities), they are recognised with contra-entry to equity, involving specific reserves when required (e.g. valuation reserves).
Deferred taxes on statement of financial position items in respect of which tax has been deferred "taxable in any case of use" are recognised in the financial statements as a reduction in equity.

SECTION 11. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges consist of sums allocated in relation to current obligations that originated in a past event for which is likely that economic resources will be disbursed to fulfil the obligation, provided that it is possible to estimate the amount to be disbursed in a reliable manner.

Provisions for risks and charges against commitments and guarantees issued
The sub-item of provisions for risks and charges in question includes provisions for credit risk recognised against commitments to disburse funds and guarantees given that fall within the scope of application of the rules on impairment pursuant to IFRS 9. For these cases, the same methods for allocating to the three stages (credit risk stages) and calculating the expected loss shown with reference to financial assets measured at amortised cost or at fair value through other comprehensive income are adopted in principle.
The aggregate also includes provisions for risks and charges set up to cover other types of commitments and guarantees issued that, by virtue of their specific characteristics, do not fall within the aforementioned scope of application of the impairment in accordance with IFRS 9.

Other provisions
The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.
Consequently, a provision is recognised if and only if:

- an actual obligation exists (legal or implicit) being the result of a past event;
- it is likely that the employment of resources producing economic benefits will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount resulting from the fulfilment of the obligation.

The amount recognised as provision represents the best estimate of the expense required for fulfilling the obligation existing at the end of the reporting period and shows the risks and uncertainties that inevitably characterise a variety of facts and circumstances. If the time factor is significant, provisions are discounted at current market rates. Provisions and increases due to the time factor are recognised in the Income Statement.
The provision is reversed when the use of resources producing economic benefits to fulfil the obligation becomes unlikely or when the obligation is extinguished.
In particular, the Bank uses the item other provisions for risks and charges for:

- personnel and third-parties for which it is likely that economic resources will be disbursed;
- risks of bankruptcy revocatory actions discounted with the Zero Coupon rate at the Statement of Financial Position date, by estimating the average duration of legal proceedings of this kind, and other risks for ongoing disputes;
- charitable activities and donations allocated upon approval of the financial statements.

The item also includes any long-term employee benefits, the charges of which are determined using the same actuarial criteria as those described for the provision for post-retirement benefit obligations.

SECTION 12. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

12.1 Classification criteria

Due to banks, Due to customers and Debt securities in issue include various forms of Interbank funding, customer deposits, repurchase agreements with the obligation of forward repurchase and sums collected through certificates of deposit and outstanding bonds and other funding instruments, net of any buybacks.
It also includes any debts recorded by the company as a lessee under finance leases (leases pursuant to IFRS 16).

12.2 Recognition and derecognition criteria

The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.
Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.

12.3 Measurement criteria

Subsequent to initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest rate method.

Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.
Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate lease.

12.4 Derecognition criteria

Financial liabilities are derecognised when they have expired or been extinguished. They are also derecognised if previously issued bonds are bought back. The difference between the book value of liabilities and the amount paid to purchase them is recognised in the income statement.
Any replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

SECTION 13. FINANCIAL LIABILITIES HELD FOR TRADING

13.1 Classification and recognition criteria

These financial instruments are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any transaction cost or income directly attributable to the instruments themselves.
In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Any liabilities that originate from uncovered short positions generated by securities trading and certificates are also included.

13.2 Measurement criteria

All trading liabilities are measured at fair value with the result of the measurement recognised in the income statement.

13.3 Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits.

13.4 Income component recognition criteria

The same criteria are applied, with the necessary adaptations, as are used for the recognition of income components of financial assets held for trading (see point 1 – Financial assets held for trading).

SECTION 14. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

14.1 Classification criteria

Financial liabilities designated at fair value are recognised in this item, with contra-entry to the Income Statement, based on the option granted to companies (known as "fair value option") under IFRS 9 and in compliance with the provisions of the relevant regulations.
In particular, this category includes financial liabilities to be measured at fair value through profit or loss when:

- designation at fair value eliminates or reduces the inconsistency in measurement or recognition ("accounting asymmetry") that would otherwise result from the measurement of assets or liabilities or from the recognition of related gains and losses on different bases;
- the management and/or measurement of a group of financial instruments at fair value with an impact on the income statement is consistent with a documented risk management or investment strategy oriented along those lines by company management and/or Board of Directors;
- there is a hybrid instrument containing a host contract that is not an asset within the scope of IFRS 9 and an embedded derivative that is to be separated.

14.2 Recognition criteria

These liabilities are recognised at the issue date at their fair value, which normally coincides with the cost of the instrument, without considering transaction costs or income directly attributable to the instrument itself, which are instead recognised in the income statement and include the value of any embedded derivative, net of placement fees paid.
In particular, the Bank recognised as financial liabilities measured at fair value the fixed-rate funding instruments the market risk of which has been systematically hedged.

14.3 Measurement criteria

These liabilities are measured at fair value and the result is recognised in accordance with the following rules set out in IFRS 9:

- fair value changes that are attributable to changes in creditworthiness must be recognised in the Statement of comprehensive income (Equity);
- the remaining fair value changes must be recognised in the Income Statement.

The amounts recognised in the Statement of comprehensive income are not subsequently reclassified to the income statement. This accounting method must not be applied when the recognition of the effects of one's creditworthiness under equity leads to or accentuates an accounting mismatch in the income statement. In this case, the gains or losses related to the liability, including those determined as a result of the change in its creditworthiness, must be recognised in the income statement.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, and values posted in recent comparable transactions.
For more details, please refer to the section on general criteria for measuring fair value (Part A.4).

14.4 Derecognition criteria

Financial liabilities measured at fair value are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits.

14.5 Income component recognition criteria

Interest expense in this category is entered on an accrual basis to the income statement items relative to interest; accounting for any commissions (up-front fees) paid or received early in a lump-sum.

Realised and unrealised profits and losses deriving from the change in fair value of financial assets are entered to item 110.a "Net change in financial assets and liabilities measured at fair value through profit or loss - financial assets and liabilities designated at fair value".

SECTION 15. CURRENCY TRANSACTIONS

15.1 Classification and recognition criteria

Currency transactions consist of all assets and liabilities denominated in currencies other than the Euro and are entered at the exchange rate on the date of the transaction.

15.2 Measurement criteria

At the end of each reporting period or interim reporting date, items in foreign currencies are measured as follows:

- monetary items are converted at the exchange rate at the end of the reporting period;
- non-monetary items measured at historical cost are converted at the exchange rate on the date of the operation;
- monetary items measured at fair value are converted using the exchange rates at the end of the reporting period.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements are recognised in the income statement relating the period in which they arise.

When a gain or loss from a non-monetary item is carried at equity, the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is recognised in the income statement, the associated exchange rate difference is also recognised in the income statement.

SECTION 16. OTHER INFORMATION

16.1 Provision for severance indemnities

Following the reform of supplementary pensions implemented by Legislative Decree No. 252/2005 those amounts of the severance indemnities that had accrued as at 31 December 2006 remain under the management of the Bank while amounts accruing starting from 1 January 2007 must either be paid into supplementary pension schemes or to the fund managed by INPS (according to the choice expressed by the employee).

The coming into force of the above mentioned reform made for a change in the way the fund was recorded both with regard to amounts accrued as at 31 December 2006 and to amounts accruing starting from 1 January 2007.

In particular:

- amounts accruing starting from 1 January 2007 go to a "defined-contribution plan" regardless of whether the employee opted for a supplementary pension scheme or for the treasury fund managed by INPS. The Bank therefore records amounts paid into these funds as payroll without employing actuarial criteria;
- amounts accrued as at 31 December 2006 go to a "defined-benefit plan" and are entered at the value calculated according to actuarial criteria in compliance with IAS 19. The liability in relation to the accrued severance indemnity is calculated on an actuarial basis with no pro-rata calculation of services rendered, as the service that must be measured has entirely accrued.

Classification, recognition, derecognition and measurement criteria

The provision for severance indemnities – for the amount accrued as at 31 December 2006 – is entered at the value calculated according to actuarial criteria provided in IAS 19 for defined-benefit programmes for employees and is certified by independent actuaries.

The Projected Unit Credit Method is used for discounting; this method involves predicting future disbursements according to historical and statistical analyses and the demographic curve and then discounting these flows according to a market interest rate. The discount rates are calculated according to the term structure of interest rates as obtained, by a bootstrap procedure, from the swap rate curve for the dates of measurement.

The amount that started accruing from 1 January 2007 is not added to the severance indemnities fund but rather it is paid into the pension funds and/or the treasury fund managed by INPS.

Income component recognition criteria

With regard to the recognition of the annual changes resulting from the actuarial calculations of the components of the "defined benefit plans", the IAS 19 previously in force consisted of two options:

1. the recognition in the income statement
2. the recognition in equity (statement of comprehensive income).

Until 31 December 2012, the Bank had adopted the first method, accounting in the income statement for all changes in provision for severance indemnities accrued during the period.

With EC Regulation no. 475 of 5 June 2012, the new version of IAS 19 "Employee Benefits" was approved. Such regulation, applicable as per mandatory requirements, for accounting periods beginning on or after 1 January 2013, provides a single method for accounting of actuarial gains/losses, which have to be included immediately in the calculation of net liabilities to employees, as contra-entry for an equity item (OCI - Other Comprehensive Income) to be included in the statement of comprehensive income for the period.

Based on the above regulation, the Bank adopted the revised IAS 19 starting from the financial statements for 2013, implementing the recognition in the income statement of gains and losses attributable to the actuarial nature of these differences directly in equity, with data related to financial statements for 2012 reclassified in accordance with IAS 8.

For more detailed information concerning the composition and values of the items affected by the estimates, please refer to the specific sections in the notes to the financial statements.

Payments into the supplementary pension schemes are booked to the income statement under item 150.a) "Payroll" in relation to defined contribution programmes.

16.2 Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. Such costs, recorded in "Other assets" as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract, and amortisation quotas are recorded in "Other maintenance charges".

16.3 Purchase of tax credits

The model developed by the IT outsourcer Allitude S.p.A., which is in line with what is indicated in document no. 9 of the Coordination table among the Bank of Italy, Consob and IVASS regarding the application of IAS/IFRS was adopted to account for the purchased tax credits; in particular:

- the business model adopted is HTC;
- the tax credit is shown in the balance sheet under other assets;
- calculated using the amortised cost method, interest is shown in the balance sheet under interest income.

These credits will be used to offset tax and social security payments, without the intention of making further transfers of the same; therefore, no significance and frequency thresholds have been set for the assessment of the compatibility of the sales of the credits in question.

The maximum amount that can be purchased was determined in a prudential manner with respect to the concrete possibilities of using the credit acquired for offsetting; following this, it is believed that the entire annual amount can be used within the third quarter of each year, rendering the hypothesis of having to make value adjustments a remote possibility. In this case, the impairment process will follow the policy already in use for HTC assets.

16.4 Treasury shares

Any treasury shares held are recorded as a reduction in equity. Similarly, their original cost and the gains or losses deriving from their subsequent sale are recognised as changes in equity.

16.5 Accruals and deferrals

Accruals and deferrals that include expenses and income for the period accrued on assets and liabilities are recognised in the financial statements to adjust the assets and liabilities to which they refer.

16.6 Recognition of revenues

Revenues are recognised when they are received, or when it is likely that future benefits will be received or said benefits may be reliably quantified. In particular:

- interest income is recognised on an accrual basis according to the contractual interest rate or the effective interest rate if the amortised cost method is applied;
- interest on arrears, when provided for by a contract, is recognised in the income statement only when it is actually collected;
- dividends are recognised to the income statement when it is resolved to distribute them, which coincides with when they are collected.

16.7 Provisions for guarantees and commitments

Provisions and write-downs due to the impairment of guarantees issued and commitments to disburse funds are calculated applying the same methods adopted for financial assets measured at amortised cost and for financial assets measured at fair value through other comprehensive income.

16.8 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the net carrying amount of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability – or for a shorter period when certain conditions are met (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on whether financial assets/liabilities have fixed or variable rates and, in this last case, if the volatility of the rate is known or not beforehand.

For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument that are not debited to customer. Such commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate; thereby the effective interest rate associated to the transaction differs from contractual interest rate.

Transaction costs do not include costs/income relating to more than one transaction and the components related to events that may occur during the life of the financial instrument, but that are not certain at the time of the initial agreement, such as for example commissions for distribution, for non-use and for advance termination. Amortised cost does not include costs the Bank would sustain independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of lending (e.g. activities related to the loan granting process, administrative management of syndicated loans) as well as commissions on services received following structured finance activities that would in any case have been received independently from the subsequent financing of the transaction.

With reference to loans, fees paid to distribution networks are considered costs directly attributable to the financial instrument.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, while it does not consider legal and advisory/review expenses for the annual update of prospectuses.

16.9 Fair value measurements

General qualitative and quantitative information on criteria for measuring fair value can be found in Part A.4.

A.3 INFORMATION ON TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

During 2021, the Bank did not make any transfers of financial assets between portfolios and therefore this section is not completed.

A.4 FAIR VALUE DISCLOSURE

QUALITATIVE INFORMATION

This section deals with methods for determining fair value in relation to the types of assets and liabilities of the Bank.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. not a forced liquidation or below cost sale). The fair value is an evaluation criterion of the market, not specific to the entity. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For financial instruments, fair value is determined through the use of prices obtained from financial markets in the case of instruments listed on active markets or via internal valuation techniques for other financial instruments.

A market is regarded as active if listed prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer or brokered market, industry group, pricing service or regulatory agency.

When the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical independent arm's length transaction, motivated by normal business considerations, as at the measurement date.

With regard to financial instruments, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of information used in the calculation. The "fair value hierarchy" defines three levels for the measurement of the fair value:

- Level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets for identical assets or liabilities;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed either directly or indirectly in the market (other than listed prices in level 1);
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that use inputs that cannot be observed in the market.

The choice of these methodologies is not optional but must be applied according to a hierarchy since this classification has the objective to establish a hierarchy in terms of the reliability of the values depending on the degree of discretion applied by the companies, giving priority to the use of observable market inputs that reflect the assumptions that participants would use in the valuation (pricing) of the asset/liability. The objective of the hierarchy is also to increase consistency and comparability in fair value measurements.

The valuation method defined for a financial instrument is adopted over time and is changed only as a result of significant changes in market conditions or for the issuer of the financial instrument.

The Bank's activities considered listed on an active market (Level 1) are: equities, bonds and securities listed on a regulated market for which at least two executable prices with a difference between a bid-ask price of less than 15% can be determined on a daily basis over the last month.

The following instruments are valued on the basis of techniques that make mainly use of market parameters (Level 2):

- bonds under the FVO for which it is not possible to use Level 1 fair value;
- bonds classified under the HTCS portfolio for which it is not possible to use Level 1 fair value;
- bonds classified under the Cash Flow hedge portfolio (only for the purposes of testing the hedge effectiveness);
- equity securities listed on a market that is not considered to be active;
- OTC interest rate derivatives.

With regard to OTC derivatives, a methodological approach was adopted that allows to include credit risk in determining the fair value of financial instruments: in particular, to fulfil the requirements of the new IFRS 13, it enhances the effects of changes in the counterparty creditworthiness (Credit Value Adjustment - CVA) and the effects of changes in own creditworthiness (Debit Value Adjustment - DVA). The adjustment values are dependent on exposure, the probability of default (PD) and loss given default (LGD) of the counterparties.

Impacts of COVID-19 on the determination of the fair value of securities in the portfolio

The Bank's securities portfolio at *fair value* is mainly made up of listed government securities with *fair value* level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis; the same considerations are also valid for listed debt securities issued by banking counterparties (level 1), for listed equity securities and for *warrants*.

Investments in UCITS mandatorily measured at fair value were mainly recognised on the basis of the NAVs; any impacts of the pandemic crisis are considered as already expressed by this value.

The remaining investments in unlisted minority interests and recorded in the portfolio of financial assets measured at fair value through other comprehensive income (level 3) were measured as at 31 December 2021; the valuation process, which took into account the particular economic situation, substantially confirmed the book values as at 31 December 2020, with the exception of two equity investments subject to revaluation on the basis of the price of recent transactions.

A.4.1 Fair value Levels 2 and 3: valuation techniques and inputs used

Level 2 fair value

The following instruments are valued on the basis of techniques that make mainly use of market parameters (Level 2):

- bonds under the FVO for which it is not possible to use Level 1 fair value;
- bonds classified under the HTCS portfolio for which it is not possible to use Level 1 fair value;
- bonds classified under the Cash Flow hedge portfolio (only for the purposes of testing the hedge effectiveness);
- equity securities listed on a market that is not considered to be active;
- OTC interest rate derivatives.

In detail, for each of the categories of instruments identified above we apply the valuation models mentioned below.

Bonds classified under HTCS or under the FVO

The methods used for the valuation of these bonds are:

- amortisation plan with future coupons estimated based on forward rates and yield curve including credit spread for variable rate securities;
- amortisation plan with estimated future coupons and yield rate including credit spread for fixed rate securities.

Equity securities listed on a market that is not considered to be active

Equity securities listed on a market that is not considered as "active" are characterised by difficult trading and high volatility in the presence of low volumes traded in accordance with this Regulation; for these securities, the fair value measurement is mainly carried out by applying statistical/financial models envisaged for Level 3 fair value.

Bonds and interest rate derivatives entered into a hedged portfolio using hedge accounting

The calculation of the fair value for hedging derivatives is done by adopting the "Notional Cash Flow After Last Known Coupon" model and the yield curve including issue spread for the valuation of the variable rate component: evaluation differences between this model and the more correct model based on amortisation plan with future coupons estimated based on forward rates are considered negligible. For consistency, the same model is also applied to the hedged bonds only for the purpose of verifying the effectiveness of the hedge.[25]

For the measurement of the fair value of the fixed rate component, we use a model taking into account amounts specified in the amortisation plan and estimating future coupons based on the current coupon rate and the yield curve including issue spread.

Interest rate trading derivatives

For the evaluation of trading derivatives, the fair value provided from time to time by qualified counterparties whose methods are considered to be consistent with those outlined in this policy is adopted, applying to them the necessary correction to take account of counterparty risk (CDA/DVA).

Level 3 fair value

For certain types of financial instruments (equity investments not listed or, in some cases, listed on markets that are not considered to be active), the determination of fair value is based on valuation models that must assume the use of parameters that are not directly observable on the markets, therefore implying estimates and assumptions on the part of the evaluator (Level 3). In particular, the valuation of the financial instrument is based on a calculation model that is based on financial or similar methods. The cost of purchase is used if the valuation is objectively not possible or if the cost and effort to obtain it is too high (for the characteristics and extent of participation).

Assets and liabilities at amortised cost

To integrate the above information in relation to individual financial statement items, for assets and liabilities reported at amortised value, the fair value shown in the Notes to the financial statements is calculated as follows:

- For loans and advances to customers and banks, the fair value (Level 2) is calculated by discounting the future contractual flows on the basis of the market rates curve at the closing of the year according to an approach based on the discount rate adjustments, which provides that risk factors - represented by the PD and LGD parameters used in calculating impairment of the portfolios - are taken into account in the rate used to discount the future flows, also considering the general worsening of the risk differentials recorded under current market conditions;
- For bonds issued and in the portfolio, the fair value (Level 2) is calculated with the help of external providers, based on the discounting of future cash flows expected from the contractual plan of the security on the basis of the market rates curve at the closing of the year, adjusted as necessary to take into account the risk profile of the issuer;
- The fair value of loans and amounts due to customers and banks on demand is estimated from the book value (Level 3).

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

The inclusion of the counterparty and own credit risk, for the purpose of determining the fair value of derivatives, as required by IFRS 13, implies that the value calculated on the basis of risk-free rates (MTM) is subject to an adjustment. Such adjustment is referred to as CVA for derivative asset and DVA for derivative liabilities in the Statement of Financial Position.

For the determination of the Credit Valuation Adjustment (CVA) for derivatives purchased from bank counterparties and Debit Valuation Adjustment (DVA) of derivatives sold to customers, we use the methodologies developed by the Cassa Centrale Banca in collaboration with IT companies in the sector (including the outsourcer for the Bank).

IFRS 13 requires the use of valuation techniques that maximize the use of observable market data and data which are attributable to factors taken into account in the valuation of financial instruments by all market participants. Given the characteristics of the transactions entered into and the type of banks as counterparties, it is reasonable to estimate the PD (Probability of Default), both for the Bank's own credit risk and the bank counterparties', using the historical approach. This represents a suitable alternative to the market approach, by referencing to the tables of default historical data reported by the rating agency Moody's using the default rates associated with rating classes (Table "European Corporate Default and Recovery Rates"). As regards LGD (Loss Given Default), in accordance to the methodology of the above-mentioned working group, a loss of 60% of the EAD is assumed in line with practices for unsecured derivatives.

Quantitative information on relevant non-observable inputs used in the evaluation of fair value

It is noted that Level 3 instruments, which have more discretion in determining the *fair value*, represent only a small percentage (2.1%) of total assets. The quantitative impact of unobservable inputs used in measuring fair value is therefore deemed insignificant.

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[25] The Cash Flow Hedge system envisages that the hedged instrument follows the rules of the IAS category in which it is classified.

A.4.2 Processes and sensitivity of valuations

The methodologies for determining the fair value of financial instruments and the criteria for allocation of the instruments themselves within the "Fair Value Hierarchy" are governed by the policy of valuation of assets and liabilities adopted by the Bank.

The Policy Assessment identifies for each financial product/family of products the input parameters and their sources as well as the valuation methods.

The valuation models used must be consistent with the degree of complexity of the products offered/negotiated, reliable in estimating values, used and known by other market participants.

The evaluation process consists of the following phases:

1. The first phase identifies the types of product, the financial parameters and their sources to be used, which must be of proven reliability and be widely accepted among market participants.
2. The second phase of the evaluation process specifies the method for determining the fair value, for each type of product.

In phase 1, for securities classified under Level 2 of the fair value hierarchy, the process of determining the spread of the issuer creditworthiness is particularly relevant, as detailed below.

Issuer’s creditworthiness

For assets/liabilities on the wholesale market, the credit spread applied is recorded for each issuer (including Mediocredito Trentino – Alto Adige SpA), according to one of the following methodologies, in order of priority:

1. *spread applied to the most recent bond issue of significant amount, placed with no connected eligible counterparties;*
2. *spread determined taking into account the credit rating of each counterparty (including Mediocredito Trentino – Alto Adige S.p.A.) and contingent conditions of the funding market;*
3. *latest credit spread as reported by Reuters for Moody's rating level.*

For liabilities in the retail market, the credit spread applied is the one recognised for the issuer Mediocredito Trentino – Alto Adige S.p.A. by considering the most recent bond issue placed with retail counterparties.

For the assessment of unsecured bonds by corporate counterparties, in the absence of significant issues on the basis of which it is possible to estimate the credit spread, the spread is set to the minimum provided for unsecured financing transactions of the same original duration.

A.4.3 Hierarchy of fair value

The choice of the level of fair value is not optional, but must be applied in a hierarchical order, as this classification has the objective to establish a hierarchy in terms of the reliability of the values depending on the degree of discretion applied, giving priority to the use of observable market inputs that reflect the assumptions that market participants would use in the evaluation (pricing) of assets/liabilities. The objective of the hierarchy is also to increase consistency and comparability in fair value measurements. The valuation method defined for a financial instrument is adopted over time and can only be changed as a result of significant changes in the market or the financial instrument issuer conditions.

A.4.4 Other Information

All non-financial assets, whether they are measured at *fair value* on a recurring or non-recurring basis, are used at their maximum potential and in the best way.

QUALITATIVE INFORMATION

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	2021			2020		
Financial assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets measured at FV through profit or loss	15	1,911	15,384	75	1,668	13,509
a) financial assets held for trading	15	390		75	114	
b) financial assets designated at fair value						
c) other financial assets mandatorily measured at fair value [1]		1,521	15,384		1,554	13,509
2. Financial assets measured at FV through other comprehensive income	76,108	-	28,389	125,868	-	23,168
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	**76,123**	**1,911**	**43,773**	**125,943**	**1,668**	**36,677**
1. Financial liabilities held for trading		380			110	
2. Financial liabilities designated at fair value		-			-	
3. Hedging derivatives		-			-	
Total		**380**			**110**	

[1] In both financial years, the amount contains receivables for cash reserves related to the two securitisations that did not pass the SPPI test (€1.3m for both 2020 and 2021).

In 2021, the Bank did not carry out transfers of financial assets/liabilities between Level 1 and Level 2.

The fair value of derivative assets includes counterparty credit risk (CVA) of €4 thousand (€2 thousand in 2020) while the fair value of derivative liabilities includes Mediocredito credit risk (DVA) of €14 thousand (€6 thousand in 2020).

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**13,509**			**13,509**	**23,168**			
2. Increases	**2,430**			**2,430**	**8,542**			
2.1 Purchases [1]	1,752			1,752	7,180			
2.2 Profits in:	678			678	1,363			
2.2.1 Income statement [2]	678			678				
- of which: Capital gains								
2.2.2 Equity [3]					1,363			
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases	**555**			**555**	**3,321**			
3.1 Sales [4]					3,286			
3.2 Redemptions [5]	106			106				
3.3 Losses in:	449			449	36			
3.3.1 Income statement [6]	449			449				
- of which: capital losses								
3.3.2 Equity [7]					36			
3.4 Transfers to other levels								
3.5 Other decreases								
4. Closing balance	**15,384**			**15,384**	**28,389**			

1 With regard to financial assets measured at fair value through profit or loss, the amount refers for €29 thousand to the units of the closed-end fund Assietta Private Equity III, for €112 thousand to the units of the closed-end fund Assietta Private Equity IV, for €64 thousand to the units of the fund PMI Italia II, for €1m to the units of the fund Industry 4.0 SICAV, for €12 thousand to the units of the fund Sustainable Securities Fund, for €112 thousand to the units of the closed-end fund Sviluppo PMI 2 and for €421 thousand to the units of the fund HAT Technology & Innovation. On the other hand, with regard to financial assets measured at fair value through other comprehensive income, the amount refers for €1.6m to the purchase of equity investments in T5 S.r.l., for €333 thousand to the purchase of equity investments in Oneosix S.p.A., for €5m to the purchase of equity investments in the Bank of Italy, for €203 thousand to the purchase of equity investments in La Finanziaria Trentina S.p.A. and for €36 thousand to the capital payment and coverage of losses in Trentino Volley S.r.l.

2 With regard to financial assets measured at fair value through profit or loss, the amount refers for €86 thousand to the positive change in fair value of the fund HAT Technology & Innovation, for €457 thousand to the positive change in the fair value of the fund Finint Fenice, for €114 thousand to the change in fair value of the fund Industry 4.0 SICAV and for €22 thousand to the positive change in fair value of the closed-end fund Equita Private Debt II.

3 This relates for €599 thousand of the capital gain deriving from the sale of the equity investment in Green Hunter S.p.A., for €106 thousand of the positive change in fair value of the equity investment in La Finanziaria Trentina S.p.A. and for €657 thousand of the positive change in fair value of the equity investment in Enercoop S.r.l.

4 These are made up for €1.6m of the sale of the equity investment in Green Hunter S.p.A. (which generated a capital gain of €599 thousand represented in item 2.2.2) and for €1.7m of the sale of the equity investment in SWS Group S.p.A.

5 With regard to financial assets measured at fair value through profit or loss, the amount refers for €106 thousand to the repayment, following the entry of new subscribers, of part of the amount paid for the purchase of units in the fund Equita Private Debt.

6 With regard to financial assets measured at fair value through profit or loss, these include €379 thousand for the negative change in fair value of the closed-end fund Assietta Private Equity III, €47 thousand for the negative change in fair value of the closed-end fund Assietta Private Equity IV, €21 thousand for the negative change in fair value of the fund PMI Italia II and €2 thousand for the negative change in fair value of the fund Sustainable Securities Fund.

7 The amount refers entirely to the negative change in fair value of the equity investments in Trentino Volley S.r.l.

A.4.5.3 Annual changes in financial liabilities measured at FV on a recurring basis (Level 3)

The Bank does not hold any financial liabilities measured at fair value on a recurring basis for Level 3 in the current year nor in the period of comparison.

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

Type of transaction/Amounts	2021				2020			
	BV	FV			BV	FV		
		Lev. 1	Lev. 2	Lev. 3		Lev. 1	Lev. 2	Lev. 3
1. Financial assets measured at amortised cost	1,480,085	410,250	1,045,255	36,701	1,521,859	431,452	1,054,566	67,556
2. Property, plant and equipment held for investment purposes	116	-	-	116	116	-	-	116
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**1,480,200**	**410,250**	**1045,255**	**36,817**	**1,521,974**	**431,452**	**1,054,566**	**67,671**
1. Financial liabilities measured at amortised cost	1,460,389	-	1,003,080	413,751	1,518,770	-	1,094,452	401,195
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**1,460,389**	**-**	**1,003,080**	**413,751**	**1,518,770**	**-**	**1,094,452**	**401,195**

A.5 INFORMATION ON DAY ONE PROFIT/LOSS

There are no items for the table A.5 Information on "day one profit/loss", set forth by the Bank of Italy.

PART B INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

	2021	2020 [26]
a) Cash	3	4
b) Current accounts and demand deposits with Central Banks	-	-
c) Current accounts and demand deposits with banks	32,303	19,219
Total	**32,305**	**19,222**

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Cash assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Investments in UCITS						
4. Loans						
4.1 Repurchase agreements						
4.2 Others						
Total A						
B Derivative instruments						
1. Financial derivatives	15	390		75	114	
1.1 trading[1]	15	390		75	114	
1.2 related to fair value option						
1.3 others						
2. Credit derivatives						
2.1 trading						
2.2 related to fair value option						
2.3 others						
Total B	**15**	**390**		**75**	**114**	
Total (A+B)	**15**	**390**		**75**	**114**	

[1] These consist, in Level 1, of warrants listed on the Italian Stock Exchange acquired on a free basis as part of equity investment purchases, and in Level 2, of *cap* options with banks as counterparties whose characteristics mirror those with ordinary customers as counterparties, shown in item 20 of liabilities, which should be consulted for a more in-depth description. The fair value takes into account the counterparty credit risk (CVA) for €4 thousand (€2 thousand in 2020).

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[26] The figure as at 31 December 2020 has been modified to incorporate the provisions of the 7th update of Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statement information to the FINREP reports, that loans to banks and central banks on demand are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks". The reclassification concerned the amount of €19,218,860.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	2021	2020
A. Cash assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	-	-
a) Central Banks	-	-
b) Other financial corporations	-	-
of which: insurance companies	-	-
c) Non-financial corporations	-	-
d) Other issuers	-	-
3. Investments in UCITS	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations		
f) Families		
Total A	**-**	**-**
B. Derivative instruments	**405**	**189**
a) Clearing House	-	-
b) Other	405	189
Total B	**405**	**189**
Total (A+B)	**405**	**189**

Financial assets held for trading: annual changes

	Financial trading derivatives
A. Opening balance	**189**
B. Increases	**287**
B1. Purchases	-
B2. Positive changes in fair value	287
B3. Other changes	-
C. Decreases	**71**
C1. Sales	24
C2. Redemptions	-
C3. Negative changes in fair value	0
C4. Transfers to other portfolios	-
C5. Other changes	47
D. Closing balance	**405**

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	1,521	-	-	1,554	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities [1]	-	1,521	-	-	1,554	-
2. Equity securities	-	-	-	-	-	-
3. Investments in UCITS [2]	-	-	14,106	-	-	12,231
4. Loans	-	-	1,278	-	-	1,278
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others [3]	-	-	1,278	-	-	1,278
Total	**-**	**1,521**	**449**	**-**	**1,554**	**13,509**

1 These are debt securities that did not pass the SPPI test; in particular, the amount refers for €1.508m to a subordinated bond issued by an insurance institution and for €13 thousand to the mezzanine and junior tranches issued by the Buonconsiglio 3 securitisation.

2 This item is made up of €8.4m of units of the Finint Fenice closed-end real estate investment fund; it also includes the value of the units of funds: Industry 4.0 SICAV of €1.7m, Assietta Private Equity III closed-end securities investment fund of €0.9m, Assietta Private Equity IV closed-end securities investment fund of €0.8m, PMI Italia II of €0.6m, HAT Technology and Innovation closed-end securities investment fund of €0.6, Value Italy Credit 3 closed-end securities investment fund of €0.5m, Equita Private Debt II closed-end securities investment fund of €0.3m, Sviluppo PMI 2 closed-end securities investment fund of €0.1m, Leopardi real estate investment fund of €0.1m and Sustainable Securities Fund of €10 thousand.

3 These are receivables for cash reserves relating to securitisations that did not pass the SPPI test.

Commitments relating to investments in UCITS

Fund	2021	2020
Assietta Private Equity III	82	111
Assietta Private Equity IV	1,028	1,139
Finint PMI Italia II	334	455
HAT Technology & Innovation	878	799
Industry 4.0 SICAV	1,191	2,194
Equita Private Debt II	688	581
Sviluppo PMI 2	888	-
Sustainable Securities Fund	988	1,000
Ver Capital Sinloc	1,000	-
Nextalia Private Equity	1,000	-
	8,077	**6,279**

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

Items/Amounts	2021	2020
1. Equity securities	**-**	**-**
of which: banks	-	-
of which: other financial corporations	-	-
of which: other non-financial corporations	-	-
2. Debt securities	**1,521**	**1,554**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	1,521	1,554
of which: insurance companies	1,508	1,543
e) Non-financial corporations	-	-
3. Investments in UCITS	**14,106**	**12,231**
4. Loans	**1,278**	**1,278**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	1,278	1,278
of which insurance companies	-	-
e) Non-financial corporations	-	-
f) Families	-	-
Total	**16,905**	**15,063**

Financial cash assets: annual changes in gross exposures

Annual changes in investments in UCITS are shown in the section "Other information" of part B.

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: breakdown by type

Items/Amounts	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	47,908			103,509		
1.1 Structured securities						
1.2 Other debt securities	47,908			103,509		
2. Equity securities [2]	28,200		28,389	22,359		23,168
3. Loans						
Total	**76,108**		**28,389**	**125,868**		**23,168**

[1] These consist of a nominal amount of €40.0m of government securities and €5.0m of bond loans issued by banks (level 1), purchased by the Bank to create adequate reserves of assets readily available and eligible for refinancing with the ECB.

[2] Level 3 includes in particular the equity investment in the Bank of Italy and the other unlisted equity investments, including those deriving from the restructuring of impaired loans (Funivie Madonna di Campiglio S.p.A., Funivie Folgarida Marilleva S.p.A., Lineapiù S.p.A.).

Commitments relating to equity securities

Fund	2021	2020
T5 Srl	391	-

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts	2021	2020
1. Debt securities	**47,908**	**103,509**
a) Central Banks	-	-
b) Public administrations	43,577	92,409
c) Banks	4,331	11,100
d) Other financial corporations	-	-
of which insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	**56,589**	**45,527**
a) Banks	28,838	22,241
b) Other issuers	27,751	23,286
- other financial corporations	13,143	9,701
of which insurance companies	6,534	5,012
- non-financial corporations	14,608	13,585
- others	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which insurance companies	-	-
e) Non-financial corporations	-	-
f) Families	-	-
Total	**104,497**	**149,036**

Equity securities include the equity investment in Lineapiù S.p.A., classified as doubtful loans and fully written down in previous years.

Financial cash assets: annual changes in gross exposures

Annual changes in equity and debt securities are shown in the "Other information" section of Part B.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value					Total value adjustments				Total partial write-offs
	Stage 1		Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
		of which instruments with low credit risk								
Debt securities	47,908	43,577	-	-	-	7	-	-	-	-
Loans	-	-	-	-	-		-	-	-	-
Total	**47,908**	**43,577**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**-**
Total (T-1)	**103,509**	**92,409**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**-**

For performing loans (stages 1 and 2), the gross value coincides with the net value, while in the case of any impaired exposures, a proxy should be used for the total value adjustments represented by the cumulative capital losses due to credit risk that, added to the fair value recognised in the financial statements, provide the gross value of the exposure. Therefore, the value adjustments are shown in the table for information purposes only.

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and total value adjustments

The Bank has no loans measured at fair value through other comprehensive income in its portfolio.

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans and advances to banks [27]

Type of transaction/Amounts	2021						2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3
A. Deposits with central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-	-	-				-	-	-			
2. For reserve requirements	-	-	-				-	-	-			
3. Repurchase agreements	-	-	-				-	-	-			
4. Other	-	-	-				-	-	-			
B. Loans and advances to banks	**26,189**	**-**	**-**	**-**	**24,137**	**2,837**	**25,714**	**-**	**-**	**-**	**23,937**	**2,425**
1. Loans	2,837	-	-	-	-	2,837	2,425	-	-	-	-	2,425
1.1. Current accounts	-	-	-				-	-	-			
1.2 Time deposits	2,837	-	-				2,425	-	-			
1.3 Other loans:	-	-	-				-	-	-			
- Repurchase agreements	-	-	-				-	-	-			
- Lease financing	-	-	-				-	-	-			
- Other	-	-	-				-	-	-			
2. Debt securities	23,352	-	-	-	24,137	-	23,289	-	-	-	23,937	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	23,352	-	-	-	24,137	-	23,289	-	-	-	23,937	-
Total	**26,189**	**-**	**-**	**-**	**24,137**	**2,837**	**25,714**	**-**	**-**	**-**	**23,937**	**2,425**

It is noted that Mediocredito has met its mandatory reserve obligations to the Bank of Italy indirectly through Cassa Centrale Banca S.p.A., with which it holds a deposit made for this purpose equal to €2.837m as at 31 December 2021 and to €2,425m as at 31 December 2020 indicated in item B.1.2.

4.2 Financial assets measured at amortised cost: breakdown by type of loans and advances to customers

Type of transaction/Amounts	2021					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3
Loans	**999,263**	**21,610**	**-**	**-**	**989,635**	**33,401**
1.1. Current accounts	8,408	-	-			
1.2 Repurchase agreements	-	-	-			
1.3 Mortgages	822,293	20,205	-			
1.4 Credit cards, personal loans including "one-fifth of salary deducted loan"	-	-	-			
1.5 Lease financing [1]	101,836	1,380	-			
1.6 Factoring	-	-	-			
1.7 Other loans[2]	66,725	25	-			
Debt securities	**432,560**	**462**	**-**	**410,250**	**31,484**	**462**
1.1 Structured securities	-	-	-			
1.2 Other debt securities [3]	432,560	462	-	410,250	31,484	462
Total	**1,431,823**	**22,072**	**-**	**410,250**	**1,021,118**	**33,864**

1 The amount is net of the portion disbursed in relation to third-party funds, which is included in the item "other loans" to the amount of €2.6m.

2 They also include performing building leasing turnkey operations for €6.9m.

3 They include government bonds for € 396.3m, a security issued by a finance company for € 5.0m and minibonds for € 31.8m.

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[27] The figure as at 31 December 2020 has been modified to incorporate the provisions of the 7th update of Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statement information to the FINREP reports, that loans to banks and central banks on demand are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks". The reclassification concerned the amount of €19,218,860.

Type of transaction/Amounts	2020					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3
Loans	**1,005,573**	**32,347**	**-**	**-**	**1,000,735**	**45,499**
1.1. Current accounts	8,934	-	-			
1.2 Repurchase agreements	-	-	-			
1.3 Mortgages	831,520	25,993	-			
1.4 Credit cards, personal loans including "one-fifth of salary deducted loan"	-	-	-			
1.5 Lease financing [1]	77,304	1,543	-			
1.6 Factoring	-	-	-			
1.7 Other loans[2]	87,815	4,811	-			
Debt securities	**438,593**	**413**	**-**	**431,452**	**29,894**	**413**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	438,593	413	-	431,452	29,894	413
Total	**1,444,166**	**32,760**	**-**	**431,452**	**1,030,629**	**45,912**

1 The amount is net of the portion disbursed in relation to third-party funds, which is included in the item "other loans" to the amount of €3.8m.
2 They also include performing building leasing turnkey operations for €17.9m.
3 They include government bonds of €410m and minibonds of €29m.

Information on the nature of the management operations on funds made available by the State or other public entities ("third party fund administration").

Item "other loans" includes €23.4m of funding provided from funds made available by the Autonomous Province of Trento for €1.0m, the Autonomous Province of Bolzano for €19.7m and the Veneto Region, directly or through the instrumental company Veneto Sviluppo, for €2.7m.
All of the above funds, intended for particular funding operations as envisaged and governed by specific legislation[28], require Mediocredito to fully assume the risk.

Financial cash assets: annual changes

Annual changes in debt securities are shown in the "Other information" section of Part B.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans and advances to customers

Type of transaction/Amounts	2021			2020		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Stage 1 and 2	Stage 3	of which: acquired or originated impaired
1. Debt securities:	**432,560**	**462**		**438,593**	**413**	
a) Public administrations	396,273	-		409,571	-	
b) Other financial corporations	11,452	-		10,155	-	
of which: insurance companies	-	-		-	-	
c) Non-financial corporations	24,834	462		18,867	413	
2. Loans to:	**999,263**	**21,610**		**1,005,573**	**32,347**	
a) Public administrations	52,611	-		60,334	-	
b) Other financial corporations	28,775	457		21,903	4,784	
of which: insurance companies	-	-		-	-	
c) Non-financial corporations	883,037	18,267		883,488	23,659	
d) Families	34,840	2,885		39,848	3,904	
Total	**1,431,823**	**22,072**		**1,444,166**	**32,760**	

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[28] In particular:
- for the Autonomous Province of Trento: Provincial Law 6/99;
- for the Autonomous Province of Bolzano: Regional Laws 21/93 and 3/91, Provincial Law 9/91 and Law 817/71;
- for the Veneto Region; Regional Law 18/94, 6/96, 5/2001, 33/2002, 40/2003 and POR 2007-2013.

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

	Gross value					Total value adjustments				Total partial write-offs
	Stage 1									
		of which instruments with low credit risk[1]	Stage 2	Stage 3	acquired or originated impaired	Stage 1	Stage 2	Stage 3	acquired or originated impaired	
Debt securities	455,602	396,336	599	691		290	5	229		-
Loans	827,145	9,222	191,475	47,717		5,254	11,264	26,107		26
Total	**1,282,747**	**405,558**	**192,074**	**48,408**		**5,544**	**11,269**	**26,336**		**26**
Total (T-1)	**1,384,117**	**426,959**	**114,820**	**65,897**		**4,800**	**5,038**	**33,137**		**26**

1 The amount shown is related to loans for which, for the purposes of staging assessment, the staging model adopted by the Bank applies the Low Credit Risk Exemption, envisaged by IFRS 9, which requires that on FTA or subsequent measurement, a transaction can be classified as stage 1 if it meets the following requirements:
- absence of lifetime PD at the disbursement date;
- no "30 days past due" event in the 36 months prior to the measurement date, and
- rating class less than or equal to 4 for Small Businesses and Companies, less than or equal to 3 for POE and less than or equal to 5 for Private individuals.

The "Gross value" of financial assets shown in the table corresponds to the book value gross of total value adjustments (case-by-case and collective), which are instead shown in the "Total value adjustments" columns, and does not include accrued interests on arrears in that they are considered non-recoverable. In the case of stage 3 adjustments, the amount shown corresponds to the present value, at the end of the reporting period, of the difference between contractual flows and expected cash flows.

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

	Gross value					Total value adjustments				Total partial write-offs
	Stage 1									
		of which instruments with low credit risk	2°.	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
1. Loans subject to forbearance measures in compliance with the GL	5,732	-	4,033	-		51	173	-		
2. Loans subject to moratorium measures in place no longer compliant with the GLs and not assessed as being subject to forbearance measures										
3. Loans subject to other forbearance measures	4,026	-	184	-		6	12	-		
4. New loans	100,855	1,252	18,109	153		396	286	16		
Total	**110,613**	**1,252**	**22,326**	**153**		**453**	**471**	**16**		
Total (T-1)	**295,230**	**3,534**	**51,356**	**1,743**		**944**	**2,296**	**409**[1]		**-**

1 In the period T-1 (2020) the amount shown related to loans that at the time of forbearance measures were in stage 1

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 Equity investments: information on equity relations

Names	Registered office	Operating office	% stake	% of votes available
A. Subsidiaries				
1. Paradisidue S.r.l.	Trento	Trento	100.000	100.000
B. Joint ventures				
C. Companies under significant influence				

7.4 Insignificant equity investments: accounting information [1]

Names	Book value of equity investments	Total assets	Total equity and liabilities	Total revenues	Profit (Loss) from current operations after taxes	Net profit (loss) from groups of assets held for sale	Net income (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1)+(2)
A. Subsidiaries	**336**	**7,907**	**7,885**	**813**	**22**	**-**	**22**	**-**	**22**
1. Paradisidue S.r.l.	336	7,907	7,885	813	22	-	22	-	22
B. Joint ventures									
C. Companies under significant influence									

[1] Statement of financial position data as at 31 December 2021.

7.5 Equity investments: annual changes

	2021	2020
A. Opening balance	**336**	**306**
B. Increases	**-**	**500**
B.1 Purchases	-	500
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**470**
C.1 Sales	-	-
C.2 Value adjustments	-	470
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Closing balance	**336**	**336**
E. Total revaluations	-	-
F. Total adjustments	1,848	1,848

Commitments relating to equity investments in subsidiaries

The Bank granted the subsidiary Paradisidue S.r.l. a loan account with a credit limit of €10.0m – for which the amount of €7.380m was drawn as at 31 December 2021 - for the purpose of acquiring and renovating buildings as part of bankruptcy proceedings. The Bank also granted the subsidiary Paradisidue S.r.l. unsecured loans of €841.2 thousand.

SECTION 8 – PROPERTY, PLANT AND EQUIPMENT – ITEM 80

8.1 Property, plant and equipment for operational use: breakdown of assets valued at cost

Assets/Amounts	2021	2020
1. Assets owned	**8,203**	**8,594**
a) land[1]	1,950	1,950
b) buildings[2]	5,597	5,887
c) furniture	279	308
d) IT equipment	98	91
e) others	279	358
2. Rights of use acquired under leases [3]	**106**	**152**
a) land	-	-
b) buildings	75	115
c) furniture	-	-
d) IT equipment	-	-
e) others	31	37
Total	**8,309**	**8,746**
of which: obtained through the realisation of guarantees received	**-**	**-**

1 This is the historical cost of the land on which the registered office in Trento stands, owned from the ground up, accounted for separately under the paragraph 58 of IAS 16.

2 Subject to revaluation under special laws of which: €106.3 thousand under Law no. 576/75, €409.6 thousand under Law no. 72/83, €887.7 thousand under Law no. 413/91 and €4,410.7 thousand under Law no. 342/2000.

3 This item includes the amounts relating to the rights of use acquired under leases recognised as assets of the Bank in accordance with IFRS 16.

8.2 Property, plant and equipment held for investment purposes: breakdown of assets valued at cost

Assets/Amounts	2021				2020			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Assets owned	**116**	**-**	**-**	**116**	**116**	**-**	**-**	**116**
a) land[1]	116	-	-	116	116	-	-	116
b) buildings	-	-	-	-	-	-	-	-
2 Rights of use acquired under leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**116**	**-**	**-**	**116**	**116**	**-**	**-**	**116**
of which: obtained through the realisation of guarantees received								

1 This is a plot of land obtained as a result of debt recovery proceedings.

Depreciation of property, plant and equipment was calculated on the basis of the following annual depreciation charges that are deemed to adequately express the residual useful life of the assets.

Land	not depreciated (indefinite useful life)
Lands incorporated from buildings owned (from the ground up)	not depreciated (indefinite useful life)
Buildings for operational use	3.00%
Furnishing	12.00%
Air conditioning and various equipment	15.00%
Plants and lifts	7.50%
Furnishings	15.00%
Electronic equipment	20.00%
Cars and motor vehicles	25.00%
Telephone systems	12.50%

8.6 Property, plant and equipment for operational use: annual changes

	Land	Buildings	Furnishing	IT equipment	Other	Total
A. Gross opening balance	**1,950**	**11,509**	**2,144**	**685**	**1,989**	**18,278**
A.1 Total net write-downs	-	5,507	1,837	594	1,594	9,532
A.2 Net opening balance	**1,950**	**6,002**	**308**	**91**	**395**	**8,746**
B. Increases:	-	-	**1**	**55**	**37**	**93**
B.1 Purchases			1	33	13	46
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Positive fair value changes booked to	-	-	-	-	-	-
a) equity						
b) income statement						
B.5 Exchange differences						
B.6 Transfers from property held for investment purposes						
B.7 Other changes				22	24	46
C. Decreases:	**-**	**330**	**29**	**48**	**122**	**529**
C.1 Sales [1]				22	4	26
C.2 Depreciation	-	330	29	26	117	503
C.3 Adjustments due to impairment booked to	-	-	-	-	-	-
a) equity						-
b) income statement						-
C.4 Negative fair value changes booked to	-	-	-	-	-	-
a) equity						
b) income statement						
C.5 Exchange losses						-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes						
b) assets held for sale						
C.7 Other changes						-
D. Net closing balance	**1,950**	**5,672**	**279**	**98**	**311**	**8,309**
D.1 Total net write-downs	-	5,837	1,866	598	1,687	9,989
D.2 Gross closing balance	**1,950**	**11,509**	**2,145**	**696**	**1,998**	**18,298**
E. Measured at cost	-	-	-	-	-	-

[1] Amounts in the item "sales" refer to the transfer of assets, most of which being depreciated, whose cash flow, equalling €0.6 thousand, is included in the item "Cash flow generated by sale of property, plant and equipment" of the cash flow statement. For balancing purposes (for item "Total net write-downs") the change in accumulated depreciation relating to such assets was shown in item "Increases B.7 – other changes".

All assets for operational use are measured at cost inclusive of monetary revaluation under special laws.
Items B.1 and C.2 of table 8.6 also include the amounts relating to the rights of use acquired under leases recognised as assets of the Bank in accordance with IFRS 16.

Property, plant and equipment for operational use purchased under finance lease: annual changes

	Buildings	Other	Total
A. Gross opening balance	**194**	**98**	**292**
A.1 Total net write-downs	79	61	140
A.2 Net opening balance	**115**	**37**	**152**
B. Increases:	**-**	**22**	**22**
B.1 Purchases	-	-	-
B.2 Capitalised expenditure on improvements [1]	-	-	-
B.7 Other changes	-	22	22
C. Decreases:	**40**	**28**	**71**
C.2 Depreciation	40	28	71
D. Net closing balance	**75**	**31**	**107**
D.1 Total net write-downs	119	89	208
D.2 Gross closing balance	**194**	**120**	**214**

[1] With regard to the disclosures required by IFRS 16, paragraph 53, letter h), note that no additions were made during the year to the assets consisting of rights of use.

8.7 Property, plant and equipment held for investment purposes: annual changes

No changes were recorded during the period in relation to property, plant and equipment held for investment purposes (measured at cost). Gross and net opening and closing balances, as well as the fair value measurement as at the end of the reporting period, equal €116 thousand.

8.9 Commitments to purchase property, plant and equipment

At the end of these financial statements, the Bank had no contractual commitments for purchasing property, plant and equipment.

SECTION 9 – INTANGIBLE ASSETS – ITEM 90

9.1 Intangible assets: breakdown by type of asset

Assets/Amounts	2021		2020	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets	**74**	**-**	**91**	**-**
of which: software	**74**	**-**	**91**	**-**
A.2.1 Assets measured at cost:	74	-	91	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	74	-	91	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**74**	**-**	**91**	**-**

Amortisation was calculated:

– on the basis of the expected useful life at a percentage of 33.33% with regard to application software;

– on the basis of the duration of the outsourcing contract (5 years) with regard to the cost of software for the company's new IT system;

– applying the rate of 20% for the software of the internal data and network infrastructure.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	**-**	**-**	**-**	**3,265**	**-**	**3,265**
A.1 Total net write-downs	-	-	-	3,174	-	3,174
A.2 Net opening balance	**-**	**-**	**-**	**91**	**-**	**91**
B. Increases	**-**	**-**	**-**	**10**	**-**	**10**
B.1 Purchases	-	-	-	10	-	10
B.2 Increases in intangible assets generated internally		-	-	-	-	-
B.3 Write-backs		-	-	-	-	-
B.4 Positive fair value changes:		-	-	-	-	-
- equity		-	-	-	-	-
- income statement		-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**27**	**-**	**27**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	27	-	27
- Amortisation		-	-	27	-	27
- Write-downs:	-	-	-	-	-	-
+ equity		-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value:	-	-	-	-	-	-
- equity		-	-	-	-	-
- income statement		-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**74**	**-**	**74**
D.1 Net total value adjustments	-	-	-	3,201	-	3,201
E. Gross closing balance	**-**	**-**	**-**	**3,275**	**-**	**3,275**
F. Measured at cost	-	-	-	-	-	-

Intangible assets are measured at cost.

9.3 Intangible assets: other information

The Bank does not have:

– Revaluated intangible assets;

– Intangible assets acquired by way of government concessions;

– Intangible assets pledged as collateral for liabilities;

– Commitments to purchase intangible assets;

– Leased intangible assets.

SECTION 10 – TAX ASSETS AND TAX LIABILITIES - ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

10.1 Deferred tax assets: breakdown

	2021	2020
	13,610	**14,256**
A. With contra-entry to income statement	**13,436**	**14,052**
Adjustments to loans deductible in future years	12,688	13,405
Depreciation of buildings for operational use	35	30
Other	712	617
B. With contra-entry to equity	**175**	**203**
Financial assets measured at fair value through OCI	105	141
Other	69	62

Deferred tax assets are considered fully recoverable, taking into account the expected taxable income to be generated in subsequent periods.

10.2 Deferred tax liabilities: breakdown

	2021	2020
	5,782	**5,985**
A. With contra-entry to income statement	**4,808**	**4,836**
Provision for credit risks	4,666	4,705
Depreciation of buildings for operational use	108	108
Change in employee leaving indemnity	34	23
B. With contra-entry to equity	**975**	**1,149**
Financial assets measured at fair value through OCI	975	1,149

Percentages used in the calculation of deferred taxes:

for IRES: 27.50%;
for IRAP: 5.57% for 2020, 2021 and 2022, if there is reasonable certainty of use in these periods
4.65% for the years 2023 and onwards

10.3 Change in deferred tax assets (with contra-entry to income statement)

	2021	2020
1. Opening balance	**14,053**	**15,788**
2. Increases	**266**	**113**
2.1 Deferred tax assets recognised during the period	208	113
a) related to previous periods	29	-
b) due to change in accounting policies	-	-
c) write-backs	-	-
d) other	180	113
2.2 New taxes or increases in tax rates	58	-
2.3 Other increases	-	-
3. Decreases	**883**	**1,848**
3.1 Deferred tax assets derecognised during the period	753	1,848
a) reversals	753	1,848
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) transformation of tax credits pursuant to Law no. 214/2011	130	-
b) other	-	-
4. Final balance	**13,436**	**14,053**

10.3bis Change in deferred tax assets pursuant to Law no. 241/2011

	2021	2020
1. Opening balance	**9,310**	**10,524**
2. Increases	**43**	**-**
3. Decreases	**263**	**1,214**
3.1 Reversals	133	1,214
3.2 Transformation to tax credits	130	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	130	-
3.3 Other decreases	-	-
4. Final balance	**9,090**	**9,310**

10.4 Change in deferred tax liabilities (with contra-entry to income statement)

	2021	2020
1. Opening balance	**4,836**	**5,248**
2. Increases	**11**	**-**
2.1 Deferred tax liabilities recognised during the period	11	-
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	11	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**39**	**412**
3.1 Deferred tax liabilities derecognised during the period	39	412
a) reversals	39	412
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**4,808**	**4,836**

10.5 Change in deferred tax assets (with contra-entry to equity)

	2021	2020
1. Opening balance	**203**	**415**
2. Increases	**47**	**8**
2.1 Deferred tax assets recognised during the period	47	-
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	47	8
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**75**	**220**
3.1 Deferred tax assets derecognised during the period	75	220
a) reversals	75	220
b) written down as now considered unrecoverable	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**175**	**203**

10.6 Change in deferred tax liabilities (with contra-entry to equity)

	2021	2020
1. Opening balance	**1,149**	**119**
2. Increases	**482**	**1,052**
2.1 Deferred tax liabilities recognised during the period	482	-
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) other [1]	482	1,052
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**656**	**22**
3.1 Deferred tax liabilities derecognised during the period	656	22
a) reversals	323	22
b) due to change in accounting policies	-	-
c) other [1]	333	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**975**	**1,149**

[1] The amount refers to deferred tax liabilities on changes in fair value of financial assets measured at fair value through other comprehensive income.

10.7 Other information

The item "current tax assets" amounts to €145 thousand and refers for €130 thousand to the IRES credit from DTA transformation on tax losses in 2020 and for €15 thousand to the tax credit for investments in capital goods made in 2020; in 2020 the item was equal to €1.655m euros and referred to the advances paid to Tax Authorities for IRES and IRAP.

The item "current tax liabilities" amounts to €137 thousand and refers to payables to the Tax Authorities for IRES and IRAP (€1.805m), net of advances paid (€1.668m); in 2020 it was zero.

In relation to the deferred tax assets pursuant to Law no. 214/2014 of €9.1m, relating entirely to adjustments to receivables deductible in future years, by contrast it should be noted that, in compliance with the contents of the joint Bank of Italy/Ivass/Consob document of 15 May 2012, the so-called "*probability test*" is considered automatically satisfied given there is substantial certainty as to their full recovery.

SECTION 12 – OTHER ASSETS – ITEMS 120

12.1 Other assets: breakdown

	2021	2020
Tax credits purchased [1]	5,941	-
Tax assets (indirect taxes and substitute tax)	4,414	2,002
Items in processing [2]	2,688	2,153
Contributions to be collected	807	14
Illiquid assets	310	380
Accrued income and prepayments	259	237
Various prepayments and advances	192	236
Amounts due in relation to invoices – issued or not	67	43
Amounts due for unpaid commissions	2	14
Other liabilities	90	84
Total	**14,771**	**5,163**

1 The amount refers to 110% Superbonus tax credits purchased by the Bank. These credits are accounted for and valued using the criteria indicated in part A of the Notes to the Financial Statements, Section A.2, Section 16.3 "Purchase of tax credits".

2 The amount mainly refers to the payment of an amount subject to revocation, for which an appeal to the Court of Cassation is pending.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – ITEM 10

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

Type of transaction/Amounts	2021				2020			
	BV	FAIR VALUE			BV	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Amounts due to central banks	**519,384**				**471,722**			
2. Due to banks	**186,161**				**375,427**			
2.1 Current accounts and demand deposits	25,100				25,029			
2.2 Time deposits	194				35,122			
2.3 Loans	160,867				315,276			
2.3.1 Repurchase agreements	-				-			
2.3.2 Others	160,867				315,276			
2.4 Liabilities in respect of commitments to repurchase treasury shares	-				-			
2.5 Lease payables	-				-			
2.6 Other amounts due	-				-			
Total	**705,545**	**-**	**639,551**	**25,294**	**847,149**	**-**	**763,430**	**60,151**

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

Type of transaction/Amounts	2021				2020			
	BV	FAIR VALUE			BV	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	171,216				183,089			
2 Time deposits	193,727				129,487			
3 Loans	43,978				58,730			
3.1 Repurchase agreements	-				-			
3.2 Others	43,978				58,730			
4 Liabilities in respect of commitments to repurchase treasury shares	-				-			
5 Lease payables	108				153			
6 Other amounts due	23,418				28,315			
Total	**432,447**	**-**	**43,586**	**388,457**	**399,774**	**-**	**58,060**	**341,044**

1 Item "Other amounts due" includes funds managed on behalf of third parties to the amount of €23,407 thousand in 2021 and €28,315 thousand in 2020, according to supervisory regulations.

1.3 Financial liabilities measured at amortised cost: breakdown by type of debt securities in issue

Type of transaction/Amounts	2021				2020			
	BV	FAIR VALUE			BV	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	322,396	-	319,942	-	271,847	-	272,962	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	322,396	-	319,942	-	271,847	-	272,962	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**322,396**	**-**	**319,942**	**-**	**271,847**	**-**	**272,962**	**-**

The Fair Value of debt securities in issue is classified under level 2 because it is determined using measurement models based on market parameters (yield curve) other than quotations of the financial instrument. This also refers to bonds that had been issued in the context of the EMTN programme and that are listed on the Luxembourg stock exchange which, according to the rules adopted by the Bank in relation to fair value hierarchy, does not make at least two recent executable prices continuously available with a bid-ask spread under an interval deemed to be consistent.

1.6 Lease payables

Items/Amounts	31/12/2021			31/12/2020		
	Minimum future payments	Present value of minimum future payments	Deferred financial income	Minimum future payments	Present value of minimum future payments	Deferred financial income
Within 1 year	61	60	1	66	65	1
1 - 5 years	47	47	0	89	88	1
Over 5 years	-	-	-	-	-	-
Total	**109**	**108**	**1**	**156**	**153**	**2**

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	2021					2020				
	NV	FV			FV *	NV	FV			FV *
		Lev. 1	Lev. 2	Lev. 3			Lev. 1	Lev. 2	Lev. 3	
A. Cash liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.1.1 Structured										
3.1.2 Others										
Total A										
B. Derivative instruments										
1. Financial derivatives	**38,478**		**380**		**390**	**41,704**		**110**		**114**
1.1 Held for trading			380					110		
1.2 Related to fair value option										
1.3 Others										
2. Credit derivatives										
2.1 Held for trading										
2.2 Related to fair value option										
2.3 Others										
Total B			**380**					**110**		
Total (A+B)			**380**					**110**		

Legend

FV* = fair value calculated without including value changes due to change in creditworthiness of issuer since the date of issue.

The Bank has no derivative contracts in its portfolio with its own underlying liabilities.
During the year, there were no changes in the fair value of derivatives attributable to the change in the Bank's creditworthiness.

Financial cash liabilities held for trading (excluding "uncovered short positions"): annual changes

	Financial trading derivatives
A. Opening balance	**110**
B. Increases	**270**
B1. Issues	-
B2. Sales	-
B3. Positive changes in fair value	270
B4. Other changes	-
C. Decreases	**0**
C1. Purchases	-
C2. Redemptions	-
C3. Negative changes in fair value	0
C4. Other changes	-
D. Closing balance	**380**

SECTION 6 – TAX LIABILITIES – ITEM 60

See section 10 of Assets

SECTION 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

	2021	2020
Amounts due to suppliers	1,640	953
Items in processing [1]	1,602	1,192
Amounts due to third parties [2]	869	778
Commission fees to be paid	439	437
Withholdings on employee compensation	269	238
Withholdings made as tax collection agent	245	318
Accrued liabilities and deferred income	155	107
Other liabilities	1	1
Total	**5,219**	**4,039**

1 These mainly refer for €156 thousand (€623 thousand in 2020) to amounts to be attributed to customer relations, for €807 thousand to payables to customers for contributions not yet collected by the facilitating body (see "Other assets") and for €355 thousand to advances received from the lessees upon stipulation of capital goods lease contracts, whose leased asset has not yet been delivered.

2 They relate mostly to the payable for the monetisation of holidays and leave time not used of €321 thousand (€268 thousand in 2020), to the amount due for the recognition of the extra time of managerial staff of €35 thousand (€44 thousand in 2020) and to the payable for 2021 company bonuses of €245 thousand (€218 thousand in 2020).

SECTION 9 – PROVISION FOR SEVERANCE INDEMNITIES – ITEM 90

9.1 Provision for severance indemnities: annual changes

	2021	2020
A. Opening balance	**1,437**	**1,432**
B. Increases	**39**	**32**
B.1 Provisions for the period [1]	14	14
B.2 Other changes [2]	25	18
C. Decreases	**182**	**27**
C.1 Indemnities paid	173	24
C.2 Other changes [3]	9	3
D. Closing balance	**1,294**	**1,437**

1 The amount corresponds to the provisions shown in table 9.1 "Payroll: breakdown" of Part C "Information on the income statement".

2 This item includes the amount of the actuarial losses recognised as a contra-entry of the specific equity reserve.

3 This item includes the use to cover the substitute tax.

9.2 Other information

Pursuant to IAS 19 paragraphs 64 and 65, the Provision for severance indemnities is calculated utilising the "Projected Unit Credit Cost Method" (also known as accrued benefits valuation method or as benefit method/working years). According to this method, the liability is calculated in proportion to the services already rendered at the Statement of Financial Position date with respect to those which could presumably be rendered in total.

To be more precise, the work of the actuary is structured into the following phases:

- projection on the basis of a series of economic and financial hypotheses of the future amounts that could be disbursed to each employee in the case of retirement, death, disability, resignation, request for early payment, etc. The estimate also includes future revaluations as for art. 2120 of the Italian Civil Code;
- calculation of the average present value of the flows regarding the future payment on the basis of the discount rate adopted and of the probability that each amount has of being disbursed;
- assessment of the pension liabilities by relating the average present value of the flows regarding the future payment to the service already rendered by the employee at the date of valuation;
- identification of the provision valid under IAS – on the basis of the determined liabilities and amounts set aside in the reserve.

According to IAS 19 paragraph 78 the discount rate must be selected so that, at the maturity dates of the amounts that are being calculated, it coincides with the guaranteed rate of return of bonds issued by leading companies and institutions.

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	2021	2020
1. Provisions for credit risk related to commitments and financial guarantees issued	86	77
2. Provisions on other commitments and other guarantees issued	-	-
3. Post-retirement benefit obligations	-	-
4. Other provisions for risks and charges	2,377	2,211
4.1 legal disputes	1,560	1,500
4.2 personnel expenses	352	239
4.3 others	465	472
Total	**2,463**	**2,288**

10.2 Provisions for risks and charges: annual changes

The table shows the annual changes in provisions for risks and charges with the exception of those in the item "provisions for credit risk related to commitments and financial guarantees issued", which must be recognised in table A.1.4 of part E, to which reference is made.

	Provisions on other commitments and other guarantees issued	Post-retirement benefit obligations	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**2,211**	**2,211**
B. Increases	**-**	**-**	**573**	**573**
B.1 Provisions for the period [1]	-	-	413	413
B.2 Changes over time	-	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-	-
B.4 Other changes [2]	-	-	160	160
C. Decreases	**-**	**-**	**407**	**407**
C.1 Use during the period [3]	-	-	407	407
C.2 Changes due to discount rate adjustments	-	-	-	-
C.3 Other changes	-	-	-	-
D. Closing balance	**-**	**-**	**2,377**	**2,377**

1 This amount relates to the provision for the personnel incentive scheme of €352 thousand and to the provision for a legal dispute of €61 thousand.
2 This amount relates to the portion of the net income for 2020 allocated to the provision as per Article 21 of the By-laws.
3 This amount is made up of €168 thousand for donations as per Article 21 of the By-laws and of €239 thousand for the payment of the performance bonus to personnel.

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

	Provisions for credit risk related to commitments and financial guarantees issued			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	50	-	-	50
Financial guarantees issued	32	1	3	36
Total	**82**	**1**	**3**	**86**

10.6 Provisions for risks and charges – other provisions

The item "legal disputes" is made up of sums set-aside for uncertain expenses in connection with revocatory actions and other ongoing disputes.
The item "other provisions" covers the total amount of the provision under Article 21 of the By-laws which is at the disposal of the Board of Directors for supporting initiatives in social-economic, research, study, charitable and promotional fields.
The provision for "personnel expenses" is made up, if present, of amounts set aside to cover the cost of the personnel incentive schemes.

SECTION 12 – EQUITY OF THE COMPANY – ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.1 "Share capital" and "Treasury shares": breakdown

The fully paid up share capital is €58,484,608.00 represented by 112,470,400 ordinary shares of a nominal €0.52 each.

12.2 Share capital – Number of shares: annual changes

Item/Types	Ordinary	Other
A. Shares in issue at the beginning of the year	112,470,400	-
- fully paid up	112,470,400	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in issue: opening balance	**112,470,400**	**-**
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants		
- others	-	-
- on a free basis:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balance	**112,470,400**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares in issue at the end of the year	112,470,400	-
- fully paid up	112,470,400	-
- not fully paid up	-	-

12.4 PROFIT RESERVES: OTHER INFORMATION

Relating to this section, please see the "Statement of changes in equity"

The following table shows the nature and purpose of each reserve included in the equity, as per paragraph 79 of IAS 1 letter b) and Article 2427, paragraph 7-bis of the Civil Code.

Nature/Description	Amount	Possible use	Available amount	of which distributable portion
Capital reserves:	**29,841**		**29,841**	**29,841**
- Additional paid-in capital [1]	29,841	A-B-C	29,841	29,841
Profit reserves:	**85,296**		**85,639**	**73,238**
- Legal reserve undistributable [2]	11,697	B	-	-
- Available legal reserve	8,071	A-B-C	8,071	8,071
- Statutory reserves	55,764	A-B-C	55,764	55,764
- Reserve under Legislative Decree no. 38/2005	2,655	A-B	2,655	-
- Reserve pursuant to IFRS 9 FTA	(9,746)		-	(9,746)
- OCI option reserves on disposal	214	A-B-C	214	214
- Unavailable reserve under article 6 Legislative Decree no. 38/2005	-		-	-
- Other reserves	18,936	A-B-C	18,936	18,936
Valuation reserves:	**13,506**		**4,318**	**-**
- Valuation reserve under Laws no. 413/91 and 342/2000	4,318	A-B	4,318	-
- Reserve under Legislative Decree no. 38/2005: revaluation of OCI securities	9,664	B	-	-
- Reserve under Legislative Decree no. 38/2005: pension plans	(476)		-	-
Total	**130,938**		**119,799**	**103,080**

Legend:
A: for share capital increases
B: to cover losses
C: for distribution to the shareholders

[1] According to article 2431 of the Italian Civil Code, the whole amount of this reserve can be distributed only on condition that the legal reserve has reached the limit set forth by article 2430 of the Italian Civil Code.

[2] The use of the legal reserve must comply with the limits set forth by article 2430 of the Italian Civil Code. The undistributable portion is equal to 20% of share capital.

Proposal for the allocation of the net profit

The net profit for 2021 amounted to €6,471,387.18, entirely distributable.
The Board of Directors proposes the following allocation of net profit for the year:

Profit for the year	**6,471,387.18**
- non-distributable reserves under article 6, paragraph 2 of Legislative Decree no. 38/2005 freed during the year	-
- allocation to non-distributable reserves under article 6, paragraph 2 of Legislative Decree no. 38/2005	-
- 5% to the legal reserve	323,000.00
Distributable amount	**6,148,387.18**
- at the disposal of the Board of Directors for initiatives as per article 21 of the By-laws	320,000.00
- dividend to distribute to shareholders (€0.029 for the 112,470,400 shares, which correspond to 5.577% of their nominal value)	3,261,641.60
- further allocation to the extraordinary reserve	2,566,745.58

OTHER INFORMATION

1. Commitments and financial guarantees issued other than those designated at fair value

Transactions	Notional value on commitments and financial guarantees issued				2021	2020
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
Commitments to disburse funds	**13,492**	**2,370**	**-**		**15,862**	**13,764**
a) Central Banks	-	-	-		-	-
b) Public administrations	-	-	-		-	-
c) Banks	-	-	-		-	-
d) Other financial corporations	8,468	-	-		8,468	6,280
e) Non-financial corporations	5,024	2,230	-		7,253	7,484
f) Families	-	140	-		140	-
Financial guarantees issued	**5,992**	**225**	**5**		**6,222**	**6,232**
a) Central Banks	-	-	-		-	-
b) Public administrations	-	-	-		-	-
c) Banks	1,033	-	-		1,033	1,034
d) Other financial corporations	-	-	-		-	-
e) Non-financial corporations	4,959	225	5		5,189	5,198
f) Families	-	-	-		-	-

3. Assets used to guarantee own liabilities and commitments

Portfolios	2021	2020
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	1,955	30,864
3. Financial assets measured at amortised cost	792,548	800,316
4. Property, plant and equipment	-	-
of which: Property, plant and equipment that constitute stocks	-	-

Eurosystem credit operations

Securities not reported in assets in the statement of financial position to guarantee borrowings

Loans and advances to customers to guarantee mortgage borrowings

Full information on the activities recorded and not registered in the accounts pledged as collateral for liabilities and loans (including credit operations with the Eurosystem), is given in the sections "Disclosure on on-balance sheet assets pledged as a guarantee" and "Disclosure on off-balance sheet own assets pledged as a guarantee" (Part E, Sec. 4).

4. Management and brokerage on behalf of third parties

Type of services	2021	2020
1. Trading of financial instruments on behalf of customers		-
a) Purchases		-
1. settled		-
2. not settled		-
b) Sales		-
1. settled		-
2. not settled		-
2. Individual portfolio management		-
3. Custody and administration of securities	**589,403**	**619,220**
a) third party securities on deposit: connected with performance as custodian bank (excluding asset management)	-	-
1. securities issued by the Bank that prepares the financial statements	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding portfolio management): other	36,873	39,026
1. securities issued by the Bank that prepares the financial statements	27,775	27,800
2. other securities	9,097	11,226
c) third-party securities on deposit with third parties	9,097	9,026
d) own securities on deposit with third parties [1]	552,530	580,194
4. Other assets	**321**	**360**
of which: Transactions on behalf of the Autonomous Provinces	*60*	*99*
Risk provisions set up by various entities	*260*	*260*
Management of state contributions under Law no. 488/92	*1*	*1*

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[1] This item includes Senior and Junior securities originating from the securitisation operation and lodged with Cassa Centrale Banca S.p.A. or the Bank of Italy for the overall amount of €20.7m in 2021 and €23.7m in 2020.

Financial cash assets: annual changes

The following table shows the annual changes in the debt securities, equity securities and investments in UCITS in the Bank's portfolio.

	FVTPL	FVTPL	OCI Option	HTCS	HTC	Total
	Debt securities	Investments in UCITS	Equity securities	Debt securities	Debt securities	
A. Opening balance	**1,554**	**12,231**	**45,527**	**103,509**	**462,295**	**625,116**
B. Increases	**1**	**2,430**	**16,267**	**5,563**	**18,353**	**42,614**
B1. Purchases	1	1,752	7,431	4,162	17,038	30,382
B2. Positive changes in fair value	-	679	8,238	-	-	8,916
B3. Write-backs due to impairment [1]	-	-	-	11	252	263
B4. Gains on sale:	-	-	599	1,190	949	2,738
- income statement [2]	-	-		1,190	949	2,139
- equity [3]			599			599
B5. Transfers from other portfolios	-	-	-	-	-	-
B6. Other changes [4]	1	-	-	200	114	315
C. Decreases	**34**	**555**	**5,206**	**61,164**	**24,273**	**91,232**
C1. Sales	-	-	4,929	32,189	11,995	49,113
C2. Redemptions	-	106	-	25,900	9,915	35,921
C3. Negative changes in fair value	34	449	267	770	-	1,520
C4. Adjustments due to impairment[1]	-	-	-	0	90	91
C5. Capital loss on sale:	-	-	10	-	-	10
- income statement	-	-		-	-	-
- in equity [5]			10			10
C5. Transfers to other portfolios	-	-	-	-	-	-
C6. Other changes [6]	-	-	-	2,304	2,273	4,578
D. Closing balance	**1,521**	**14,106**	**56,589**	**47,908**	**456,375**	**576,499**

1 The items B3. and C4. include adjustments/write-backs due to impairment; this amount was recognised as a contra-entry to the valuation reserve and is therefore included, with a reverse sign, in items B6. and C6.

2 This item includes the capital gains on government securities realised during the year.

3 This item includes the gain arising from the sale of the investee Green Hunter Group S.p.A. compared to the fair value measurement in the 2020 financial statements.

4 This item includes:

- with regard to FVTPL debt securities, the change in amortised cost.
- with regard to HTCS debt securities, in addition to the aforementioned effect of adjustments due to impairment (€0.4 thousand), the change in amortised cost (€24 thousand) and the effect deriving from the change in the €/US$ exchange rate on a security issued by the EIB (€176 thousand);
- with regard to HTC debt securities, the change in amortised cost.

5 The item includes the higher loss arising from the sale of the subsidiaries Guala Closures S.p.A. (€8 thousand), Aedes SIIQ S.p.A. (€2 thousand) and Restart SIIQ S.p.A. (€0.4 thousand) compared to the fair value measurement in the financial statements 2020.

6 This item includes:

- with regard to HTCS debt securities, in addition to the aforementioned effect of write-backs due to impairment (€11 thousand), the change in amortised cost (€1.111m) and the reversal of the positive reserve following the sale of government securities (€1.183m);
- with regard to HTC debt securities, the change in amortised cost.

PART C
INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST – ITEMS 10 AND 20

1.1 Interest income and similar revenues: breakdown

Items/Technical Forms	Debt securities [1]	Loans	Other transactions	Total 2021	Total 2020
1. Financial assets measured at fair value through profit or loss	86	1	-	87	43
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	86	1	-	87	43
2. Financial assets measured at fair value through other comprehensive income	383	-		383	754
3. Financial assets measured at amortised cost	5,156	22,118	-	27,274	27,826
3.1 Loans and advances to banks	485	-		458	429
3.2 Loans and advances to customers	4,671	22,118		26,789	27,397
4. Hedging derivatives			-	-	-
5. Other assets			14	14	1
6. Financial liabilities [2]				5,012	1,671
Total	**5,625**	**22,119**	**14**	**32,770**	**30,295**
of which: interest income on impaired assets	17	1,626	-	1,643	2,261
of which: interest income on finance leases		3,640		3,640	2,319

Changes in connection with interest income – with respect to the results of the period of comparison (2020) – are shown in the Report on Operations in the section "Income statement dynamics", to which reference should be made.
We also state that:

1 Interest income on debt securities consist of:
  - coupons collected on a subordinated bond issued by an insurance counterparty (item Other financial assets mandatorily measured at fair value) purchased by the Bank with the aim of financing the issuer and on a mezzanine tranche issued as part of an NPLs securitisation transaction carried out at the end of 2020, which did not pass the SPPI test;
  - paid coupons of bonds issued by non-banking concerns (see item "financial assets measured at amortised cost - loans and advances to customers") that the Bank purchased for the purpose of financing the issuers;
  - paid coupons of government bonds and bonds issued by banks and finance companies (see item "financial assets measured at fair value through other comprehensive income", item "loans and advances to banks" and item "loans and advances to customers") purchased by the Bank with the intention of using them as collateral for loans by the European Central Bank or other counterparties.

  Their balances are shown on tables 2.5, 3.1, 4.1 and 4.2 of Part B – Section 2, 3 and 4, respectively.

2 Interest on financial liabilities represent amounts accrued on current accounts and demand deposits: their balances are shown on table 1.1 of Part B – Section 1 of liabilities. These also include the accrual on TLTRO-III operations with the ECB.

The line "of which: interest income on impaired assets" includes only interest calculated on the basis of the effective interest rate, including interest due to the passage of time, determined with reference to the interest accrued over the entire year on positions held by customers classified as at 31 December 2021 as impaired loans (doubtful, unlikely to pay, past due loans). For information purposes, note that interest on arrears received during the year on the same transactions amounted to €338 thousand (€362 thousand in 2020).

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets denominated in currency

	2021	2020
Interest income from financial assets denominated in currency	33	-

1.3 Interest expense and similar charges: breakdown

Items/Technical Forms	Amounts due	Securities [1]	Other Transactions	Total 2021	Total 2020
1. Financial liabilities measured at amortised cost	5,154	4,799	-	9,953	10,713
1.1 Due to central banks	-			-	-
1.2 Due to banks	2,426			2,426	3,740
1.3 Due to customers	2,728			2,728	2,091
1.4 Debt securities in issue		4,799		4,799	4,882
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions			20	20	23
5. Hedging derivatives			-	-	-
6. Financial assets [2]				151	64
Total	**5,154**	**4,799**	**20**	**10,124**	**10,800**
of which: interest expense related to lease payables	1			1	2

Changes in connection with interest expense – with respect to the results of the period of comparison (2020) - are shown in the Report on Operations in the section "Income statement dynamics", to which reference should be made.
We also state that:

1 Interest expense accrued on securities relates to bonds issued by the Bank and classified under item 10.c of liabilities in the statement of financial position. Interest expense has been calculated – in relation to items recognised at amortised cost – using the effective interest rate method;

2 Interests on financial assets include amounts accrued on government securities and current accounts: their balances are shown on table 3.1 and 4.1 of Part B – Section 3 and 4, respectively.

1.4 Interest expense and similar charges: other information

1.4.1 Interest expense on liabilities denominated in currency

	2021	2020
Interest expense on liabilities denominated in currency	-	-

SECTION 2 - FEES & COMMISSIONS – ITEMS 40 & 50

2.1 Commission income: breakdown

Type of services/Amounts	2021	2020
a) Financial instruments	-	-
1. Placement of securities	-	-
1.1. With underwriting and/or on based on an irrevocable commitment	-	-
1.2. Without irrevocable commitment	-	-
2. Collection and transmission of orders and execution of orders on behalf of customers	-	-
2.1 Collection and transmission of orders of one or more financial instruments	-	-
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions connected with activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	680	626
1. Mergers and acquisitions consultancy	-	-
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	680	626
c) Investment consultancy	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Custodian bank	-	-
2. Other commissions associated to custody and administration	-	-
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activity	-	-
h) Payment services	10	1
1. Current accounts	-	-
2. Credit cards	-	-
3. Debit and other payment cards	-	-
4. Wire transfers and other payment orders	-	-
5. Other commissions associated to payment services	10	1
i) Distribution of third party services	-	-
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Securitisation servicing	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	45	48
of which: credit derivatives	-	-
n) Financing transactions	1,813	1,231
of which: factoring transactions	-	-
o) Dealing in currency	-	-
p) Goods	-	-
q) Other fee and commission income	0	-
of which: for the management of multilateral trading facilities	-	-
of which: for the management of organised trading facilities	-	-
Total	**2,549**	**1,906**

Changes of single items with respect to the data for the period of comparison (2020) are illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

2.3 Commission expense: breakdown

Services/Amounts	2021	2020
a) Financial instruments	-	-
of which: trading of financial instruments	-	-
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- own portfolio	-	-
- delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Custody and administration	27	26
d) Collection and payment services	1	1
of which: credit, debit and other payment cards	-	-
e) Securitisation servicing	-	-
f) Commitments to receive funds	67	82
g) Financial guarantees received	-	-
of which: credit derivatives	-	-
h) Door-to-door distribution of financial instruments, products and services	-	-
i) Dealing in currency	-	-
j) Other commission expenses [1]	555	354
Total	**650**	**463**

Changes of single items with respect to the data for the period of comparison (2020) are adequately illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

[1] Of which €42 thousand is for the processing of funding applications and €480 thousand for commissions to guarantee fund.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

Items/Income	2021		2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Financial assets mandatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income [1]	2,608	-	1,370	-
D. Equity investments	-		-	
Total	**2,608**	**-**	**1,370**	**-**

Changes of single items with respect to the data for the period of comparison (2020) are illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

All dividends and similar income shown in the table refer to investments held at the end of the reporting period.

SECTION 4 – NET TRADING INCOME – ITEM 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A) [1]	Trading Profits (B) [2]	Capital losses (C) [3]	Trading losses (D) [4]	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Investments in UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Amounts due	-	-	-	-	-
2.3 Others	-	-	-	-	
3. Other financial assets and liabilities: exchange differences					**176**
4. Derivatives	**288**	**20**	**271**	**57**	**(21)**
4.1 Financial derivatives:	288	20	271	57	(21)
- On debt securities and interest rates	276	20	271	10	16
- On equity securities and share indices	11	-	-	47	(36)
- On currencies and gold					
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option					-
Total	**288**	**20**	**271**	**57**	**155**

1 The item "Capital gains" includes positive fair value changes on Cap options purchased from banks for €276 thousand and the positive fair value change on the Aquafil warrant of €11 thousand.

2 The item "Trading profits" includes premiums received in relation to Cap options sold to customers for €20 thousand.

3 The item "Losses" includes the positive changes in fair value on the Cap options sold to customers for €270 thousand.

4 The item "Trading losses" includes the losses deriving from the transactions on warrants (€1 thousand for the sale of Guala Closures and €24 thousand for the exercise of the Fine Foods & Pharmaceuticals warrants) and the premiums paid for the options purchased by banks for €10 thousand.

SECTION 6 – GAINS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items/Income components	2021		
	Gains	Losses	Net result
A. Financial assets	3,430	144	3,286
1. Financial assets measured at amortised cost:	2,240	144	2,096
1.1 Loans and advances to banks	-	-	-
1.2 Loans and advances to customers [1]	2,240	144	2,096
2. Financial assets measured at fair value through other comprehensive income	1,190	-	1,190
2.1 Debt securities [2]	1,190	-	1,190
2.2 Loans	-	-	-
Total assets	**3,430**	**144**	**3,286**
B. Financial liabilities measured at amortised cost	-	552	(552)
1. Due to banks	-	-	-
2. Due to customers	-	-	-
3. Debt securities in issue	-	552	(552)
Total liabilities	**-**	**552**	**(552)**

1 The amounts relate to the capital gain resulting from the sale of doubtful loans of €1.1m and to the capital gain resulting from the sale of Government securities of €0.9m.

2 The amounts relate to the capital gains realised on the sale of government securities.

Items/Income components	2020		
	Gains	Losses	Net result
A. Financial assets	9,248	3,155	6,093
1. Financial assets measured at amortised cost:	7,073	3,070	4,003
1.1 Loans and advances to banks	-	-	-
1.2 Loans and advances to customers [1]	7,073	3,070	4,003
2. Financial assets measured at fair value through other comprehensive income	2,175	85	2,090
2.1 Debt securities [2]	2,175	85	2,090
2.2 Loans	-	-	-
Total assets	**9,248**	**3,155**	**6,093**
B. Financial liabilities measured at amortised cost	16	-	16
1. Due to banks	-	-	-
2. Due to customers	-	-	-
3. Debt securities in issue	16	-	16
Total liabilities	**16**	**-**	**16**

[1] The amounts relate to the capital loss resulting from the sale of doubtful loans of €0.7m and to the capital gain resulting from the sale of Government securities of €4.7m.

[2] The amounts relate to the capital gains realised on the sale of government securities.

SECTION 7 - NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.2 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A) [1]	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**679**	**-**	**483**	**-**	**196**
1.1 Debt securities	0	-	342	-	(34)
1.2 Equity securities	-	-	-	-	-
1.3 Investments in UCITS	679	-	449[3]	-	230
1.4 Loans	-	-	-	-	-
2. Other financial assets and liabilities: exchange differences					**-**
Total	**679**	**-**	**483**	**-**	**196**

[1] The amount refers to the positive change in fair value on the units of the Hat Technology & Innovation fund for €86 thousand, on the units of the Finint Fenice fund for €457 thousand, on the units of the Industry 4.0 SICAV fund for €114 thousand and on the units of the closed-end Equita Private Debt II fund for €22 thousand.

[2] The amount refers to the negative change in fair value of the ITAS Mutua bond.

[3] The amounts refer to the negative change in fair value of the units of the Assietta Private Equity III fund for €379 thousand, the Assietta Private Equity IV fund for €47 thousand, the PMI Italia II fund for €21 thousand and the fund Sustainable Securities Fund for €2 thousand.

No write-downs or losses from disposal were recognised during the year due to loan impairment of the debtor/issuer.

SECTION 8 – NET ADJUSTMENTS DUE TO CREDIT RISK – ITEM 130

8.1 Net adjustments due to credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage .	Acquired or originated impaired		
			Write-off	Other	Write-off	Other						
A. Loans and advances to banks	(2)	-	-	-			1	-	-		(1)	(1)
- loans	-	-	-	-			1	-	-		1	(1)
- debt securities	(2)	-	-	-			-	-	-		(2)	(0)
B. Loans and advances to customers	(1,539)	(5,646)	(196)	(5,833)			198	7	3,270		(9,739)	(10,797)
- loans	(1,451)	(5,646)	(196)	(5,833)			198	-	3,223		(9,705)	(10,555)
- debt securities	(88)	-	-	-			-	7	47		(34)	(242)
Total [1]	**(1,540)**	**(5,646)**	**(196)**	**(5,833)**			**198**	**7**	**3,270**		**(9,740)**	**(10,798)**

1 The total of €9.740m of adjustments coincides, net of write-backs due to time-reversal (€688 thousand) which are included in the financial statement item "10. Interest income", with the item "Value adjustments on HTC loans and advances" (€9.063m of adjustments) in the table summarising the valuation of assets in the financial statements shown in the Report on Operations, net of losses from amendments to contract (€11 thousand), which in the financial statements are included in item "140. Profits/losses from contractual changes without derecognitions".

8.1a Net adjustments due to credit risk relating to loans measured at amortised cost, subject to COVID-19 support measures: breakdown

Transactions/Income components	Net value adjustments						Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired			
			Write-off	Other	Write-off	Other		
1. Loans subject to forbearance measures in compliance with the GL	24	156	-	-			181	1,769
2. Loans subject to moratorium measures in place no longer compliant with the GLs and not assessed as being subject to forbearance measures	-	-	-	-			-	-
3. Loans subject to other forbearance measures	(2)	(5)	-	-			(8)	139
4. New loans	271	229	-	16			517	179
Total [1]	**293**	**380**	**-**	**16**			**690**	**2,087**

8.2 Net adjustments due to credit risk to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	(0)	-	-	-			11	-	-		10	21
B. Loans	-	-	-	-			-	-	-		-	-
- to customers	-	-	-	-			-	-	-		-	-
- to banks	-	-	-	-			-	-	-		-	-
Total [1]	**(0)**	**-**	**-**	**-**			**11**	**-**	**-**		**10**	**21**

1 The total of €10 thousand in write-backs coincides with the item "Value adjustments on HTCS debt securities" in the table summarising the measurement of assets in the financial statements shown in the Report on Operations.

8.2a Net adjustments due to credit risk relating to loans measured at fair value through other comprehensive income, subject to COVID-19 support measures: breakdown

The Bank has no loans measured at fair value through other comprehensive income in its portfolio.

SECTION 9 - PROFITS/LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITIONS - ITEM 140

9.1 Profits (losses) from contractual changes: breakdown

	Value adjustments	Write-backs	Total 2021	Total 2020
Loans and advances to customers	(32)	21	(11)	(42)

SECTION 10 – ADMINISTRATIVE COSTS – ITEM 160

10.1 Payroll: breakdown

Type of expenses/Amounts	Total 2021	Total 2020
1) Employees	6,990	6,792
a) wages and salaries	4,842	4,711
b) social insurance	1,304	1,268
c) severance indemnities [1]	277	271
d) social security contributions	-	-
e) provision for severance indemnities	14	14
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	164	173
- defined contribution [2]	164	173
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	389	356
2) Other personnel currently employed	-	-
3) Directors and Auditors	484	490
4) Retired personnel	-	-
5) Cost recovery in relation to employees seconded to other companies	-	-
6) Cost recovery in relation to third party employees seconded to the company	-	-
Total	**7,474**	**7,283**

[1] In accordance with implementing rules issued by the Bank of Italy, this item is made up of amounts of severance indemnities paid out directly to INPS (National Social Security Institute) and to other externally defined contribution funds.

[2] This amount includes contributions to the supplementary pension schemes.

10.2 Average number of employees by category [1]

	2021	2020
Employees:	**76**	**75**
a) executives	5	6
b) managerial staff	39	38
c) remaining employees	32	31
Other personnel	-	-

[1] The annual average is calculated as the weighted average of employees where the weight is given by the number of months worked in the year.

In order to give a better representation of the Bank's workforce, the table below shows the average number of employees calculated taking into account the actual number of hours for each part-time contract.

	2021	2020
Employees:	**80.0**	**79.0**
a) executives	5.1	6.0
b) managerial staff	39.9	39.1
c) remaining employees	35.0	33.9
Other personnel	-	-

10.4 Other employee benefits

	2021	2020
Insurance policies	157	153
Training	73	49
Lunch vouchers	99	91
Costs for early termination of employment	10	-
Benefits in kind	17	18
Other short-term benefits	33	45
Total	**389**	**356**

10.5 Other administrative costs: breakdown

	2021	2020
1. IT costs	**+1,106**	**862**
- outsourcing costs	742	609
- other EDP (Electronic Data Processing) costs	365	253
2. Property related expenses	**302**	**281**
a) rental expenses	9	17
- property rental expenses	*9*	*17*
b) other expenses	293	264
- premises cleaning and sanitation	*57*	*62*
- building service charges	*41*	*39*
- maintenance and repair costs	*69*	*50*
- electricity, heating, water	*62*	*55*
- motor vehicles maintenance	*63*	*58*
3. Purchase of non-professional goods and services	**204**	**220**
- books, magazines, subscriptions	17	20
- information and cadastral services	50	38
- stationery, printing supplies, storage media	7	4
- surveillance	5	43
- databases and value-added networks	96	93
- post and telephones	29	22
4. Purchase of professional services	**586**	**605**
- legal and procedural costs	223	268
- professional fees	363	337
5. Insurance premiums	**17**	**17**
- other insurance policies	17	17
6. Advertising expenses	**244**	**491**
- advertising and sponsorships	217	477
- entertainment and gifts	27	14
7. Indirect taxes and duties	**385**	**230**
- substitute tax	25	31
- registration tax and dues	24	25
- tax on real estate	49	54
- other taxes and duties (advertising, tosap - tax on occupation of public property - stamp duty)	287	120
8. Other	**1,166**	**1,005**
- contributions to the banking crisis resolution fund	995	821
- membership fees [1]	108	133
- other expenses	63	51
Total	**4,010**	**3,711**

[1] It is mainly due to the subscription to ABI (Italian Bank Association), Consob and to the Federazione Trentina delle Cooperative.

Disclosure under IFRS 16 about costs related to short-term leases (see paragraph 53, letter c)), costs related to low-value leases (see paragraph 53, letter d)) and costs for variable lease payments not included in the measurement of lease liabilities (see paragraph 53, letter e)).

	2021	2020
Costs related to short-term leases	**-**	**7**
- buildings	-	7
- vehicles	-	-
Costs related to low-value leases	-	-
Variable lease payments not included in the measurement of lease liabilities	**27**	**31**
- buildings	-	-
- vehicles	27	31

SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Total 2021	Total 2020
Provision for guarantees issued	(5)	(16)
Provision for commitments	(4)	(42)
Total	**(9)**	**(58)**

11.3 Net provisions for risks and charges: breakdown

	Total 2021	Total 2020
Provision for personnel incentive schemes	(339)	(239)
Net provisions for legal disputes underway	(61)	30
Total	**(339)**	**(209)**

SECTION 12 – NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT – ITEM 180

12.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment	(503)			(503)
1 For operational use	(503)			(503)
- Owned	(435)			(435)
- Rights of use acquired under leases	(435)			(68)
2 Held for investment purposes	-			-
- Owned	-			-
- Rights of use acquired under leases	-			-
3 Inventory				-
Total	**(503)**			**(503)**

SECTION 13 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – ITEM 190

13.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets	(27)			(27)
of which: software				
A.1 Owned	(27)			(27)
- Generated internally by the company				
- Others	(27)			(27)
A.2 Rights of use acquired under leases				
Total	**(27)**			**(27)**

SECTION 14 – OTHER OPERATING CHARGES/INCOME – ITEM 200

14.1 Other operating charges: breakdown

	Total 2021	Total 2020
Self-securitisation costs refunded to the SPV	(36)	(55)
SPV ongoing operating expenses	(399)	(104)
Sundry operating expenses	(14)	(0)
Total	**(68)**	**(159)**

14.2 Other operating income: breakdown

	Total 2021	Total 2020
Recovery of procedural expenses	182	274
Servicer commission income in relation to self-securitisation	36	55
Expenses refund and tax recovery [1]	347	166
Sundry operating income	150	68
Total	**715**	**563**

[1] The amount includes the recovery of stamp duty on current accounts for €283 thousand in 2021 and €118 thousand in 2020.

SECTION 15 – PROFIT (LOSS) FROM EQUITY INVESTMENTS – ITEM 220

15.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	2021	2020
A. Income	**-**	**-**
1. Write-ups	-	-
2. Gain on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	**-**	**(370)**
1. Write-downs [1]	-	(370)
2. Adjustments due to impairment	-	-
3. Loss on disposal	-	-
4. Other charges	-	-
Net result	**-**	**(370)**

[1] Charges deriving from the application of the equity method to the valuation of equity investments in the portfolio refer to the subsidiary Paradisidue S.r.l.

SECTION 18 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 250

18.1 Gains (losses) on disposal of investments: breakdown

Income items/Amounts	2021	2020
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(1)	(2)
- Gains on disposal [1]	0	0
- Losses on disposal [2]	(1)	(2)
Net result	**(1)**	**(2)**

[1] This item relates to gains on the sale of fully depreciated property, plant and equipment of €143 in 2021 and €28 thousand in 2020.
[2] These are losses deriving from the sale of assets that have not been fully depreciated.

SECTION 19 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 270

19.1 Income taxes on current operations: breakdown

	Items/Amounts	Total 2021	Total 2020
1.	Current taxes (-)	-1,792	+58
2.	Change in current taxes of previous periods (+/-)		
3.	Decrease in current taxes of the period (+)		
3.bis	Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011 (+)		
4.	Change in deferred tax assets (+/-) [1]	-487	-1,735
5.	Change in deferred tax liabilities (+/-) [2]	+28	+412
6.	**Income taxes for the period (-)** **(-1+/-2+3+3*bis* +/-4+/-5)**	**(2,251)**	**(1,265)**

[1] The amount shown under the item "change in deferred tax assets" (-€0.487m) corresponds to what was shown in table 10.3 "Change in deferred tax assets (with contra-entry to the income statement)" as the balance of items "2. Increases" (€0.266m) and "3.1 Decreases - Deferred tax assets derecognised during the year" (€0.753m).

[2] The amount shown under the item "change in deferred tax liabilities" (+€28 thousand) corresponds to what was shown in table 10.4 "Change in deferred tax liabilities (with contra-entry to the income statement)" as balance of items "2. Increases" (€11 thousand) and "3. Decreases" (€39 thousand).

19.2 Reconciliation between theoretical tax charge and actual tax charge

Items/Amounts	Taxable	Tax	Rates
Profit on current operations before taxes (item 250 IS)	**8,722**		
Corporate income tax (IRES) – theoretical values:		**(2,399)**	**27.50**
IRES variation due to decreases in the taxable income	(3,940)	1,083	27.50
IRES variation due to increases in the taxable income	756	(208)	27.50
Tax profit - 2021	**5,538**	**(1,523)**	**27.50**
Use of ACE	(520)	143	27.50
Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011		-	
A. Actual tax charge – current corporate income tax (IRES)	**5,018**	**(1,380)**	
Increases in deferred tax assets		189	27.50
Decreases in deferred tax assets		(665)	27.50
Increases in deferred tax liabilities		(11)	27.50
Decreases in deferred tax liabilities		39	27.50
B. Total effect of deferred corporate income tax (IRES)		**(448)**	**27.50**
C. Total actual IRES charge (A+B)		**(1,828)**	**20.95**
Net interest and other banking income	**30,238**	**(1,684)**	**5.57**
Deductible expenses	(14,958)	833	5.57
Regional tax on industrial activities IRAP – application of nominal tax rate **(difference between net interest and other banking income and deductible expenses)**	**15,280**	**(851)**	**5.57**
IRAP variation due to a decrease in production value	(9,130)	509	5.57
IRAP variation due to an increase in production value	1,480	(82)	5.57
Net value of production - 2021	**7,630**	**(425)**	**5.57**
Change in taxes of previous periods		12	
Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011		-	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)		**(413)**	
Increases in deferred tax assets		78	5.57
Decreases in deferred tax assets		(88)	5.57
Increases in deferred tax liabilities		-	5.57
Decreases in deferred tax liabilities		-	5.57
E. Total effect of deferred regional tax on industrial activities (IRAP)		**(11)**	**5.57**
F. Total actual IRAP charge (D+E)		**(423)**	**4.85**
Total current IRES/IRAP taxes (item 270 IS) (A+D)		**1,793**	
Total actual IRES/IRAP tax charges (item 260 IS) (C+F)		**(2,251)**	**25.80**

SECTION 21 – OTHER INFORMATION

Parent company: exemption from the requirement of drawing up the consolidated financial statements

The Bank, in compliance with the legislation in force (Legislative Decree no. 356/1990) and with the regulations of the Supervisory Authority, is the parent company of "Gruppo Bancario Mediocredito Trentino–Alto Adige S.p.A.", duly registered with the Banking Group Register at the Bank of Italy. The real estate company Paradisidue S.r.l., 100% controlled, is also part of the Group.
The Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (assets as at 31/12/2021 of €7.9m) is not deemed significant to the improvement of the disclosures provided (IAS 8 and paragraphs 26, 29, 30 and 44 of the "Systematic Framework for the Preparation and Presentation of Financial Statements" or Framework). The subsidiary owns buildings, whose value, appropriately estimated, corresponds to market values and the equity investment is booked in the financial statements of the Bank at equity.
Additionally, since the volume of business of its subsidiary is below the set threshold Mediocredito is not required to submit to the Bank of Italy consolidated statistical reports under the existing supervisory regulations.

SECTION 22 – EARNINGS PER SHARE

22.1 Average number of ordinary shares on the dilution of share capital

During the year 2021, there was no dilution of Mediocredito's share capital as neither the number of its ordinary shares nor their nominal value changed. The average number of shares is therefore 112,470,400, equal to the exact value.

22.2 Other information

Taking into consideration the profit for the year of €6.471m, the profit per share is €0.0575.

	2021	2020
Earnings (loss) per share	0.0575	0.0289
Diluted earnings (loss) per share	0.0575	0.0289

PART D COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	2021	2020
10.	**Net income (loss) for the year**	**6,471**	**3,252**
	Other income components without reversal to income statement	**+8,046**	**+3,174**
20.	Equity securities designated at fair value through other comprehensive income:	+8,560	+3,393
	a) Fair value change	+8,200	+3,393
	b) Transfers to other shareholders' equity components	+360	-
30.	Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness):	-	-
	a) fair value change	-	-
	b) transfers to other shareholders' equity components	-	-
40.	Coverage of equity securities designated at fair value through other comprehensive income:	-	-
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(25)	(18)
80.	Non-current assets and groups of assets held for sale	-	-
90.	Portion of valuation reserves from equity investments measured at equity	-	-
100.	Income taxes relating to other income components without reversal to income statement	(488)	+201
	Other income components with reversal to income statement	**(1,335)**	**+2,190**
110.	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (elements not designated):	-	-
	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:	(1,969)	+3,229
	a) fair value changes	(790)	+3,151
	b) reversal to income statement	(1,179)	+78
	- net adjustments to credit risk	+10	+21
	- capital gains/losses	(1,189)	+57
	c) other changes	-	-
160.	Non-current assets and groups of assets held for sale:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Portion of valuation reserves from equity investments measured at equity:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	- adjustments due to impairment	-	-
	- capital gains/losses	-	-
	c) other changes	-	-
180.	Income taxes relating to other income components with reversal to income statement	**+634**	**(1,039)**
190.	**Total other income components**	**+6,711**	**+5,364**
200.	**Comprehensive income (10+190)**	**13,182**	**8,617**

PART E
INFORMATION ON RISKS AND RELATED HEDGING POLICIES

INTRODUCTION

As mentioned earlier, given its size and its business model that is primarily focused on medium to long-term credit, the Bank's risks are generally related to credit risk and liquidity risk. Market risk - concentrated in the banking book - is largely attributable to the portfolio of Italian government securities, most of which were deposited with the Bank of Italy and other financial intermediaries to guarantee refinancing operations. Operational risks are less impactful. For a more thorough examination of the system of controls and risk management, please refer to the following sections as well as the sections of the report on operations dedicated to these issues.
In 2021, the Bank maintained its system of controls, planning and management of risks to comply with the innovations included in Bank of Italy Circular no. 285/2013. The management is committed to include objectives linked to the promulgation of risk culture, as part of the company policies and staff training and evaluation.

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. GENERAL ASPECTS

The credit risk to which the Bank is exposed derives mainly from the typical activity of granting medium/long-term loans to businesses, in different technical forms and largely secured by the necessary suitable guarantees.
However, we point out that at the date of this annual report the Bank was not exposed either directly or indirectly to the credit products of the ABS (*Asset Backed Securities*) and CDO (*Collateralised Debt Obligation*) type linked to *sub-prime* and Alt-A loans or to financial products that the market perceives as risky.

Impacts deriving from the COVID-19 pandemic

In terms of credit risk, the Risk Management Department carried out an in-depth analysis of the portfolio in terms of risk by segment, focusing on the Bank's lending operations in the forborne category and, in the context of this transversal analysis, a specific assessment of the phenomenon in the sectors most exposed to the consequences of the COVID-19 pandemic crisis, identified - in consideration of the area of operation of the Bank and the economy of the reference territories - in those related to tourist flows, first of all that of Hospitality and that of Cableways.
This activity was carried out with the aim of providing the Management and the Board of Directors with a snapshot of the scope and the current composition of the portfolios under analysis, showing the breakdown in terms of customers' operating segments, geographical location, degree of risk and presence of collateral guarantees; some monitoring indicators were also used (such as, for example, the Rating classes of the IFRS 9 Impairment Model) with the aim of identifying transactions with potential critical areas to be monitored. No particular risk phenomena emerged from the analyses.

In relation to the disclosure required by the "*Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis*" published by the EBA (EBA/GL/2020/07), please refer to the public disclosure ("Third Pillar"), published on the Bank's website (www.mediocredito.it).

2. CREDIT RISK MANAGEMENT POLICY

2.1 Organisational aspects

Credit risk is defined as the risk of facing an unexpected loss/impairment of value/earnings because of the failure of the debtor, in other words the "Risk arising out of a credit exposure as a result of an unforeseen change in the creditworthiness of the borrower that involves a change in the value of the exposure itself". At Mediocredito, it also includes the counterparty risk, i.e. the risk that the counterparty could default before the final settlement of all the cash flows linked to the operation.

In the light of the provisions contained in Part One, Title IV, Chapter 3 of the Bank of Italy Circular no. 285/2013 regarding internal controls and the significance attached to the efficiency and effectiveness of the credit process and associated control system, the Bank has set up a dedicated organisational structure to achieve the objectives of credit risk management and control, indicated by the above prudential regulations.

The whole process of credit management and control is governed by internal regulations that:
- identify the proxies and the signing powers concerning credit disbursement;
- define the criteria for the assessment of creditworthiness;
- define the methods for the renewal of credit lines;
- define the methods of performance monitoring and credit risk measurement and the types of actions to be taken in case of detection of anomalies.

These rules define internal control activities, management and mitigation for credit risk by developing a structured system that involves different organisational functions whose activities are within the complex global risk control and management system adopted by the Bank.
The credit risk organisational process management is based on the principle of separation between its own investigation process activities and those of credit management. This principle has been implemented through the establishment of separate organisational structures.

With regard to the operating methods that characterise the lending activities of the Bank, credit management is split into the following macro areas:

- *credit planning: carried out in accordance with the development and risk/reward policies as defined by the Board of Directors as part of the Risk Appetite Statement;*
- granting and review: this phase covers the whole credit granting process from the request for funding (or the review of existing credit lines granted) to the application assessment and the decision by the competent body. The rules governing such stages are contained in the company procedures (mapped into the filing system) and in the internal regulations;
- monitoring: includes all activities necessary for the timely detection and subsequent management of risky phenomena that may occur during the credit granting process. The monitoring is managed by the Credit Area - Monitoring and Restructuring Office. The body, dedicated to constantly checking credit quality, reports every two months to the Credit Risk Management Committee and manages the restructuring of impaired loans;
- dispute management: refers to all the activities carried out following the classification of a position under doubtful loans and other impaired loans as identified by the Credit Risk Management Committee to safeguard the interests of the Bank. The various phases of the process are entrusted to the Legal Department, which directly and proactively manages the recovery initiatives.

The process of assumption and control of credit risk, incorporated in an internal policy, is monitored by the Credit Area which supervises the processes of credit granting, disbursement, management and monitoring and defines rules, instruments and criteria for assessing creditworthiness, besides assisting the Market Service units in preliminary risk evaluation.
The Bank grants credit on the basis of a detailed monographic analysis of the company seeking financing which takes into account not only its economic-financial situation but also its position on the market, productive structure, management, forecast business plan and guarantees; with a special reference to industrial and commercial companies, the preliminary analysis is supplemented by the assignment of an internal scoring/rating that allows customers to be classified according to risk categories and the pricing policy to be applied in a more calibrated manner.
The loan portfolio is monitored by the Monitoring and Restructuring Department and the most impaired loans in the portfolio by the Legal Department. The Risk Management Office cooperates with the Management, also as part of the Credit Risk Management Committee, to define and monitor risk policies and for the assessment of lending.

2.2 Management, measurement and control systems

Policies aimed at maintaining portfolio integrity are implemented through an intense and systematic monitoring action, above all with regards to exposures most at risk, performed by the Monitoring and Restructuring Department) through direct relations with customers and/or the acquisition and assessment of financial statements, accounts or other documents, sometimes also jointly with Regional Units.
These policies are summarised at the frequent meetings of the Credit Risk Management Committee, a body responsible for defining the relevant guidelines and examining the outcome of specific operations carried out by the Departments in charge.
Operational methods, already introduced to the monitoring process a few years ago, designed to increase the speed of identification and efficiency of managing loans characterised by a deteriorated risk profile, allow the advance submission of positions that are believed could deteriorate in the future (despite regular repayments) to the attention of the Credit Risk Management Committee.
Therefore, reporting to the Credit Risk Management Committee is structured into:

- loan control and monitoring activities;
- verification of risk concentrations;
- analysis of past due loans and/or characterised by forbearance measures (forborne);
- analysis and control of possibly problematic performing loans;
- collection of adjusted doubtful loans.

Within the context of loan control and monitoring activities, the following are also shown:

- the yearly outcome of the appraisal by the Monitoring and Restructuring Department (generated with the help of an automated process) with regards to compliance with financial *covenants* that had accompanied the granting of the loan;
- the yearly outcome of the appraisal by the Monitoring and Restructuring Department, targeted at examining signs that could indicate a possible worsening of the risk profile of the debtor, aimed at performing loans, focused primarily on the analysis of data of the Centrale Rischi (central credit register) and the main company accounting data from the latest approved financial statements and/or consolidated financial statements.
  With regard to this action, note that the Bank adopted an experimental model for monitoring the performing portfolio in which performance variables were adopted on indicators of customer financial statements and on the level of risk reported within the IFRS 9 classification and impairment model.

In addition to the functions mentioned above, the activities of the Planning and Control Department and of the Risk Manager fall within the scope of credit risk monitoring. In particular, the aforementioned functions conduct quarterly and half-yearly analyses on the evolution and trend in credit risk, periodically reporting to the top management and the Board of Directors.
For the purpose of determining the internal capital against the credit risk, the Bank uses the standardised approach adopted for the determination of capital requirements in respect of credit risk. During the interim review of the Internal Capital Adequacy Assessment Process (ICAAP) and of the monitoring of the actual risk profile as part of the Risk Appetite Statement (RAS), the internal capital absorbed to cover the credit risk is determined on a quarterly basis, also by carrying out stress testing.

Use of internal scoring/rating systems in the disbursement activity

The Bank uses an internal scoring/rating system to support the lending activity of corporate customers.

Scoring is used in the pre-analysis business phases to evaluate the companies associated with the requesting company or any consolidated financial statements, while Rating - which completes the scoring with quantitative elements - is used for all the companies for which a request for funding is proposed in the resolution.
The expected rating level is related to the duration of the transaction and the respective LTV level.
The rating is assigned to all companies applying for funding, with the exception of:

- holding companies;
- finance companies;
- real estate companies;
- start-ups;
- Land – Building transactions;
- Project Finance transactions;
- the hotel industry;
- the cableway industry;
- sole proprietorships;
- companies with an annual turnover of less than €1m.

The score resulting from the application of the model is made on a scale from "AAA - Excellent" to "D - Not solvent" similar to the scales adopted by the main rating agencies.
To date, these scoring/ratings are not used for monitoring credit risk, which is instead based on the model described in paragraph 2.3 and which allows performing customers to be monitored on the basis of a set of financial and performance indicators and triggers.

2.3 Methods for measuring expected losses

Collective valuation

The calculation of collective impairment pursuant to IFRS 9 is carried out using the Allitude/CRIF calculation model adopted in accordance with the management software provider of the Cassa Centrale Banca Credito Cooperativo Italiano banking group.
The model assigns to each relation the values of PD, LGD and EAD by analysing the counterparty rating, the guarantees securing the relation and the amortisation plan of the relation, respectively. The values of each parameter are calculated on the basis of statistical analyses carried out on a sample of all banks participating in the Allitude system and on the basis of expected macroeconomic scenarios (forward looking approach).
During 2019, the Allitude/CRIF model for calculating collective impairment under IFRS 9 was customised to correct anomalies of overestimation of the Bank's portfolio risk and of the model's lack of discriminating capacity, which is not very suitable for application to single-product banks.
The action involved the development of ad hoc integration functions estimated on the total Allitude development sample but by replicating the distinctive characteristics of the business of Mediocredito. In particular, a re-estimation, on the entire Allitude sample - thus guaranteeing the statistical robustness of the model - of the integration function was envisaged, replacing the internal performance module, with the mortgage module alone, supplemented by a recalibration at a target rate given by the ratio between the risk of Mediocredito and that of the total sample. Moreover, Allitude carried out rating scale optimisation works for all banks in order to resolve the anomalies encountered by customer banks.

Staging assessment

The model performs, as a first step, the staging assessment phase of each transaction, i.e. the allocation of financial instruments in the stages provided for by the accounting principle through the calculation of the rating (on a scale from 1 - best rating - to 13 - worst rating) and the analysis of its variation with respect to the initial rating. This stage is particularly important because it guides the way in which the provision for credit risk is determined.
Originally, each transaction is classified in stage 1; at the next assessment stage, it is classified in stage 1 or 2 according to the transition matrices differentiated by segment (Companies, Private individuals, POE and Small Businesses).

The objective assumptions for classifying a stage-2 transaction are as follows:

- presence of arrears for more than 30 days;
- *forborne performing* classification.

Moreover, for the purposes of staging assessment, the model adopted the Low Credit Risk Exemption, envisaged by the accounting standard, which requires that on FTA or subsequent measurement, a transaction can be classified as stage 1 if it meets the following requirements:

- absence of lifetime PD at the disbursement date;
- no "30 days past due" event in the 36 months prior to the measurement date;
- rating class less than or equal to 4 for Small Businesses and Companies, less than or equal to 3 for POE and less than or equal to 5 for Private individuals.

Rating assignment

In order to determine the rating, which is useful both for the staging and for the assignment of the PD, the Allitude model uses a modular approach that, for each risk segment (counterparty type), envisages a rating model based on different sources (internal performance, central risk, financial statements, social and demographic analysis).

PD calculation

Following the assignment of the rating and the stage classification, each transaction is assigned a PD representing the probability that a counterparty goes into default in the period of time considered (12 months for stage 1; life-time for stage 2). The PD is estimated on the basis of the sample by including the effect of forward-looking scenarios in the calculation.

LGD calculation

The LGD represents the loss incurred in the event of default and is estimated by adding up for all the transactions belonging to the sample all the recovery flows discounted at the time of default, net of the direct costs incurred for recovery; in particular, the estimate of the LGD component under IFRS 9 is divided into two components:

1. LGS (or "LGD - Doubtful loan"), i.e. the percentage of the exposure recognised as a loss as a result of the classification as doubtful loans;
2. Danger Rate, i.e. the probability of classification as doubtful loans for the counterparties belonging to the default stages (past due, impaired or unlikely to pay exposures), on which the LGS is calibrated.

EAD Calculation

The EAD represents the expected credit exposure at the time of insolvency and is estimated on the basis of the contractually envisaged repayment flows, including the application of prepayment parameters.

Analytical valuation

Financial assets classified as impaired in accordance with supervisory regulations are classified as stage 3 and therefore subject to analytical valuation:

- doubtful;
- unlikely to pay;
- impaired past due.

For each position, the Bank considers by default the scenario of direct recovery from the debtor/guarantor or from bankruptcy proceedings; moreover, it takes into account a transfer scenario if it considers that it is more efficient to manage certain positions from this point of view and that at least one interested counterparty is identified for them and that it has provided a preliminary estimate of the possible transfer values. The Bank will assign to the transfer scenario a probability of occurrence proportionate to the actual will/possibility of completing the transaction.

Changes due to COVID-19

Assessment of significant increase in credit risk (SICR)

With regard to the assessment of the significant increase in credit risk, it should be noted that the collective impairment calculation model during the first half of 2020 was the subject of fine-tuning interventions, by Allitude/CRIF with the advice of Prometeia, to manage the effects deriving from the COVID-19 health emergency.

The implementations concerned in particular the relationships subject to moratorium and resulted in the deactivation of the “delta PD” criterion and the freezing of the rating in February 2020.

Subsequently, starting from December 2020, it was decided to adopt a prudential approach induced by the persistence of the pandemic crisis, which resulted in the following actions:

- defrosting of the rating class (and therefore of the relative PD) relating to the exposures that benefit from the moratoria, due to the growing uncertainties regarding the prospective confirmation of the same and the economic/financial sustainability (in terms of objective capacity to honour its obligations) of the exit from this status by companies and small economic operators;
- application of a penalty in terms of rating classes to individuals and exposures belonging to economic sectors which, on the basis of a targeted forward-looking analysis, are expected to be more inclined to negatively factor the effects of the economic crisis caused by the COVID-19 pandemic. This choice is based on the use of macroeconomic forecasts published by one of the main specialised market operators.

In particular:

- exposures to individuals + 1 class;
- exposures to Companies, Small Businesses and POE in the selected economic sectors and geographical areas:

+ 1 class if the initial rating class is less than or equal to 4;
+ 2 classes if the initial rating class is equal to or greater than 5.

In March 2021, the collective impairment calculation model pursuant to IFRS 9 was revised by the supplier Allitude/CRIF to offer the possibility of applying a prudential treatment to customers with at least one relationship with an active moratorium. This change meant that for customers with at least one relationship with an active moratorium, the PD relating to the maximum class between the reporting date and the pre-pandemic rating class (class of February 2020) is applied to all relationships, in the calculation of the expected loss. On the same occasion, refinements were also made to the LGD calculation model.

In relation to the application of the model - given the persistence of the situation of uncertainty regarding the evolution of the pandemic and the ongoing geopolitical and war complications and the relative short-term consequences of the evolution of the economic cycle - the Bank decided to adopt a prudent approach and not to adopt the macroeconomic scenarios updated in 2021, which are better than those used as at 31 December 2020, which were instead retained.

This decision is in line with the letter of the ECB of 4 December 2020, "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", in the part in which the same recommends avoiding excessive procyclicality in the risk measurement (see below, paragraph "Risks, uncertainties and impacts of the COVID-19 epidemic").

Measuring expected losses

With regard to the measurement of expected losses, in addition to the aforementioned freezing of the rating of February 2020 for the positions subject to moratorium, the collective impairment calculation model was affected in 2020 by an update of the scenario integrating the effects of the COVID-19 health emergency, as indicated by the regulators.

In particular, reference was made to the letter sent by the ECB to the banks in which it emphasised the need to mitigate the volatility of regulatory capital and of the financial statements deriving from the implementation of IFRS 9 in the context of COVID-19. In particular,

it was recommended to use the forecasts relating to the growth prospects of the Eurozone countries prepared by the ECB (together with the individual Central Banks, including the Bank of Italy) and, since these forecasts cover a time horizon of 3 years, to limit the volatility inherent in short-term forecasts, to favour the use of long-term macroeconomic forecasts obtained from reliable sources.
This resulted in the adoption by Allitude/CRIF of the macroeconomic projections published by the European Central Bank, extending the scenarios reported therein to the variables, not directly projected by the authority, but present in the satellite models of PD and LGS, under three different assumptions: baseline (included in the model with 90% weight), adverse (with 5% weight) and best (with 5% weight).
Lastly, in order to meet the need to assign differentiated weights to short and medium/long-term scenarios, favouring medium/long-term scenarios over time (as reported in the ECB indications, mentioned above), the external provider adopted a mechanism of weighting between the short-term and the medium/long-term forecast component to favour a convergence towards the long-term average.
In relation to the application of the model - given the persistence of the situation of uncertainty regarding the evolution of the pandemic and the ongoing geopolitical and war complications and the relative short-term consequences of the evolution of the economic cycle - the Bank decided to adopt a prudent approach and not to adopt the macroeconomic scenarios updated in 2021, which are better than those used as at 31 December 2020, which were instead retained.
This decision is in line with the letter of the ECB of 4 December 2020, "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", in the part in which the same recommends avoiding excessive procyclicality in the risk measurement (see below, paragraph "Risks, uncertainties and impacts of the COVID-19 epidemic").

In December 2021, the software supplier made further refinements with reference to the method of discounting the LGD and the application of the LGD itself, for performing exposures partially covered by several types of guarantees (state, real, personal). This intervention allows the correct application of the floor envisaged by the model in the event of a state guarantee.

In relation to the relationships subject to analytical impairment, on the other hand, based on the results of the analyses conducted by the Risk Management department, particular attention was paid to the assessment of the expected recovery values of the individual positions.

2.4 Credit risk mitigation techniques

In accordance with the Bank's specific fields of operation, Credit Risk Mitigation (CRM) techniques consist mainly of "Exposures secured by real estate".
The relative process of the policies for the eligibility of guarantees and the mapping of business processes related to the management of real estate as collateral for loans has been defined, and approved by the Board of Directors.
Regarding the size of guarantees securing the loan portfolio – which is classified on the basis of the incidence of guarantee coverage in terms of Loan to Value - most of the risk portfolio is secured by guarantees so that the risk is either reduced (e.g. delegations of payment for operations in favour of public bodies in the Region, full bank guarantees, guarantees of institutional funds on first demand with LTV below certain thresholds) or normal (higher LTV and within certain thresholds); these guarantees are often supplemented by other endorsement guarantees.
In the period under examination, disbursements in relation to less guaranteed operations (defined, on the basis of an internal classification, as "full risk", but often secured by guarantees, at least partial, or by *covenants*) amounted to €63.0m (€36.3m in 2020).
As at 31 December 2021, the incidence of these transactions on total loans (excluding doubtful loans) was contained to 16.9%, thus configuring an incidence within the overall tolerance limits set for the year (19%) as well as within the specific limits per rating category.

In addition to this portfolio, there are operations in the energy sector: disbursements amounted to €15.6m, with the stock as a percentage of total loans (excluding doubtful loans) amounting to 12.3% below the RAF limit of 14%.
Overall, full-risk transactions represent 29.1% of total loans compared to a RAF limit of 33.0%, following the re-composition in favour of the normal risk guaranteed portfolio, allowed by the expansion of collateral (also in terms of increasing the percentages to cover losses) provided by the Central Guarantee Fund and EIF to support businesses as a result of the COVID-19 emergency.

Looking again at the overall portfolio of outstanding loans, a breakdown by geographical area of the initiatives shows that the concentration profile of the activities in the target areas remains substantially unchanged: the loan portfolio is concentrated for 43% in Trentino-South Tyrol, 23% in Veneto, 13% in Emilia Romagna, 13% in Lombardy and 7% in other regions.
In relation to "significant risks", four loans are reported as at 31 December 2021, one of which with central governments, for Italian government debt securities, two to supervised credit intermediaries and one for subscription to portions of share capital.
The Bank has no large exposures to ordinary customers.

3. IMPAIRED CREDIT EXPOSURES

Introduction

New definition of impaired loans

As from 1 January 2021, the new European rules on the definition of "default" came into force, pursuant to Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies and related provisions of the European Banking Authority (EBA), with regard to the definition of the guidelines on the application of the definition of default and to the technical regulations on "relevant thresholds", and the European Commission with regard to the definition of these thresholds.

1. *Objective default.*

The new definition of default did not change the time limits for triggering the classification of past due positions (the limit of 90 days remained unchanged); the element on which the regulators intervened is the so-called "materiality threshold", i.e. the exemption that allowed banks - within certain limits - not to classify a position as default (set until 31/12/2020 in the 5% of total exposure).

On the basis of the new regulations, there will be an objective default (past due) after 90 days from the maturity date of the obligation (instalment payment), without the debtor having fulfilled it, in the presence of both of the following conditions (new "materiality thresholds"):

- the unpaid portion must be at least 1% of the debtor's total exposure (this component - valid for all types of counterparties - is defined as the "relative component");
- the total value of the past due exposure must be at least €100 for retail exposures / retail customers and €500 for other exposures / non-retail customers (so-called "absolute component").

2. *Subjective default.*

In any case it is still possible to classify a customer in default subjectively, or in the opinion of the bank, if this is not deemed able to fulfil the obligations assumed (if not through the enforcement of the guarantees given to cover the credit), or, in the case of unsecured credit positions, is not deemed able to promptly fulfil the obligations undertaken.

In this regard, it should be noted that in its Guidelines, in order to harmonise the discretion granted to intermediaries in the classification of customers, the EBA considered it appropriate to define a series of triggers in the presence of which the position must be qualified as in default. In particular: a) in the case of disposal of loans for which there has been a "distressed restructuring" (of the debt) that entailed a substantial remission of the same or a deferral of payments of principal, interest or commissions with a loss higher than 1% of the original debt; b) in case of bankruptcy of the borrower; c) in the event of specific provisions on the exposure in accordance with IFRS 9; d) in the event of loss of sources of income and increase in the level of financial leverage.

Upon the occurrence of the above conditions, all exposures to the debtor must be considered in default.

3. *Default contagion.*

The new regulation also introduces another important aspect called "default contagion", by virtue of which:

- if the joint account is in default, the contagion applies to the exposures of the individual joint holders;
- if all the joint holders are in default, the contagion is automatically applied to the exposures of the joint account.

In this regard, it points out that this new provision applies only to joint transactions and not to legal and/or economic links between parties (companies belonging to the same group).

On the other hand, within banking groups, the classification of a default position with one company of the group will entail the extension of this classification to all the companies of the same group.

4. *Offsetting between exposures.*

A further change related to the new definition of default is that it is no longer possible to apply the offsetting of past due amounts with any other available funds on unused or partially used credit lines, consequently classifying the customer as in default even in the presence of other available credit lines.

5. *Restructuring of credit lines.*

The regulations also introduce a new threshold for the classification as default in cases of credit line restructuring due to financial difficulties of the customer. If, as a result of the remodulation (forborne), a loss of more than 1% occurs, the Bank is required to classify the customer in a state of default (known as Diminished financial obligation).

6. *Disposal of loans through securitisations.*

The new EU provisions also apply to the disposal of loans through securitisations ("traditional securitisations", i.e. those that transfer ownership of the loans to the special purpose vehicle). In particular, the EBA Guidelines identify the cases in which the disposal of loans must be considered an indication of default with consequent classification of the customer. In particular:

- position without default index: if the disposal takes place for corporate policy reasons, or to increase liquidity, the loss resulting from it is not to be considered an indicator of default if the bank is able to document that the loss itself does not derive from an impairment of the possibility of debt recovery;
- position with default index:
  - individual position: if the sale takes place due to the decrease in the possibility of credit recovery and the loss incurred by the bank is greater than 5% of the value of the receivable gross of value adjustments, the transaction will give rise to a default ratio with consequent classification of the position (and any other related positions) in default status;
  - loan portfolio: in the event of disposal of a loan portfolio, if its price is determined by applying a discount to the total value of the loans (gross of value adjustments) that is such to entail a loss of more than 5%, it will be necessary to extend the default status to the entire portfolio (i.e. to all individual positions). The extension of the status should not be applied if the portfolio price was determined by specifying the discount rate applied to the individual positions.

7. *Exit from default classification.*

The provisions in question also introduce new conditions to "exit" the default condition; in particular, the transition to performing status will take place after the cure period that is three months after the position is settled (i.e. from the moment in which the conditions set forth in art. 178 of the CRR cease), or one year with reference to the customers that benefited from debt restructuring.

In these cases, the new provisions require that an important role is played by the bank's assessment of the customer's overall financial situation. The return to a performing status will in fact be possible only if the financial situation of the customer is considered stable in an effective and permanent manner.

3.1 Management strategies and policies

Objectives and strategies

In 2021, the Bank approved the "Multi-annual plan for the management of NPLs" for the 2021-2023 time horizon.

The following table summarises the main objectives of the plan for 2021 compared with the final results:

Operational objectives	Target 2021	Situation as at 31/12/2021	Gap
New net impaired	17,907	4,557	13,350
Impaired credit exposures (gross values)	67,868	48,408	19,460
Impaired credit exposures (net values)	34,485	22,072	12,413
Gross NPL ratio	6.2%	4.4%	1.8%
Net NPL ratio	3.3%	2.1%	1.2%
Total coverage ratio of impaired loans	49.2%	54.4%	5.2%
Coverage ratio of doubtful loans	56.0%	60.1%	4.1%
Coverage ratio of unlikely to pay loans	44.0%	44.7%	0.7%
Coverage ratio of past due loans	5.0%	6.5%	1.5%

Technical and organisational procedures and methods used

The situations that present some level of anomaly are initially monitored by the Credit Area – aided by the local commercial units - which implements all timely management actions with the aim of achieving a return to normality.

In the event of a particular deterioration in the relationship, the position is transferred to the Legal Department, which manages the re-entry phase, if necessary through the launch of enforcement proceedings. Therefore, the Legal Department presides over a part of unlikely to pay loans and all doubtful loans.

The detailed analysis of significant positions is bought to the attention of the Credit Risk Management Committee, which meets at least every two months, evaluates the actions to be taken and decides whether to alter the status of the impaired loans.

Reporting to the Credit Risk Management Committee relating to the analysis of the situation of past due loans is broken down by risk severity and duration into:

- Past due Status "Past due by less than 90 days";
- Past due Status "Past due 90";
- Past due Status "Unlikely to pay";
- Positions not past due but "potentially critical".

Every three months, the organisational units of the Credit Risk Management Committee, in coordination with the General Management, carry out an evaluation on the positions in question, to verify the existence of objective evidence of possible impairment losses *(impairment test),* constantly taking into account the minimum regulatory requirements related to applying the so-called "*calendar provisioning*", adequately implemented by internal policies and procedures. The evaluation process makes provision for an analytical examination of impaired positions by applying the methodologies and criteria set out in Part A – Accounting Policies. In compliance with the amendments introduced by the "Guidance on the management of non-performing loans for Italy's Less significant institutions" (issued by Bank of Italy in January 2018) and in order to comply with the entry into force of the IFRS 9 accounting standard for the calculation of impairment, the Bank has an appropriate policy for the classification, measurement and management of impaired loans; it requires, in particular, the determination of recovery forecasts to be formalised in detail for each position analysed to allow the evaluation and calculation process to be traced and reconstructed.

Verification of the correct monitoring of the individual exposures and the assessment of the consistency of the classifications, the congruence of the provisions and the adequacy of the recovery process is carried out by the risk control function which, verifies, among the other tasks, the work of the operating and credit recovery units, ensuring the correct classification of the impaired exposures and the adequacy of the related degree of non-recoverability.

As regards the risk indicator of the portfolio developed by the Bank of Italy it is reported that when analysing the historical performance of the most significant aggregate for our operations (non-financial corporations in North-eastern Italy), the Bank's average value is substantially aligned to the System one (0.8 vs 0.5 on amounts and 0.5 vs 0.6 on numbers as at 30 September 2021).

3.2 Write-off

Write-off policies

The Bank writes off exposures only when it no longer has reasonable expectations of recovering the financial asset and for the amount deemed irrecoverable; it is assumed that this situation occurs (unless there is a reason to the contrary) for positions that have been classified as doubtful loans for at least 10 years or doubtful loans with a drawdown of less than €50 thousand. Write-offs are adopted by the Credit Risk Management Committee and reported to the Board of Directors on a quarterly basis.

Financial assets which, although written off during the year, are still subject to execution

During the year, the Bank wrote off financial assets still subject to execution for a total of €2,2m.

Financial assets which, although entirely written down during the year, are still subject to execution

As at 31 December 2021, the Bank held €0.014m of doubtful loans in its portfolio, written down entirely, broken down by seniority as follows:

Year of classification as doubtful loan	No. of customers	Amount (millions of Euro)
2018	1	0.014

3.3 Acquired or originated impaired financial assets

The Bank does not hold acquired or originated impaired financial assets in its portfolio.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND EXPOSURES SUBJECT TO FORBEARANCE MEASURES

Policies for commercial renegotiation and forbearance of financial assets

The forbearance measures are granted by the Bank on the basis of a procedure that:

- assesses the financial situation of the debtor with a special reference to total debt and its ability to service the debt. An analysis/evaluation of historical data must be carried out to reconstruct the timing and reasons for the debtor's financial difficulty and to obtain an indication of the economic sustainability of the business model and an analysis of the sustainability of the business plan and cash flows;
- applies, as far as possible, standardised conditions within a predefined range of possibilities;
- monitors the effectiveness of the applied measures.

The identification of the customers receiving forbearance measures is based on a series of indicators, considered as a whole, aimed at verifying the existence of the minimum conditions of continuity, the presence of a positive historical financial relationship and the cooperative attitude of the debtor.

Indicators are also tested, using the management system, to verify the "financial difficulty" of the applicant, which take into account both internal performance data and system data extrapolated from the Centrale Rischi (central credit register).

The absence of "financial difficulty" does not bar the forbearance measures but leads to the position not being classified as "forborne" (commercial renegotiation).

Short-term forbearance measures are defined as temporary restructured repayment conditions designed to deal with short-term financial difficulties but which do not tackle the settlement of existing payment delays unless combined with appropriate long-term measures. They should generally not exceed 2 years, which drop to 1 in the case of project finance and the construction of commercial real estate. These forbearance measures must be taken into account:

- when the debtor has been affected by an identifiable event that has led to temporary liquidity risks, which will be overcome in the short term due to improved profit margins;
- in the bank's opinion, a long-term forbearance measure is not applicable due to a general or specific temporary financial uncertainty of the debtor.

In most cases, these measures combine with medium/long-term measures.

The standardised forbearance measures normally adopted are summarised in the table below.

Time horizon	Forbearance measure
Short term	Suspension of payments for a limited period of time
	Partial payments (interest rate and reduced principal; interest rate only)
	Capitalisation of arrears/interest
Medium/Long-term	Permanent decrease in interest rates
	Extending maturities
	Restructuring of payments (balloon or bullet payments; payments increasing over time)
	New Borrowings
	Amendments/Waiver of contractual covenants
	Debt rescheduling
	Partial or total debt cancellation

As already seen, the presence of forbearance measures is an objective presumption for the classification of a relation in stage 2 for the purpose of assessing the expected losses.

Moratoria granted by law and in application of industry agreements to deal with the effects of the COVID-19 pandemic

Based on the indications provided by the European Banking Authority in the document "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*" of 4 April 2020 (EBA/GL/2020/02) and subsequent amendment, the moratoria granted to customers pursuant to law (mainly Law Decree 18 of 17 March 2020) and in application of the industry agreements (ABI Agreements)[29], were not considered as an expression of the debtor's financial difficulty. Therefore, the aforementioned positions were not classified as *forborne* exposures.

The exceptions are moratoria extended by the "Sostegni bis" Law Decree for which, considering that the facilitation framework envisaged by the EBA Guidelines on the subject of moratoria expired from 31 March 2021, it was necessary to individually analyse the positions to verify whether the extensions were to be considered forbearance measures (i.e. linked to a financial difficulty), with consequent classification at Stage 2. Therefore, with regard to the extension measure mentioned above, the Bank's choice was to classify the relationships subject to extension (86 relationships) as forborne.

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[29] Mediocredito Trentino-Alto Adige, at the end of an analysis carried out internally and subject to the positive opinion of the Compliance function, considered that the moratoria granted on the basis of the "Ripresa Trentino" protocols (signed between the Autonomous Province of Trento, Cassa del Trentino SpA and banks, financial intermediaries and the Confidi of the province of Trento) and "Alto Adige Riparte" (signed between the Autonomous Province of Bolzano, Confidi, Garfidi and banking institutions with headquarters or branches in South Tyrol) meet the requirements of the EBA Guidelines (EBA/GL/2020/02) and therefore fall within the scope of application of the provisions contained therein.

Information on credit quality of exposures subject to forbearance measures and on the effectiveness of the granted forbearance measures

Gross forborne loans existing by year of forbearance measures (in thousands)

	2009	2013	2014	2015	2016	2017	2018	2019	2020	2021	Tot.
Forborne performing	-	-	911	3,802	851	1,463	4,859	1,927	3,189	72,907	**89,909**
Forborne non-performing	51	3,164	1,677	4,407	6,253	2,204	2,905	1,035	545	806	**23,047**
Total	**51**	**3,164**	**2,589**	**8,209**	**7,104**	**3,666**	**7,764**	**2,962**	**3,734**	**73,713**	**112,957**

Gross forborne loans by number of forbearance measures (in thousands)

	1 forbearance measure	more than one forbearance measure
Forborne performing	75,940	13,970
Forborne non-performing	11,080	11,968
Total	**87,019**	**25,938**

Effectiveness of the forbearance measures (in thousands)

	2021	2020
Flow analysis		
Forborne performing classified as forborne non-performing	6	151
Forborne performing classified as performing non-forborne	-	3,101
Forborne non-performing classified as forborne performing	-	-
Stock analysis		
Forborne performing without arrears / total forborne performing	100%	93%
Forborne non performing without arrears / total forborne non-performing	42%	56%

For further qualitative and statistical information on the loans subject to forbearance measures (geographical distribution, by business area of the counterparty, by type of forbearance measure), refer to the Report on Operations in the paragraphs "Performing loans subject to forbearance measures - Forborne" and "Impaired loans subject to forbearance measures - Forborne".

QUANTITATIVE INFORMATION[30]

A. CREDIT QUALITY

For the purposes of quantitative information on credit quality, equity securities and investments in UCITS are excluded.

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Distribution of credit exposures by relevant portfolio and credit quality (book values)

Portfolio/quality	Doubtful loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	12,319	9,585	167	1,940	1,456,074	**1,480,085**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	47,908	**47,908**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	2,799	**2,799**
5. Financial assets to be sold	-	-	-	-	-	**-**
Total 2021	**12,319**	**9,585**	**167**	**1,940**	**1,506,782**	**1,530,792**
Total 2020	**18,433**	**13,954**	**373**	**3,052**	**1,571,615**	**1,607,427**

Details of financial assets measured at amortised cost subject to forbearance measures (forborne)

Portfolio/quality	Doubtful loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost (forborne)	5,074	5,838	47	736	82,751	**94,447**

A.1.2 Distribution of credit exposures by relevant portfolio and credit quality (gross and net values)

	Impaired				Performing			
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs	Gross exposure	Total value adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	48,408	26,336	22,072	26	1,474,821	16,808	1,458,012	**1,480,085**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	47,908	-	47,908	**47,908**
3. Financial assets designated at fair value	-	-	-	-			-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-			2,799	**2,799**
5. Financial assets to be sold	-	-	-	-	-	-	-	**-**
Total 2021	**48,408**	**26,336**	**22,072**	**26**	**1,522,729**	**16,808**	**1,505,921**	**1,530,792**
Total 2020	**65,897**	**33,137**	**32,760**	**26**	**1,583,219**	**9,830**	**1,574,667**	**1,607,427**

	Assets of clearly low credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	405
2. Hedging derivatives	-	-	-
Total 2021	**-**	**-**	**405**
Total 2020	**-**	**-**	**189**

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[30] In all the tables in this section, the figure as at 31 December 2020 of assets valued at amortised cost (banks) has been modified to incorporate the provisions of the 7th update of the Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statements to FINREP reports, that sight loans from banks and central banks are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks". The reclassification concerned the amount of €19,218,860.

A.1.3 Breakdown of financial assets by past due brackets (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Acquired or originated impaired		
	From 1 to 30 days	From over 30 to 90 days	Over 90 days	From 1 to 30 days	From over 30 to 90 days	Over 90 days	From 1 to 30 days	From over 30 to 90 days	Over 90 days	From 1 to 30 days	From over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost	399	-	-	333	736	470	241	355	14,523			
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-			
3. Financial assets to be sold	-	-	-	-	-	-	-	-	-			
TOTAL 2021	**399**	**-**	**-**	**333**	**736**	**470**	**241**	**355**	**14,523**			
TOTAL 2020	**657**	**-**	**-**	**748**	**1,631**	**17**	**-**	**1,738**	**19,670**			

of which past due:

TOTAL 2021	0	-	-	1	-	7
TOTAL 2020	0	-	-	-	88	0

A.1.4 Financial Assets, commitments to disburse funds and financial guarantees issued: trend in total value adjustments and in total provisions

Risk reasons/ stages	Total value adjustments																							Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets included in stage 1						Assets included in stage 2						Assets included in stage 3						Acquired or originated impaired financial assets									
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	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	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees issued as acquired or originated impaired	
Opening balance	8	4,792	24	-	-	4,824	-	5,038	-	-	-	5,038	-	33,137	-	-	33,137	-						74	-	3		43,076
Increases from acquired or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						-	-	-		-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,963)	-	-	(4,983)	-						-	-	-		(4,983)
Net adjustments due to credit risk (+/-)	(1)	750	(10)	-	-	(740)	-	6,230	-	-	-	6,230	-	1,098	-	-	1,098	-						9	-	0		8,077
Amendments to contracts without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						-	-	-		-
Changes in the estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						-	-	-		-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,916)	-	-	(2,916)	-						-	-	-		(2,916)
Other changes	-	(2)	(6)	-	-	(9)	-	-	-	-	-	-	-	-	-	-	-	-						-	-	-		(9)
Closing balance	8	5,540	7	-	-	5,547	-	11,269	-	-	-	11,269	-	26,336	-	-	26,336	-						83	-	3		43,245
Recoveries from collections on financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	(512)	-	-	(512)	-						-	-	-		(512)
Write-offs recognised directly in the income statement	-	0	-	-	-	0	-	-	-	-	-	-	-	339	-	-	339	-						-	-	-		339

For assets at amortised cost other than stage 1 and 2 securities, value adjustments are determined collectively using software provided by the company Allitude, which uses a calculation model developed in collaboration with CRIF, also adopted by the newly formed Cassa Centrale Banca national banking Group. The model assigns to each relation the values of PD, LGD and EAD by analysing the counterparty rating, the guarantees securing the relation and the amortisation plan of the relation, respectively. The values of each parameter are calculated on the basis of statistical analyses carried out on a sample of all banks participating in the Allitude system and on the basis of expected macroeconomic scenarios (forward looking approach). The same model is also adopted for determining value adjustments on commitments to disburse funds and financial guarantees issued under stage 1, 2 and 3.

For securities, both those classified under financial assets measured at amortised cost and those classified under financial assets measured at fair value through other comprehensive income, the PD and LGD data is provided by the info-provider Cassa Centrale Banca S.p.A. that, in turn, uses an ad hoc instrument managed by Prometeia.

For assets at amortised cost under stage 3, the value adjustment is determined analytically by discounting the expected recovery at the end of the reporting period. The valuation process considers the recovery scenario through discharging events (the "management" scenario) and through the assignment of loan to third parties (the "assignment" scenario), assigning to each scenario a probability of occurrence between 0% and 100%.

Disclosure pursuant to IFRS 7, paragraph 35H, letter b), (iii)

The Bank has not adopted the possibility, envisaged by paragraph 5.5.15 letter b) of IFRS 9, of assessing the provision to cover losses on receivables implicit in lease contracts deriving from operations falling within the scope of application of IAS 17 at an amount equal to the expected losses over the entire lifetime of the loan.

Disclosure pursuant to IFRS 7, paragraph B8D

With regard to the asset adjustment provisions valued at amortised cost falling within the first and second stages, it should be noted that the substantial value adjustments (€0.7m and €6.2m respectively) are attributable to the increase in the portfolio of loans classified in the second stage, mainly due to the classification among performing forborne of the positions subject to the extension of the moratoriums granted under the Sostegni-bis Decree[31].
With regard to assets at amortised cost falling under stage 3, the adjustment provisions decreased following the substantial collections and disposals made in the year, only partially offset by adjustments to new impaired loans and higher adjustments to impaired loans already in the portfolio.

A.1.5 Financial Assets, commitments to disburse funds and financial guarantees issued: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	106,897	31,627	450	522	4,640	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets to be sold	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-
TOTAL	**106,897**	**31,627**	**450**	**522**	**4,640**	**-**

Transfers "to stage 3" and "from stage 3", amounting to €5.090m and €0.552m, respectively, do not coincide with the "transfers from performing exposures" and "transfers to performing exposures" shown in table A.1.9 of this section, amounting to €5.077m and €0.520m, respectively, in that this table is valued at gross value recorded at the end of the reporting period, while table A.1.9 is valued at the gross value recorded at the date of transition to/from the non-performing status.

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[31] The facilitation framework envisaged by the EBA Guidelines on the subject of moratoria expired on last 31 March and, therefore, it is no longer possible to use the simplified prudential treatment envisaged for the classification of moratoria ("EBA compliant" moratoria). In this new context, which also includes the latest extension relating to the "Sostegni bis" Law Decree, it was therefore necessary to analyse the positions individually to verify whether the extensions were to be considered forbearance measures (i.e. linked to a financial difficulty), with consequent classification to Stage 2. Therefore, in relation to the above mentioned extension measure, the Bank's choice was to classify the relationships subject to extension (86 relationships) as forborne.

A.1.5a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortised cost	**17,704**	**1,332**	**-**	**-**	**153**	**-**
1. Subject to forbearance measures in compliance with the GL	4,008	13	-	-	-	-
2. Subject to other forbearance measures	-	-	-	-	-	-
3. New loans	13,696	1,319	-	-	153	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
1. Subject to forbearance measures in compliance with the GL	-	-	-	-	-	-
2. Subject to other forbearance measures	-	-	-	-	-	-
3. New loans	-	-	-	-	-	-
TOTAL	**17,704**	**1,332**	**-**	**-**	**153**	**-**

A.1.6 Balance sheet and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/Amounts	Gross exposure					Total adjustments and total provisions					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A. Balance sheet credit exposures												
A.1 On demand	32,311	32,311	-	-		8	8	-	-		32,303	-
a) Impaired	-		-	-		-		-	-		-	-
b) Performing	32,311	32,311	-			8	8	-			32,303	-
A.2 Others	30,532	30,532	-	-		12	12	-	-		30,520	-
a) Doubtful loans	-		-	-		-		-	-		-	-
- of which exposures subject to forbearance measures	-		-	-		-		-	-		-	-
b) Unlikely to pay	-		-	-		-		-	-		-	-
- of which exposures subject to forbearance measures	-		-	-		-		-	-		-	-
c) Impaired past due exposures	-		-	-		-		-	-		-	-
- of which exposures subject to forbearance measures	-		-	-		-		-	-		-	-
d) Performing past due exposures	-	-	-			-	-	-			-	-
- of which exposures subject to forbearance measures	-	-	-			-	-	-			-	-
e) Other performing exposures [1]	30,352	30,532				12	12	-			30,520	-
- of which exposures subject to forbearance measures	-	-	-			-	-	-			-	-
TOTAL A		**62,842**	**-**	**-**		**19**	**19**	**-**	**-**		**62,823**	**-**
B. Off-balance sheet credit exposures												
a) Impaired	-		-	-		-		-	-		-	-
b) Performing	1,423	1,423	-			2	2	-			1,422	-
of which Derivatives	*390*	*390*	-	-		-	-	-	-		*390*	-
Commitments	-	-	-	-		-	-	-	-		-	-
Guarantees issued	*1,033*	*1,033*	-	-		*2*	*2*	-	-		*1,031*	-
TOTAL B	**1,423**	**1,423**	**-**	**-**		**2**	**2**	**-**	**-**		**1,422**	**-**
TOTAL A+B	**64,266**	**64,266**	**-**	**-**		**21**	**21**	**-**	**-**		**64,245**	**-**

[1] Other performing exposures include €27.7m in bank bonds that satisfy the requirements for eligibility for ECB refinancing, classified for €4.3m under "Financial assets measured at fair value through other comprehensive income" and for €23.4m under "Financial assets measured at amortised cost". For more information, please refer to the report on operations chapter "The securities portfolio".

A.1.7 Balance sheet and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/Amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A. Balance sheet credit exposures												
a) Doubtful loans	30,897		-	30,897		18,577		-	18,577		12,319	26
- of which: exposures subject to forbearance measures	13,755		-	13,755		8,680		-	8,680		5,074	-
b) Unlikely to pay	17,332		-	17,332		7,747		-	7,747		9,585	-
- of which: exposures subject to forbearance measures	9,241		-	9,241		3,403		-	3,403		5,838	-
c) Impaired past due exposures	179		-	179		12		-	12		167	-
- of which: exposures subject to forbearance measures	52		-	52		5		-	5		47	-
d) Performing past due exposures	2,212	417	1,796			274	18	256			1,938	-
- of which: exposures subject to forbearance measures	911	-	911			175	-	175			736	-
e) Other performing exposures [1]	1,492,784	1,302,505	190,278			16,522	5,254	11,269			1,476,261	-
- of which: exposures subject to forbearance measures	88,998	-	88,998			6,247	-	6,247			82,751	-
Total A	**1,543,404**	**1,302,922**	**192,074**	**48,408**		**43,133**	**5,272**	**11,525**	**26,336**		**1,500,272**	**26**
B. Off-balance sheet credit exposures												
a) Impaired	5		-	5		3		-	3		2	-
of which Guarantees	5		-	5		3		-	3		2	-
Commitments	-		-	-		-		-	-		-	-
b) Performing	12,968	10,373	2,595			82	80	1			12,886	-
of which Derivatives	390	390	-			-	-	-			390	-
Commitments	7,393	5,024	2,370			50	50	-			7,344	-
Guarantees issued	5,184	4,959	225			32	31	1			5,152	-
Total B	**12,973**	**10,373**	**2,595**	**5**		**85**	**80**	**1**	**3**		**12,888**	**-**
Total A+B	**1,556,377**	**1,313,296**	**194,669**	**48,413**		**43,217**	**5,352**	**11,526**	**26,339**		**1,513,160**	**26**

[1] Other performing exposures include €439.9m in securities issued by the Italian government that satisfy the requirements for eligibility for ECB refinancing, classified for €43.6m under "Financial assets measured at fair value through other comprehensive income" and for €396.3m under "Financial assets measured at amortised cost". There are also:

- 5.0 million securities issued by financial corporations, classified under "Financial assets valued at amortised cost", purchased by the Bank as part of liquidity management;
- €1.5m of securities that did not pass the SPPI test relating to a subordinated bond issued by an insurance counterparty for €1.5m and to the mezzanine and junior tranches issued by the Buonconsiglio 3 securitisation for €12 thousand. 3. For further information, please refer to the Report on Operations in the section "Securities portfolio". Finally, there are €1.3m of receivables for *cash reserve* relating to a securitisation that did not pass the SPPI test.

A.1.7a Loans subject to COVID-19 support measures: gross and net values

Type of exposures/Amounts	Gross exposure	Total adjustments and total provisions	Net exposure	Total partial write-offs
A. Doubtful loans	**-**	**-**	**-**	**-**
1. Subject to forbearance measures in compliance with the GL	-	-	-	-
2. Subject to other forbearance measures	-	-	-	-
3. New loans	-	-	-	-
B. Unlikely to pay loans	**153**	**16**	**136**	**-**
1. Subject to forbearance measures in compliance with the GL	-	-	-	-
2. Subject to other forbearance measures	-	-	-	-
3. New loans	153	16	136	-
C. Impaired past due loans	**-**	**-**	**-**	**-**
1. Subject to forbearance measures in compliance with the GL	-	-	-	-
2. Subject to other forbearance measures	-	-	-	-
3. New loans	-	-	-	-
D. Other performing past due loans	**-**	**-**	**-**	**-**
1. Subject to forbearance measures in compliance with the GL	-	-	-	-
2. Subject to other forbearance measures	-	-	-	-
3. New loans	-	-	-	-
E. Other performing loans	**132,939**	**924**	**132,015**	**-**
1. Subject to forbearance measures in compliance with the GL	9,765	224	9,541	-
2. Subject to other forbearance measures	4,210	18	4,192	-
3. New loans	118,964	682	118,282	-
TOTAL (A+B+C+D+E)	**133,092**	**940**	**132,152**	**-**

A.1.9 Balance sheet credit exposures to customers: trend in gross impaired exposures

Reasons/Categories	Doubtful loans	Unlikely to pay	Impaired past due exposures
A. Opening balance	**40,491**	**25,002**	**403**
- of which: exposures sold and not derecognised	-	-	-
B. Increases	**3,434**	**5,043**	**99**
B.1 transfers from performing exposures	371	4,620	87
B.2 transfers from acquired or originated impaired financial assets	-	-	-
B.3 transfers from other categories of impaired exposures	1,871	-	-
B.4 amendments to contracts without derecognitions	-	-	-
B.5 other increases [1]	1,192	423	12
C. Decreases	**13,028**	**12,713**	**323**
C.1 transfers to performing exposures	-	520	-
C.2 write-off	3,108	-	4
C.3 collections [1]	6,608	1,784	140
C.4 sale proceeds	1,267	5,633	-
C.5 losses on disposal	2,043	3,083	-
C.6 transfers to other categories of impaired exposures	-	1,692	179
C.7 amendments to contracts without derecognitions	-	-	-
C.8 other decreases	2	1	0
D. Closing balance	**30,897**	**17,332**	**179**
- of which: exposures sold and not derecognised	-	-	-

[1] The column doubtful loans also includes €512 thousand related to collections of doubtful loans completed in the previous years as per the instructions of the Bank of Italy (Circular no. 262/2005).

A.1.9bis Balance sheet credit exposures to customers: trend in gross exposures subject to forbearance measures broken down by credit quality

Reasons/Categories		Exposures subject to forbearance measures: impaired	Exposures subject to forbearance measures: performing
A.	**Opening balance**	**35,384**	**22,977**
	- of which: exposures sold and not derecognised	-	-
B.	**Increases**	**1,116**	**74,315**
B.1	transfers from performing exposures not subject to forbearance measures	372	71,853
B.2	transfers from performing exposures subject to forbearance measures	6	
B.3	transfers from impaired exposures subject to forbearance measures		-
B.4	transfers from impaired exposures not subject to forbearance measures	111	520
B.5	other increases	627	1,942
C.	**Decreases**	**13,453**	**7,383**
C.1	transfers to performing exposures not subject to forbearance measures		-
C.2.	transfers to performing exposures subject to forbearance measures	-	
C.3	transfers to impaired exposures subject to forbearance measures		6
C.4	write-off	231	-
C.5	collections	4,506	7,377
C.6	sale proceeds	5,633	-
C.7	losses on disposal	3,083	-
C.8	other decreases	0	-
D.	**Closing balance**	**23,047**	**89,909**
	- of which: exposures sold and not derecognised	-	-

A.1.11 Balance sheet impaired credit exposures to customers: trend in total value adjustments

Reasons/Categories		Doubtful loans		Unlikely to pay		Impaired past due exposures		Performing credit exposures	
		Total	of which: exposures subject to forbearance measures	Total	of which: exposures subject to forbearance measures	Total	of which: exposures subject to forbearance measures		
A.	**Opening balance**	**22,059**	**8,665**	**11,048**	**8,269**	**30**	**15**	**9,820**	
	- of which: exposures sold and not derecognised	-	-	-	-	-	-	-	
B.	**Increases**	**4,382**	**1,365**	**3,286**	**228**	**7**	**-**	**7,121**	
B.1	value adjustments from acquired or originated impaired financial assets	-		-		-		7,121	
B.2	other value adjustments	2,737	1,365	3,286	228	7	-	-	
B.3	losses on disposal	143	-	-	-	-	-	-	
B.4	transfers from other categories of impaired exposures	990	-	-	-	-	-	-	
B.5	amendments to contracts without derecognitions	-		-		-		-	
B.6	other increases [1]	512[1]	-	-	-	-	-	-	
C.	**Decreases**	**7,864**	**1,350**	**6,587**	**5,094**	**26**	**10**	**144**	
C.1	write-backs from valuation	1,491	418	859	740	9	4	141	
C.2	write-backs from collection [1]	1,396	705	201	20	2	2	-	
C.3	gains on disposal	36	-	1,254	1,254	-	-	24	
C.4	write-off	2,898	227	211	-	4	4	0	
C.5	transfers to other categories of impaired exposures	-	-	979	-	11	-	-	
C.6	amendments to contracts without derecognitions	-		-		-		-	
C.7	other decreases	2,043[2]	-	3,083[3]	3,080	-	-	-	
D.	**Closing balance**	**18,577**	**8,680**	**7,747**	**3,403**	**12**	**5**	**16,797**	
	- of which: exposures sold and not derecognised	-	-	-	-	-	-	-	
Losses due to below market rates		-	-	-	-	-	-	-	
Total net credit adjustments		**(150)**		**2,226**		**(4)**		**6,979**	**9,051**[5]
Net loss on disposal		**107**		**1,254**		**-**		**(2)**	**(1,150)**[6]

1 The column doubtful loans includes €512 thousand related to collections of doubtful loans completed in the previous years as per the instructions of the Bank of Italy (Circular no. 262/2005).

2 The column Doubtful loans includes the amount of €2.043m relating to losses on disposal, of which €1.9m are covered by the allowance for doubtful accounts and €143 thousand are not covered by the allowance for doubtful accounts (see item B.3), accordingly with indication by the Bank of Italy Circular no. 262/2005.

3 The column Unlikely to pay includes the amount of €3.083m relating to losses on disposal, entirely covered by the allowance for doubtful accounts, accordingly with indication by the Bank of Italy Circular no. 262/2005.
4 The amount relates to the 2020 impairment of HTC securities sold during the year.
5 The amount corresponds to that shown in table 8.1 Part C item "Total B – Loans and advances to customers" (€9.739m) net of write-backs due to *time-reversal* allocated in item 10. Interest income (€688 thousand).
6 The amount resulting from the sum of items B.2 and C.3 corresponds to the value in table 6.1 Part C item "Loans and advances to customers – Net result" (€2.096m) net of the capital gain on the sale of HTC securities (€0.948m), decreased by the amount in note 4.

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued based on internal and external ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued: by external rating class (gross values)

Exposures	External rating class						No rating	Total
	AAA /AA-	A+/ A-	BBB+/ BBB-	BB+ / BB-	B+/B-	Lower than B-		
A. Financial assets measured at amortised cost	**-**	**-**	**419,699**	**-**	**-**	**-**	**1,106,329**	**1,526,028**
Stage 1	-	-	419,699	-	-	-	865,847	1,285,546
Stage 2	-	-	-	-	-	-	192,074	192,074
Stage 3	-	-	-	-	-	-	48,408	48,408
Acquired or originated impaired								
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**47,908**	**-**	**-**	**-**	**-**	**47,908**
Stage 1	-	-	47,908	-	-	-	-	47,908
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Acquired or originated impaired								
C. Financial assets to be sold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 1	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Acquired or originated impaired								
TOTAL (A+B+C)	**-**	**-**	**467,607**	**-**	**-**	**-**	**1,106,329**	**1,573,936**
D. Commitments to disburse funds and financial guarantees issued								
Stage 1	-	-	-	-	-	-	13,611	13,611
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	5	5
Acquired or originated impaired								
TOTAL D	**-**	**-**	**-**	**-**	**-**	**-**	**13,616**	**13,616**
TOTAL (A+B+C+D)	**-**	**-**	**467,607**	**-**	**-**	**-**	**1,119,945**	**1,587,552**

Reconciliation between the "External rating classes" and the ratings of the main agencies

Rating class	Standard & Poor's	Moody's	Fitch
AAA/AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-
A+/A-	A+ A A-	A1 A2 A3	A+ A A-
BBB+/BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-
BB+/BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-
B+/B-	B+ B B-	B1 B2 B3	B+ B B-
Lower than B-	from CCC+ to D	form Caa1 to C	from CC+ to D

The balance sheet exposures with counterparties with a *rating* relate entirely to Government or Bank bonds classified in the HTC or HTCS portfolios. With regard to the loan portfolio of the Bank, mainly made up of loans to small and medium sized enterprises, the amount of exposures attributed an external rating are rather negligible, for which the entire exposure is presented under the column "no rating". With regard to financial derivatives, it is noted that the overall notional amount is €38.5m and is distributed as follows: €38.3m with counterparties rated Baa1 and €0.2m with counterparties rated Ba1.

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued: by internal rating class (gross values)

The Bank has only recently begun to use an internal customer rating model, but to date it only covers around 49% of its loan portfolio, which is only assigned at the initial stage of the credit line and to new industrial and commercial customers; therefore, it is not yet sufficiently representative of the overall portfolio. However, it should be noted that following the introduction of the models functional to the application of the new accounting standard IFRS 9, the Bank has additional elements to assign a rating class to the entire loan portfolio together with the traditional in-depth monographic analysis of the economic, financial and sector situation of each customer to whom it grants credit; however, this data is not yet used in credit risk management.

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.2 Secured balance sheet and off-balance sheet credit exposures to customers

			Collaterals (1)				Personal guarantees (2)									
							Credit derivatives					Endorsement loans				
								Other derivatives								
	Gross exposure	Net exposure	Properties - mortgages	Properties - lease financing	Securities	Other collaterals	Credit-linked notes	Clearing House	Banks	Other	Others	Public administrations	Banks	Other financial corporations	Others	Total (1)+(2)
1. Secured balance sheet credit exposures	*866,604*	*830,982*	*238,512*	*88,272*	*2,822*	*27,082*	-	-	-	-	-	*2,875*	*233,155*	*3,593*	*78,227*	674,538
1.1 fully secured	445,373	421,076	228,086	88,272	1,346	23,104	-	-	-	-	-	2,404	20,981	220	56,663	421,076
- of which impaired	30,789	15,956	14,568	869	33	-	-	-	-	-	-	-	196	-	291	15,958
1.2 partially secured	421,231	409,905	10,426	-	1,476	3,978	-	-	-	-	-	471	212,174	3,372	21,564	253,462
- of which impaired	8,948	2,606	1,197	-	-	8	-	-	-	-	-	22	326	-	-	1,553
2. Secured off-balance sheet credit exposures	*4,334*	*4,284*	*0*	-	-	-	-	-	-	-	-	*102*	-	-	*1,453*	1,555
2.1 fully secured	527	526	-	-	-	-	-	-	-	-	-	102	-	-	424	526
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	3,807	3,758	0	-	-	-	-	-	-	-	-	-	-	-	1,029	1,029
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by main business sector

Exposures/Counterparties	Public administrations		Financial corporations		Financial corporations (of which: insurance companies)		Non-financial corporations		Families	
	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Balance sheet exposures										
A.1 Doubtful loans	-	-	-	-	-	-	10,834	17,390	1,486	647
of which exposures subject to forbearance measures	-	-	-	-	-	-	4,200	8,270	874	410
A.2 Unlikely to pay	-	-	457	304	-	-	7,896	7,228	1,232	214
of which exposures subject to forbearance measures	-	-	457	304	-	-	4,471	3,005	910	93
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	167	12
of which exposures subject to forbearance measures	-	-	-	-	-	-	-	-	47	5
A.4 Performing exposures	492,462	84	43,026	231	1,508	-	907,872	16,180	34,840	302
of which exposures subject to forbearance measures	-	-	4,362	2	-	-	76,816	6,350	2,310	71
Total A	**492,462**	**84**	**43,483**	**535**	**1,508**	**-**	**926,602**	**41,338**	**37,725**	**1,176**
B. Off-balance sheet exposures										
B.1 Impaired loans	-	-	-	-	-	-	2	3	-	-
B.2 Performing exposures	-	-	-	-	-	-	12,886	82	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**12,888**	**85**	**-**	**-**
Total (A+B) (2021)	**492,462**	**84**	**43,483**	**535**	**1,508**	**-**	**939,490**	**41,423**	**37,725**	**1,176**
Total (A+B) (2020)	**562,314**	**272**	**39,674**	**4,813**	**1,543**	**-**	**939,149**	**36,270**	**43,751**	**1,677**

B.2 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by area[32]

Exposures/Geographic areas	Italy		*of which North-East*		*of which other areas*		Other European Countries	
	Net exposures	Total value adjustments	*Net exposures*	*Total value adjustments*	*Net exposures*	*Total value adjustments*	Net exposures	Total value adjustments
A. Balance sheet exposures								
A.1 Doubtful loans	12,319	18,577	*9,532*	*13,013*	*2,787*	*5,565*	-	-
A.2 Unlikely to pay	9,585	7,747	*6,762*	*4,992*	*2,824*	*2,755*	-	-
A.3 Impaired past due exposures	167	12	*161*	*11*	*6*	*0*	-	-
A.4 Performing exposures	1,478,199	16,797	*838,001*	*13,913*	*640,199*	*2,884*	-	-
Total A	**1,500,272**	**43,133**	***854,456***	***31,929***	***645,816***	***11,203***	**-**	**-**
B. Off-balance sheet exposures								
B.1 Impaired loans	2	3	*2*	*3*	*-*	*-*	-	-
B.2 Performing exposures	12,886	82	*12,652*	*82*	*234*	*0*	-	-
Total B	**12,888**	**85**	***12,654***	***85***	***234***	***0***	**-**	**-**
Total (A+B) 2021	**1,513,160**	**43,217**	***867,110***	***32,014***	***646,050***	***11,203***	**-**	**-**
Total (A+B) 2020	**1,584,888**	**43,032**	***873,261***	***29,431***	***711,628***	***13,602***	**-**	**-**

B.3 Breakdown of balance-sheet and off-balance-sheet credit exposures to banks by area

	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Balance sheet exposures										
A.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	58,492	19	4,331	-	-	-	-	-	-	-
Total A	**58,492**	**19**	**4,331**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,422	2	-	-	-	-	-	-	-	-
Total B	**1,422**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2021	**59,914**	**21**	**4,331**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2020	**57,180**	**20**	**4,331**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Significant Exposures

	2021	2020
a) Amount (book value)	522,315	539,902
b) Amount (weighted value)	82,468	37,923
c) Number	4	2

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[32] The data represented here is slightly different from the data in the breakdown by geographical area in the Report on Operations. This is due to the fact that the Bank of Italy's criteria used in the notes to the financial statements requires the geographical breakdown to be based on the counterparty's area of residence, while the method used in the Report on Operations uses the destination of the investment as its area.

C. SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

In order to increase the liquidity of its assets, the Bank has taken part in a multi-originator securitisation transaction that was arranged and managed by Cassa Centrale Banca S.p.A., pursuant to Law no. 130/99 and called "BCC SME Finance 1" launched in 2012. This transaction is exclusively intended to enable financial assets to be eligible for refinancing operations with the European Central Bank.
The transaction involved the repurchase by the Bank of all the Senior and Junior securities issued by the SPV. As a result, it is considered a "self-securitisation" and, in compliance with the Bank of Italy's regulations, such transactions cannot be recorded in the tables of the Notes to the financial statements of part E, section C "securitisation transactions and sales of assets".
A description of this transaction is provided in the section dealing with liquidity risk.

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During 2019, the Bank took part, as an investor, in a securitisation transaction of minibonds issued by joint stock companies participating in the Elite Basket Bond programme of the Italian Stock Exchange, with a strong focus on export, with the aim of supporting growth plans abroad and in general increasing the international presence of the issuer.
The transaction benefits from the SACE guarantee issued in favour of the SPV for 100% of the issues (principal and interest).
The securitised bonds are related to 10 issuers with individual amounts between €2.0m and €9.0m and a total of €50.0m.
Mediocredito took part in the transaction, as part of the minibond activity (see Report on Operations, Business Review, Lending activities) by subscribing a portion of €2.0m of the only class of ABS securities issued (senior).

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In December 2020, a multi-originator securitisation of doubtful exposures was finalised, for which the guarantee on the securitisation of the doubtful loans (GACS) was requested, which involved the sale of a portfolio of the gross book value of €21.095m (equal to 3.50% of the total portfolio sold by the participants in the transaction) at the time of the securitisation.

At regional level, the portfolio was broken down as follows:

	2020	%
Trentino	1,484	7.0
South Tyrol	-	-
Veneto	8,355	39.6
Emilia Romagna	8,411	39.9
Lombardy	2,433	11.5
Other Regions	412	2.0
Total	**21,095**	**100.0**

The breakdown by economic segment is shown below:

	2020	%
Non-financial corporations	**21,095**	**100.0**
Real Estate	9,738	46.2
Building industry	6,645	31.5
Manufacturing	4,712	22.3
Total	**21,095**	**100.0**

The consideration for the sale of the portfolio summarised above was quantified at €5.661m and, upon payment of the same, Mediocredito received the following securities:

ISIN	Description	Nominal	Loss on disposal and valuation	Final actual price	Expiry	Yield	Rating
IT000542813	BUONCONSIGLIO3 TV% 20/41 EUR SENIOR CL A	4,939	-	4,939	2041	EUR6M + 0.5% (floorzero)	BBB
IT000542814	BUONCONSIGLIO3 TV% 20/41 EUR MEZZAN CL B	674	446	228	2041	EUR6M + 9.5% (floorzero)	Absent
IT000542815	BUONCONSIGLIO3 TV% 20/41 EUR JUNIOR CL J	138[33]	138	0	2041	EUR6M + 15.0% (floorzero)	Absent
	TOTAL BONDS	**5,751**	**584**	**5,167**			

Subsequently, 95% of the mezzanine notes (€640 thousand) and junior notes (€130 thousand) were sold to the CRC FC (LUX) S.à.rl Fund for a total consideration of €217 thousand, recording a loss of €553 thousand; therefore, the Bank kept the senior notes (Class A) and 5% of the mezzanine and junior notes in the portfolio, whose fair value measurement led to a further loss of €30 thousand.

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[33] Amount including the over-issue of Junior notes paid in cash of €90 thousand (amount equal to the up-front costs of the transaction).

Considering that the portfolio sold, net of value adjustments recorded as at 31 December 2019, amounted to €5.960m, the effects of the securitisation on the income statement can be summarised as follows:

	IS Effect
Loss on disposal of loans	299
Loss on sale of 95% mezzanine and junior securities	553
Negative change in fair value of 5% mezzanine and junior securities	30
Overall effect on the income statement	**883**

The Bank also granted a liquidity line (limited recourse loan) to the SPV Buonconsiglio 3 Srl for €0.213m, maturing in January 2041 and remuneration at a fixed rate of 1%.

In relation to the internal systems for measuring and controlling securitisation risk, the following applies:
- the Bank does not carry out *servicing* activities;
- in relation to disclosure to customers, the SPV company has published an Assignment Notice on the Insertion Sheet of the Official Gazette - Second part - no. 143 of 5 December 2020;
- with regard to the law on the protection of personal data, the Bank has fulfilled its disclosure obligations.

The following subjects were involved in their respective roles:

- *Arranger*:	Centrale Crediti Solutions Srl and Banca Intesa Sanpaolo S.p.A.;
- *Vehicle Company:*	Buonconsiglio 3 Srl, a limited liability company established pursuant to Law no. 130 of 30 April 1999, with registered office in Via Vittorio Betteloni, no. 2, 20131 Milan, Italy, entered in the list of special purpose vehicles held by the Bank of Italy pursuant to the provision of the Bank of Italy no. 35745.9 of 7 June 2017; it is confirmed that the Bank does not hold any interests, nor do its employees hold any corporate positions in the SPV Buonconsiglio3 S.r.l., whose shares are entirely held by the company Special Purpose Entity Management 2 S.r.l.;
- *Master Servicer*:	Zenith Service S.p.A.;
- *Special Servicer*:	Guber Banca S.p.A.;
- *Representative of the noteholders*:	Zenith Service S.p.A.;
- *Agent Bank*:	BNP Paribas Securities Services, Milan Branch
- *Rating* agencies:	Moody's Investors Service, Scope and DBRS Rating
- *Cap Counterparty*:	Banco Santander

The Bank carried out the necessary checks to determine whether the conditions for the derecognition of the transferred loans were met; on the basis of the checks carried out, the Bank does not hold control of the Special Purpose Vehicle pursuant to IFRS 10. Until the date of settlement of the sale of 95% of the mezzanine and junior notes, the securitisation transaction analysed is similar to a self-securitisation transaction and, until that moment, the loans remained recorded in the Bank's financial statements. Following the settlement of the sale on 18 December 2020, the Bank will be exposed to a limited extent to the variability of the results of the Special Purpose Vehicle, having sold 95% of the Mezzanine and Junior Notes and having largely passed the test on the variability withheld. Therefore, starting from 18 December 2020, the loans transferred were eliminated from the financial statements of the Bank since, in addition to the rights to the cash flows, the associated "substantiality of the risks and benefits" was also transferred to the Special Purpose Vehicle.
The checks carried out were summarised in a "technical note" sent to the independent auditors KPMG, which issued the certification required by article 7, paragraph 1, letter e) of the MEF Decree of 3 August 2016, relating to the Guarantee on the Securitisation of the doubtful loans (GACS).

QUALITATIVE INFORMATION

The following tables C.1 and C.2 show the values relating to the "Buonconsiglio 3" *multi-originator* securitisation. Since this is a *multi-originator* securitisation, in compliance with the provisions of Bank of Italy Circular no. 262/2005, table C.1 shows the values relating to the portions of securities held, in proportion to the weight that the assets sold by the Bank have on the total of the assets subject to securitisation whereas, on the contrary, table C.2 shows the values relating to the portions of securities held in proportion to the weight that the assets sold by the other banks participating in the transaction have on the total assets subject to securitisation.

C.1 Exposures deriving from the main "own" securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposures	**Balance sheet exposures**						**Guarantees issued**						**Credit lines**					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value	Net exposure	Value	Net exposure	Value	Net exposure	Value	Net exposure	Value	Net exposure	Value adjustments/write-
A. Subject to full derecognition from the financial statements	163	0	0	-	0	-												
- doubtful	163	0	0	-	0	-												
B. Subject to partial derecognition from the financial statements																		
C. Not derecognised from the financial statements																		

C.2 Exposures deriving from the main “third party” securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposures	Balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value	Net exposure	Value	Net exposure	Value	Net exposure	Value	Net exposure	Value	Net exposure	Value adjustments/write-
A. Subject to full derecognition from the financial statements	4,491	1	12	-	0	-												
- doubtful	4,491	1	12	-	0	-												
B. Subject to partial derecognition from the financial statements																		
C. Not derecognised from the financial statements																		

C.3 Securitisation vehicles

C.4 Non-consolidated securitisation vehicles

The Bank does not hold any interests, nor do its employees hold any corporate positions in the SPV Buonconsiglio3 S.r.l., whose shares are entirely held by the company Special Purpose Entity Management 2 S.r.l.

C.5 Servicer activities - own securitisations; collections of securitised loans and redemptions of securities issued by the securitisation vehicle

For the “Buonconsiglio 3” securitisation, the role of servicer is performed by third parties with respect to the Bank.

E. SALE TRANSACTIONS

C. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED

Qualitative information

As part of the management of impaired loans, the Bank carries out sales if:

- the price of the individual transaction or of the package of transactions to be sold is considered reasonable also considering the charges to be incurred for the future management of the positions;
- there is a clear operational burden related to the management of the credit to be sold;
- the transferee is positively assessed and provides adequate guarantees of performance;
- the possible territorial impacts with reference to the transferred debtor have been favourably assessed.

The sale must in any case be carried out in compliance with the provisions of the Guidelines and must be approved by the Board of Directors after a positive assessment by the Credit Risk Management Committee.

Quantitative information

During the year, 5 single name sales were made of non-performing loans with a gross book value of €12.0m at the time of the sale, already written down as at 31 December 2020 by €6.3m. Given these values, the transferees paid to the Bank an amount of €6.9m that led the Bank to a gross loss of €5.1m. Net of existing allowance for doubtful accounts, these operations led to the recording in the income statement of the Bank of a gain on disposal of €1.1m, the result of losses on disposal of €0.1m and gains on disposal of €1.1m.

The effects described above are shown in the tables “A.1.9 Balance sheet credit exposures to customers: trend in gross impaired exposures”, under items “C.4 Sale proceeds” and “C.5 Losses on disposal”, and “A.1.11 Balance sheet impaired credit exposures to customers: trend in total value adjustments”, under items “B.3 Losses on disposal”, “C.3 Gains on disposal” and “C.7 Other decreases”.

Disclosure on the sale of loans to a mutual investment fund with allocation of the relevant units to the selling intermediaries [34]

In 2016, the Bank took part as "transferor" in a sale without recourse, under Law no. 130/99, of the doubtful loans portfolios promoted and managed by Finanziaria Internazionale S.p.A. and having as its counterparty, as "transferee", the company Sole SPV S.r.l.
The transaction did not involve the Bank as servicer nor as an underwriter of the securities issued by the transferee to finance the purchase; moreover, as the Bank does not provide guarantees of any kind, the requirements for the derecognition of the loans transferred from the Bank’s assets were deemed to be met.

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[34] This disclosure is made pursuant to the Bank of Italy's communication of 23 December 2019 "Closed or current financial statements of banking and financial intermediaries as at 31 December 2019".

The sale involved a doubtful loans portfolio with a gross value of €8.150m, at the time of the sale, already impaired as at 31 December 2015 to a value of €4.488m. Given these values, the transferee paid to the Bank an amount of €3.440m that led the Bank to a gross loss of €4.710m. Net of existing allowance for doubtful accounts, the operation has weighed on the income statement of the Bank for net €0.222 thousand, the result of losses on disposal for €0.295m and gains on disposal of €0.073m.
The amount received from the transferee was reinvested in units of the Finint Fenice closed-end real estate fund, managed by Finanziaria Internazionale SGR S.p.A., which includes the properties used to guarantee doubtful loans sold.

During 2017, the Bank took part in a similar sale transaction with the same pattern and the same counterparties in relation to a portfolio of non-performing positions with a gross book value of €10.1m at the time of sale already impaired by €4.4m as at 31 December 2016. Given these values, the transferee paid to the Bank an amount of €5.6m that led the Bank to a gross loss of €4.5m. Net of existing allowance for doubtful accounts, the operation has weighed on the income statement of the Bank for net €96 thousand, the result of losses on disposal of €369 thousand and gains on disposal of €272 thousand.
Also in this case, the amount received from the transferee was reinvested in units of the Finint Fenice closed-end real estate fund, managed by Finanziaria Internazionale SGR S.p.A., which includes the properties used to guarantee doubtful loans sold through Sole SPV S.r.l.

At the end of the reporting period, the Bank holds 18.548 (out of a total of 211.225, or 8.78%) units in the Finint Fenice fund, valued on the basis of the NAV as at 31 December 2021 at €454,575.608 each compared to an initial book value of €500,297.473 (see Report on Operations, Business Review, Equity investment activities).

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In December 2020, the Bank transferred without recourse a relationship, classified as unlikely to pay, to the Value Italy Credit 3 fund managed by Value Italy Sgr S.p.A., as part of a transaction pursuant to Law 130/99.
The transaction did not involve the Bank as servicer nor as an underwriter of the securities issued by the transferee to finance the purchase; moreover, as the Bank does not provide guarantees of any kind, the requirements for the derecognition of the loans transferred from the Bank's assets were deemed to be met.
The relationship transferred had a gross book value, at the time of the sale, of €1m, already written down as at 31 December 2019 for €0.7m. Against these values, the Bank received 10 units of the VIC3 fund for a value of €50 thousand each for a total value of €0.5m. The transaction entailed the recording of a gross loss of €0.5m which, net of pre-existing write-down provisions, led to the recognition of a gain on disposal of €0.2m.
As at the date of these financial statements, the Bank is the owner of 10 units of the Value Italy Credit 3 fund, valued as at 31 December 2021 at a fair value equal to the acquisition value (see Report on Operations, Business Review, Equity investment activities)

SECTION 2 – MARKET RISK

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

The Bank owns a limited number of financial instruments classified in the regulatory trading portfolio, with regard to both numbers and amount: these relate, in particular, to 52 cap options on interest rates, of which 26 contracts with ordinary customers and 26 corresponding contracts with banking counterparties and one listed warrant acquired on a free basis as part of a transaction that led to the purchase of shares (classified as financial assets measured at fair value through other comprehensive income). The measurement of the interest rate risk of these operations is carried out in the context of the *Asset & Liability Management* process of the overall portfolio.
It is highlighted that in keeping with its risk profile the Bank was not exposed either directly or indirectly to the credit products of the ABS (*Asset Backed Securities*) and CDO (*Collateralised Debt Obligation*) type linked to *sub-prime* and Alt-A loans or to financial products that the market perceives as risky. Price risk is not measured because the Bank does not own any financial instrument sensitive to price risk (equity securities or UCITS) that are classified in the regulatory trading portfolio.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING PORTFOLIO

Qualitative information

A. General aspects, management processes and methods of measuring interest rate risk

The interest risk incurred by the Bank in relation to its banking portfolio largely ensues from the main service (loans and securities) it performs as an intermediary, active in the process of maturity transformation and is mainly due to the imbalance between asset and liability items in terms of the amortisation plan with regard to amount and maturity, financial duration and type of interest rate.
In accordance with the instructions of the Board of Directors, set out in the risk profiles adopted parallel to the annual operational budget, the "Planning and control" function is the organisational structure charged with monitoring and controlling the interest rate risk to which the banking portfolio is exposed. The interest rate risk is measured and controlled using the processes and methods set forth by the Asset & Liability Management procedure: we refer in particular to Duration Gap Analysis (which measures the sensitivity of the market value of shareholders' equity to changes in interest rate i.e. it examines the sensitivity of future economic results), to Maturity Gap Analysis (which measures the sensitivity of the maturing net interest income and in particular highlights "base risk" exposure) and to Simulation Analysis (which measures changes to cash flows and to the economic results for the period in scenarios characterised by diversified forward interest rates). The management of this financial risk in question is carried out monthly or quarterly and at least every quarter meetings of the ALCO Committee (Asset/Liability Committee) are convened; a periodic report is submitted to the Board of Directors.

Impacts deriving from the COVID-19 pandemic

The pandemic did not produce significant impacts with respect to the assumption of interest rate and price risk on the banking book.

Quantitative information

Banking portfolio: internal models and other sensitivity analysis methods

As we have already mentioned, the Bank uses asset liability management techniques to measure the impact ("sensitivity") that changes in the interest rates structure could have on the expected financial margin and on the market value of equity in relation to the overall portfolio of the Bank.

The Asset/Liability Management System estimates the change over a year (within the context of the maturity gap model) that a shift in the interest rate yield curve would have on the financial margin. The model groups all the assets and liabilities into a series of time intervals (initially shorter and then increasingly longer intervals) according to the repricing timescales. The algebraic sum of the items of each "time bucket" of one year is the basis for simulating the effect on the net interest income of a rate shock (specifically given an instantaneous, unique and parallel shift in general market rates of plus/minus 100 basis points). With regard to the market value of the assets, the duration gap methodology measures the sensitivity of the present value of the portfolio net of all sensitive asset and liability transactions.

The following table shows the effects (calculated with the maturity gap model) on the net interest income and on the net income.

Volatility of the net interest income and of net profit calculated using the Gap model (thousands of Euro)

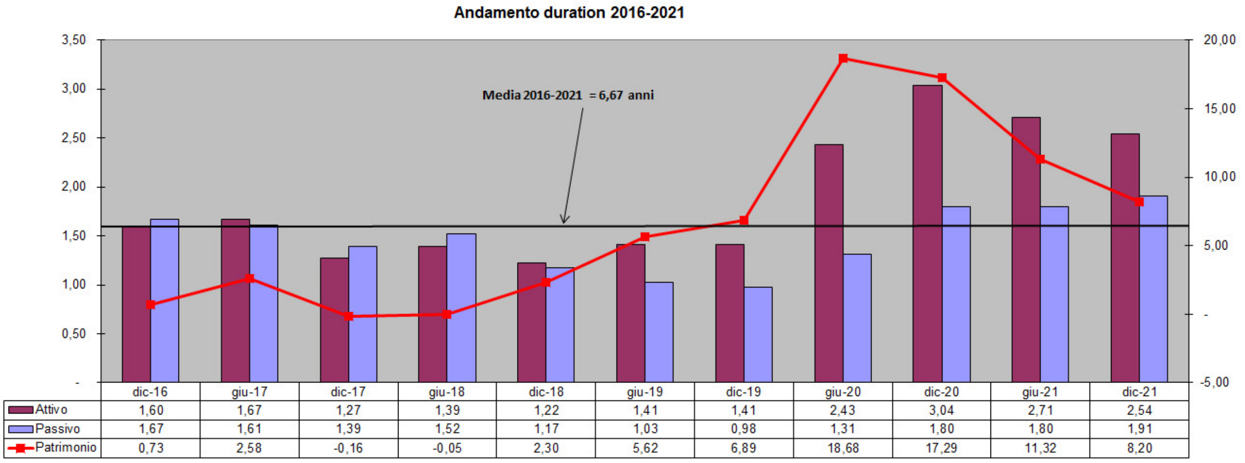
Instantaneous and parallel shift in the interest rate yield curve	+100 bp	-100 bp
Net interest income change	+2,600	-2,600
Net income change	+1,934	-1,934

The analysis of the effect on the margin shows a discrete volatility due to volumes of assets subject to repricing higher than the volumes of liabilities over the reference time horizon. The main cause of this mismatching is the use of largely fixed-rate forms of funding, not accompanied by as many fixed-rate loans. Compared to the previous year (+1,888 in 2020), volatility increased due to the presence of higher repricing assets in the first months of the year which contributes to increasing the overall effect on the margin.

It should be noted that the model suffers from evident limits linked to the size of the time bands, the inability to take into account any caps and floors present and the obvious simplification of measuring the repricing effects through a parallel and instantaneous rate shock on the entire curve. The repricing of above all liabilities is also conditioned by the country risk which introduces an additional element of variability that is difficult to measure. For this reason, the indications expressed by the maturity gap model mostly represent a useful tool for balancing assets and liabilities in a classic A&LM perspective. A more precise estimate of the effects on the margin is provided by the simulation model which, projecting the situation in place at the end of the year of all assets and liabilities according to their actual characteristics, shows more limited effects on the net interest income.

To calculate the volatility of the market value of the assets, the duration gap methodology is applied, which measures the sensitivity of the present value of the portfolio net of all sensitive asset and liability transactions.

The main sensitivity data relative to the financial years 2016-2021 are shown below:



	dic-16	giu-17	dic-17	giu-18	dic-18	giu-19	dic-19	giu-20	dic-20	giu-21	dic-21
Attivo	1,60	1,67	1,27	1,39	1,22	1,41	1,41	2,43	3,04	2,71	2,54
Passivo	1,67	1,61	1,39	1,52	1,17	1,03	0,98	1,31	1,80	1,80	1,91
Patrimonio	0,73	2,58	-0,16	-0,05	2,30	5,62	6,89	18,68	17,29	11,32	8,20

The processing of the Duration Gap model as at 31 December 2021 recorded a decrease in the synthetic volatility indicator, which stood at a level of 8.2 (years), slightly higher than the five-year average (6.67) but clearly down compared to the data of 31 December 2020 (17.29).

The decline in the indicator is largely due to the combined effect of contraction in balances (€-60m of government bonds compared to the end of 2020) but above all in the duration of the securities portfolio (which went from 5.97 years at the end of 2020 to 4.97 at the

end of 2021) and by the extension of the duration of the liabilities, which went from 1.8 years to 1.9 years mainly due to the effect of the extension of the maturity of the TLTRO-III transaction.
The improvement in the indicator is the result of a targeted interest rate risk reduction strategy undertaken by the bank, also continued in the first part of 2022 through the sale of longer-term securities and may continue depending on the objectives that will be indicated in the Risk Appetite Framework.
The stress test of +/-100 bp shows a decrease in the effect on equity, which fell from -/+ €22m in December 2020 to -/+ €12.6m in December 2021, therefore representing a significant reduction in the sensitivity of equity to a change in interest rates.

Volatility of the market value of equity (thousands of Euro)

Instantaneous and parallel shift in the interest rate yield curve	+100 bp	-100 bp
Change in the value of equity	-12,663	+12,663

Price risk – Banking portfolio

In keeping with its risk profile the Bank did not engage in purely speculative transactions and therefore exposure of its securities portfolio to price risk is deemed to be still limited for the evaluation of the Bank's situation.
With regard to *Merchant Banking*, the Bank is engaged in *Equity Investment* activities in relation to the purchase of minority shareholdings, mostly in industrial companies. The role of the Bank in these investee companies is that of strategic shareholder and the selection and assessment of initiatives is carried out, based on internal procedures, by specialised organisational units created on an ad-hoc basis and subject to review by the Investment Committee. Lastly, investment transactions are resolved by the Board of Directors after ascertaining that they comply with the prudential limitations set forth by the Supervisory Authority.
The Bank also holds an equity portfolio that is functional to the optimisation and diversification of investments, consisting - for around €13.5m - of securities of some important companies listed on the primary listing of the Italian Stock Exchange, samples and benchmarks of the respective segment, operating in the banking, insurance and energy sectors, with a large free float listed and able to generate adequate coupon returns on a stable basis. An investment of €20m in Bank of Italy shares was added to this component.
Every six months, just like for other financial statement items, an in-depth valuation process is conducted, subject to validation by the Investment Committee and adequately documented, aimed at verifying the existence of objective evidence of impairment (impairment test). This portfolio is equal to about 4% of total financial statement assets.

Specific procedures are implemented for managing the price risk of debt securities classified mainly in the HTC&S portfolio of assets available for sale. The Bank purchased Government and bank bonds that are eligible for refinancing with the European Central Bank. For the evaluation of such assets, the Bank has internal policies that define the criteria and methodologies for determining the current fair value and the operational and size limits of the portfolio in question.

The 10-day parametric VaR analysis carried out on the debt securities portfolio revealed the following amounts:

	Value at risk (millions of Euro)
Actual data as at 31/12/2021	8.074
Minimum (20/08/2021)	4.289
Maximum (5/11/2021)	12.138
Average	7.424
10-day montecarlo VaR 99% (in percentage)	2.01%

The data in the table show a riskiness of the securities portfolio which underwent a sudden and massive increase in October 2021, caused by a worsening of the pandemic crisis and by a significant increase in inflation due above all to the rise in energy costs. However, the Var trend returned to lower levels towards the end of 2021, recording in any case a value of around 2% (1.1% as at 31 December 2020).

2.3 EXCHANGE RISK

Qualitative information

The Risk Appetite Framework as part of the proprietary securities portfolio management strategy sets limits on the purchase of securities denominated in non-Euro currencies, both in percentage terms on the entire portfolio and in terms of basket of negotiable currencies.
These transactions pertain to the Bank's main non-trading activity and, as of today, are marginal items against the overall portfolio:
To hedge the exchange rate risk, the Bank may finance these purchases through deposits in foreign currency.
Exchange rate risk management involves a USD denominated debt security with an exposure of USD5m.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currency					
	US Dollar	Sterling	Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial assets	**4,331**					
A.1 Debt securities	4,331					
A.2 Equity securities						
A.3 Loans and advances to banks						
A.4 Loans and advances to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities						
C.1 Amounts due to banks						
C.2 Amounts due to customers						
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	**4,331**					
Total liabilities	**-**					
Difference (+/-)	**+4,331**					

SECTION 3 - DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVE INSTRUMENTS

A. Financial derivatives

A.1 Financial trading derivatives: notional values at the end of period

Underlying assets/Types of derivative	2021				2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Clearing House	Without Clearing House			Clearing House	Without Clearing House		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Debt securities and interest rates			**76,956**				**83,408**	
a) Options [1]			76,956				83,408	
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
2. Equity securities and stock indexes								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
3. Currencies and gold								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
4. Commodities								
5. Others								
Total			**76,956**				**83,408**	

1 These relate to *cap options* sold to ordinary customers and the associated counter-hedges purchased from bank counterparties.

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

Underlying assets/Types of derivative	2021				2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Clearing House	Without Clearing House			Clearing House	Without Clearing House		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Positive Fair value			390	15			114	75
a) Options [1]			390	15			114	75
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards								
f) Futures								
g) Others								
Total			**390**	**15**			**114**	**75**
1. Negative fair value			380				110	
a) Options [2]			380				110	
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards								
f) Futures								
g) Others								
Total			**380**				**110**	

1 These relate for €390 thousand to OTC cap options purchased from bank counterparties to counter-hedge corresponding options sold to ordinary customers and for €15 thousand to listed warrants.

2 These are *cap options* sold to ordinary customers.

A.3 OTC financial derivatives: notional values, gross positive and negative fair value by counterparty

Underlying assets	Clearing House	Banks	Other financial corporations	Others
Contracts not included in offset agreements				
1) Debt securities and interest rates				
- notional values		38,478		38,478
- positive fair value		390		
- negative fair value				380
2) Equity securities and share indices				
- notional values				
- positive fair value				
- negative fair value				
3) Currencies and gold				
- notional values				
- positive fair value				
- negative fair value				
4) Commodities				
- notional values				
- positive fair value				
- negative fair value				
5) Others				
- notional values				
- positive fair value				
- negative fair value				
Contracts included in offset agreements				
1) Debt securities and interest rates				
- notional values				
- positive fair value				
- negative fair value				
2) Equity securities and share indices				
- notional values				
- positive fair value				
- negative fair value				
3) Currencies and gold				
- notional values				
- positive fair value				
- negative fair value				
4) Commodities				
- notional values				
- positive fair value				
- negative fair value				
5) Others				
- notional values				
- positive fair value				
- negative fair value				

A.4 OTC financial derivatives – residual life: notional values

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	18,560	38,024	20,372	76,956
A.2 Financial derivatives on equity securities and share indices				
A.3 Financial derivatives on currencies and gold				
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total 2021	**18,560**	**38,024**	**20,372**	**76,956**
Total 2020	**9,304**	**47,697**	**26,406**	**83,408**

SECTION 4 – LIQUIDITY RISK

Qualitative information

A. General aspects, management processes and methods of measuring liquidity risk

The liquidity risk originates from the time mismatch between positive and negative cash flows in relation to both the short and a medium-long period. This could cause the Bank to fail to meet its payment obligations due to the inability to raise new funds and/or sell its assets on the market or to be forced to incur very high costs to meet these commitments. The sources of liquidity risk to which the Bank is exposed are represented mainly by the processes of Financing/Funding and Loans.
The measurement and management of the liquidity risk is carried out by means of financial planning tools (in particular Liquidity Gap Analysis in the context of the ALM system that through simulations generates a maturity ladder of all the cash flow generated, with or without the effect of the new volumes) which choose the most suitable funding policies in the medium-long term.
The Bank continues to pay special attention in order to keep a substantial equilibrium between the duration of borrowing and lending, and to diversify the sources and types of funds it raises to mitigate non-systemic liquidity risks.

The liquidity risk management policy includes, essentially:
- tasks for governing bodies with particular focus on the role of the ALCO Committee (*Assets & Liabilities Committee*);
- a liquidity risk tolerance threshold in the short term and for structural liquidity, obtained by identifying measurement indicators, attention indicators and operating limits (maturity ladder, cover ratio LCR, NSFR (Net Stable Funding Ratio);
- risk mitigation tools;
- stress testing and contingency plan to deal with adverse situations in raising funds (*Contingency Funding Plan*);
- formalisation of the existing management system of internal funds transfer pricing;
- reporting between the corporate structures and bodies.

The rules for managing liquidity risk are based on two principles:
- **short-term liquidity management**, aiming to ensure the ability to meet its foreseen and unforeseen payment obligations by maintaining a sustainable balance between incoming and outgoing cash flows in the short-term (1 year). Short-term liquidity management is an essential condition for the normal operational continuity of the bank. Typical actions taken for this purpose are:
  - to manage access to the collection on demand or short-term constraint collection (also collateralised), to the European Central Bank;
  - to manage cash disbursements to be made and to monitor the consistency and degree of utilisation of cash reserves.
- **management of structural liquidity**, aiming to maintain an appropriate balance between passivity and activity in the medium/long term (over 1 year) in order to avoid pressures on sources, current and future in the short-term. Typical actions taken for this purpose are related to:
  - management of maturity transformations;
  - increase of stable funding sources;
  - diversification of liquidity sources and optimisation of funding costs.

In particular, the monitoring of the Bank's liquidity position is achieved by checking both the interval mismatches (interval Gap) and the cumulative mismatches (cumulative gap) on different time frames of the maturity ladder (7 days, 1 month and 3 months for the short-term and beyond 1 year for the structural liquidity) by reports produced by the Planning and Control function.

The liquidity report is dynamic i.e. it summarises the liquidity needs and the associated ability to cover them in monthly periods, quantified using stress scenarios based on liquidity profiles. The Bank is aware that the validity of the stress tests should be considered within the (particularly adverse) working context (by testing the resistance); therefore, the Bank has decided to emphasise stress tests, in light of current market scenarios.

The preliminary analysis activities for the definition of the scenarios were carried out by evaluating the following factors:
- the objectives for the 2021 budget;
- the current economic climate and possible changes in the time frame of reference;
- difficult access to stable forms of financing in the medium/long-term;
- level of rating with related costs of funding;
- changes in the shareholding structure and/or related shareholders' agreements;
- situation of unpaid amounts and default positions.

We also evaluated other factors not exclusively related to liquidity risk, in particular those considered as a trigger for liquidity risk in the short-term and also the possible impact of organisational/operational malfunctions that do not allow the use of short-term forms of funding.

Operationally speaking, we therefore prepared a Maturity Ladder with a highly stressed scenario in which all flows of liabilities falling due are considered non-renewable and simultaneously we assume a freeze on new volumes of assets (with the exception of commitments). Regarding the transformation of maturities, the Bank follows a careful policy of mismatching monitoring with the primary objective of keeping cash inflows and outflows under control and the transformation of maturities within sustainable areas. This objective is achieved by correlating the average duration of funding with that of loans. The results of the analyses are periodically examined in the ALCO Committee that submits, within the RAF, the tolerance thresholds and risk indicators to adopt and the amount of cash reserves to maintain to the Board of Directors on an annual basis.

The coverage of the 2021 requirement was guaranteed in particular by bond issues for €75m, by deposits from corporate and retail customers for €137m (restricted at maturity for €110m, of which €64m relating to the Conto Rifugio account) and a further €44m of TLTRO-III refinancing (total €520m) with an extension of the maturity to December 2024.
To cover liquidity risk, throughout 2021, the Bank maintained wide margins of residual available liquidity, averaging around €320m, a slight decrease compared to the average figure for 2020 (€350m). As at 31 December 2021 the total eligible collateral amounts to

€1,015m, an increase (+8.7%) compared to 31 December 2020 (€934m). At the end of 2021, the residual available liquidity from the ECB, net of the internal prudential buffer of 10% of the used amount (-€52m), amounted to approximately €270m. The availability of collaterals envisaged for 2022, net of any sales of securities in the portfolio, assuming the reinvestment of maturing securities and in accordance with the measures aimed at increasing the Abaco collateral, is expected to be substantially stable.

With respect to the liquidity requirement (LCR) pursuant to Delegated Regulation (EU) 2015/61, the Bank recorded an indicator of 298% as at 31 December 2021, well above the minimum envisaged (100%); the NSFR indicator also stands at safe levels of 115%, compared to the regulatory limit of 100%.

In the 2020/2022 Business Plan, the sources of funding envisaged over the three-year period have been outlined, aiming at an ever greater diversification of borrowing, progressively reducing the concentration in wholesale funds and towards a lower number of fund providers. In the course of 2021, the "Conto Rifugio" accounts recorded positive flows of around €64m. The deposit collection channel on the foreign market has also been activated through the Raisin platform, which will further expand the pool of funding channels potentially able to guarantee good liquidity flows in contingency conditions, also given the marked elasticity to conditions offered.

To cover the 2022 requirement, estimated at around €280m (in the presence of substantial stability of deposits on demand), the renewal of about 90% of the term deposits in the Conto Rifugio accounts is assumed for a total of €64m, new retail deposits from Conto Rifugio accounts for €36m, new funding of corporate deposits for €12m, renewal and strengthening of maturing bonds.

In addition to the usual ECB refinancing channel, the use of short-term collateralised deposits with banking counterparties, in the presence of a large margin of available liquid assets, will allow for a better management of the treasury balances and will act as a buffer to easily absorb sudden liquidity needs.

In 2022 as well, the report of the internal liquidity adequacy assessment process (ILAAP) will be prepared: it is particularly important as part of the broader supervisory review and evaluation process (SREP) that CRD IV requires supervisory authorities to carry out and represents the bank's summary and self-assessment of liquidity risks and the capacity to cover these risks in terms of processes and adequate resources. In fact, article 86 of the CRD IV requires "competent authorities to ensure that entities have robust strategies, policies, processes and systems in place to identify, measure, manage and monitor the liquidity risk over an appropriate set of time horizons, including on a daily basis, so as to ensure that entities maintain adequate levels of liquidity reserves".

Taking these factors into account and considering the business model, the level of complexity of the financial statement structure and liquidity profile, the policies for the diversification of sources as well as the actual strategic link with the industrial partner Credito Cooperativo, the Bank has deemed the liquidity process, its controls and the ability of static and dynamic indicators to provide informed guidance on decisions concerning the preparation of operating and economic budgets and funding plans to be adequate. Indicators related to liquidity risk are also included in the Recovery Plan, which envisages appropriate tolerance levels and triggers for the activation of early intervention and adjustment measures.

Impacts deriving from the COVID-19 pandemic

Despite the widespread granting of moratoria to customers linked to the COVID-19 pandemic, which reduced the flow of repayment on the Bank's credit assets, there were no significant impacts on the management of liquidity risk and on the supply capacity.

Securitisation transactions

In order to increase the liquidity of its assets, the Bank has taken part in the multi-originator securitisation transactions that were arranged and managed by Cassa Centrale Banca S.p.A., pursuant to Law no. 130/99 and were called "Cassa Centrale Finance 3" and "BCC SME Finance 1". The sole purpose of the transactions is to create financial assets eligible for refinancing with the European Central Bank for Mediocredito and for Casse Rurali – Co-operative credit banks. The operation called Cassa Centrale Finance 3 was concluded in April 2020.

BCC SME Finance 1

The transaction was finalised in August 2012 and required the Bank to transfer to a Special Purpose Vehicle a portfolio of performing loans secured by a first mortgage.

The Special Purpose Vehicle in turn issued listed and rated Senior notes and Junior notes. Both types of notes were purchased pro rata by the Bank that will use the class Senior notes to guarantee its funding at the ECB through refinancing operations.

The Bank acts as a servicer in this operation in the collection of securitised loans.

According to IAS 39 paragraphs 15-23 and AG 34-52, this sale operation is not of a "non-recourse" nature for accounting purposes (so-called no derecognition), with the Bank essentially maintaining all risks and rewards of the securitised portfolio. The securitised loans therefore remain in the Bank's financial statements and until this condition is met, all corresponding capital and income relations of the operation are netted off from an accounting point of view.

The operation in question involved, as mentioned, the repurchase by the Bank of all the *Senior* and *Junior* notes issued by the SPV, and, consequently, the operation takes the form of a "self-securitisation".

The overall gross nominal value of the assigned loans is equal to €2,189.7m out of which €150.3m refer to the Bank; in correspondence with such loans, *Senior* notes in the amount of €1,533.0m and *Junior* notes in the amount of €656.7m were issued (€105.2m and €45.1m respectively in relation to the Bank).

In December 2017, the SPV carried out a *retranching* of the Junior note (Class B), which was reduced to €205.8m (of which €10.6m relating to the Bank) against the issue of a Class A2 note for a total of €449.9m (of which €24.8m relating to the Bank).

The table below sums up the main features of the notes.

Notes	Classes	Rating	ISIN Code	Dates of issue	Payment Dates	Maturity Dates	Interest rate
Class A1	Senior	Aa2/AA	IT0004846116	10/08/2012	29/05 – 29/11	29/05/2060	6ME+20
Class A2	Senior	Aa2	IT0005315004	06/12/2017	29/05 – 29/11	29/05/2060	6ME+00
Class B	Junior	No rating	IT0004846058	10/08/2012	29/09 – 29/11	29/05/2060	Chg.

The Class A notes were issued in a dematerialised form and were wholly and exclusively deposited with Monte Titoli S.p.A., listed on the Irish Stock Exchange (ISE). The Class B notes were divided into tranches, each tranche for an amount proportional to the amount of the loans that were respectively transferred by each individual bank. The transferring banks have fully underwritten the Class A and Class B notes thus nullifying any flow of cash between the Bank and the SPV.

The two different types of notes have a different degree of subordination in relation to priority of payments, both with regard to principal and interest.
Repayment of the notes will occur in a *pass through* form i.e., in relation to each collection period, each inflow of funds to the SPV collateral portfolio will be used to keep up with disbursements (both with regard to principal and interest) that will have to be made on the date of the immediately following payment.
Class B notes (known as *Junior* issue) are not rated and are subordinated to Class A notes in relation to repayments. These types of notes do not feature a fixed coupon and are remunerated only if there are residual funds after covering all period costs (*Senior cost* and interest for Class A notes).
The repayment of the principal of Class B notes is last in the hierarchy of payments both in the case of prepayment and of payment on the regular redemption dates of the notes.
This transaction is also secured by a liquidity line of €20.7m, of which €1.1m relating to the Bank (€65.9m before *retranching*, €4.5m of which related to the Bank). To cover interest rate risk, the SPV signed a *Basis Swap* contract with J.P. Morgan Securities LTD to hedge the portfolio with indexed rate.

In relation to the internal systems for measuring and controlling securitisation risk, the following applies:

- the Bank acts as servicer with regard to the specific loan portfolio it transferred according to the criteria specified in the servicing contract; specifically, it handles the management, administration and collection of advances and also credit recovery; the Bank performs this role (for which it receives a commission) following a procedure that allows the coordinating all related activities and availing itself of its competent company structures;
- according to provisions of the Servicing Contract, each securitisation portfolio is constantly monitored to draft the monthly, quarterly and half-yearly reports prepared for the SPV company and the counterparties of the transaction, showing the status of the loans and the trend in collections;
- in relation to disclosure to customers, the SPV company has published an Assignment Notice on the Official Gazette - Announcement Sheet - no. 93 of 9 August 2012;
- in relation to the personal data protection law, the Bank has informed the individual assigned debtors with a specific notification.

The following subjects were involved in their respective roles:

- *Arranger*: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa.
- Vehicle Company: BCC SME Finance 1 S.r.l., a limited liability company incorporated under Law no. 130/99 on Securitisation, with its registered office in Rome, Largo Chigi 5; the company is registered with the Business register of Rome under no. 06646750965 and enrolled in the register of special purpose vehicle for securitisations, ABI code 35037. We confirm that the Bank does not hold any interest, nor do its employees hold any corporate positions in the SPV BCC SME Finance 1 S.r.l., whose shares are entirely held by the Foundation under Dutch law "Stichting Babele" – Amsterdam (Netherlands) Claude Debussylaan 24.
- *Back up Servicer*: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa.
- *Account Bank*: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa
- *Agent Bank*: Deutsche Bank AG, London Branch
- *Corporate Servicer Provider*: FIS Spa, Rome
- *Rating* agencies: Moody's Investors Service and DBRS Ratings
- Law Firm: Orrick, Herrington & Sutcliffe – Rome
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- Independent Auditors of the SPV: Crowe Horwath AS S.r.l.

Quantitative information

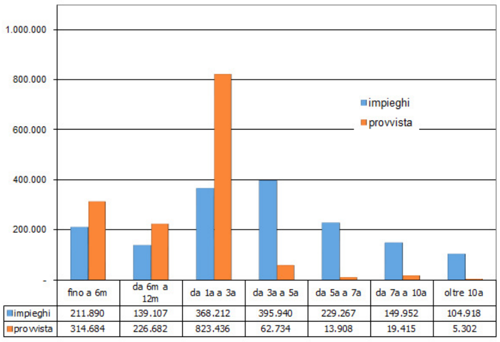
1. Time distribution by residual contractual duration of financial assets and liabilities

Items/Maturities	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Undetermined duration
A. Cash assets	**72,956**	**209**	**11,135**	**17,256**	**31,526**	**78,807**	**139,107**	**764,152**	**481,300**	**2,837**
A.1 Government securities			810		1,010	1,538	3,357	197,972	224,000	
A.2 Other debt securities			164	5,087	499	1,990	2,642	33,341	23,309	
of which USD					*28*		*28*		*4,415*	
A.3 Investments in UCITS	14,106									
A.4 Loans	58,850	209	10,162	12,169	30,018	75,280	133,108	532,839	233,991	2,837
- Banks	31,764									2,837
- Customers	27,086	209	10,162	12,169	30,018	75,280	133,108	532,839	233,991	
B. Cash liabilities	**196,691**	**16,843**	**1,703**	**9,325**	**45,672**	**44,450**	**226,682**	**886,169**	**38,625**	
B.1 Deposits and current accounts	196,577	16,843	1,703	9,145	40,019	27,756	33,324	65,742		
- Banks	25,294									
- Customers	171,283	16,843	1,703	9,145	40,019	27,756	33,324	65,742		
B.2 Debt securities				180		2,212	97,031	225,500		
B.3 Other liabilities	114				5,564	14,482	96,327	594,928	38,625	
C. Off-balance sheet transactions	**12,483**						**0**	**259**	**3,489**	
C.1 Physically settled financial derivatives										
- Long positions										
- Short positions										
C.2 Cash settled financial derivatives							0	189	222	
- Long positions							0	95	111	
- Short positions							0	95	111	
C.3 Deposits to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds	11,451							70	3,266	
- Long positions	4,057							70	3,266	
- Short positions	7,393									
C.5 Financial guarantees issued	1,033									
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										

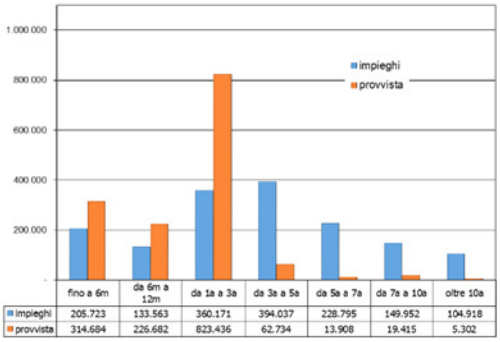
For a better representation of flows generated by the Bank's operations, prevalently medium/long-term ones and with an amortisation plan, and of the related maturity transformation, we show in a graphical form the time distribution of cash assets and liabilities, adopting the number and scope of the most significant bands.

In particular, we highlight the following points in the graph below:

- a negative gap of €103m in the short-term bracket (up to 6 months), due for €71m to the presence of customer current accounts and demand deposits;
- a negative gap of approximately €88m in the "up to 1 year" band for €97m due to the presence of an own-issued maturing bond;



- a negative gap in the "1 to 3 year" band of about €455m (€463m net of estimated flows from NPLs) characterised by the maturity of bond loans issued for €216m and the presence of expiring TLTRO loans of €520m;
- a positive gap in the "3 to 5 year" range of €333m (€331m net of estimated flows of NPLs);
- the other bands show positive gaps also net of flows of doubtful loans, due to the scarcity of maturities for long-term funding.



	fino a 6m	da 6m a 12m	da 1a a 3a	da 3a a 5a	da 5a a 7a	da 7a a 10a	oltre 10a
impieghi	205.723	133.563	360.171	394.037	228.795	149.952	104.918
provvista	314.684	226.682	823.436	62.734	13.908	19.415	5.302

Disclosure on balance sheet assets pledged as a guarantee [35] [36]

Technical forms	Pledged		Not Pledged		Total 2021	Total 2020
	Book value	Fair value	Book value	Fair value		
1. Cash and cash equivalents	-		32,306		32,306	19,222
2. Debt securities	147,887	151,834	334,565	340,791	482,452	544,069
3. Equity securities	-	-	56,589	56,589	56,589	45,527
4. Loans [1]	650,508		397,832		1,048,340	1,064,912
5. Other financial assets	-		14,512		14,512	12,420
6. Non-financial assets	-		8,834		8,834	9,288
Total 2021	**798,395**	**151,834**	**844,637**	**397,380**	**1,643,032**	
Total 2020	**836,552**	**207,699**	**858,887**	**392,123**		**1,695,439**

1 In addition to the loans pledged as guarantees for liabilities, loans also include assets sold to the SPVs and not derecognised from the financial statements of €3.9m (€5.4m in 2020).

Disclosure on off-balance sheet own assets pledged as a guarantee

Technical forms	Pledged	Not Pledged	Total 2021	Total 2020
1. Financial assets	5,378	10,607	15,985	18,749
- Securities	5,378	10,607	15,985	18,749
- Others	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 2021	**5,378**	**10,607**	**15,985**	
Total 2020	**8,142**	**10,607**		**18,749**

Eurosystem credit operations

The Bank has entered into one liability-funding transaction with the ECB for a face value of €519.5m[37] guaranteed by securities classified in HTC and HTCS portfolios, in addition to other securities not reported under assets and other assets as specified below, stipulated on 22 December 2021 (expiring on 18 December 2024).

According to the requirements of IFRS 7 paragraph 14, we state that:

a) with the above-mentioned contract, the Bank has transferred the securities used as a guarantee to the ownership of the counterparty, to guarantee the full right, with their full value and related appurtenances, their exposure, and any other credit or other right due to the counterparty arising from the financing operation, although not liquid or payable, including arising before or after disbursement of the financing;

b) the value of the guarantee deposit is determined by deducting from the market value, the haircut defined by the European Central Bank for the specific activities, as well as an additional haircut defined by Cassa Centrale Banca for the loan brokered.

Securities not reported in assets in the statement of financial position to guarantee borrowings

At year-end, the Bank deposited a nominal €5,4m in securities at the Bank of Italy that are not reported in the statement of financial position assets. Such securities serve in part as a guarantee for the €519,5m financing (see paragraph "Eurosystem credit operations" for details).

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[35] Assets are split into "pledged" and "not pledged" based on the provisions of the legislation in force for the reporting of "Restricted assets on an individual basis" (known as Asset Encumbrance – AEI information base)

[36] In the table, the figure as at 31 December 2020 of the items "1. Cash and cash equivalents and "4. Loans" has been modified to incorporate the provisions of the 7th update of Circular 262/2005 of the Bank of Italy which provides, in order to align the financial statement information to the FINREP reports, that loans to banks and central banks on demand are represented under item "10. Cash and cash equivalents" instead of under item "40.a Financial assets measured at amortised cost - Loans to banks". The reclassification concerned the amount of €19,218,860.

[37] These transactions are those of the targeted refinancing operations (TLTRO-III).

Loans and advances to customers to guarantee borrowings

At year-end, the Bank tied with the Bank of Italy, through the ABACO procedure, a loan portfolio with a book value of €564.4m, in part as a guarantee for the €519.5m financing (see paragraph "Eurosystem credit operations" for details).

Loans and advances to customers to guarantee mortgage borrowings

The Bank has, as assets pledged to guarantee its own liabilities and commitments, entered into loan assignment contracts relating to public works financing in favour of the EIB with two loans signed on 28 November 2005 and 9 December 2008, respectively.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as collateral totalled €5.7m in relation to the contract signed on 28 November 2005 and to €20.8m in relation to the contract signed on 9 December 2008;
b. by signing the above-mentioned contracts, the Bank irrevocably assigned with recourse to the EIB amounts it is owed by the municipalities as a guarantee of the full and punctual fulfilment of all the pecuniary obligations assumed by the Bank based on the loan agreement with the EIB. The credit assignments amount to at least 110% of the loan liabilities to the EIB, from time to time remaining as the result of principal payments madeby the Bank under the loan contract itself;
    - according to the contract signed on 28 November 2005, the assignment of loans would take effect only in the case of the Bank's non-fulfilment of its obligations to the EIB arising from the said loan contract (which is recorded under the Bank's liabilities); the loan assignment contracts are therefore "subject to conditions precedent";
    - according to the contract signed on 9 December 2008 the assignment of the loans, for the sole purpose of guarantee, takes effect immediately and remains valid until the guaranteed obligations are completely fulfilled. The EIB has also granted the Bank a mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

In November 2012, the Bank obtained a new credit facility of €50m by the EIB, against which a first contract for €16m has been signed and fully utilised. Such a contract will be guaranteed by the recourse transfer of receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as guarantee amounted to €12,8m;
b. with the contract referred to above, the Bank transferred irrevocably with recourse to the European Investment Bank, the receivables of any nature due from the final beneficiaries, to guarantee the full and punctual fulfilment of all the obligations of a pecuniary nature assumed by the Bank under the loan agreement with the EIB. The credit assignments amount to at least 100% of the loan liabilities to the EIB, from time to time remaining as the result of principal payments made by the Bank under the loan contract itself;
   The contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The EIB has also granted the Bank a mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

In July 2013, a second contract for the remaining €34m was signed, secured by a surety from the Autonomous Region of Trentino-South-Tyrol. The contract has been utilised entirely. The surety from the Autonomous Region of Trentino-South Tyrol is counter-secured by the sale with recourse of the receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as guarantee amounted to €20,4m;
b. through the aforesaid guarantee contract the Bank transferred with recourse to the Autonomous Region of Trentino-South Tyrol the receivables of any nature, including reimbursement or repayment, due from the final beneficiaries on the basis of the loan agreement that benefits from the EIB resources and of the related guarantee by the Region.
   In accordance with the agreement, the effectiveness of the assignment of the loan is dependent on the actual disbursement by the Region of a payment in favour of EIB.

During October 2019, the Bank obtained from the EIB a new credit facility of €50m, fully drawn down.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as guarantee totalled €45,5m;
b. by signing the above-mentioned contracts, the Bank irrevocably assigned with recourse to the EIB financial receivables it is owed by joint-stock companies relating to financing of plants for the production of energy from renewable sources and/or from public entities, as a guarantee of the full and punctual fulfilment of all the pecuniary obligations assumed by the Bank based on the loan agreement with the EIB. The credit assignments amount to at least 100% of the loan liabilities to the EIB, from time to time remaining as the result of principal payments madeby the Bank under the loan contract itself; the contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The EIB has also granted the Bank a mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

In March 2013, the Bank signed an agreement with Cassa Depositi e Prestiti for the granting of one or more loans on a ceiling amount to be used for granting loans to SMEs. Loans for a residual amount of €24.0m had been granted as at 31 December 2021.
These loans will be guaranteed by the transfer with recourse of receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as guarantee amounted to €27,7m;
b. by signing the above-mentioned contract, the Bank transferred with recourse to Cassa Depositi e Prestiti its future credit rights, of any nature, and any other advantageous legal position in relation to these credit rights towards Assigned Debtors and Guarantors in relation to all receivables.
   The contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The CDP has also granted the Bank a revocable

mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

SECTION 5 – OPERATIONAL RISKS

Qualitative information

A. General aspects, management processes and methods of measuring operational risk

The current capital accord (Basel III) adds operational risks amongst the Pillar I risks – risks for which one is under the obligation to set aside a part of own funds. The operational risk is defined as the risk of loss resulting from inadequate or dysfunctional internal processes, human resources and systems or from external events. This definition includes legal risk (in terms of exposure to fines, or penalties stemming from measures taken by the bank Supervisory Authority) but excludes strategic and reputation risk.

The Basel Committee acknowledges that "operational risk" is a term that may have different meanings to different banks. Still, a clear appreciation and understanding by banks of what is meant by operational risk is critical to the effective management and control of this risk category.

The Basel Committee has identified the following types of operational risk events as having the potential to result in substantial losses: fraud (internal and external), violation of employee health and safety rules, violation of rules regulating the client-bank relationship, damage to property, plant and equipment, business disruption and system failure and finally operational and/or procedural non-compliance).

After evaluating the opportunities and systems for managing operational risk - paying attention to the impact of installation and maintenance costs and to organisational costs and considering the limited exposure to this type of risk - the Bank chose to adopt the basic model. In the future, it might adopt an advanced internal model only after the business model has significantly evolved and diversified.

The Bank, within the scope of internal control systems, developed and continues to develop activities and initiatives on the theme of monitoring and management of operational risk. In particular, the following is worth noting:

- the adoption of the non-compliance risk management model focusing on periodic reports by the responsible department (reports, audit reports, opinions, etc.) to the governing bodies, the General Management and the control structures or functions of the Bank and targeted not only at risk monitoring but at spreading a corporate ethos based on the principles of honesty, fairness and compliance with the rules;
- the composition and activity of the Control Committee: in addition to the corporate control functions, the General Manager and the manager responsible for preparing the financial documents of the Bank also take part in the Committee; The Committee constantly monitors sensitive phenomena with respect to the system of internal control assessing their overall effectiveness in relation to the objectives and limits included in the RAF, coordinates the programmes of activity of the risk control functions and reviews the annual ICAAP and ILAAP reports;
- the focus on the administrative responsibility of the company (Legislative Decree no. 231/2001), whose monitoring is entrusted to the Board of Statutory Auditors in cooperation with the internal structures;
- the creation of the anti-money laundering function dedicated to overseeing regulations under Legislative Decree 231/07;
- the continuation of the traditional assessment of the risk profiles, also on the themes of organisation and IT technologies, as part of the preparation and revision of the Risk Appetite Framework;
- the internal management, as part of the internal auditing structure, of IT audit activities, with the collaboration of the IT audit structure of the Cassa Centrale Banca Group in order to guarantee constant and specialised regulatory and technical supervision;
- the ongoing updating, in accordance with the "New regulations for the prudential supervision of banks" (Bank of Italy Circular no. 285 of 17 December 2013 and subsequent amendments), of a Regulation for the Flow of Information, in order to promote structured forms of communication and exchange of complete, timely and accurate information inside the corporate bodies, between different organs and the governing bodies;
- agreement between the compliance and internal audit functions to enhance the interaction between the two structures and make the functioning of internal controls more efficient, providing forms of cooperation for the conduct of audits; in particular, in this context, it should be noted that the interventions are shared during the drafting of the relative annual plans of the activities and that some audit activities are carried out jointly - each for its own areas of competence;
- the separation of the internal control (compliance, risk management and internal audit) from the operational structures of the Bank, reporting directly to the Board of Directors (the body with strategic supervision and management functions) in order to ensure maximum autonomy of action, hierarchical independence and freedom of access to all information sources of the Bank;
- the continuous process of updating and upgrading of the Internal Control System, with particular reference to maintaining the mapping of business-critical activities and the definition / expansion of the internal second level controls, both for compliance and risk-management;
- the constant updating of the operational processes of the Bank (also through the introduction of automated systems for operational support and control), with particular reference to the related regulations on anti-money laundering, transparency, usury and privacy;
- the introduction of an internal system for reporting violations - Whistle-blowing (computer system for reporting violations that guarantees the confidentiality of the reporter) and the adoption of a specific regulation.

The above-mentioned organisational and operational activities are functional to the constant adjustment of the compliance process with the supervisory regulations, which will see gradual improvement with the support of operational and coordination initiatives to make it possible to gradually apply the best practices on the subject of operational risk management more effectively.

Impacts deriving from the COVID-19 pandemic

The limited size of the Bank, characterised by a territorial structure limited to 6 territorial offices and not dedicated to current activities with *retail* customers, made it possible to contain operational risk through widespread use of agile work. In this context, it is noted that no decrease in productivity was recorded. The management of logistics and health facilities in contrast to the spread of the infection were entrusted to the Operational Continuity Committee - required by the regulations - which met constantly during the year to coordinate the activities and operational interventions as well as communications to internal and external collaborators.

Legal risks

The risks associated with litigation that involves the Bank are constantly monitored by the Legal Department.

Where a legal and accounting analysis shows the possibility of a negative outcome with a probable outflow of financial resources, the Bank shall put aside sufficient allocations to the provisions for risks and charges as a precaution, based on an estimate as reliable as possible, as well as implement settlement policies, if possible.

In particular, it is noted that:

- in 2017, the Bank had adjusted the allocation to cover the revocatory action brought by the extraordinary administration of Giacomelli Sport, following the recent judgement of the Court of Appeal, which declared further payments totalling €11.6m to the company to be ineffective, bringing it to 75% of the amount at risk. During 2018, Mediocredito, enforcing the judgement, returned €1.359m. Considering that the proceedings are still pending before the Court of Cassation and that in any case the objection that may be raised against the loan syndicate leader in the negative case remains active, the loan from the extraordinary administration continues to be recognised as a contra-entry to the provision for legal risks for 100% of the amount reimbursed;
- in 2014, the existence of a contingent liability related to the claim for damages by the plaintiff on the Carolina Srl position for a total of €3.6m was the subject of evaluation; to date, there is no concrete evidence that would support the acceptance of the claims of bankruptcy. For this reason, the Bank does not consider the creation of a special provision dedicated to litigation risks justifiable at the current state of play.

PART FINFORMATION ON EQUITY

SECTION 1 - EQUITY

A. QUALITATIVE INFORMATION

The equity is composed of share capital (ordinary shares) and additional paid-in capital and reserves. The reserves are the aggregate of the legal reserve, the extraordinary reserve, and the reserves created in application of IAS/IFRS. The valuation reserves are the aggregate of fair value reserves related to financial assets at fair value through other comprehensive income, reserves from actuarial gains/losses related to defined benefit plans (severance indemnities) and those reserves that originate from the monetary revaluation of real estate. The adequacy of the equity is also monitored in relation to the minimum capital requirements specified by the supervisory regulations.

B. QUANTITATIVE INFORMATION

B.1 Equity: breakdown

Items/Amounts	2021	2020
1. Share capital	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	87,590	85,296
- profit	87,590	85,296
a) legal	19,768	19,606
b) statutory	55,764	53,544
c) treasury shares	-	-
d) other	12,058	12,146
- others	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	13,506	7,010
- Equity securities designated at fair value through other comprehensive income	9,110	1,259
- Coverage 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	554	1,890
- Property, plant and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Hedging instruments (elements not designated)		
- Exchange differences		
- Non-current assets and groups of assets held for sale		
- Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness)		
- Actuarial gains (losses) on defined benefit plans	(476)	(457)
- Valuation reserves from investments accounted for using the equity method		
- Special revaluation laws	4,318	4,318
7. Profit (loss) for the year	6,471	3,252
Total	**195,894**	**183,884**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	2021		2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	575	21	1,890	-
2. Equity securities	10,062	952	3,709	2,450
3. Loans	-	-	-	-
Total	**10,637**	**973**	**5,599**	**2,450**

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**1,890**	**1,259**	**-**
2. Positive changes	**1**	**8,571**	**-**
2.1 Fair value increases	-	7,752	-
2.2 Net adjustments to credit risk	0		-
2.3 Reclassification through profit or loss of negative reserves following disposal	-		-
2.4 Transfers to other shareholders' equity components (equity securities)	-	819	-
2.5 Other increases	0	-	-
3. Negative changes	**(1,336)**	**(721)**	**-**
3.1 Fair value decreases	(1,329)	(251)	-
3.2 Write-backs for credit risk	(7)	-	-
3.3 Reclassification through profit or loss of positive reserves following disposal	-		-
3.4 Transfers to other shareholders' equity components (equity securities)	-	(469)	-
3.5 Other changes	-	-	-
4. Closing balance	**554**	**9,110**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

	2021	2020
A. Opening balance	**(457)**	**(445)**
B. Increases	**(18)**	**(13)**
B.1 Actuarial losses	(18)	(13)
C. Decreases	**-**	**-**
C.1 Actuarial gains	-	-
D. Closing balance	**(476)**	**(457)**

SECTION 2 - OWN FUNDS AND CAPITAL RATIOS

For a review of Own Funds and capital ratios, refer to the information on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), as well as to the paragraph "Equity and the state of affairs of the Company" in the Report on Operations.

PART H - RELATED PARTY TRANSACTIONS

INFORMATION ON REMUNERATION OF MANAGERS WITH STRATEGIC RESPONSIBILITIES

The remuneration shown refers to the Directors and Managers with strategic responsibilities who held these positions in 2021, as per IAS 24 paragraph 17.

The remuneration paid to members of the Board of Directors and to the Board of Statutory Auditors is established in the appropriate Shareholders' Meeting resolution.

	Emoluments and social security contributions	Bonuses and other short-term benefits	Severance indemnities and pension fund
Directors and General Manager	649	39	29
Statutory Auditors	120		

RELATED PARTY TRANSACTION DISCLOSURE

The following tables were prepared according to IAS 24 and in particular, the breakdown of transactions performed with related parties was carried out in accordance with the instructions outlined in paragraphs 18 and 19 of the same standard.

Receivables and payables

Related parties	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Other assets	Financial liabilities measured at amortised cost	Derivatives (notional)	Sundry payables
Entities that have joint control and significant influence over the Company	-	6,197	19	72,736	-	-
Directors and Managers with strategic responsibilities	-	1,234	-	1	-	-
Subsidiary companies	-	7,379	0	-	-	-
Total	**-**	**14,810**	**20**	**72,737**	**-**	**-**

Financial assets measured at amortised cost

With regard to the amounts shown in the "Entities that have joint control and significant influence over the Company", these are made up for €37 thousand of cash on current accounts and for €6.2m of loans and advances granted to companies functional to the two Autonomous Provinces.

In the item "Directors and managers with strategic responsibilities" the value indicated relates to loans to a company controlled by a member of the Board of Directors, granted prior to the same taking up office.

Under the heading "Subsidiary companies", the value refers to a credit facility granted by the Bank to the subsidiary Paradisidue S.r.l. (based in Trento - Via Paradisi 2, Tax Code 01856850225), for the acquisition and renovation of properties in the context of bankruptcy proceedings. The loan was granted for €10.0m with revocable maturity, with remuneration at the 1-month Euribor.

Other assets

These are mostly items in processing related to pooled transactions.

Financial liabilities measured at amortised cost

These are made up for €51.8m of deposits from a functional company in the Autonomous Province of Trento and for €20.9m of the funds of the two Autonomous Provinces under administration.

Costs and revenues

Related parties	Interest income	Fee and commission income	Dividends/ other revenues	Interest expense	Fee and commission expenses	Other expenses
Entities that have joint control and significant influence over the Company	111	-	-	382	67	3
Directors and Managers with strategic responsibilities	25	-	-	0		
Subsidiary companies	0	4	-	-	-	-
Total	**137**	**4**	**-**	**382**	**67**	**3**

Transactions with entities that have joint control and significant influence over the Company refer to relations with those shareholders who have joint control over the Bank, also due to agreements between the parties. Transactions with these shareholders were carried out under equivalent conditions to those that prevail in arm's length transactions.

The Autonomous Region of Trentino-South Tyrol provides further surety on behalf of the Bank in favour of the EIB for €15.2m; the Bank pays a commission of 0.4% per annum to the Region.

PART L - SEGMENT REPORTING

In spite of the essential single sector character of the Bank's business operations and the associated geographic concentration of activities predominantly in North-eastern Italy, segment disclosures are provided, as the Bank belongs to the category of listed issuers pursuant to transparency regulations.

The present disclosure was prepared according to the requirements of IFRS 8, based on internal reports for the management and the Board of Directors: it makes reference primarily to the classification of activities originated from commercial regional units and, secondarily, the breakdown of business by product. Consequently, the primary reporting basis is by geographical segments and the secondary reporting basis is by economic sector. Less significant data are also reported to observe the management approach to reporting.

Income statement/statement of financial position results are determined on the basis of the following principles:

- the net interest income is obtained by applying the internal transfer rates consistent with the financial characteristics of the products;
- net commissions are punctually attributed to the customer/area/product who/which has generated them;
- direct costs and manufacturing costs have been respectively charged in a punctual manner and on the basis of criteria of reversal of actual costs and only for the primary reporting basis, in keeping with internal management data processed;
- central services costs (Management, Auditing, Planning and Control, Compliance, Risk Management, Administration, ...) have been charged to Head Office;
- statement of financial position components relate to volumes administered by the respective organisational units and are expressed in terms of interest-bearing balances at the end of the period.

SEGMENT REPORTING (NOTES)

The tables that are provided, prepared on the basis of internal management reports and applying the above-mentioned criteria, show a homogeneous distribution of margins among the main regional units.

The Veneto area recorded a greater incidence of costs, characterised by a larger loan portfolio than the other areas. In relation to the cost of risk - also when including the Structure/Head office that also includes changes in the fair value of investments in UCITS - the Emilian area shows higher absolute values while South Tyrol records net value reversals. From a sector perspective, the cost of the risk is concentrated almost entirely in the securities sector.

PRIMARY SEGMENT REPORTING BASIS

A.1 Distribution by geographical area of activity: income statement data in 2021

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amount
Net interest income	**1,834**	**2,351**	**2,343**	**1,188**	**1,303**	**12,937**	**21,957**
Net commissions	254	322	480	152	271	422	**1,901**
Dividends and other trading and hedging gains						4,350	***4,350***
Net interest and other banking income	**2,088**	**2,673**	**2,823**	**1,340**	**1,574**	**17,709**	**28,208**
Write-backs/Adjustments to fin. assets	(466)	302	(1,559)	(1,135)	(2,239)	(2,642)	**(7,738)**
Net income from financial activities	**1,622**	**2,976**	**1,264**	**205**	**(665)**	**15,067**	**20,470**
Total operating costs	(1,183)	(814)	(1,444)	(678)	(697)	(6,931)	**(11,748)**
Profit before income taxes	**439**	**2,162**	**(180)**	**(473)**	**(1,362)**	**8,136**	**8,722**

A.1 Distribution by geographical area of activity: income statement data in 2020

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amount
Net interest income	**1,815**	**2,641**	**2,359**	**1,089**	**1,310**	**9,159**	**18,373**
Net commissions	238	158	222	162	183	479	**1,442**
Dividends and other trading and hedging gains						8,192	***8,192***
Net interest and other banking income	**2,053**	**2,799**	**2,581**	**1,251**	**1,493**	**17,830**	**28,007**
Write-backs/Adjustments to fin. assets	(1,656)	(5,224)	(1,325)	(1,615)	(266)	(2,006)	**(12,092)**
Net income from financial activities	**397**	**(2,425)**	**1,256**	**(364)**	**1,227**	**15,824**	**15,915**
Total operating costs	(1,040)	(770)	(1,359)	(662)	(721)	(6,845)	**(11,397)**
Profit before income taxes	**(643)**	**(3,195)**	**(103)**	**(1,026)**	**506**	**8,979**	**4,518**

A.2 Distribution by geographical area of activity: statement of financial position data Dec. 2021

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/Head office	Overall amount
Lending operations	221,478	212,262	217,892	132,513	134,563	638,109	**1,556,818**
Borrowing operations							**1,460,389**

A.2 Distribution by geographical area of activity: statement of financial position data Dec. 2020

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/Head office	Overall amount
Lending operations	217,772	236,905	226,659	126,585	124,133	634,058	**1,566,112**
Borrowing operations							**1,518,770**

SECONDARY SEGMENT REPORTING BASIS

B.1 Distribution by economic sector: income statement data in 2021

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other assets	Total
Net interest income	**8,833**	**356**	**895**	**648**	**11,224**	**21,957**
Net commissions	*1,531*	*24*	*129*	*203*	*14*	***1,901***
Dividends and similar income					4,350	**4,350**
Net interest and other banking income	**10,364**	**380**	**1,024**	**851**	**15,588**	**28,208**
Write-backs/Adjustments to fin. assets	(9,657)	1,861	(149)	(123)	330	**(7,738)**
Net income from financial activities	**707**	**2,241**	**876**	**728**	**15,918**	**20,470**

B.1 Distribution by economic sector: income statement data in 2020

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other assets	Total
Net interest income	**8,473**	**620**	**950**	**680**	**7,648**	**18,373**
Net commissions	*1,170*	*42*	*88*	*13*	*130*	***1,442***
Dividends and similar income					8,192	**8,192**
Net interest and other banking income	**9,643**	**662**	**1,038**	**693**	**15,971**	**28,007**
Write-backs/Adjustments to fin. assets	(5,845)	(1,821)	(2,164)	(312)	(1,949)	**(12,092)**
Net income from financial activities	**3,798**	**(1,159)**	**(1,126)**	**381**	**14,021**	**15,915**

B.2 Distribution by economic sector: statement of financial position data Dec. 2021

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other assets	Total
Lending operations	839,469	12,602	116,089	84,609	504,049	**1,556,818**
Borrowing operations						**1,460,389**

B.2 Distribution by economic sector: statement of financial position data Dec. 2020

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other assets	Total
Lending operations	832,576	28,422	103,871	103,163	498,080	**1,566,112**
Borrowing operations						**1,518,770**

PART M - DISCLOSURE ON LEASES

SECTION 1 - LESSEE

QUALITATIVE DISCLOSURE

The Bank continuously checks for the presence of contracts potentially falling within the scope of IFRS 16; this activity made it possible to identify as the contracts subject to the new standard the long-term car rentals and real estate lease contracts.
It should be noted that the Bank has taken advantage of the option, provided by paragraph 6 of IFRS 16, not to apply the provisions of paragraphs 22-49, continuing to recognise payments due for the leases as a cost based on the accrual principle, similarly to what has been done in the past for contracts with an amount of less than €5 thousand or with a duration of less than 12 months. The case in question was not present as at 31 December 2021 nor it was during the year.

Contractual changes resulting from COVID-19

Amendment to IFRS 16

According to Regulation (EU) no. 1434/2020 the lessee may, in the presence of forbearance measures on rentals that are a direct consequence of the COVID-19 pandemic and that meet certain conditions, make use of the practical expedient of not assessing whether a forbearance measure is a modification of the lease, accounting for any change in the payments due for the lease in the same way it would account for the change if it did not constitute a change in the lease.
The Bank has neither requested nor benefited, with respect to the lease agreements in which it is involved as a lessee, from changes in the fees that are a direct consequence of the COVID-19 pandemic and, therefore, has not exercised the right to adopt the practical expedient envisaged by Regulation (EU) no. 1434/2020.

QUANTITATIVE DISCLOSURE

With regard to the additional disclosures required by IFRS 16 paragraph 59, refer to:

- Part B, Assets, Section 8 - Property, plant and equipment, for disclosures on rights of use acquired under leases;
- Part B, Liabilities, Section 1 - Financial liabilities measured at amortised cost, for disclosures on lease payables;
- Part C, Income Statement, Section 1 - Interest, for disclosures on interest expense on lease payables.

The following table shows the depreciation charges for assets consisting of the right of use broken down by class of underlying asset.

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Rights of use acquired under leases	(68)			(68)
Buildings	(40)			(40)
Vehicles	(28)			(28)
Total	**(68)**			**(71)**

Long-term rental contracts in which the Bank acts as lessee do not contain clauses that could give rise to potential cash flows that are not included in the measurement of the lease liability, such as:

i) variable payments related to the lease contract;
ii) extension options and termination options;
iii) guarantees on residual value; and
iv) leases not yet signed to which the lessee committed itself.

With regard to real estate leases, however, note that:

i) the Bank is potentially exposed to payments related to the lease contract (referring in particular to the ISTAT revaluation), which are not included in the measurement of the lease liability;
ii) a contract - relating to the rental of parking spaces servicing the Bolzano Head Office, also leased - contains an automatic renewal clause for a further six years; the Bank considers the potential financial flows deriving from this clause to be null and void in that the search for a new building to be used as the head office of Bolzano is underway.
iii) the Bank has not provided guarantees on the residual value of the leased asset, and
iv) has no commitments to enter into lease contracts not included in the value of the lease liability recognised in the financial statements.

Finally, note that no gains/losses deriving from sale and leaseback transactions, as well as income deriving from sub-leasing transactions, were recognised.

SECTION 2 - LESSOR

QUALITATIVE DISCLOSURE

Mediocredito offers finance lease contracts for companies that intend to use real estate that is in furtherance of their economic activity, without the immediate purchase of property (shops, warehouses, industrial plants and sheds, offices, hotels, etc.).
In recent years, the Bank added to this activity public leasing operations (public-private partnerships) and, since 2019, capital goods leases.
As lessor, the risk related to the rights that the Bank retains on the underlying assets is only managed in special cases by entering into buy-back agreements; the estimate of the residual unsecured values used in the calculation of the gross investment in the lease is reviewed periodically for contracts classified as impaired and for lease contracts of significant amount.

QUANTITATIVE DISCLOSURE

1. Disclosures on statement of financial position and income statement

Refer to:
- Part B, Assets, Section 4 - Financial assets measured at amortised cost, for disclosures on lease financing;
- Part C, Income Statement, Section 1 - Interest, for disclosures on interest income on lease financing.

2. Finance lease

2.1 Classification by time bands of payments to be received and reconciliation with lease financing recorded under assets

Time bands	**2021 Lease payments to be received**	**2020 Lease payments to be received**
Past due lease payments	940	985
Up to 1 year	17,478	13,078
From 1 to 2 years	14,090	12,710
From 2 to 3 years	12,887	9,758
From 3 to 4 years	12,454	8,386
From 4 to 5 years	13,532	7,931
Over 5 years	52,765	45,849
Total lease payments to be received	**124,146**	**98,697**
RECONCILIATION WITH FINANCING	**14,335**	**12,225**
Financial income not accrued (-) [1]	14,335	12,225
Residual unsecured value (-) [2]	-	-
Lease financing	**109,811**	**86,472**

	Gross	**Adjust.**	**Net**	**Gross**	**Adjust.**	**Net**
Receivables in the statement of financial position	109,811	3,972	**105,839**	86,472	3,840	**82,631**

[1] In order to allow for the reconciliation between payments to be received and gross loans shown in the financial statements, "Financial income not accrued", equal to the portion of interest implicit in future lease payments net of accruals as at 31 December of each year, is shown at the value calculated using the amortised cost method.

[2] The Bank has not recorded any impairment losses relating to the residual unsecured value of finance leased assets.

ANNEXES

ANNEX 1
COUNTRY BY COUNTRY REPORTING

(in accordance with art. 89 of Directive no. 2013/36/EU ("CRD IV")

Reference date for information	31 December 2021
Country of establishment	Italy
Companies established	Mediocredito Trentino-Alto Adige S.p.A.
Nature of activity	Financial services to businesses Trading and sales Commercial banking services Retail banking services
Turnover (net interest and other banking income)	€30,238,052
Number of employees (full-time equivalent)	80.0
Profit before taxes	€8,722,087
Taxes on profit	€(2,250,700)
Public contributions received	€11,584

ANNEX 2
FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANY PARADISIDUE S.R.L.

(prepared in abridged form under Article 2435 bis of the Civil Code)

Single-member private limited liability company
Registered office at Via Paradisi, 1 – Trento
Fully paid-up capital €10,000.00
Registered with the Trento Register of Companies under no. 01856850225
Member company of "Gruppo Bancario Mediocredito Trentino – Alto Adige"
Under the first paragraph of Article 2497-bis, par. 1 of the Civil Code the Company is subject to the management and coordination of Mediocredito Trentino-Alto Adige S.p.A. with registered office in Trento – Via Paradisi, 1 – Tax code and Trento Register of Companies no. 00108470220 – Bank register no. 4764

- ASSETS
- EQUITY AND LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION

(in Euro)

ASSETS	**31/12/2021**	**31/12/2020**
B. FIXED ASSETS		
I. Intangible assets	**-**	**-**
II. Property, plant and equipment	**1,082,567**	**1,198,695**
III. Financial assets	**-**	**-**
C. CURRENT ASSETS	**6,802,629**	**7,273,906**
I. Stocks	6,002,846	6,424,614
II. Receivables payable within one year	793,962	703,492
III. Financial assets - current assets	-	-
IV. Cash and cash equivalents	6,821	145,800
D. ACCRUED LIABILITIES AND DEFERRED INCOME	**21,333**	**21,745**
TOTAL ASSETS	**7,906,528**	**8,494,346**

EQUITY AND LIABILITIES	**31/12/2021**	**31/12/2020**
A. CAPITAL AND RESERVES	**378,497**	**356,499**
I. Capital stock	10,000	10,000
II. Additional paid-in capital	-	-
III. Valuation reserve	-	-
IV. Legal reserve	1,547	1,547
V. Reserve for treasury shares	-	-
VI. Statutory reserves	-	-
VII. Other reserves	344,952	813,359
VIII. Losses carried forward	-	-
IX. Income (Loss) for the year	21,998	(468,407)
B. PROVISIONS FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. CREDITORS	**7,528,031**	**8,135,977**
Payables due within one year	**7,501,076**	**8,104,729**
Payables due after one year	**26,955**	**31,248**
E. ACCRUED LIABILITIES AND DEFERRED INCOME	**0**	**1,870**
TOTAL EQUITY AND LIABILITIES	**7,906,528**	**8,494,346**

GUARANTEES AND COMMITMENTS

(in Euro)

GUARANTEES AND COMMITMENTS	**31/12/2021**	**31/12/2020**
Personal guarantees issued/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

ANNEX 2
FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANY PARADISIDUE S.R.L.

INCOME STATEMENT

(in Euro)

INCOME STATEMENT	**31/12/2021**	**31/12/2020**
A. PRODUCTION VALUE	**813,263**	**601,086**
1) Revenues from sales and services	623,213	599,482
2) Variation in stocks of finished goods and in work in progress	-	-
3) Variation in stocks of contract work in progress	-	-
4) Increases in own work capitalised	-	-
5) Other revenues and income	190,050	1,604
B. PRODUCTION COSTS	**784,270**	**1,063,887**
6) Raw materials, subsidiary materials, consumables and goods	25,003	-
7) Services	187,816	125,172
8) Use of third parties’ assets	-	-
9) Payroll	-	-
10) Amortisation, depreciation and write-downs	116,128	33,839
a) amortisation of intangible assets	-	-
b) depreciation of property, plant and equipment	*116,128*	*25,031*
c) write-down of receivables included under current assets and cash and cash equivalents	-	*8,808*
11) Variation in stocks of raw materials, subsidiary materials, consumables and goods	421,740	873,100
12) Provision for risks	-	-
13) Other provisions	-	-
14) Other operating charges	33,581	31,776
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	*28,993*	*(462,801)*
C. FINANCIAL INCOME AND CHARGES	**(4,020)**	**(5,606)**
15) Income from equity investments		-
16) Other financial income		-
17) Interest and other financial charges	4,020	5,606
D. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS		**-**
18) Revaluations		-
19) Write-downs		-
E. EXTRAORDINARY INCOME AND CHARGES		**-**
20) Extraordinary income		-
21) Extraordinary charges		-
RESULT BEFORE TAXES	*24,973*	*(468,407)*
INCOME TAXES	(2,974)	-
NET INCOME (LOSS) FOR THE YEAR	**21,998**	**(468,407)**

ANNEX 3
GLOSSARY OF RATIOS

COST TO INCOME RATIO

$$\frac{\textit{operating costs}}{\textit{net interest and other banking income}}$$

The amount of operating costs that are used in the calculation of the ratio shown in the Report on Operations and precisely in the section "Income statement dynamics" (€11.748m) corresponds to the amount shown in item 210. of the income statement (€11.774m), augmented by the net losses on the sale of investments for €1 thousand (see item 250. of the income statement), interest expense on the payable to lessees of €1 thousand, write-backs on provisions for legal risks relating to disputes on loans of €20 thousand and net provisions for risks and charges for commitments and guarantees issued of €9 thousand.
Net interest and other banking income is calculated in the amount of €28,208m, equal to the amount shown in the financial statements (€30,238m) net of the profit on disposal of loans (€1,147m), and the time reversal write-backs on NPLs (€0.688m), the Net result of financial assets and liabilities mandatorily measured at fair value (€0.196m, item 110.b) and interest expense on the payable to lessees for €1 thousand.

TOTAL CAPITAL RATIO

$$\frac{\textit{own funds}}{\textit{risk-weighted assets}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations under section "Equity and the state of affairs of the Company" (€189.227m and €758.714m, respectively).

GROSS DOUBTFUL LOANS TO GROSS LOANS TO CUSTOMERS

$$\frac{\textit{gross doubtful loans}}{\textit{gross loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €30.897m and €1,096.971m, respectively.

NET DOUBTFUL LOANS TO NET LOANS TO CUSTOMERS

$$\frac{\textit{net doubtful loans}}{\textit{net loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €12.319m and €1,053.945m, respectively.

GROSS DOUBTFUL LOANS TO OWN FUNDS

$$\frac{\textit{gross doubtful loans}}{\textit{own funds}}$$

The amount of gross doubtful loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €30.897m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €189.227m.

NET DOUBTFUL LOANS TO OWN FUNDS

$$\frac{\textit{net doubtful loans}}{\textit{own funds}}$$

The amount of net doubtful loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €12.319m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €189.227m.

GROSS IMPAIRED LOANS TO GROSS LOANS TO CUSTOMERS

$$\frac{\textit{gross impaired loans}}{\textit{gross loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €40.408m and €1,096.971m, respectively.

NET IMPAIRED LOANS TO NET LOANS TO CUSTOMERS

$$\frac{\textit{net impaired loans}}{\textit{net loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €22.072m and €1,053.945m, respectively.

GROSS IMPAIRED LOANS TO OWN FUNDS

$$\frac{\textit{gross impaired loans}}{\textit{own funds}}$$

The amount of gross impaired loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €48.408m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €189.227m.

NET IMPAIRED LOANS TO OWN FUNDS

$$\frac{\textit{net impaired loans}}{\textit{own funds}}$$

The amount of net impaired loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €22.072m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €189.227m.

TEXAS RATIO

$$\frac{\textit{gross impaired loans + buildings}}{\textit{own funds + allowance for doubtful accounts (impaired loans)}}$$

The amount of gross impaired loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €48.408m. The amount relating to buildings is shown in the Notes to the Financial Statements, Part B, table 8.1, items 1.a (€1,950m) and 1.b (€5.597m) and table 8.2, item 1.a (€0.116m).
The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €189.227m.
The amount of allowance for doubtful accounts (impaired loans) used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €26.336m.

PAYROLL TO NET INTEREST AND OTHER BANKING INCOME

$$\frac{\textit{payroll}}{\textit{net interest and other banking income}}$$

The amount of payroll (€7.474m) used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics" correspond to the amount shown in the Income statement in item 160.a (€7.474m).
Net interest and other banking income is calculated in the amount of €28.208m, equal to the amount shown in the financial statements (€30,238m) net of the profit on disposal of loans (€1.147m), and the time reversal write-backs on NPLs (€0.688m), the Net result of financial assets and liabilities mandatorily measured at fair value (€0.196m, item 110.b) and interest expense on the payable to lessees for €1 thousand.

AVERAGE COST PER EMPLOYEE

$$\frac{\textit{payroll}}{\textit{average number of employees}}$$

The payroll cost, used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics", amounted to €6.990m and is found in Table 10.1 of Part "C - Information on the Income Statement" in item 1) of the Notes to the Financial Statements.
The average number of employees (80.0) is shown in the Notes to the Financial Statements, Part "C – Information on the Income statement", in the additional table at the end of table 10.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

NET INTEREST AND OTHER BANKING INCOME TO AVERAGE NUMBER OF EMPLOYEES

$$\frac{\textit{net interest and other banking income}}{\textit{average number of employees}}$$

Net interest and other banking income is calculated in the amount of €28.208m, equal to the amount shown in the financial statements (€30,238m) net of the profit on disposal of loans (€1.147m), and the time reversal write-backs on NPLs (€0.68m), the Net result of financial assets and liabilities mandatorily measured at fair value (€0.196m, item 110.b) and interest expense on the payable to lessees for €1 thousand.
The average number of employees (80.0) is shown in the Notes to the Financial Statements, Part "C – Information on the Income statement", in the additional table at the end of table 10.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

TOTAL ASSETS TO AVERAGE NUMBER OF EMPLOYEES

$$\frac{\textit{total assets}}{\textit{average number of employees}}$$

The amount of total assets that was used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics" comes to €1,671.558m, as shown in the financial statements of the Company. The average number of employees (80.0) is shown in the Notes to the Financial Statements, Part "C – Information on the Income statement", in the additional table at the end of table 10.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

ROE – RETURN ON EQUITY

$$\frac{\textit{net income for the year}}{\textit{equity (excluding net income for the year)}}$$

The amount of net income for the year that was used for the calculation of the ratio is shown in the Report on Operations in section "Income statement dynamics" and comes to €6.471m, as shown in item 300. of the Income Statement. Equity (excluding net income for the year) amounts to €189.422m and is the sum of items 110. "Valuation reserves", 140. "Reserves", 150. "Additional paid-in capital" and 160. "Share capital" of Statement of Financial Position liabilities.

RESOLUTION OF THE SHAREHOLDERS' MEETING

With the presence of 108,050,200 shares of 112,470,400 shares that make up the Company's share capital, the ordinary Shareholders' Meeting of 28 April 2022 unanimously

approved

- the report on operations presented by the Board of Directors for the year ended as at 31 December 2021;
- the financial statements for the year ended as at 31 December 2021 (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements);
- the allocation of net income.